No Need to Reinvent the Service Retention Wheel

Customer Retention Ideas are all Around You

Remember the classic customer retention guidebook, “Customers for Life,” written by mega-dealer Carl Sewell? That decision was a turning point for him and for his dealership. He explains that that decision alone made his life simpler, more fun and more profitable. It also launched his quest to figure out “how to do it”. You may be surprised to know that much of what he learned came from other dealers -- The power of peer collaboration and best practice sharing. So let’s see how some dealers have responded to a few well-known service retention truths by way of their real-world, practical strategies to improve customer retention and bottom line profits.

Service Retention Axiom #1: CSI is the key to long-term retention.
This one is easy to understand, but difficult to measure. We've found that comparing and contrasting CSI performance against your peers -- even within a 20 group of like-franchise dealers -- is a challenge. One progressive dealer has stepped outside the box and includes video mystery shopping in his tool kit for assessing and improving CSI in his Texas store. The concept behind the program is quite simply that you have to “Inspect What You Expect” in order to identify the problem, change the behavior and ultimately improve customer satisfaction and retention. Mystery shopping can help you assess your new, used, Service, Parts and Body Shop and Internet / BDC customer experiences. It's a very powerful tool when used to identify those behaviors that need adjusting -- and for reinforcing the behaviors that work -- in order to increase revenue, conversion and retention rates.

Service Retention Axiom #2: Extended service contracts tie customers to the store.
Again, this is a concept that doesn’t escape most dealers and managers, but how are the best dealers doing a better job with their service contract strategy and staying top-of-mind for their customers’ loyalty? Here’s an idea from another 20 group member. This one has not only increased the number of service contracts sold, but it also saves the customer and the Service Advisor time on the Service drive. Simple, yet effective, this dealership places a sticker with the service contract policy number on the inside of the driver’s door next to the VIN sticker prior to delivery. This saves the customer from having to produce the policy information, it saves the Service Advisor and the customer time and it provides an opportunity for the Advisor to sell a contract to a customer who doesn’t have one.

Similarly, a hot topic at 20 group meetings of late is the evolution of the pre-paid maintenance strategy. Overcoming the objection to pre-paid maintenance is easier when the mark-up is understandable and reasonable. By basing the contract price on current retail, the dealer is well-positioned to add only a minimal mark-up (think in terms of just enough to cover the spiff to the cashier, Service Advisor or F&I Manager), but garner a much higher percentage of sales. Dealers are seeing significantly higher take-rates in pre-paid maintenance using this method and the result guarantees increased customer loyalty to the Service Department.
Service Retention Axiom #3: Sales to Service hand-off must be 100%.

Making this happen requires excellent communication and processes between Sales and Service. Here’s an example: When the Sales Department can’t make a deal work for a customer with a potential trade, the Service Department opportunity is just beginning. Rather than attempt a Service hand-off at the time the deal falls through, the dealer has implemented a Service hand-off approximately 10 days after the customer visit. This takes the form of a letter thanking them for visiting the dealership and inviting them to become part of their “family of customers.” A coupon for a special service is included, targeted specifically to repair issues the Salesperson documented during the visit (worn tires, oil leak, etc.). Finally, an invitation is extended to enroll the customer in the dealership’s loyalty program for future Sales and Service offers. The dealer in question noted that this tactic also works well with current customers who don’t visit the Service Department regularly.

Service Retention Axiom #4: Educate customers that you can take care of all of their needs at competitive prices.

So how do you know if your pricing is competitive within your market? Here’s a dealer tip that not only helps ensure that your prices are in alignment with your area competitors, but it also allows you to proactively meet or beat all those special deals out there: have your Parts, Service and Quick-Lane Managers sign up for your competitors’ free e-mail newsletters or loyalty programs. They can then shop price, coupons, features and marketing ideas. This includes other dealerships, aftermarket stores and franchise service retailers.

On a related note, another group member submitted an idea at a recent meeting that has resulted in a marked increase in total customer paid labor gross profit. Every Tuesday is Senior Citizen’s Day and every Thursday is Ladies Day. Seniors get special discounts on Parts and Service, low-cost oil changes, a complimentary car wash and a Dunkin Donuts gift card. Sweet! On Thursdays the ladies get the same great Service deals, but instead of the gift card, they get free manicures. Now think about it -- if your customers have to wait on their car’s repairs, wouldn’t a manicure pass the time nicely for your female (and perhaps male) customers? Heck, I might come in for Service once a month if I didn’t have to pay for my manicure. When delivering this service retention idea at the meeting, this dealer encouraged the other group members to “do something unique that separates your store from the aftermarket stores and show your customers that you appreciate them.”

Excelling at customer retention really comes down to valuing the customer’s business, building personal relationships and taking care of the customer in a superior manner. Carl Sewell contends that the first step is figuring out how good you want to be and then find a way to differentiate yourself from the competition. While Sewell acknowledges that a lot of the ideas he uses in his dealerships are not original, he also doesn’t hesitate to acknowledge the contributions of others to his dealership’s success. In his words, “Those ideas provided the map for us to follow.”

How are you finding those differentiating strategies that will make your life simpler, more fun and more profitable? These dealers put legs to their vision of improving customer retention, found what works, and then generously shared them. Like Carl Sewell, you can see why most dealers cite idea sharing as one of the most valuable features of a 20 group. Take a page from Sewell’s book and leverage the expertise of those who have paved the way with proven strategies that can have a measureable impact on your bottom line. I encourage you join the conversation by making 20 group membership a priority in 2011.

Robin Keller is the Director of Marketing and Communications for NCM® Associates, a leading 20 Group provider to the retail automotive industry since 1947. Our special thanks to Fixed Ops Magazine for the great material provided here.