

Auto Groups Overlook \$230K Per Store in Used-Car Service Opportunities

Study reveals that auto groups could significantly increase customer pay revenue by marketing to used off make buyers who purchase from sister stores



CHICAGO, IL, UNITED STATES,
December 3, 2019 /EINPresswire.com/

-- As auto groups continue to ramp up used-car sales in response to consumer demand and shrinking new vehicle margins, they are overlooking opportunities to service a significant percentage of their used car buyers, according to Affinitiv's Automotive Customer Loyalty study. Specifically, when dealers fail to refer used off make buyers to sister stores within their auto group for service, the group loses up to \$230,000 annually in potential customer pay revenue (CP\$) per store.



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Scot Eisenfelder, CEO, Affinitiv

"If I buy a used Honda at a Toyota dealership, I might take it back to that dealership for an oil change but it's unlikely I'll take it back for a brake job or transmission service," said Scot Eisenfelder, CEO of Affinitiv. "Lost opportunities occur when the Toyota salesperson fails to transfer that customer's information over to the Honda store within their group, so the Honda store can market to and win that buyer's service business."

"In auto groups there needs to be a paradigm shift from individual stores holding onto a perception that they own

all the customers in their database, to treating the group's entire customer database as an asset that can be shared among all dealers," said Doug Van Sach, Affinitiv's Vice President, Strategy & Analytics. "I realize on the new car side this is a bit tricky, but on the used car side everyone's a winner. A store may give away some used off-make customers but in return they will gain used same make customers, which are worth significantly more."

In fact, Affinitiv's data analysis revealed that in every dealership regardless of brand, the average RO amount is 68% higher for a used same make vehicle than the average RO amount for a used off-make vehicle.

Affinitiv's Automotive Customer Loyalty study analyzed data from deals at more than 1,000 auto dealerships. The analysis revealed that among all dealerships, from the first six months of 2017 to the first six months of 2018, used vehicle sales are growing at a faster rate than new vehicle sales resulting in a greater mix of used customers in a dealer's database.

Domestic: Used vehicles as a % of total sales increased YOY from 43.6% to 44.4%

Import: Used vehicles as a % of total sales increased YOY from 42.5% to 44%

Luxury: Used vehicles as a % of total sales increased YOY from 38.9% to 42.3%

"This trend represents a threat to dealers' current service business, as the number of warranty

customers decreases,” said Eisenfelder. “To attract more used customers and achieve greater service potential, auto groups would do well to organize themselves around their customers, instead of organizing around the individual stores.”

In dealerships, the purchase to service (P2S) rate represents the percentage of car buyers that return to the dealership of purchase for service. In Affinitiv’s Automotive Customer Loyalty study, P2S rates were calculated taking all vehicle sales in the first six months of 2018, then looking out 12 months from the deal date to see if those VINs had an RO. Average P2S rates are as follows:

Domestic dealership P2S rate:

Used same make: 48.4%

Used off make: 26.1%

Opportunity gap for auto groups: 22.3%

Import dealership P2S rate:

Used same make: 54.6%

Used off make: 28.5%

Opportunity gap for auto groups: 26.1%

Luxury dealership P2S rate:

Used same make: 51.5%

Used off make: 19.8%

Opportunity gap for auto groups: 31.7%

Affinitiv calculated the potential increase in customer pay revenue (CP\$) an auto group could make per store if it closed the opportunity gaps between used same make and used off make customers.

The potential revenue increase was calculated by comparing the 5-year lifetime value (LTV) of used off make vs. used same make customers. LTV calculations factored in the average CP\$ per RO, purchase to service rates, service retention rates and the average number of ROs per year, per VIN over a 5-year period.

Calculations revealed that auto groups could increase their annual CP\$ by \$230,000 per store, simply by closing the service opportunity gap between used off make and used same make buyers.

“This figure doesn’t take into account that if you convert a used off make buyer into a loyal service customer at another store, that customer is more likely to remain loyal to your auto group brand on the next purchase,” said Van Sach.

To retain used off make customers within an auto group, recommended best practices include:

- When a salesperson sells a used off make vehicle to a customer, make the customer aware of the appropriate brand store within the same group. Offer an incentive for a first visit, such as a complimentary new owner orientation session or a service coupon.
- Ensure that used off make buyers’ customer data is transferred to the appropriate store’s marketing database. Send out a “Welcome to our family” message with clear reasons to choose the dealer for service.
- Mine current databases for used off make vehicle buyers in the last two years, and implement a targeted marketing strategy to recover lost revenue.
- Foster loyalty to the dealer group brand by recognizing and rewarding customers for their cumulative purchase and service activity across the dealer group

For more information about Affinitiv, visit www.affinitiv.com or call 847-955-9740.

About Affinitiv

Affinitiv is a leading marketing technology company serving automotive manufacturers (OEMs), dealership groups, and individual dealerships. Through a technology-driven and consultative approach, Affinitiv enables dealerships to produce, manage, measure and optimize omni-channel communications to drive brand loyalty and increase revenue.

Affinitiv's marketing automation and technology platform is designed to provide a 360° view of customer, vehicle, dealership and marketing campaign effectiveness all in one place. Affinitiv's digital and analytics capabilities support a consistent customer experience through the entire ownership lifecycle. Affinitiv was formed in 2016 and is headquartered in Chicago, IL.

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