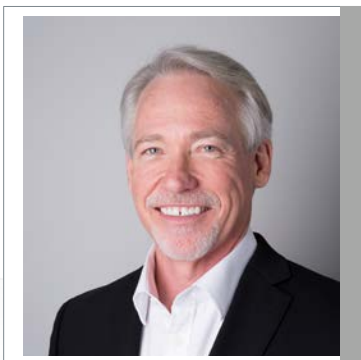


# Turn One-Time Visitors into Lifetime Customers



**Jim Roche**

*VP, Marketing & Managed Services*

Xtime

Redwood City, CA

[jim.roche@coxautoinc.com](mailto:jim.roche@coxautoinc.com)

The views and opinions presented in this educational program and any accompanying handout material are those of the speakers, and do not necessarily represent the views or opinions of NADA. The speakers are not NADA representatives, and their presence on the program is not a NADA endorsement or sponsorship of the speaker or the speaker's company, product, or services.

Nothing that is presented during this educational program is intended as legal advice, and this program may not address all federal, state, or local regulatory or other legal issues raised by the subject matter it addresses. The purpose of the program is to help dealers improve the effectiveness of their business practices. The information presented is also not intended to urge or suggest that dealers adopt any specific practices or policies for their dealerships, nor is it intended to encourage concerted action among competitors or any other action on the part of dealers that would in any manner fix or stabilize the price or any element of the price of any good or service.

## Learning Objectives

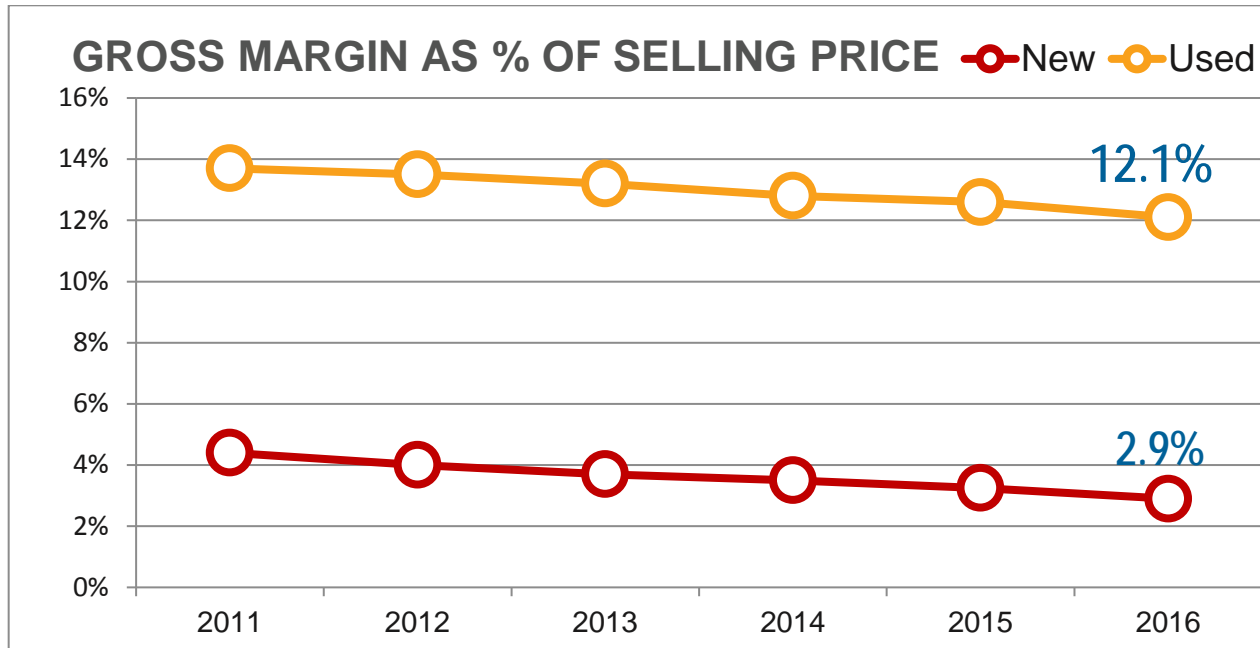
Upon completion of this workshop, you will be able to:

- 1) Describe a customer experience that increases retention and profitability
- 2) Overcome value perception barriers through effective and competitive messaging
- 3) Identify how customer expectations and demands continue to change
- 4) Dispel the myths around traditional car owner behaviors as it relates to vehicle service today
- 5) Emulate the experiences of technology-based companies that have reshaped customer expectations

## Two Things to Agree Upon

1. Objective is profitable growth
2. Consumers are in control

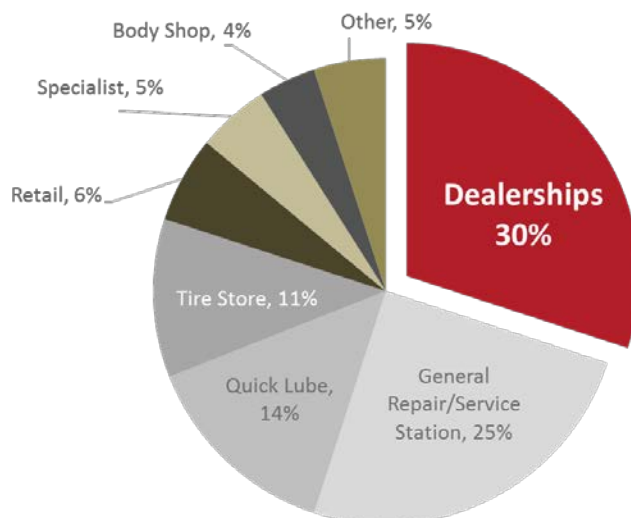
## Margins Continue to Decline



Source: NADA

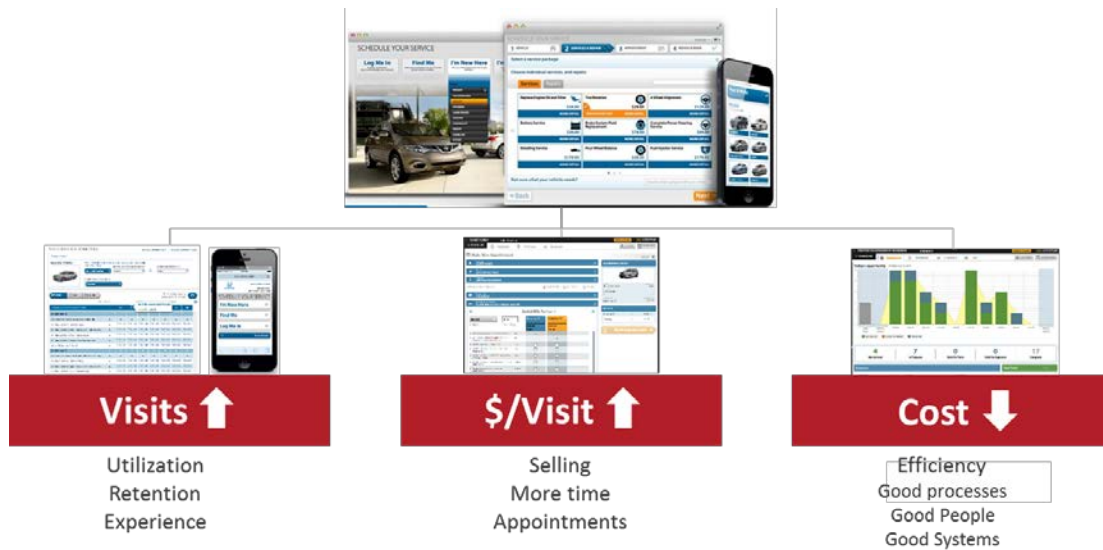
## The Primary Opportunity is Service

Fewer than 1 in 3 service visits are at dealerships.



Source: Cox Automotive Maintenance & Repair Study, 2016

The focus needs to be on growing service, but there are only three areas of control.



Customer retention costs less than customer acquisition.



**64.4%**

of dealerships said  
**customer retention** is  
their primary concern.

Source: 2017 Xtime Market Research Study

## Automotive Brand Loyalty is Changing

**51.5%**

Average automotive industry loyalty

Source: IHS/RL Polk Loyalty Studies

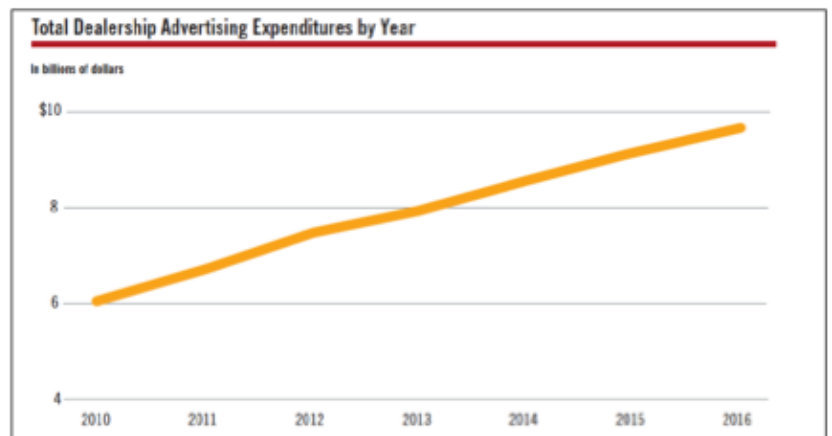
### Top Performers

1. Ford	64.0%
2. Mercedes	57.8%
3. Toyota	57.8%

## Expense Benefits of Loyalty

- Customer acquisition costs \$633 per new vehicle sold<sup>1</sup>
- It costs 10 times as much to obtain a new customer as it does to retain an existing customer

Source: (1) NADA Data 2016, (2) John Wiley & Sons



## Revenue Benefits of Loyalty

According to GM, "Every 1% increase in sales retention translates to a \$700 million increase in revenue annually."

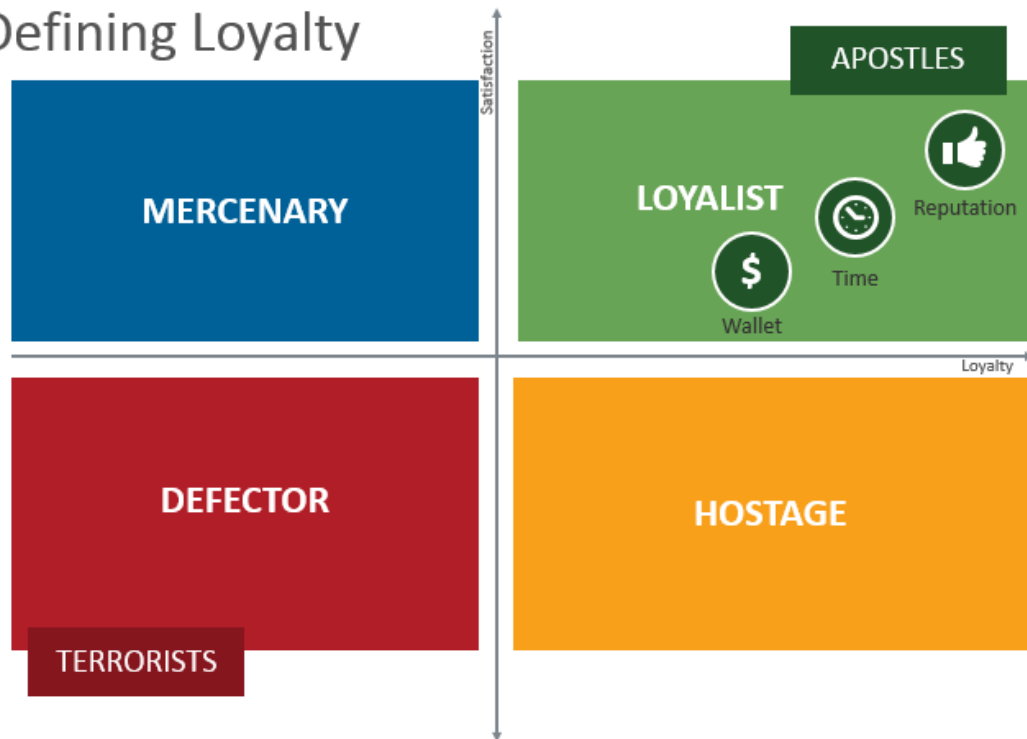
Source: GM's Alicia Boler-Davis at NADA 2014

This is an average of

**\$150,000**

per dealer.

## Defining Loyalty



### Focus on Loyalists

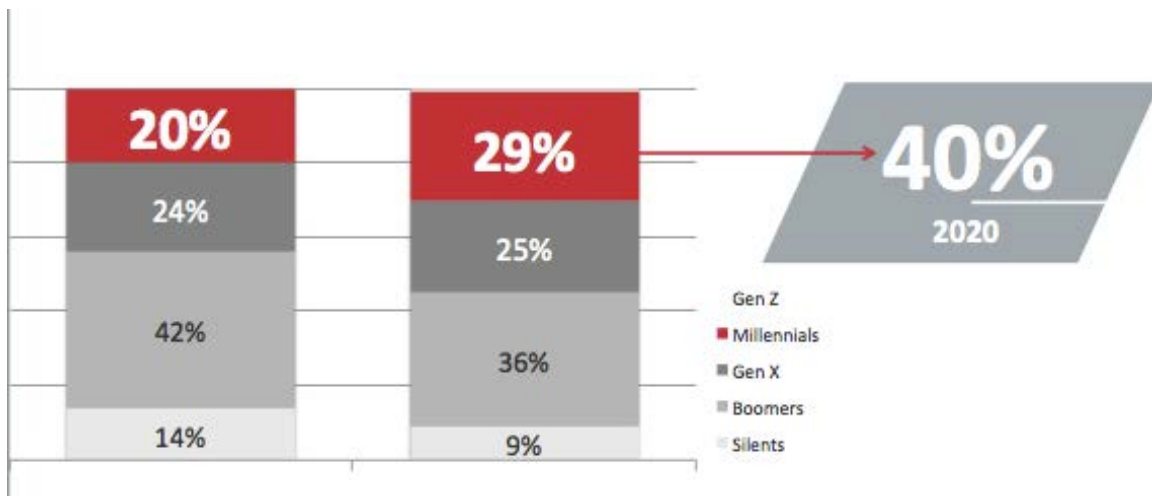
- More sales per customer
- Higher margins
- More referrals

Don't waste your time and capital  
on Mercenaries or Terrorists!

## What's Changed?

Customers are changing.

Millennials now account for a large share of new vehicle sales.



Source: Automotive News, "The Millennials Are Coming"

### Higher Customer Expectations Top the List of Trends

Higher customer expectations are the biggest factor impacting service operations. Customers want:

- A good interpersonal experience
- Easy scheduling and prompt turnaround
- Fair and transparent pricing
- Good communications
- Amenities like a coffee bar, wi-fi, manicures



Customers want more than just having their vehicle fixed correctly.



## Differentiators Are Changing

- Product and manufacturing innovations have created parity
- Differentiated experience is growing in importance
- Gen Y consumers believe customer experience is three times more important than vehicle design

Source: Deloitte – Acceleration of the Connected Experience 2014

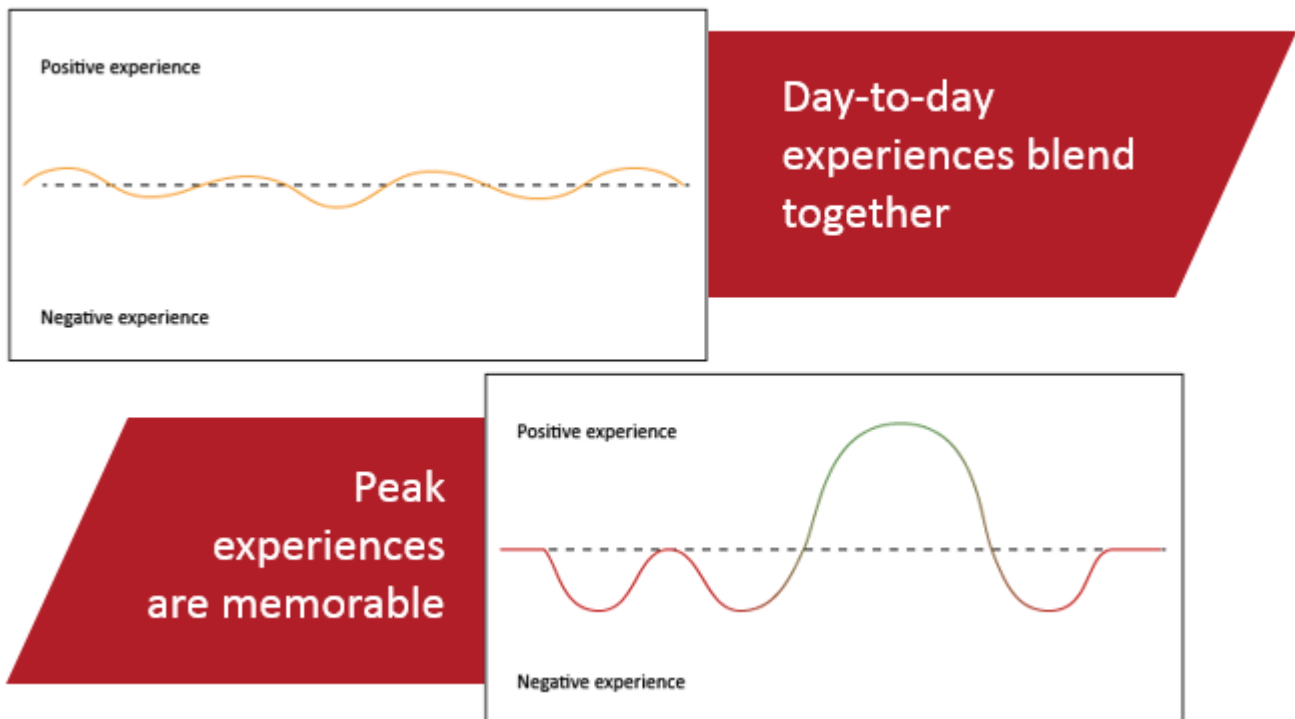
## The Experience is Emerging as the Key Differentiator

- Improving a customer experience from merely average to something that wows the consumer can lead to a **30% to 50%** increase in measures such as likelihood to renew or buy another product
- In 2016, **89%** of companies expected to compete mostly on the basis of customer experience, versus 36% in 2010
- By **2020**, customer experience will overtake price and product as the key brand differentiator

Sources: McKinsey, What it takes to deliver breakthrough customer experiences, November 2015; Gartner 2014; Walker 2014

## How to Create Memorable Experiences

### *The Power of Moments*

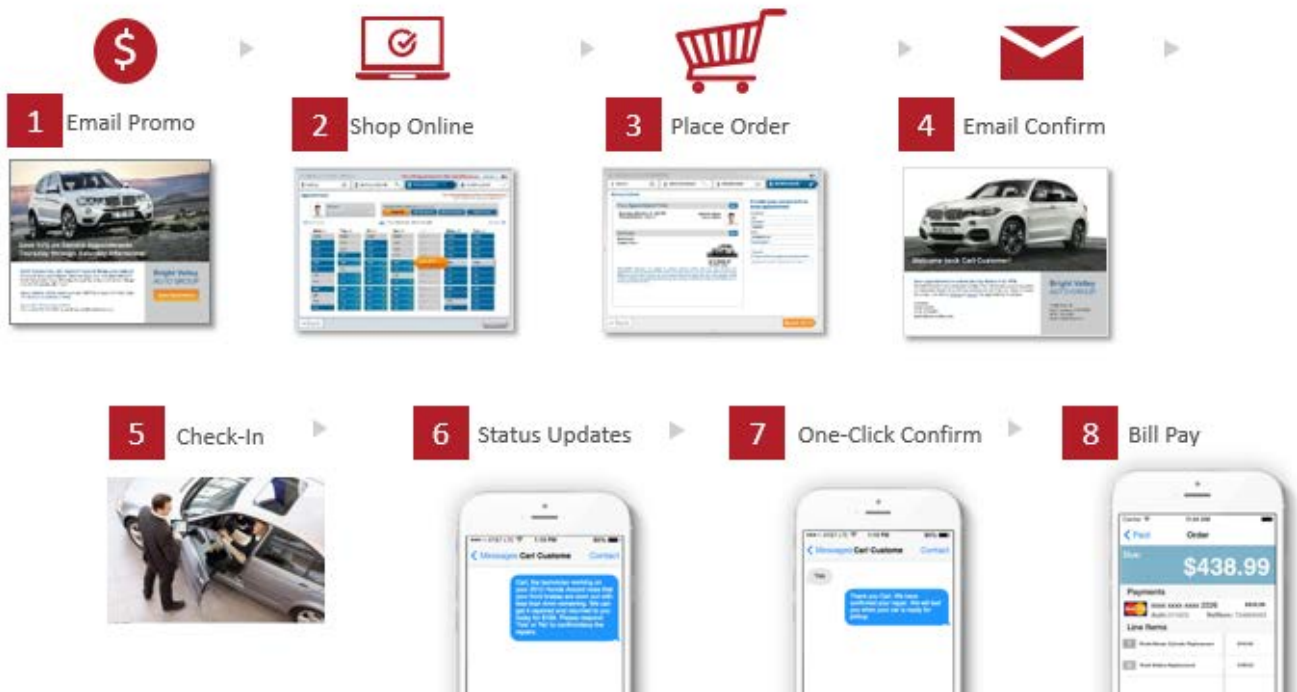


Source: *The Power of Moments* by Chip Heath and Dan Heath

## What Companies are Reshaping the Customer Experience?

- Amazon
- Uber
- Domino's Pizza

If the service experience was like Amazon:



### Amazon position:




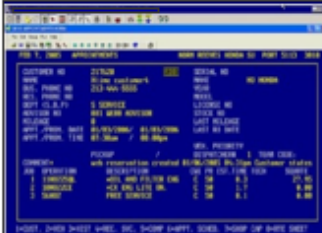
- Currently sells aftermarket parts online
- Launched Amazon Vehicles in 2016 (car-buying research site)
- Sells SEAT Vehicles in France
- Sells Fiat cars in Italy
- Working with OEMs to offer Alexa for in-car services

**50%**

of Americans live within  
one hour of an Amazon  
distribution center.

## Let's Compare Experiences

Today's typical dealership experience compared to others

			
Technology	United Postal Service	Email Request Form	Mainframe
Cost	\$2,000+/month	N/A	\$3,000+/month
Customer Value	Good	N/A	Wait 5+ minutes
Customer Convenience	N/A	57% unanswered	Wait 5 min, 25% unanswered
Customer Trust	Low	Low	Low

Customers want:



### Value

What do I need?  
What does it cost?  
When can I get it?



### Convenience

24x7 access online,  
mobile, telephone,  
& vehicle to service  
recommendations,  
price and availability



### Trust

Accurate pricing  
Appointment  
availability  
Delivery estimates

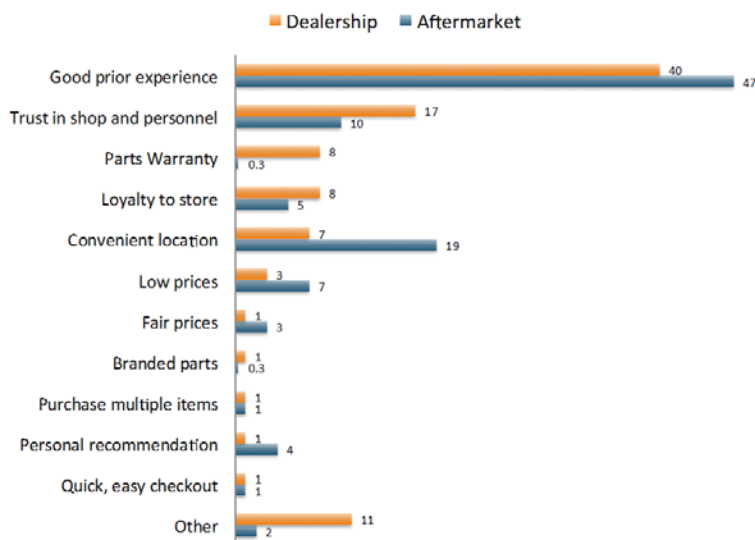


### Quality

Fixed the first time  
Genuine parts &  
equipment  
Certified technicians

## Positive Experience is Important

### Consumer Reasons for Returning



Source: IMR, Inc.

**85%**

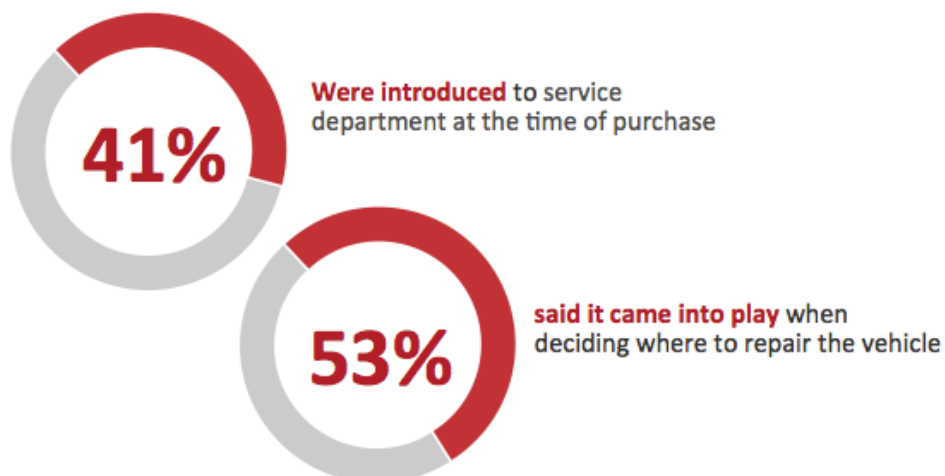
of customers state their experience with the **service department** has influenced their likelihood of purchasing another vehicle.

Source: Cox Automotive Maintenance & Repair Study, 2016

### The 2017 Xtime Market Research Study found that:

- 93.1% of dealers believe the service experience is more important than the actual repair
- 85.1% feel their current systems do not provide a superior ownership experience

The experience begins during the sales process and continues during the ownership journey.



Source: Cox Automotive Maintenance & Repair Study, 2016

Sales and service need to be connected.



Please select a vehicle or enter a VIN x

First Name:  
**ABBY**

Last Name:  
**GUTERMAN**

Phone Number:  
973278 - Work

Select Vehicle:  
2013 Infiniti G37x

VIN:  
JN1CV6AR3DM

Send To Xtime

Relationship-building is important.

**2.3x**

increase in **customer return rate** when introduced to service department at time of purchase.

Source: 2017 Xtime Market Research Study

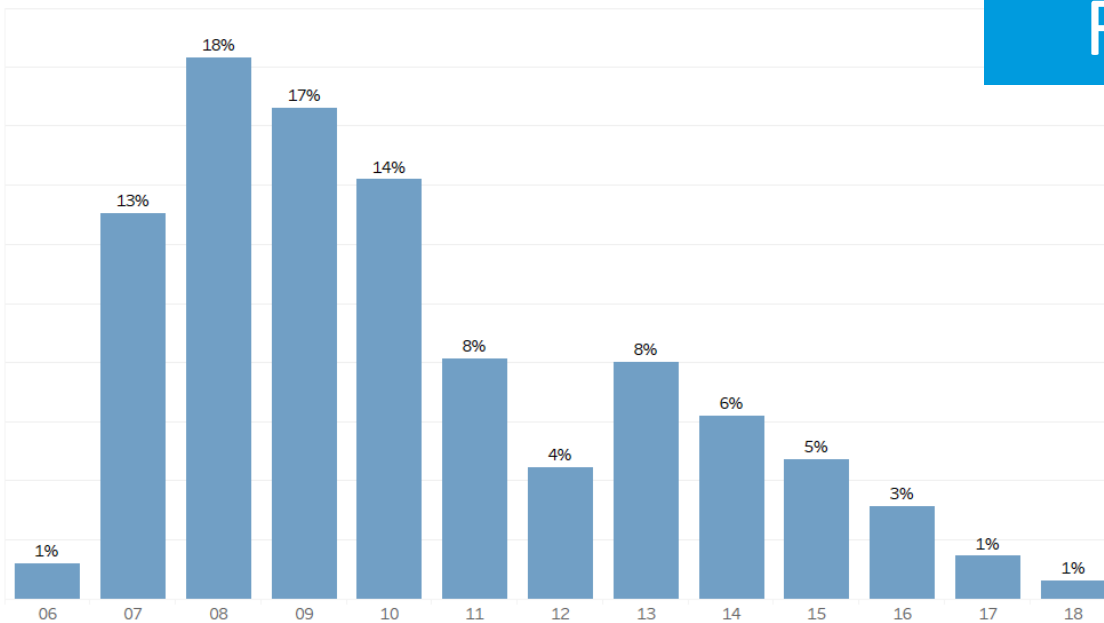
## Common Myths About the Ownership Experience

1. Most service customers are only available early morning
2. Being transparent with pricing is not important
3. Dealership service is more expensive
4. Tablets complicate the service write-up experience

MYTH

## **Fact: Customers Want to Come in Throughout the Day**

% Appointments by Schedule Time



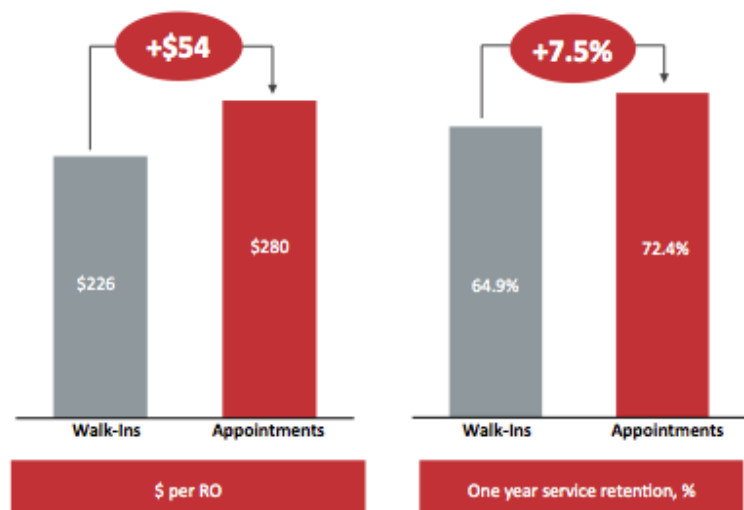
FACT

Source: Xtime, Based on 5096 dealers between Dec 2016 – Nov 2017

- 32% of customers want to come in before 9 a.m.
- 7 – 11 a.m. are still the peak hours for service appointments, but 38% of appointments are outside that

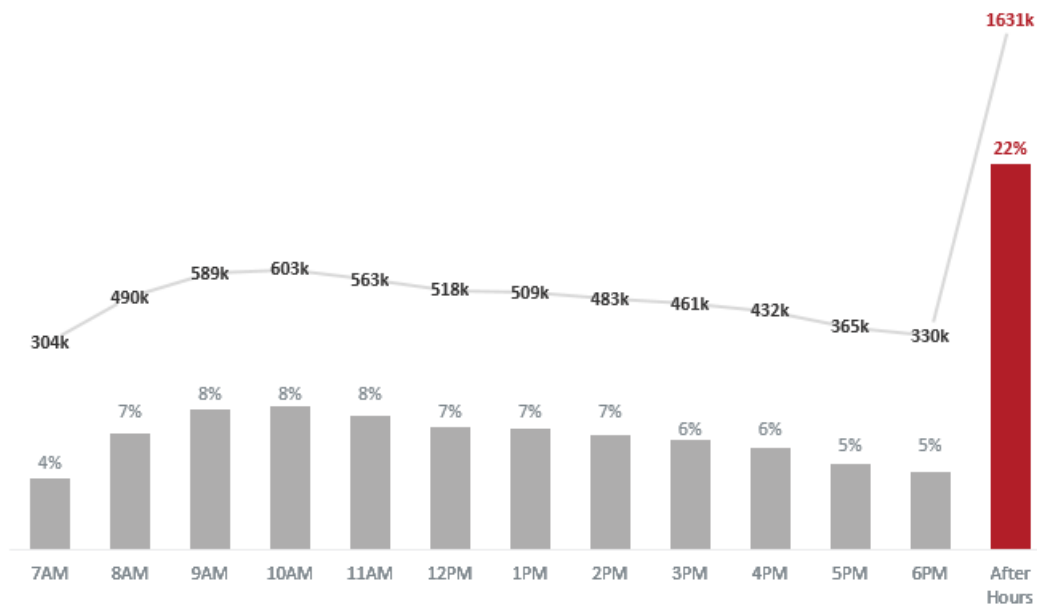
## **Walk-ins are good; appointments are better.**

Source: Xtime, Based on dealers with Go-Live date before 9/1/2016, OEM specific vehicles only, December 2016 – November 2017



- 22% of web customers schedule appointments after hours
- Nearly half are unaware of online scheduling, though 56% of car owners are more likely to service a vehicle at a dealership that offers online scheduling

Source: (1) Cox Automotive Maintenance & Repair Study 2016, (2) Cox Automotive Future of Digital Retail Study 2018



Source: Xtime, Based on 6154 dealers between Sept 2016 – Sept 2017

### Fact: Consumers Want Pricing

- 71% of customers are most concerned with transparent cost estimates when setting appointments
- The average cost of routine maintenance at a dealership is comparable to third-party providers

FACT

Sources: Xtime Market Research 2016; Cox Automotive Maintenance & Repair Study, 2016

---



---

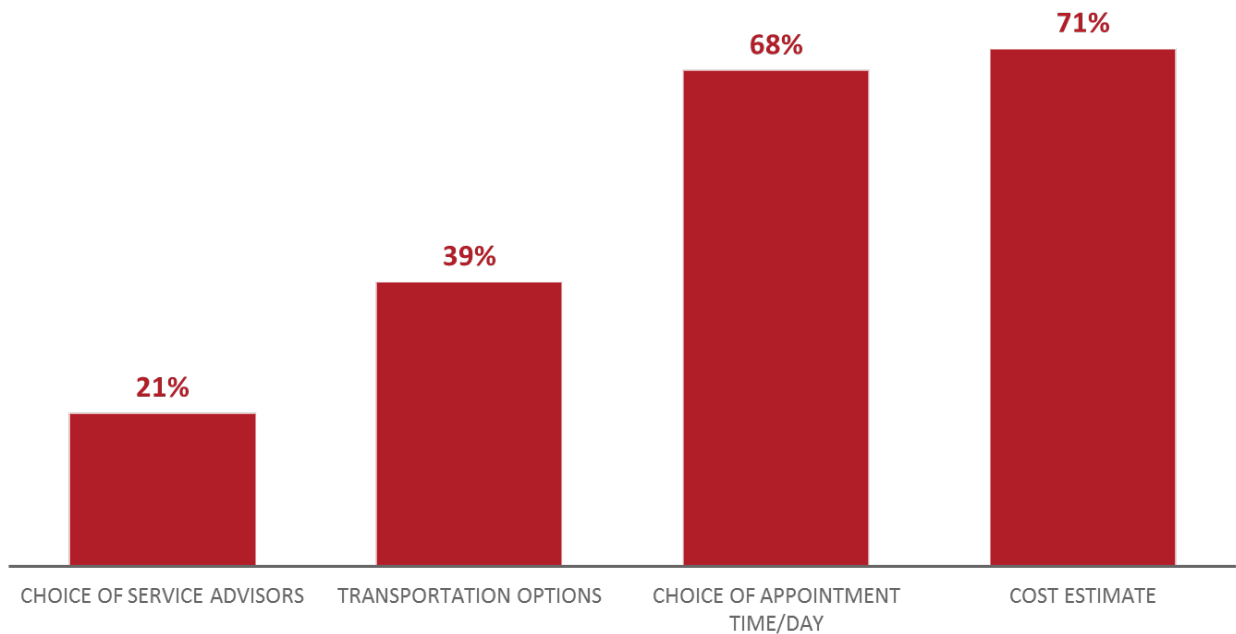


---



---

## Customers' Concerns When Setting Service Appointments



- 55% of car owners are more likely to service a vehicle at a dealership that provides online cost estimates

Source: (1) Xtime Market Research 2016, (2) Cox Automotive Future of Digital Retail Study 2018

### Fact: Price Perception vs. Market Reality

Is your customer's perception "Dealership service is expensive"?

Do you know how competitive you are?

Research data shows each market is different, with these factors impacting price:

- Franchise
- Rural vs. Metro
- Types of Aftermarket Competitors
- Density of Competition

It is becoming essential for a dealership to understand their unique market better — and then learn how to leverage "price" to their advantage.

Source: Data provided by KEEPS Corporation

**FACT**

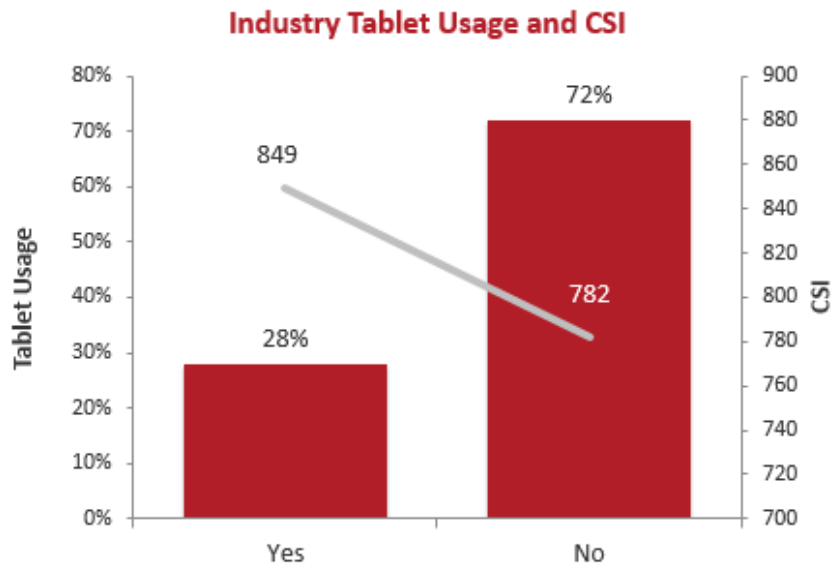
Do your customers  
think dealership service  
is expensive?



## Fact: Tablets Improve the Write-up Experience

### Service Tablet: Overall CSI Impact

Tablet usage grew significantly and continues to produce a significant positive satisfaction impact.



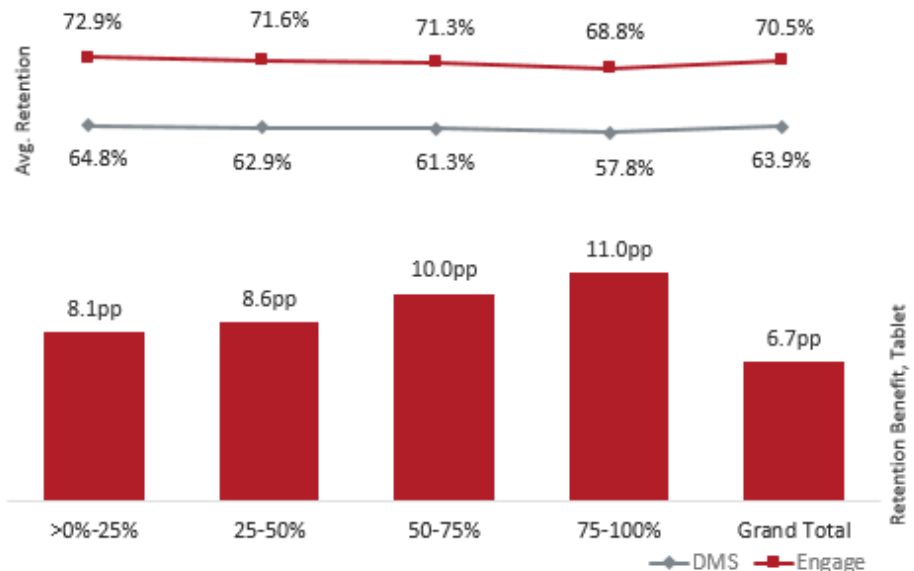
Make	Tablet Usage	CSI Impact	Usage Change YOY
Mercedes-Benz	48%	50	9%
smart	42%	52	n/a
Chrysler	36%	98	11%
Cadillac	35%	61	6%
Dodge	34%	66	11%
Lexus	34%	44	4%
BMW	33%	58	5%
Ram	32%	96	14%
Jeep	32%	67	13%
Toyota	30%	55	3%
MINI	30%	51	6%
Lincoln	28%	66	1%
Infiniti	28%	43	6%
Nissan	28%	56	5%
Scion	28%	99	1%
Honda	28%	50	4%
Audi	27%	63	6%
Buick	27%	49	2%
Hyundai	27%	81	6%
Acura	26%	64	4%
Porsche	26%	57	9%
Kia	26%	90	5%
Jaguar	25%	65	5%
Land Rover	25%	68	2%
Chevrolet	24%	74	2%
Volkswagen	23%	84	4%
GMC	23%	80	0%
Fiat	22%	120	0%
Mitsubishi	21%	87	0%
Ford	21%	69	3%
Volvo	19%	98	0%
Subaru	19%	62	5%
Mazda	18%	86	2%
Industry	28%	68	5%

Source: Analysis of survey data from J.D. Power and Associates, McGraw Hill Financial 2016

### Tablet Use Increases Customer Retention

Higher retention for same advisor at same dealer, regardless of advisor engage utilization.

Retention Increase  
**6.7pp**



Source: Xtime, Based on 89 dealers using Engage and Go-Live date before 5/1/2015, 216,332 VINs and 463 Service Advisors. VIN based retention based on May-July 2015.

## What Can You Do?

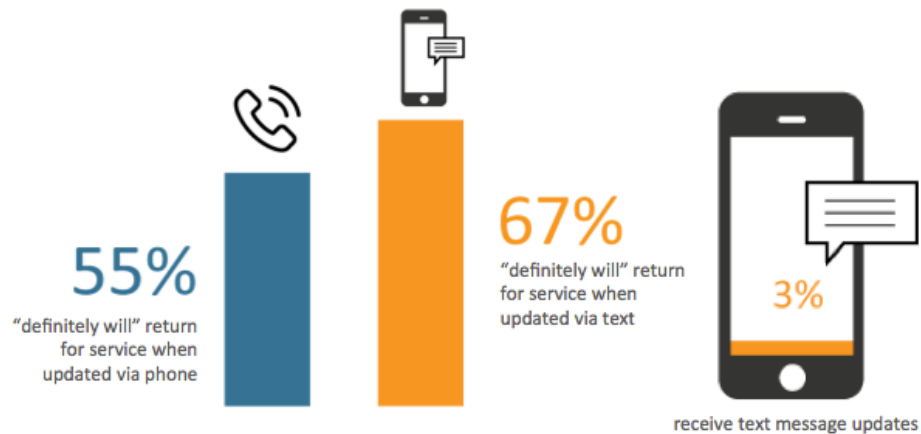
Improve the ownership experience. It impacts:

- Retention
- Revenue
- Growth
- CSI
- Online reputation

A seamless ownership experience is ideal.



Customer updates during service visits also create a superior service experience.



Source: J.D. Power 2017 U.S. Customer Service Index (CSI) Study<sup>SM</sup>

## More Things You Can Do

1. Welcome video from GM or DP
2. Technician sends video to explain additional work and leaves his/her business card on the customer's dashboard
3. Powertrain warranty for life on used vehicles
4. Free "mini-inspections" at any time
5. Vehicle pickup and delivery
6. Self-service kiosk
7. Customer service app
8. Free state inspections
9. Owner rewards program, especially on used

*Source: The Rickess Group*

**Consumers will pay more for a better experience.**

**54%**

would choose to buy from a dealership with their **preferred EXPERIENCE** versus a dealership with the lowest price.

*Source: 2015 Autotrader Car Buyer of the Future Study*

---

---

---

---

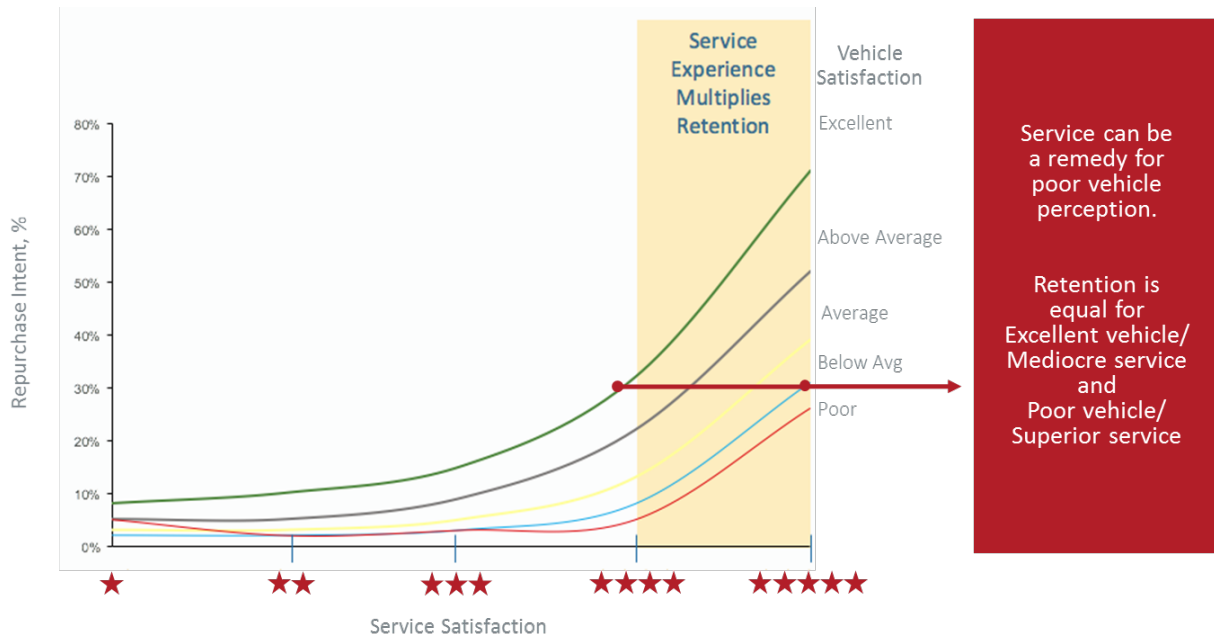
---

---

---

## Ownership Experience is Key to Retention

Retention is driven by both vehicle and service satisfaction.



Source: OEM data based on > 500,000 customer responses

## Recap

**64.4%**

state that customer retention is their primary concern.

**93.1%**

of dealers feel that the service experience is more important than repair.

**85.1%**

of dealerships feel that their current systems do not provide a superior ownership experience.

