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THE MOTOR DEALER REPORT FROM AUSWILD & CO
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HUNTING OR FARMING?

We can all agree that dealership growth and profitability is primarily dependant on increasing the number of new and used vehicle sales.

The traditional and preferred method of increasing the number of vehicle sales is to attract "new" customers to the dealership.

Hunting for "new" customers

The "hunter's" preferred method of attracting new customers to the dealership is to use what we call the "Hope" sales and marketing plan.

Stage one: A large number of advertisements promoting the dealership's "special offers" are placed in newspapers or on radio or TV over a specific time period (this method of marketing called "shot gun marketing" usually generates a higher income for the media outlets than for the dealer).

Stage two: The dealer *hopes* that customers will show up and purchase a vehicle, finance and after market products as a direct result of the "special offers" advertisements. The vehicles purchased as a result of these types of advertising campaigns usually end up being low grossing deals once advertising and promotional costs have been accounted for.

Other hunting options include increasing the marketing and advertising spend, pma mail outs, changing advertising mediums, hiring additional sales staff, changing sales staff, discounting vehicles even more or a combination of all these options.

Dealerships relying solely on attracting new customers for additional vehicle sales have been and still are successful; they do sell vehicles but achieve a lower return on their investment.

Attracting a new customer can cost **five** times as much as pleasing an existing customer. It can cost **sixteen** times as much to bring the new customer to the same level of *profitability as an existing customer*.

Farming the existing customers

Customer Retention is equally as important as attracting new customers. Build a fence around your existing customers before someone else makes them a better offer. 70 % of customers become "inactive customers" because they feel they have been ignored and not appreciated.

Customer retention is imperative for business success for one simple reason – customers drive profits. Today's increasingly competitive market has meant that customers have more options available to them than ever before.

Communicate and build relationships with your existing customers – meet and exceed their expectations and satisfy their needs. By doing this your existing customers are more likely to:

- Stay loyal longer
- Be more receptive to the dealership's marketing campaigns
- Buy more dealer vehicles, services and products
- Refer friends and relatives to the dealership
- Pay less attention to competing brands and advertising and is less sensitive to price
- Cost less to serve than new customers because transactions become comfortable and routine.

The Farmers

What would your reaction be if an organisation came to you with the following offer?

- Supply you with an active customer data base
- Farm that customer data base for you
- Market to the dealership's lapsed customer base
- Carry out dealership promotional activities in conjunction with the vehicle sales departments

While doing all of the above, also contribute 30% to the dealership's total gross. Does this sound too good to be true?

This organisation exists and you know it as the After Sales Department.

The after sales department is potentially one of the most under utilised marketing arms of the dealership but the most cost effective. All that is required is a commitment and direction for the hunters to work with the farmers to achieve the goal of dealership growth and profitability by increasing the number of new and used vehicle sales.

As a dealer, you should include the after sales department in your dealership's marketing strategies. Make customer retention programs a part of your dealership's culture and don't just pay it "lip service".

Customer Retention is equally as important as attracting new customers

*This month's article was contributed by **Alex Hupalo**. Alex is a automotive consultant, mentor & coach and can be contacted on 0415 643943 or by email to alex@alexhupalo.com.au*

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