



Dealer Marketing in a Down Economy The Five Keys to Success

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Marketing in a Down Economy

A slow economy forces everyone to be more efficient. If there are fewer consumers shopping for a new car you must change your approach; and market in new ways to stretch your ad dollars.

How you spend your money is only one of the things you can do to drive business in a down economy.

Get a bigger piece of a smaller pie

In 2006, there were **16.5** million new vehicles sold in the U.S.

16.2 million new vehicles in 2007

J. D. Power analysts projected **only 14.2** million new vehicles this year

The lowest in 15 years



Today we will discuss 5 effective ways to make the most of your marketing efforts and generate sales in a tight economy.

1. Focus in areas that customers are spending money.
2. Reach out to customers who already know you.
3. Get in front of people who are ready to buy.
4. Be smart about the leads you get.
5. Change your message to reflect the current conditions.

The key to profitability during tough times is to watch your service absorption



The average absorption rate nationwide is **46%**

Trend: People are holding onto their vehicles longer

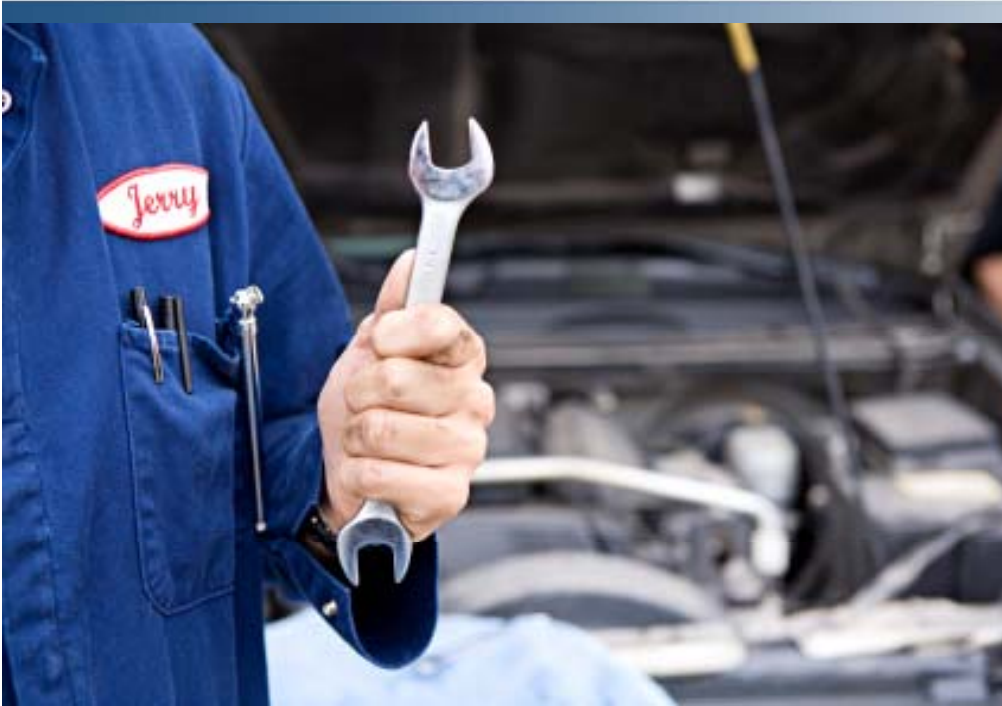
Result: Customers are more likely to spend on vehicle service than purchase a new vehicle.

The median age of vehicles has increased from 8.3 years in 2001 to 9.2 years in 2008.

(Source: NAPA Auto Parts, 2008)



Fight for your customers after the warranty expires



NAPA Auto Parts reported a 3% increase in service & parts sales nationwide from last year. (Source: NAPA, Sept. 2008)

Jiffy Lube, PepBoys and PitStop report the incidence of minor repairs increasing by 62%. (Source: TickerMine survey, July 2008)

The U.S. Department of Labor's Bureau of Labor Statistics estimates the auto industry will need 35,000 new technicians every year through 2010.

(Source: FORD/AAA, 2006)



\$60 billion*

in annual vehicle maintenance is

not performed

*The Car Care Council

Service contributes **10%**
of an average dealerships
revenue*

35-50% of an average dealerships profit*

“It’s not what you make that counts, its what
you keep”



*Karen Dillon president Time Highway Dealer Marketing Magazine Oct 2007

Target your key competitors for parts and service with email and OEM specials

\$3.7 million average parts and service revenue per dealer in 2006.

With an average net profit of over **\$250,000** per dealership.



NADA AutoExecmag.com May2007

ONE: Focus on fixed operations

Parts & Service

Customers will spend more money keeping their car in service longer.

Promote email service specials and service contracts.

Promote new vehicles in the service line; target key prospects for trade-ins, trade-ups and trade-outs.

Mine the CRM database for key service dates and target special service offers



Good service is the key to owner loyalty

86%

Repeat purchase rate if a customer services their vehicle regularly with a dealership

\$590

Average advertising cost per vehicle to
find a new customer



Average advertising cost per vehicle sold
to market to existing customers

< \$100





20%

Higher profit per
vehicle sold to a
repeat customer

TWO: Market to your existing owners

Think parts & service of course, but also to leases, long-term contracts and past customers

Focus on the things customers value in your relationship and
reward loyalty

Loyal owners spend more & cost less to keep than prospects

Email marketing is an easy, efficient & cost-effective way to target your current owners

Be online in the right place; that is where your consumers start their shopping

More than **80%**
of consumers
start their vehicle
shopping online



You can't afford advertising when you don't know if it is reaching in market consumers

You can't measure an ads effectiveness; you're guessing if it works.



THREE: Advertise where in-market consumers are

Spend your ad efficiently – you can't afford advertising if you don't know if it is reaching in-market consumers

Online marketing allows you to reach prospects that have **expressed** purchase intent

The down economy is actually forcing even more consumers online:

...to research and make the right choice

...to find the best value

...to narrow their search and spend less gas on multiple dealers

Be quick & sincere to customers that express purchase intent

20% of consumers want a **response within 4 hours** or they will go somewhere else*

More **than 30%** of leads go unanswered

Of those that switched brands, **23% did so because of poor dealer interaction**



How do we do it?

Right staff?
Right response?
Right tools?
Right process?



FOUR: Manage each leads as if it was the only one of the day

Invest in **training** and process for proper lead management

Consider that many of the **phone leads** come from a **website**

Insure all leads get answered; follow up for at least **14 days**

R. L. Polk & Co. has identified three types of leads: new buyers, loyal buyers and defectors – *approach each accordingly*

It's tough to sell sizzle
in a down economy



| Target Segment | Message |
|------------------------------------|------------------------------|
| Off-Lease | End of program questions |
| Cost of ownership | Fuel, maintenance, value |
| Key mileage points (60K, 90K, etc) | End of warranty, service |
| Want your trade | In, out, up, and down |
| Lower your fuel costs | Comparative costs |
| New Models | Cost of ownership |
| Special finance | Finance challenges in market |
| Hybrid technology | Green and sensible |

FIVE: Modify your message

Think about: **trade-in, trade-up, trade-out and trade-down**

Change the message/feel: when the economy is good, the message is upbeat, exciting; when the economy is bad, **focus on safety & money saving features** (gas mileage, financing offers, extended the life of the vehicle, etc)

Use **the right message for the medium** – i.e. change the message to match the audience in each segment (different messages depending on where & who you are trying to reach with a specific message)



Just because the economy is down doesn't mean you should stick your head in the sand and believe the naysayers or not use emerging technologies...

Thank you for joining us today!

If you would like to download a copy of this presentation please visit www.cobalt.com/research

You may email Ken Pfau with additional questions at kp@cobalt.com