



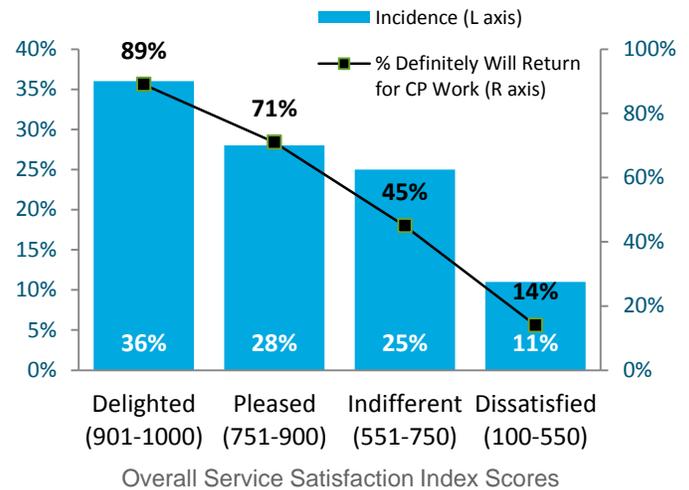
Locking in Service Loyalty

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When it comes to satisfaction of the vehicle service experience at new vehicle dealers, 36% of owners of 1- to 3-year-old vehicles say they are “delighted” with their most recent dealer service experience, while a somewhat lower percentage of owners say they are “indifferent” (25%) about their most recent dealer service experience.

This gap in service satisfaction raises two questions: Does a better customer experience impact future revenue and profit opportunities; and if so, how much? Based on the 2013 *Customer Service Index (CSI) Study*, the answers to these questions most likely are: Yes and much more than might be assumed.

IMPACT OF CUSTOMER SERVICE ON LOYALTY



Source: J.D. Power 2013 U.S. Customer Service Index (CSI) StudySM

Behind the Numbers

- According to the 2013 CSI, 89% of customers who are “delighted” with their last service experience say they “definitely will” return to their dealer for paid service in the future, while just 45% of customers who are “indifferent” say the same. So, how does this 44-percentage-point gap in intended loyalty translate into future revenue and profit differences?
- According to industry estimates, a typical vehicle dealer in the United States writes about 1,200 repair orders per month (or 14,400 per year), at a customer-pay average of about \$250 per visit.
- Based on this data—i.e., a total of 14,400 service customers per year with an average customer paid spend of \$250 per visit—an estimate of annual revenue generated by intended repeat customer-pay service can be calculated as follows: for delighted customers (89% of 14,400): 12,816 X \$250 = \$3.2M; for indifferent customers (45% of 14,400): 6,480 X \$250 = \$1.6M
- As we can see, the revenue generated from “delighted” service customers is nearly twice that generated from “indifferent” customers.
- The difference becomes even more critical when considering the approximately 7% industry average profit margin on service work: “delighted” customers produce \$224,000 in annual net profit, more than double the estimated \$108,000 produced by “indifferent” customers.
- Providing outstanding service experiences may significantly improve the potential for dealers to retain service customers for their next vehicle purchase.
- Notably, 59% of “delighted” service customers say they “definitely will” repurchase the same make of vehicle, while only 23% of “indifferent” customers say the same. With the average price of a new vehicle now at about \$30,000, this difference could amount to millions of dollars annually for a vehicle brand and its dealers.