



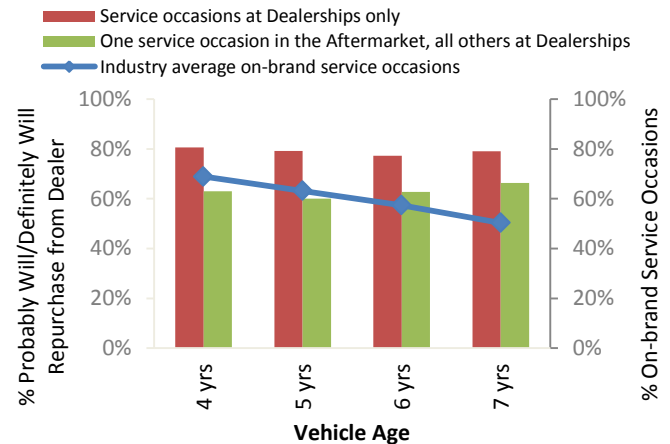
The Seven Year Itch

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The battleground between dealership service departments and aftermarket facilities for vehicle servicing is well worn. As vehicles age, owners consistently defect away from on-brand servicing, with the percentage of such service occasions beginning its decline at 4 years of ownership. By the time a vehicle is 7 years old, dealerships are retaining only half of all their possible on-brand service occasions.

J.D. Power research has shown that dealership service departments serve as a secondary sales department. A 10 out of 10 dealership service experience generates repurchase intent at that dealership 3.1 times higher than when service is rated an 8 or 9. But when is the right time to forgo the increased service revenue of an older vehicle, in order to mitigate the risk of losing the customer?

SERVICE FACILITY LOYALTY IMPACTS LIKELIHOOD TO PURCHASE REGARDLESS OF VEHICLE AGE



Source: J.D. Power 2013 Canadian Customer Commitment Index StudySM

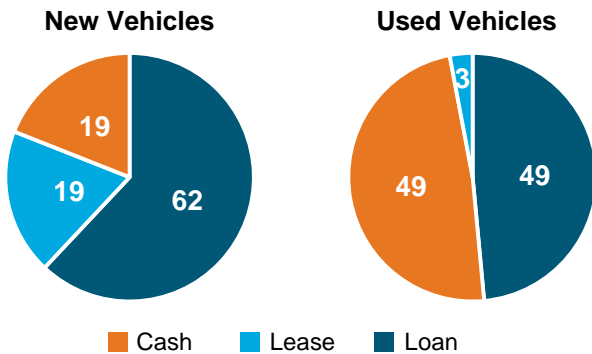
Behind the Numbers

- Every owner eventually reaches that pivotal point where they must decide whether to maintain their ageing vehicle, or purchase a new one. The average age of a trade-in vehicle year-to-date is 6.1 years, according to the *Power Information Network*, which indicates many owners are making the decision to purchase a new vehicle when their vehicle current vehicle is between 5 and 8 years old.
- Within this same time frame, the share of service occasions a dealership is retaining of vehicles that were originally purchased new, is declining from 63% for 5 year-old vehicles to less than half (41%) for 8-year-old vehicles.
- Dealers face a significant risk of losing service revenue to competing facilities when owners continue to drive their aging vehicle. Moreover, when owners have gone elsewhere for vehicle service, they are less likely to purchase their next vehicle from the dealership where their vehicle was most recently serviced.
- Among owners of 4-to-7-year-old vehicles who have serviced their vehicle only at a dealership facility in the past 12 months, 79% say that they “probably will” or “definitely will” re-purchase/lease from the dealership that most recently serviced their current vehicle. When all their service occasions in the past 12 months are at a dealership except just one is at an aftermarket facility, this intent to re-purchase drops to 63%.
- By the time a vehicle is 7 years old, owners are likely to be somewhere in the repurchase funnel, and are increasingly less likely to service their current vehicle at the dealership. To mitigate the risk of losing that customer’s business, service and sales departments need to work together to first identify owners who fall into this group, and secondly, introduce those customers to the latest models while they’re in for service. In this case, the limited upside of service revenue from 8-12 year old vehicles is worth sacrificing in the interests of a more holistic pan-dealership strategy.

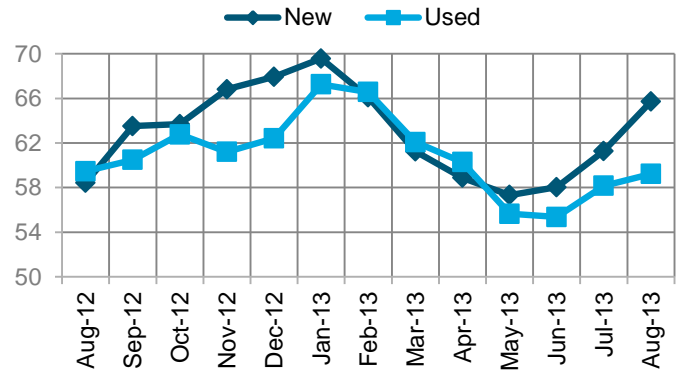
All data including chart is based on vehicles that were originally purchased new.



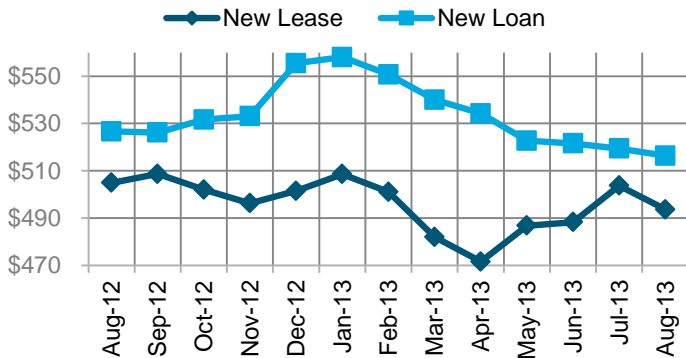
VEHICLE PURCHASE TYPE
Percent of Total Transactions (Past 12 Months)



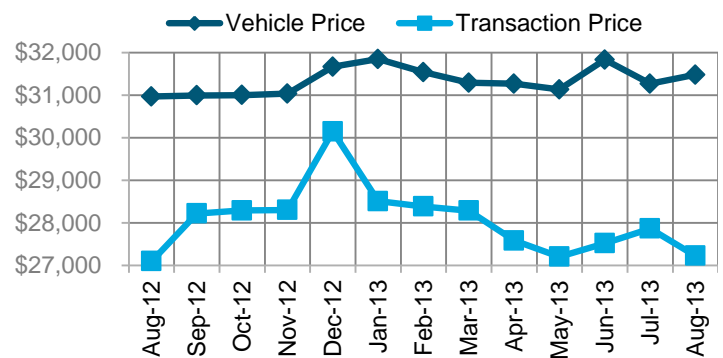
DAYS TO TURN



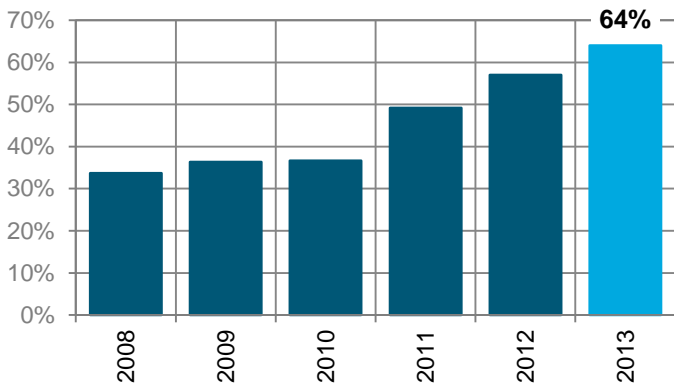
MONTHLY PAYMENTS
Average per Customer



VEHICLE PRICE VS. CUSTOMER FACING PRICE
Data from JCPA PIN Incentive Spending Report (ISR)



PERCENT NEW-VEHICLE LOAN TERM
72 Months and Greater



PERCENT NEGATIVE EQUITY & TRADE-IN
Percentage of negative equity vehicles at trade-in

