

Customer for Life

So is Customer for Life a myth?

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As a general norm, most dealers understand that keeping current customers is less expensive than conquest. The Automotive Retail industry is an extremely competitive market driven by costs and customer service. Dealers need to engage their customers frequently or they stand the risk of losing them at the next oil change. Implementing a loyalty program is certainly a necessity. However, a loyalty program is a long term commitment and can be expensive to implement and maintain. Also, consumers may join the loyalty program purely for the initial financial incentive and will abandon you if a competitor offers a better incentive. So is Customer for Life a myth?

Customer Retention

For a dealer to retain their Customers and to stay profitable in today's market, the question becomes how can the dealership differentiate themselves from their competitors? Does the solution lie in ...

- A more selective customer segmentation strategy to select customers that matches the dealer offerings and inventory? or
- Adapting the car dealer offerings, inventory and incentives to match the consumers evolving demands?

Obviously customer segmentation will be limiting the market that the Dealer can “play” in. On the other hand, the financial and administration cost of constantly adapting to meet the consumers evolving demands can be very high. Either decision will come together with a set of other pros and cons that many dealers are still experimenting today. Is there another way?

Paradigm Shift

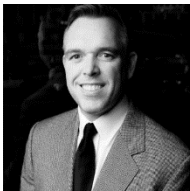
In fact, there may be a third approach. The *Car for Life* program focuses on managing the lifecycle of the car instead of the customer by incorporating a “new lease to re-lease” concept. This mimics the hotel concept where each vehicle is managed as a leased asset instead of a depreciation. With the average age of a vehicle at almost 12.4 years currently, the vehicle can be leased and re-leased multiple turns (3 to 4 times) to different vehicle buyers during the lifecycle of the same car. Furthermore, the car can be leased to a Customer at his desired payment scheme with the ability to trade up or down every 2 to 3 years. In fact, by adopting the *Car for Life* program, the customer will become *Customer for Life* given that the dealer has addressed the customer's needs for affordable payments in a vehicle they desire with continual upgrade.



Additional after-sales revenue can be obtained from the deal as the dealer can require insurance and a service contract be incorporated as part the **Car for Life** program as a requirement higher trade-in at a later date. With this, it allows the dealer to create an organic “used car farm” that is treated as asset with built-in service contract revenue and insurance against inequity at time of trade.

Given the longer average age of the car, this paradigm shift from **Customer for Life** to **Car for Life** will bring ‘life’ to the dealer challenges and ultimately delivers higher yield over the life time of the car and ultimately create **true Customer loyalty!**

*“... it allows the dealer to create an organic
“used car farm” that is treated as an asset with
built-in service contract revenue and insurance”
– Rob Mudd*



Rob Mudd, CEO at SmartCast Global – Integrated Media Executive & Speaker

For more than 20 years, Rob (Robert) Mudd has been integral in implementing revolutionary advertising solutions for thousands of Mudd Advertising clients nationwide. Rob worked his way through every position in the family business and became the lead speaker in the automotive advertising space for the business and remains a loyal ambassador as a Board Member to Mudd Advertising

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