

# ***RULE YOUR KINGDOM***



Get more repeat buyers  
**GET MORE LOYALTY**

# GET MORE LOYALTY



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# CHEAT SHEET

## **How to measure loyalty?**

35% of monthly sales should come from customers who have spent a dollar with you before.

## **Why has it been hard to get loyalty?**

Dealers don't ask for it. Sales people are hunters looking for the immediate kill. Loyalty requires farming and nurturing.

## **Static messages are expensive and inaccurate**

It is impossible to nail the trade details every time and upsets customers when data is not perfect. Not only is mail expensive, but so is an upset customer.

## **Technology has created dynamic experiences**

Dynamic experiences happen online and do not require upfront perfection as they allow the customer to tune the details.

## **You have good data**

Your DMS houses enough good email and SMS-capable cell numbers to see a good ROI when utilizing dynamic experiences over static messages.

## **Your CRM communications may be sending the wrong message**

Birthdays, anniversaries, and orphaned customer emails are not relevant to customers today. They want a quid pro quo in every communication.

## **You could be conquering more customers in service**

Without utilizing a dynamic experience, there are hundreds of customers in service being ignored each month.

## **Most customers do not buy the same car they're driving now**

84% of all sold deals going back to 2014 did not buy the same model they traded. Static messages focused on the same car they're driving now only appeal to 16%.

# Introduction

It has been said at least 35% of monthly sales should be from people who have spent a dollar in the dealership before. I've been in the car business since 1989 and the first time that truly registered with me was hearing it in January of 2023. It was a slap in the face to the former dealer in me because we did not track that metric. Nor did we, the soldiers, care. We hit our numbers and fought the good fight every day. My grandfather, who owned the dealer group, cared about it a lot. He concentrated on his reputation and proved it was a good one through customer retention.

Today, that metric means a lot more to me. I own my own business and finally understand where my grandfather was coming from. Retention isn't the sexiest thing to play with, but it is the true lifeblood of the business.

To put the whole reason for writing this white paper into a simple sentence:  
**Dealers don't ask for loyalty.**

Our sales and service teams are more of the "wham bam thank you ma'am" kind of customer experience. When we're done with one, we're on to the next. Thoughts of touching that customer again only enter our minds when they tell us they want to spend another dollar.

It is the same reason our sales floor struggles with internet leads and phone-ups. They are hunters who are wired for the kill; not farmers who appreciate watching seeds grow. This is why dealers don't ask for loyalty; they ask for kills.



# What Is Loyalty?

People returning again and again to spend a dollar in your business.

As a salesperson, I only thought of loyalty as someone who bought multiple cars from me. I was not paid on whether they bought a part or a winterization package, so I did not think of them using other departments of the dealership as loyalty. Rarely did I know if someone used our service drive unless I physically bumped into them. The sales and service technologies did not mesh.

During NADA 2023, I spoke on a panel with Brian Pasch, CEO of the Pasch Group, where he brought the “35% of monthly sales should come from people who spent a dollar in your dealership before” metric to my attention. It was so striking a metric I opened this white paper with it. But I also asked our prior-M.I.T.-instructor-engineer to help analyze this data amongst hundreds of dealers FRIKINtech has historical sold and service DMS data for.

We looked back to 2014 in sales data and hundreds of thousands of repair orders to match VINs + last names.

9% of sold deals matched customers who had bought the car they were trading from that dealership.

This is why that 35% metric struck me so hard. As a dealer, my loyalty measure was on whether people were trading a car I had sold them. And I knew I was nowhere close to 35% month in and month out.

When we matched service history on sold deals, we found 29% of monthly sales were trading a car with service history at that dealership. And when you combine the pure counts of **trades with sold data** & the **trades with service history** it comes out to that magical **35%**! Woohoo! Metric achieved. Call it a day, stop reading this white paper - pat yourself on the back.

Before you put this white paper down and celebrate, ask yourself, “am I doing all I can to make loyalty easy for a customer to stay loyal to my dealership?” I’m going to venture a guess that you’re also like me and didn’t understand what it was like to be a customer. As I evolved from salesperson to eventually overseeing CRM, website, inventory merchandising, BDCs, and digital advertising solutions I concentrated more on making sure our employees were utilizing things correctly than analyzing how to make a better customer experience. I had to become a vendor and a customer of a car dealership that wasn’t owned by my family to realize how hard I was making things for our customers.



# Make Loyalty Easier

I promise this will be the end of my personal story.

At the age of 31 (then), with over 40 car purchases under my belt, I was a first-time customer. I accepted a job at Dealer.com and moved from Virginia Beach to Vermont. Upon establishing my new address and getting a Vermont drivers license my physical mailbox imploded with letters from the local Audi store letting me know I could trade my car to them. Little did they know I had just bought it because I wanted an all-wheel-drive S4 for the winter weather. But I was in need of my first service.

I called to schedule that service and that was easy enough, but everything changed when I went to the dealership. This particular store had Audi and VW combined and there was one entrance for both brands into the service department from outside. It was your typical Vermont wet and muddy time, so the tracks on the white tiles of the dealership floor were apparent. They went all the way to the VW counter, but they stopped at the red carpet leading to the Audi counter. Behind the VW counter was a disheveled man in a Cintas uniform desperately trying to keep up with the line of VW customers angrily staring him down. As I stepped on the red carpet leading to the man in a tie, he smiled and said "are you Mr. Snyder?" The VW line, standing on their mud puddle, 7 feet away, turned their attention to me. "Uh, yes, I am." The incredibly polite Audi service writer motioned me to approach his counter and confirmed some information, then loudly said "we have a loaner car set aside for you - please allow me a moment to get the porter to drive it up to the front door." 7 feet away, I hear a VW customer ask their service writer "can I get a loaner - I need to get to work?" He replied with something about a shuttle van schedule and no loaners available. Although I was the one getting the literal red carpet treatment, I felt bad.

I've since gone on to buy BMWs, Fords, Mercedes, and experienced other service drives as a customer. I can say the Audi/VW experience of the early 2010s was unique, but none made me want to return as a buying customer. It always feels like the service writer's motives are not aligned with my own. **Everybody has attempted to upsell me something I don't need.**



You need a new cabin air filter. Only one hour of labor!

I'm not alone. Data indicates 28% of people using the service drive bought their car from that dealership. Mostly doing warranty work. Recall that only 29% of monthly sales have spent money in the service drive before.

If you haven't noticed, third-party service centers are going up everywhere! I can't tell who is growing faster, pharmacies like Walgreens and CVS or service shops looking to steal business from car dealers. Loyalty may start on the sales floor, but it is hardened in the service drive.

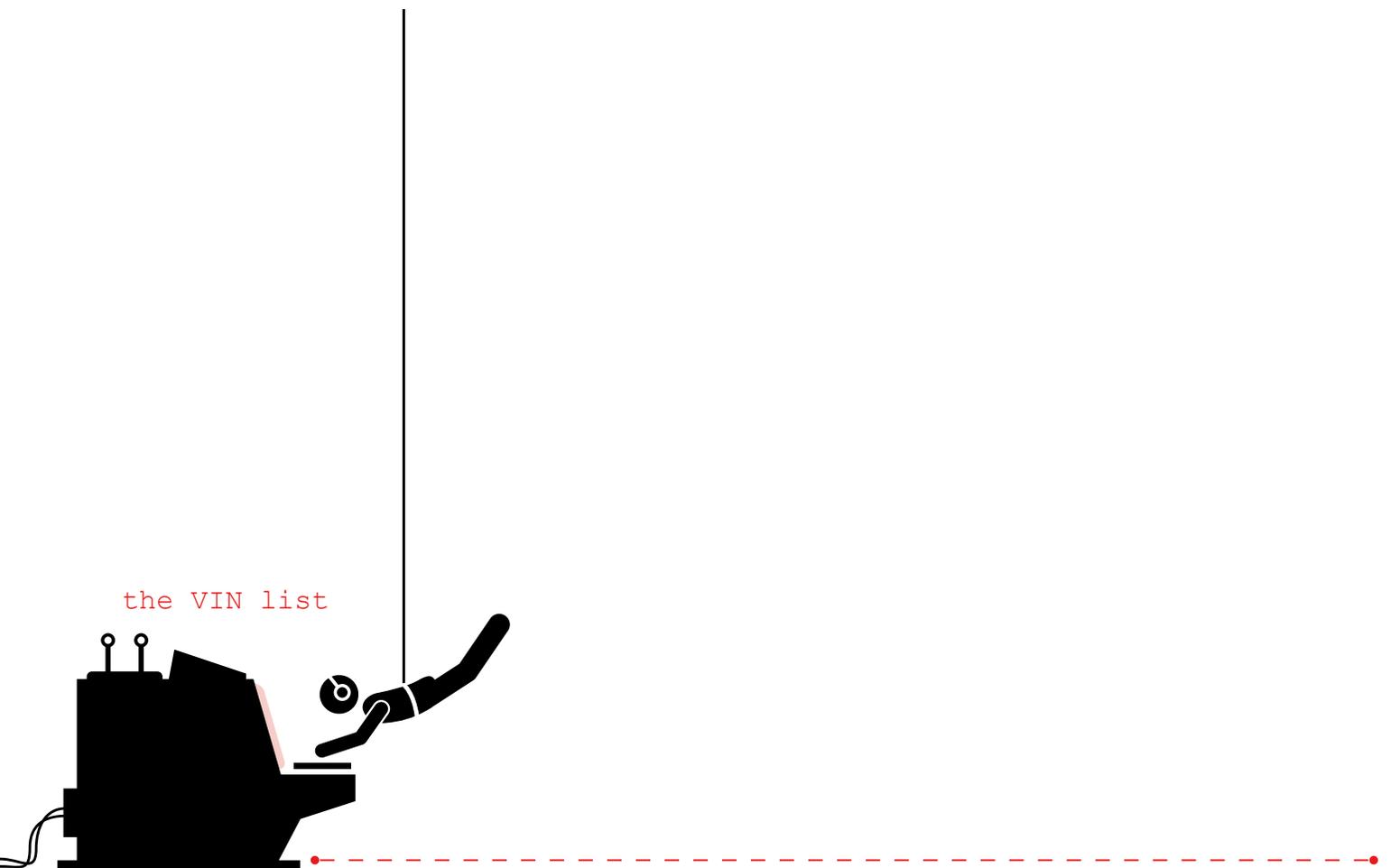
# PROBLEM | Reliance on OEMs

If you liked that last page, you're going to hate this page. Just say "shit" out loud now.

When cars are RDR'd the OEM knows who bought a specific VIN. If they reeeally have their act together they update their database when a vehicle comes in for warranty work. And if they reeeeeeally (using 4 e's now) have their act together, they're also updating on customer pay repair orders. Buuuuut (using 5 u's) my customer-self hasn't seen this connection in my email or physical mailbox yet. I will say they get a little better when you finance with them.

OEMs send equity messages based on VIN only. This becomes especially obvious when you own a Ford, Chevrolet, or General Motors truck. If you know anything about domestic trucks, you know there are 19 billionkajamillion packages, features, cab sizes, bed lengths, drive trains, engines, dually wheels, and Northeast rust problems that the VIN does not detail.

When sending an email or mail piece about buying back a truck, the chances of inaccurate data are way higher than getting something right. And we all love how forgiving customers are on inaccuracies... said no-one who ever desked a deal.



# PROBLEM | Reliance on OEMs

Not everyone buys a truck, so let's look at a Honda. Here's an OEM co-op program my friend Tom received on March 10<sup>th</sup>, 2023:



**UPGRADE NOTIFICATION**

**March 10, 2023**

<b>ACCOUNT STATUS: PAID OFF</b> <b>Account Owner: Thomas Silverman</b> <b>Current Vehicle: 2016 Honda Accord Sedan V6 Touring Automatic</b>	<b>***NEW VEHICLE***</b> 2023 Honda Accord Hybrid Touring Sedan Offer Expires: March 31
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Dear Thomas,

We have reviewed our records regarding your 2016 Honda Accord Sedan V6 Touring Automatic. Based on your typical driving patterns, we estimate that an upgrade to the new 2023 Honda Accord Hybrid Touring Sedan will save you more than \$2,448 in fuel costs over your new finance term.‡ Plus, you may receive up to \$17,797 in equity if you trade in your 2016 Honda Accord Sedan V6 Touring Automatic.

Your limited-time offer\* also includes the following benefits:

**THE HIGHLIGHTS**

- **Drive away with \$0 cash out of pocket, after trade-in of your current vehicle.\*\*\*\*** And a new monthly payment of just \$550.\* That's \$25 less than your previous payment.
- **Clear-cut transactions.** This offer is based on the same 48-month term you chose last time and already includes the estimated sales tax.\*

**ADDITIONAL BENEFITS**

- **Freedom from worry.** Our records indicate your vehicle's original warranty has expired. Upgrade today and receive a new 3-year/36,000-mile limited warranty.‡
- **Save at the pump.** More fuel-efficient technologies will save you an estimated \$2,448.‡
- **Complimentary roadside assistance.** Take advantage of this special offer and get complimentary roadside assistance.\*\*

**SCHEDULE YOUR CONSULTATION BEFORE MARCH 31**

Thomas, we will work with you to ensure you are matched with the best vehicle to fit your needs. Please reach out at your earliest convenience to review the details of this unique opportunity.

Best regards,

Eric Jones  
Sales Manager  
Generic Honda

Fortunately, Tom does own a Honda Accord. Yay! But Tom does not want another Honda Accord. He is thinking about a Pilot and sends me these mailers and emails every time saying "Alex, how can I get "Generic" Honda (*dealer name removed*) to send me something on a Pilot - I keep telling them I want to buy a Pilot next?"

# PROBLEM | Reliance on OEMs

84% of car buyers did not trade their car on the same model they're buying.

We combed over 300,000 car deals back to 2014 for that data. And here are a few ways that percentage can be interpreted:

- The trade inaccuracies your Auto Alert and Automotive Mastermind products bring don't matter 84% of the time... *unless trade values matter* 😬
- Static mail and email messages customers can't interact with are a waste 84% of the time
- Dealers like wasting money on expensive mail messages customers just throw in the trash... that must be it!

I think dealers forget to inspect what they expect when it comes to OEM messaging and co-op programs. The message my friend Tom keeps showing me is an OEM program. And the messages I keep receiving personally are co-op programs on vehicles I haven't owned in years.

If you rely on the OEM to manage your loyalty you are being led by the blind. So, would that make you the compliant being led by the blind?

**84% of car buyers did not buy the same model they traded**



**BUT I WANT A DIFFERENT CAR!**

# PROBLEM | Equity Mining Softwares

On the last page I asked you to say “shit” out loud, this time I’m asking you to say “WTF” at the end.

We already know 84% of customers are not trading the same model they’re buying. And we also know most trade valuations cannot be accurate on a VIN alone. We further understand that sold data (DMS and/or CRM or Timbuktu data) does not contain exact trim and/or exact features and/or doors, and/or bed size, and definitely does not contain the latest miles. We fully fathom the increased cost involved in pulling a full (not soft) credit report to get close to a payoff and that actually getting a payoff from a bank is impossible without customer consent. We also comprehend that customers cannot click into a piece of mail and a PDF attachment in an email works the same way as a piece of mail.

Okay, now that we are on the same page, we also know getting the most accurate mileage data comes from service repair orders and equity mining softwares up-charge for that. What you probably don’t know is that only 28% of customers in service match to prior sold history, so there’s that.

Let’s put this in a nutshell. Your current equity mining software sends a static piece of mail and an email reiterating that same message in a PDF attachment about how much money someone can save by buying the same model car they’re already driving. The trade values are based on VINs only + some extra money from you to get service data to get miles.

84% of customers do not buy the same model car they’re already driving and only 28% of service customers have matchable sold records.

Let me do that math for you.

Only **16% of the messages being sent out are appealing** and **maybe a quarter of those customers** are seeing an **accurate number**.

Let me put my old dealer hat on and take the words out of your mouth: WTF!!!!

$$\begin{array}{ccccccccc} \mathbf{3,000} & \mathbf{x} & \mathbf{16\%} & \mathbf{=} & \mathbf{480} & \mathbf{-} & \mathbf{3,000} & \mathbf{=} & \mathbf{2,520} \\ \text{Customers to hit} & & \text{Will buy the same} & & \text{Customers being} & & \text{Customers to hit} & & \text{Customers who} \\ \text{this month} & & \text{model car} & & \text{okay with message} & & \text{this month} & & \text{think you're an} \\ & & & & & & & & \text{idiot} \end{array}$$

# DEFINITION | Static vs. Dynamic

## What is a Static message?

Static messages require some sort of physical interaction for a positive response. A mailer is static because the main responses are to pick up a phone or drive into a dealership. TV ads are also static. They can become more dynamic when QR codes are used.

## What is a Dynamic experience?

Calls to action that allow a consumer to do something immediately, without needing to interact with a human, and evolve as the result of the interaction, are dynamic. This can be a link to a landing page from an email or text message. It can be a QR code on a TV screen or inside a piece of mail. Dynamic experiences allow the consumer to control what they want to see, and allow us to track their engagement and curate future messaging.

STATIC MESSAGE

**CASSANDRA, DID YOU KNOW...**

**YOU CAN DRIVE AWAY IN A PRE-OWNED 2019 FORD EDGE SEL AWD FOR \$387 PER MONTH.\* HERE IS YOUR OFFER FROM CLONINGER FORD OF HICKORY:**

- Receive up to \$10,353 in estimated trade equity for your 2016 Ford Fusion Sedan SE FWD—after your estimated loan balance is paid off\*\*
- Pay \$387 per month for your new vehicle—just \$12 more than your current payment\*
- Drive away with \$0 cash out of pocket after trade-in of your current vehicle\*\*\*
- Customize your payment structure with help from our team of experts\*

This offer calculation includes all taxes and fees. Visit us online to view this model and our entire pre-owned inventory:  
<https://www.cloningerfordofhickory.com/>

**YOUR PRE-OWNED 2019 FORD EDGE SEL AWD**

VIN: 2FMPK4J97KBC46635***	Interior Color: Black
Stock #: PH2147	Exterior Color: Silver
Mileage: 31,317	MPG: 21 City / 28 Highway

**CONTACT CLONINGER FORD OF HICKORY TODAY—OFFER EXPIRES FEBRUARY 28**

**Brian Palm | General Manager**  
828-282-0750  
brian@justbetterauto.com

See reverse for additional important disclosures.

DYNAMIC EXPERIENCE

10:30 AM 100%

"Show me **PERSONALIZED** payments NOW!"

**Jimmy! It's time to upgrade your 2018 Wrangler Unlimited Rubicon!**

68k miles, Value: \$30,389-\$33,693  
See Full Details  
Powered by TRADEPENDING

**Sell my car to Jones Motors**

Est. Trade Value	What do you Owe?	Your Est. Equity
\$32,041	- \$25,600	= \$6,441

We estimate that you may have **\$6,441 of equity!** Verify your estimated payoff and mileage to get the most accurate payments.

[Add Another Trade](#) [Not Your Car?](#)

I don't have a trade

[See Payments with my Equity](#)

The old world of driving loyalty with static messages is far more expensive because it utilizes expensive media and requires a lot of human hand-holding. Technology's introduction of dynamic customer experiences significantly reduces costs, provides a better customer experience, and allows dealership employees to have a deeper confidence in communicating with that customer.

# PROBLEM | Static = Inaccurate = No Trust

It is 2023 and technologies like ChatGPT are poised to replace your SEO provider, your email responders, managed chat services, and virtually anything written. For at least the past 10 years we have directed customers from ads to landing pages. We know the way to provide a dynamic experience is via a webpage. So much more can be accomplished and tracked in a digital experience. And these experiences are easier than ever to generate.

Things are too complex for a newspaper ad, short email, text message, or anything short of a novel in the mail. Let's not forget the FTC has some say in how much more they want disclosed, so we need to embed even more into a message. Printed delivery mechanisms can only entice. Non-digital experiences, as the sole delivery mechanism, are unnecessary in a digital world.

Compliance, clarity, and accuracy require a digital experience.

When a mailer is the initiation of an offer, that mail piece must nail the customer's payment history, how the customer originally bought the car, how the dealer sold the car, how taxes are & were applied (you should see leases in Chicago), what the market value is today, and the toughest part of all: getting the trims and features correct (think about domestic pickup trucks).

Why must a mailer be so precise?

When the customer sees the offer and any numbers or vehicle data is inaccurate, they turn off. They might get angry. Inaccuracy erodes trust.

This is a major reason why static mail offers and the PDF-attachment emails **most equity mining solutions send fail when personnel from the dealership do not make phone calls** to those customers. It is also why the largest expense of an equity mining solution is in the employment of the support staff that has to constantly get in front of dealers to make sure managers are pushing their sales team to call these customers.



# PROBLEM | Loyalty messaging from CRMs

When we get our shiny new CRM we either import all those processes and email templates we made years ago or dump everything for what the new CRM provider suggests. In both cases, the focus is typically on the prospecting process prior to the customer buying a car. When they buy a car, we don't put as much effort into that part of the communication process.

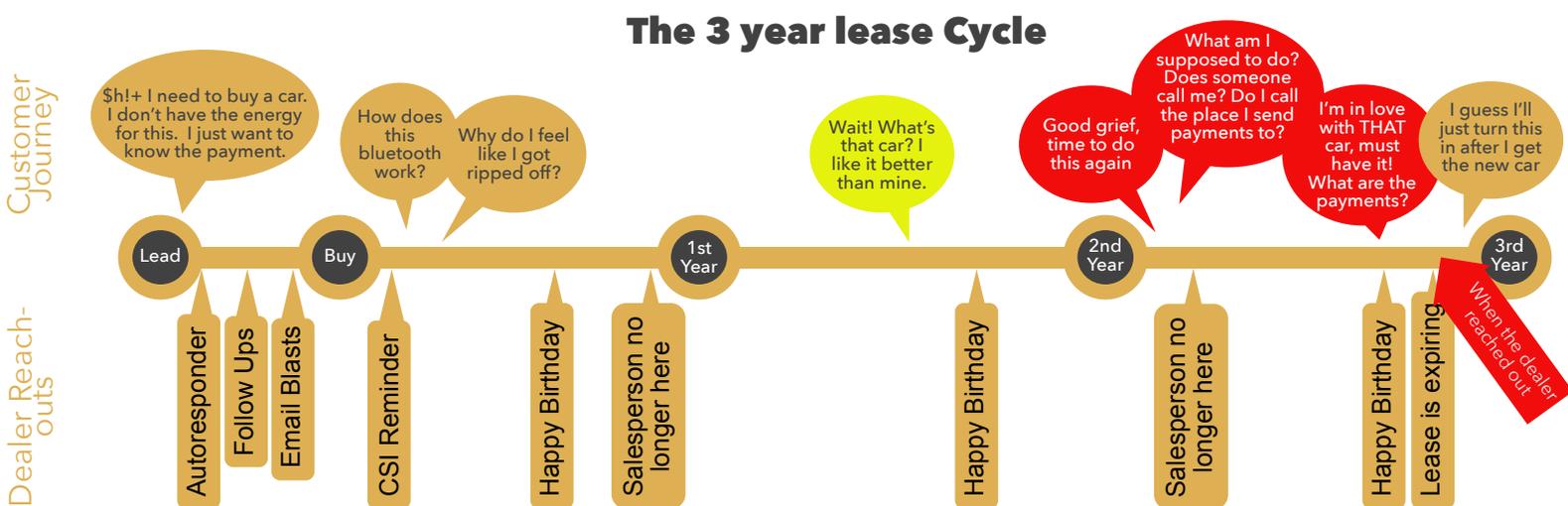
Commission checks come from people who are buying this month!

The average franchised dealership sold database is 22,000 customers. In years outside of pandemics, an average month of sales for a store like this is 180 deals. It is those 180 deals, or .08% of the customer base, that pay our sales team each month.

So, what do we communicate to the 99.02% that aren't buying this month from the CRM?

- Happy birthday
- Vehicle purchase anniversary
- Meet your new sales agent (orphaned customer)

If your store experiences a lot of turnover, your customers may be meeting a lot of new salespeople.

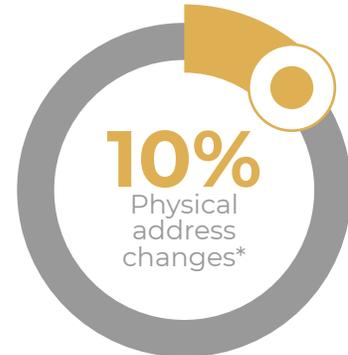
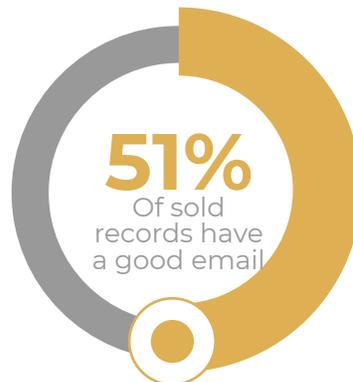
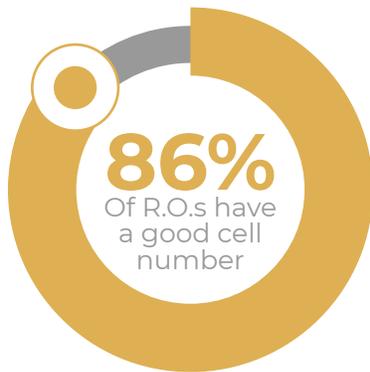


Do your customers care about these things? Do you?

It is time to get into the solutions for keeping customers loyal.

# SOLUTION | The Data is Fine

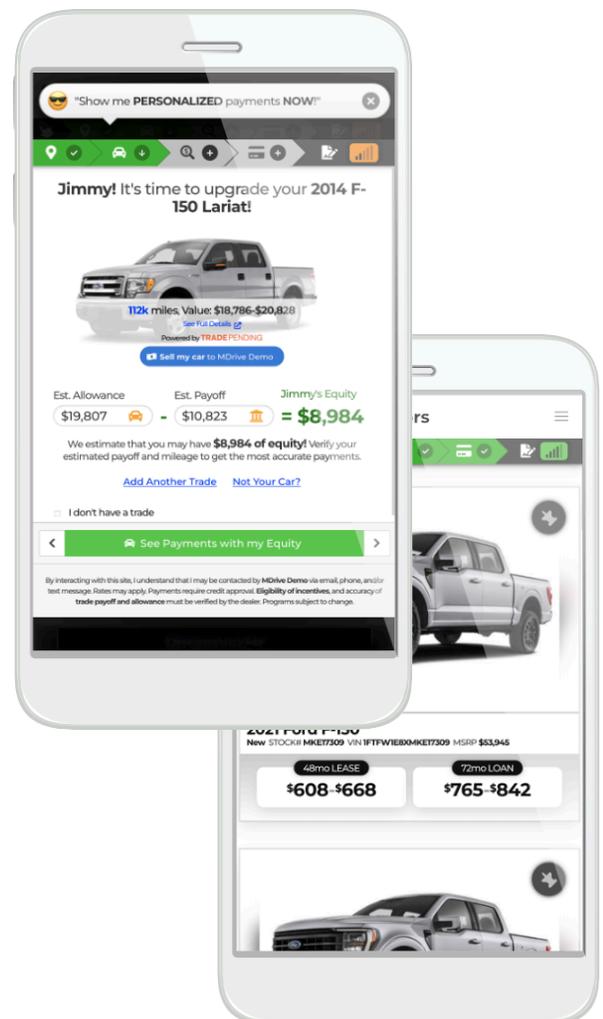
You have excellent data in your DMS. It contains how a vehicle was purchased, the best contact information at that time, the last time they serviced with you, the most recent miles, and the best contact information at that time.



There is a plethora of trade-valuation market data tools to get a timely valuation of the customer's car. When modern technology is implemented, in equity mining, the need for nailing a payoff is unnecessary. Digital experiences allow the customer to explore many options instead of reading one option on a piece of paper. They can inform an online experience that they paid their car off early or missed a few payments because of a layoff last year.

Even though equity mining has not evolved in the past decade, much has changed since equity mining came to the car business. Mail is no longer needed as a first pass. Email can be far more engaging when it isn't built around an attachment. Tracking has become so efficient the need for cold-calling customers has been demolished.

Between the data your dealership is already collecting and technological advances, the hoops people need to jump through have significantly diminished.



\*Every year, 10% of physical addresses change. According the U.S. Census there were 334.5 million people in the U.S. in 2022. According to the U.S. Postal Service there were 33.2 million address changes in 2022.

# SOLUTION | Rethinking Communications

With a delivery date (sold date), a simple linear follow-up process can be built just like your CRM does it. Assuming you have a CRM system, you can make changes to this part right now.

When a customer drives off the lot with a newly purchased vehicle, they're excited! They can't wait to show it off. As dealers, we do not get to experience the next few days with them and all the emotions that come with learning the new car's features, how friends and family encourage or discourage their purchase, or whether buyer's remorse sets in.

No car purchase was done rationally.

"Every customer wants a pat on the butt to know they're making a good decision."

- Mike Jobson (my first used car manager)

To which he followed with "if we were rational about buying cars, we'd all be driving the excellent Hyundai Accent for \$6 grand." This was late 1990s wisdom that still holds true today... *except we're no longer selling new Accents for \$5,990.*

Basically, our customers are batshit crazy and it is our job to play psychologist. That job does not end when they drive over the curb.

In the days after purchase, they're going to have questions about features or how to set something up. Offer to assist with a quick email inviting their questions. You can close that email with a reminder about CSI. *Quid Pro Quo.*

**quid pro quo** | ˌkwɪd ˌprō ˈkwō |  
noun (plural quos)  
**a favor or advantage granted or expected in return for something:** *the pardon was a quid pro quo for their help in releasing hostages.*

ORIGIN  
mid 16th century (denoting a medicine substituted for another): Latin, 'something for something'.

# SOLUTION | Rethinking Communications

Birthday emails feel forced and generic. They're especially bad when you've received the same one for 10 years! A handful of customers appreciate it, but it is super artificial for the rest of us. I've bought over 40 cars in my life and every dealership sends me birthday emails. They're super annoying and nobody stands out.

Instead, let's stick with the anniversary of their car purchase, but bring some actionable items to it. On the first anniversary, let them know they can schedule service online and that OEM parts help maintain cars better. If you can differentiate your CRM processes between new and used cars, you can add a bit about upholding new car warranties.

Many people **start to think about their next car after 18 months**. The luster has worn off and other cool stuff may be beginning to catch their eye. On the second anniversary, you can invite them to learn about all the cool new advances that have happened to the cars you carry. Maybe ask if they've considered changing to a SUV/pickup/sedan/convertible/etc. Let them know they may be in position to get out of their car in the next few months or that their lease is going to expire and it is time to start thinking about what's next. You don't want to be the dealership asking to do business again after they've already made a decision - get ahead!

If you send an orphaned customer email, STOP. STOP THAT CRAP RIGHT NOW! All you're doing is telling customers, who really don't care about who their sales agent was, that you can't manage your dealership.

The orphaned customer email is the most common email sent after someone buys a car.



**1/3<sup>rd</sup>**

Of dealership sales staff turnover each quarter

## **SOLUTION** | Bigger Opportunities

In February of 2023, we analyzed service repair orders that had matching sold history on them. We looked at sold deals going back to 2014 and factored out fleet customers. The matching criteria looked at the VIN on the RO and hunted for the VIN in the historical sold DMS files. Then we narrowed it further on the customer's last name to make sure we weren't factoring resales of the same VIN.

28% of service repair orders, that were identified as a retail customer, had sold history. This varied by location and brand, but this was the nationwide average. The best dealership's repair orders matched to sold history 53% of the time.

This means somewhere between 47% and 72% of the customers coming into your service drive did not buy that car from you. If your store closes 1,100 repair orders each month that equates to 517 to 792 customers per month you could be conquering.

In the first three months of 2023, 31% of repair orders have qualified for an equity offer based on targets dealers have entered into the FRIKINtech systems. That would mean there are 160 to 246 customers giving your dealership money this month whom your traditional equity mining solutions cannot tackle. This is because traditional equity mining tools require sold history to generate those static mail and email offers.

Yes, I am selling a FRIKINtech solution right now. Am I making a convincing argument for at least looking at how you can automate service conquering? Of course, that's not all we do, but there's a demo you should take for that.

You can schedule that [demo here](#)



# Conclusion

Loyalty comes from providing good customer service at the time of purchase and beyond. It also requires asking for it. People don't think to be loyal, but they consider it when you say "can we be there for you on your next car purchase?" And don't forget service because they truly help the customer get used to giving your dealership money.

35% of your monthly car deals should come from a loyal customer. The simplest way to measure loyalty is on whether a customer has given you money before. If that word "loyal" seems too strong for that measurement, then call them "repeat shoppers." But consider using the word "loyal" to start driving a stronger psychological word into the minds of your staff and customers.

Automation is the present and it will continue to be the future. Gone are the days when we needed to hire for every task. Technology has arrived and it is helping us thrive!

People still buy from people. We need that "pat on the butt" to let us know we're making the best irrational decision we can. As we are emotional car buyers, we cannot be expected to do an entire process within clinical technologies. Tech is there to get the process started. Our sales teams are still the best at closing the deal.

Loyalty can be asked for through automation, so your salespeople can concentrate on the showroom.