

151,000 Reasons Why Customer Experience & Dealership Loyalty Matter

The Power of a Point

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Great customer experiences certainly enhance brand image and loyalty, but does going that extra mile to deliver top-of-the-line customer service really translate into additional sales and revenue at the dealer level?

The short answer is—yes.

InMoment - the world's leading Experience Improvement (XI) provider - is used by more than 90% of the world's automotive companies to improve

experiences. We recently accepted a challenge to uncover the true, monetary value of providing an excellent dealership experience.

The short answer is \$151,831.

That's the annual average revenue increase a dealership can expect to realize by raising its customer satisfaction score by a single point.

Let's take a quick look at the science behind the numbers.

The Dealership Loyalty Study

The Respondents

The InMoment Dealership Loyalty Study comprised survey responses from 12,875* individuals who opted-into the loyalty study and met two criteria. First, they purchased a new car in 2009 or 2010 and, secondly, they participated in the 2009 or 2010 New Vehicle Customer Study (NVCS). The NVCS is a syndicated, subscription-based industry survey administered to new car buyers, measuring choice, experience, and loyalty related to their purchase.

Of the 12,875 Dealership Loyalty Study respondents, 5,228 (41 percent) reported they replaced their 2009/2010 vehicle with another new vehicle. This data set was used to conduct the sales-to-sales loyalty analysis presented below. The data set was weighted to properly represent the 2009 and 2010 distributions of vehicle model market share.

In the original NVCS survey, customers rated their dealership experience while purchasing their 2009 or 2010 vehicle. The 2016 Dealership Loyalty survey asked these customers about the service performed on their 2009/2010 vehicle, whether they replaced their vehicle, and if so, where they bought their replacement vehicle, and finally, what make/model they purchased.



Sales-to-Sales Loyalty

Loyalty rates were calculated for different levels of customer experience providing a closer look at the relationship between customer experience and dealership loyalty.

TWO MEASURES WERE USED:

1. Satisfaction with the initial dealership purchase experience (Dealership Sales Satisfaction) as measured on the 2009 or 2010 NVCS survey
2. Overall Dealership Satisfaction as measured on the 2016 Dealership Loyalty survey

These results are shown in the chart below:



The chart shows that dealership loyalty rates fall abruptly as satisfaction with the dealership decreases. Customers with the highest levels of satisfaction were about 4.5 times more likely to repurchase from their original selling dealership than those with the lowest levels of satisfaction. This holds true for both satisfaction as measured at the time of purchase (Dealership Sales Satisfaction) as well as satisfaction measured over the lifespan of the vehicle (Overall Dealership Satisfaction).

A FINANCIAL MODEL:

Ownership Period Dealership Satisfaction, Repurchase Loyalty, and Sales Revenue

Models were created estimating the impact on an average dealership's sales revenues due to an increase or a decrease in customers' satisfaction scores by one level (e.g., people moving from "Very Satisfied" to "Completely Satisfied" and so on). This enabled an estimation of the financial impact customer satisfaction has on dealerships solely due to its relationship with sales loyalty.

To estimate the impact of customer satisfaction on sales revenues, the following NADA dealership statistics were used:

- ***Average annual number of retail units sold = 1003***
- ***Average vehicle retail selling price = \$33,639***

The model below tells a compelling story. More satisfied customers are much more likely to return to their selling dealership when replacing their vehicle than less satisfied customers. Therefore, according to the data, a dealership can realize over \$2.5 million per year in additional sales revenue by increasing customers'

satisfaction by just one level over the lifespan of their vehicles.

Perhaps more importantly, conducting the same analysis but allowing satisfaction to drop one level represents a decrease in dealership sales revenue of over \$4.2 million.

How Much is One Point of Satisfaction Worth?

Of course, the answer to this question depends on the scale being used. Customer experience scales in the automotive industry vary from 1000 points (most JD Power scales), 200 points (NPSTM scales ranging from +100 to -100), 100 points (many typical proprietary customer experience scales), 10 points, and 5 points. To answer the "how much is one point worth?" question, InMoment used a 100-point scale by assigning scores of 100, 75, 50, 25 and 0 to each point (respectively) on our Completely Satisfied to Very Dissatisfied 5-point scale.

The typical dealers' customer experience score could be computed on a 100-point scale given the satisfaction distribution. For instance, the customer experience score for the 2016 satisfaction distribution shown below is 74.9 because:

$$(.469 \times 100) + (.231 \times 75) + (.182 \times 50) + (.063 \times 25) + (.056 \times 0) = 74.9$$

Overall Selling Dealer Satisfaction

	RETURN SALES OF AN AVERAGE (1003 UNIT) DEALERSHIP				INCREASE OF SATISFACTION BY ONE BOX			
	2016 Satisfaction Distribution	Sales Volume	Dealership Sales-to-Sales Loyalty Rate	Return Sales	New Satisfaction Distribution	Sales Volume	Dealership Sales-to-Sales Loyalty Rate	Return Sales
Completely Satisfied	46.9%	470	55.1%	259	70.0%	702	55.1%	387
Very Satisfied	23.1%	232	39.5%	92	18.2%	183	39.5%	72
Satisfied	18.2%	183	21.1%	39	6.3%	63	21.1%	13
Somewhat Dissatisfied	6.3%	63	17.2%	11	5.6%	56	17.2%	10
Very Dissatisfied	5.6%	56	12.4%	7	0.0%	0	12.4%	0

INCREMENTAL SALES: 75 | AVG. RETAIL PRICE: \$33,639 | INCREMENTAL REVENUE: \$2,519,326

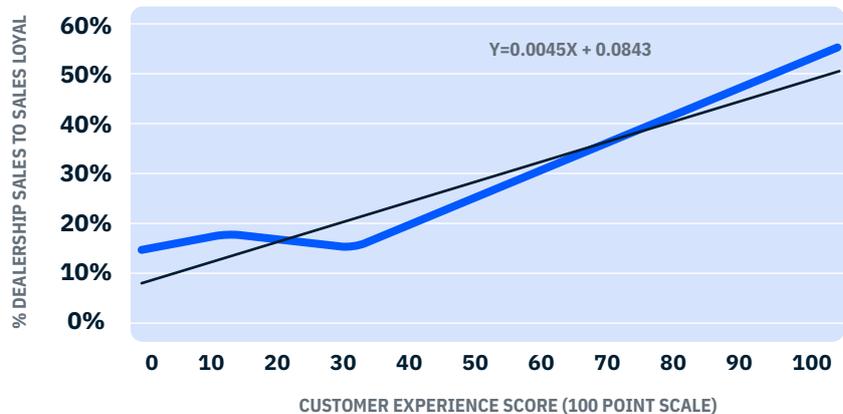
Next, the modelling exercise continued by raising customers' satisfaction scores one level until all customers were completely satisfied and lowering customers' scores one level until all customers were very dissatisfied. For each of the nine steps in this process, we calculated both the resultant customer experience score and the percentage of returning customers. These points are shown below (along with the trend line that shows the nearest linear approximation of the relationship):

Finally, using the trend line equation shown, loyalty percentages were calculated

for each point on the 100-point scale. Revenue associated with that level of loyalty is based on the typical 1003-unit dealer selling vehicles at an average price of \$33,639.

The revenue difference between all points was equal and came out to \$151,830 given the linear trend line used. In reality, however, the relationship is steeper over the higher parts of the scale (meaning the revenue associated with each point is larger) and the relationship flattens out over the lower points of the scale.

DEALERSHIP SALES TO SALES LOYALTY & DEALERSHIP SATISFACTION





Great customer experiences enhance brand image and loyalty.

Conclusion

This study provides a rough approximation of how much customer satisfaction is worth to dealerships in terms of loyalty-related sales-to-sales loyalty. However, the approximation is probably less than is actually the case because the model does not take into consideration the effects of customer experience on things such as customer referral behavior, dealership brand image in a community, and whether customers use the dealership for vehicle service and repair work. This analysis

is probably just the “tip of the iceberg” in showing the relationship between customer experience and dealership revenues, but regardless of that, the effect appears large.

For over 40 years, InMoment has been providing customer experience solutions to the automotive industry. We can show you how you can improve your CX and loyalty scores and start generating additional revenue.

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