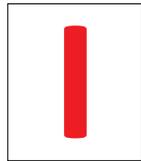


# Direct Mail Still Packs a Punch!

Targeted campaigns can effectively reach in-market prospects



If you're not mining your customer database to target your "in-equity" customers with direct mail marketing, your dealership could be losing out on between 13 - 40 incremental sales per month, according to a recent survey.

It might be one of the oldest marketing methods in the book, but the humble direct mail piece is delivering the type of results your dealership wants. Today's digital world has relegated direct mail to the bottom of the marketing heap due to high costs – both in printing and postage – and concerns about the viability of using such an old school marketing method in the electronic age.

In a recent study, we analyzed over 200 dealerships using personalized direct mail marketing for strategic, targeted campaigns and the results might surprise you. The clue is in the word "targeted" – using the information in your customer database to help you ascertain the needs of the customer can help you create effective direct mail campaigns that are targeted to the customer's needs.

It turns out that mining the database for customers who are "in-equity" in their vehicle – meaning their current vehicle is worth more than they owe on it – are customers who are ripe for targeting. This means the customer is both in-market and in a position to purchase a new vehicle with little or

no out of pocket spend.

Our study showed that using database mining in conjunction with personalized, targeted direct mail results in a cost per sale as low as \$54 and incremental sales per campaign as high as 40 (the average is \$112/sale and 13 vehicles sold per campaign).

Dealers are spending hundreds of dollars advertising and marketing the cars they sell (NADA puts that number at \$616), yet this spend is often done to attract new customers through traditional advertising, third party leads, pay-per-click advertising, website lead optimization, etc.

However, it's always easier and less expensive to retain current customers than to fight to acquire new ones. Conventional wisdom says it costs as much as five times more to acquire a new customer versus retaining one. And, of course, the high

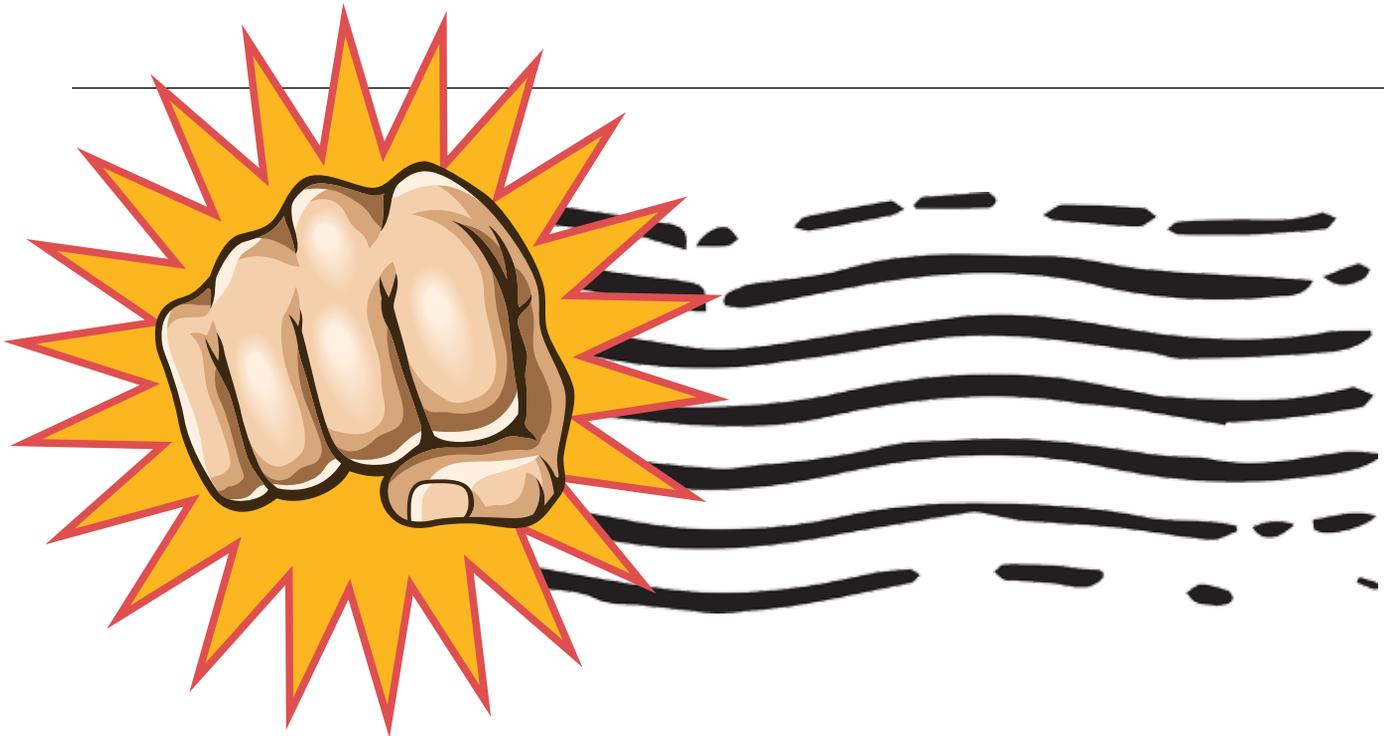
BY ALLEN LEVENSON





# CAR SALE

**HOT PRICES!  
BEST CHOICES!  
NEW, USED, ORIGINAL MODELS!**



**“In addition to being able to target customers with correct information, your salespeople are freed up to do what they do best...selling cars instead of working on the database and creating mailers.**

lifetime value of automotive customers is nothing to scoff at – between car purchases, F&I products, service visits and referrals, the value of a single customer can easily run into the six figures and, depending on brand, even higher.

And the dealers in our study reported ROI and conversion rates that far outpace their other marketing channels by using their dealership’s data, combined with information pulled from the OEMs and used car pricing resources to create personalized, targeted direct mail campaigns to reach these in-market prospects.

So why don’t more dealers take advantage of what database mining and equity marketing have to offer? There appears to be a basic disconnect – dealers don’t always understand the value these databases hold (on average, \$30K per month in incremental gross) and the best way to unearth these in-market, sometimes orphaned, customers.

There are a few ways dealerships can approach this task, including dedicated database mining and equity marketing software programs, and CRM tools with equity-mining functionality baked in. Both these self-service solutions have some drawbacks: CRM tools can be complicated, time consuming and difficult to master, while dedicated software

programs rely heavily on salespeople to make contact with a prospect.

And both these solutions lack the strategic, targeted direct mail marketing component that was worked so well for the dealerships in our study. It’s the consistent communication to the customer base at appropriate intervals in their ownership lifecycle with the inclusion of current manufacturer incentives that make them particularly relevant to the customer.

In fact, all dealers in this study employed a full-service equity marketing solution that used personalized, targeted direct mail as the first point of contact in their in-equity marketing campaigns – followed up by email and calls. And the impact was significant.

“Offer letters” – based on current inventory needs and OEM incentives – were sent to in-equity customers. The list is built by pulling actual data from the dealer DMS and other relevant sources. The data is then examined and ideal targets are chosen for their mathematical fit by analyzing payments remaining, the exact interest rate being paid and the true wholesale value of their vehicle. Using this data, a “go shopping price” is determined, giving the customer the exact value of a new vehicle they can trade up to while retaining their current

# Results of Targeted Equity Marketing Campaigns\*

## COST-PER-SALE AVERAGE

**\$112 – considerably less than other marketing channels**

## INCREMENTAL SALES PER CAMPAIGN

**40 = TOP 10% 29 = TOP 25% 13 = AVERAGE**

## GROSS PROFIT

**Additional \$422 per customer versus first-time customer sales – a full 28% more profit!**

\* Over 200 dealerships nationwide



### ALLEN LEVENSON

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payment with no money out of pocket.

“Dealers sometimes put messages out to customers that are less than believable so some customers may initially be suspicious and think the offer ‘is too good to be true,’” said Ben Faricy, President, The Faricy Boys, a family-run Colorado Springs Jeep Chrysler dealership. “But we pride ourselves in always being able to deliver on what’s in the offer letter - there’s a lot of integrity to that.”

In addition to being able to target customers with correct information, your salespeople are freed up to do what they do best ... selling cars instead of working on the database and creating mailers. It also ensures customers get touched on a regular basis.

“Even if my salespeople never pick up the phone, I know my database is being worked and customers are being touched – and I’m going to sell more cars,” said Michael Glynn, General Sales Manager, Friendly Honda.

The most successful direct mail campaigns focus on whatever needs a dealership has. For example, a “Year-End Clearance Event” to move end-of-year overstock; or if moving a certain model is important, a campaign will focus on this; and, if a dealer wants to fill up their lots with certain used vehicles, campaigns can target these specifically.

Once the goal is determined, direct mail pieces are personalized and customized with the financing and/or rebate incentives that are available from the OEM. All of this is then put into a targeted direct mail offer letter that goes out to the customer.

And with today’s postal cleansing software, deliverability rates are extremely high (upward of 90 percent ... MANY TIMES HIGHER than email deliverability). Similarly, with well-designed envelopes, open rates are also extremely high (and again, much more likely to be opened than email).

Interestingly, the study also showed higher gross profits on each car sold – an average of \$422 more when compared to a first-time customer sale – clearly illustrating that retaining current customers makes fiscal sense. In addition, these equity campaigns result in trade-ins of vehicles that have likely been bought and serviced at the dealership, so trade-ins sell through much faster than typical pre-owned vehicles: 64 percent of trades sell at retail within 30 days of being on the lot.

Don’t you think it’s time to reconsider direct mail? As the results of this study show, the ROI and incremental sales make it well worth exploring adding equity marketing combined with targeted direct mail to your marketing mix. 