

# Promoting lifetime value and retention

Dealership profits are threatened by new legislation, but Service Plans offer an opportunity to make up the shortfall



**T**hank you to the many dealers who have once again voted for EMaC as the AM Dealer Recommended Service Plan provider for 2016.

We are now planning ahead for 2016, with a succession of new developments and improvements planned. Changes will be made both in our technology and in the way we support dealers in the face of some of the wider challenges seen in the industry today.

With changes to GAP insurance in place and F & I remuneration under review by the FCA, it seems increasingly possible that the dealer profit model will change. We see scope to increase activity across the board, including new cars, used cars and service events – all of which have the capacity for continued growth.

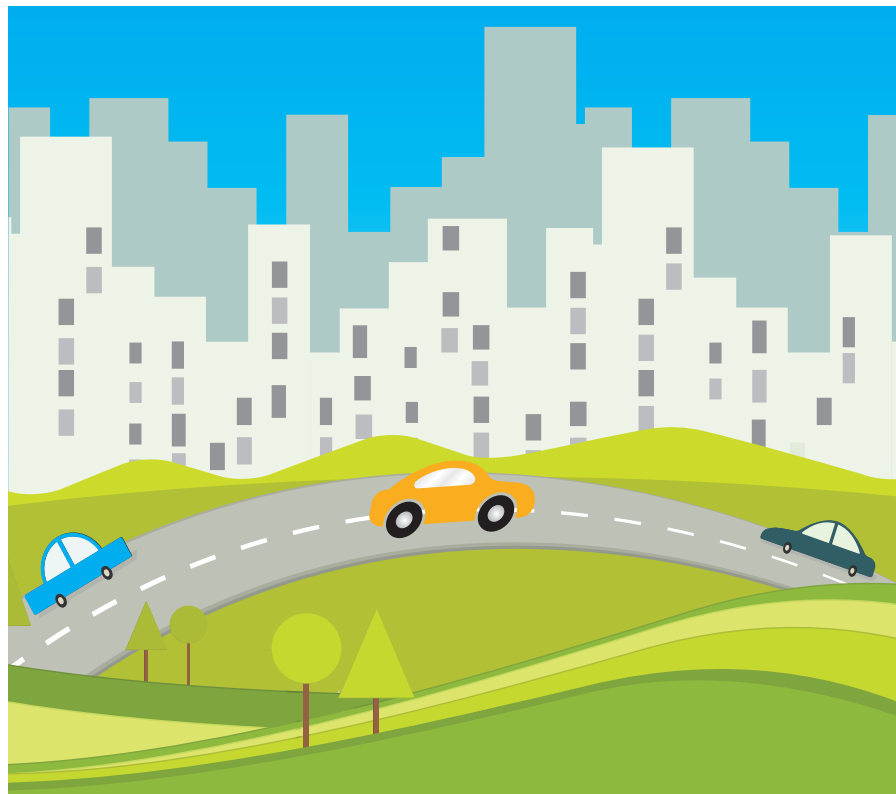
In 2016 we forecast that 'used car' in particular will see significant levels of growth, thanks to the increased vehicle parc and to the enhanced flexibility our solution can offer in creating offers focused on this customer segment.

This focus on used car activity reflects our flexible approach to Service Plans. We have great software, but it is also our people and our capacity to work closely with our dealers, creating packages that are right for them and their customers, that make the difference. Our unique service-led approach really works.

We create tailored campaigns built on dealers' specific requirements and save thousands of would-be cancellations, extend hundreds of agreements and resolve countless questions and requests direct from the Service Plan customers.

Our team lightens the load for the showroom, leaving you to focus on face-to-face contact.

Best wishes,  
**Angela Barrow,**  
CEO



## People – the EMaC difference

EMaC has more than 100 people on hand every day to help dealers and their customers. It is the distinctive difference that ensures the business is always placing the 'service' into Service Plans.

Dealers and their customers can easily talk to the Crewe-based team on matters from re-pricing to a direct debit change date and from one-off management information to a query on a plan extension. There is always an expert at hand because Service Plans are the business' sole focus. In the field, dealers can benefit from the help and expertise of a field support team that covers the UK.

The field team is making a difference to dealers with a 93% approval rating for their efforts in helping dealers who identified a range of services that had helped them in the showroom, aftersales, administration, digital and call centre areas. These included:

- Training
- Performance Planning & Reviews
- Re-Pricing
- Marketing Initiatives

## Problem Solving

By sharing best practices, providing an external perspective and fresh thinking dealers have benefitted. There really is more value to be gained from Service Plans that many dealers may think at first glance. With a sole focus upon Service Plans, 'Team EMaC' is always looking for that next idea to give dealers an edge.

## Used buyers and Service Plans

2016 is set to be the Year of the Used Vehicle Service Plan as EMaC moves to help more dealers realise the opportunity from the used car market.

"We certainly won't be taking our foot off the accelerator for new vehicle sales in the year ahead, but we can see a clear opportunity to make greater in-roads into used Service Plan activity and we are determined to help dealers benefit," notes EMaC MD Angela Barrow.

The current used vehicle Service Plan reality:

- An average of 30% used Service Plan penetration is typical for even the most active Service Plan dealers.

■ However, top-performing dealers are achieving 50%+ – the opportunity for improvement in many dealerships is very clear.

■ Typically, used sales outnumber new by 3 to 1.

■ The rise in nearly-new sales creates a strong base to grow sales.

■ The increasing complexity of new cars makes franchised technical support more appropriate.

■ Dealers can benefit by addressing the MOT 'tipping point' when too many customers switch servicing allegiance to the independent repair sector.

EMaC's own research confirms that used buyer customers who opt for a Service Plan value the franchise experience, especially when it is combined with the affordability the plan offers. This is supported by the fact that a surprising number of used vehicle Service Plan customers feature amongst the renewals and extensions activity undertaken by EMaC's Customer Renewal team.

## The MOT and Service Plans

The MOT, which research by Trend Tracker consistently reveals as the time when many car owners switch from franchised to independent servicing, is a crucial part of creating a Service Plan that supports the customer and enhances retention. With a vehicle's first MOT

**"It seems increasingly likely that dealers will need to move to realise more value from core activities. From a lifetime value perspective, aftersales is the shining beacon. We are ready to help more dealers to benefit through the shift we anticipate with Service Plan support for both new and used vehicles"**

**Angela Barrow, CEO**

falling on the third anniversary of its registration, dealers can build a Service Plan that extends to cover the next MOT as a minimum and indeed, the MOT can be added to an EMaC Service Plan.

Customers gain a greater level of service and reassurance and the dealer/customer relationship is automatically extended beyond the MOT 'tipping point' risk.

## Action plan

- Develop a clear dealer offer for used cars.
- Measure the used car Service Plan activity within used car sales and set stretch targets.
- Ensure sales executives are trained

to integrate Service Plan awareness and value into the process of helping customers to select the right car.

■ When every customer books their car in for a service, check whether they have a Service Plan; if not, introduce the concept and support it with appropriate explanatory marketing material.

EMaC can help with all of the above. Some dealers believe used car Service Plans are something that should be sold at the service desk, not by salespeople.

However, evidence overwhelmingly indicates that the point of sale is the best place to introduce customers to a Service Plan and its benefits. Sales at the service desk are very much the secondary opportunity.

## Service Plans and a new emerging dealer profit model

In the first half of 2016, the Financial Conduct Authority (FCA) will announce its conclusion and final report on the thematic review into staff remuneration in consumer credit firms. This will include firms such as in car dealers where credit broking is secondary to their main business activity. This review has the potential to re-define the profit model for many dealers.

The FCA study will assess staff remuneration and incentive structures, assessing how firms are managing risks that could arise from reward arrangements that may encourage

behaviours that might lead to poor outcomes for consumers.

Similar action in other areas controlled by the FCA has resulted in significant changes that in motor retailing could impact on traditional pay plan models. The move would support the FCA's desire for transparency and fairness in areas such as commission disclosure. The impact of these changes in finance and actions on added value insurance could be the development of a new profit

model for dealers, with more emphasis on core activity such as metal profit and impact from aligned services such as servicing and repair, which support safety, reliability, economy and environmental issues. Service Plans, which can already support this ethos and a move towards long-term lifetime value, could become a more prominent tool in this changing landscape.

**EMaC**  
THE SERVICE PLAN THAT REALLY WORKS