Electronic Customer Relationship Management in Automobile Retailing:  
One Dealership’s Perspective

Phillip H. Wilson  
*Midwestern State University*

Lesli Womack  
*Larry Slack Auto Super Center*

Chris Shao  
*Midwestern State University*

Charles Johnston  
*Midwestern State University*

Abstract

The research question posed here is whether the data collected and managed through Electronic Customer Relationship Management (ECRM) software programs help automobile dealerships maintain and grow their sales, thus providing a cost benefit, or whether it is simply an ineffective and costly data management tool. The study reviews and recaps how ECRM is used by a dealership to facilitate new automobile sales and services. It also reviews the profitability of ECRM automobile sales versus non ECRM sales and the profit contribution of ECRM service sales.

The Benefit of an Evolved Management Tool

The retail automobile sales environment has shifted dramatically (Ford Motor Company 2006, L. Slack, interview, April, 2008, Flees & Senturia 2008, Henry 2008). Prior to using the internet as an information conduit, automobile buying required a visit to automobile dealerships. Shopping for an automobile outside the local market required drive time, fuel costs, automobile wear and tear, or the cost of a long distance phone call. Because of the inconvenience and high cost of shopping elsewhere, customers shopped in their local markets (L. Slack, interview, April 2008).

Additionally, all customer contact data were recorded on paper. Vehicle purchase and service records were stored in file cabinets. Each salesperson kept logs of customers and customer contacts on note cards, or a system designed by each salesperson, for his or her personal use. If there was any cross referencing of sales and service data maintained, or history of such customer contacts, it was by hand.

Today, dealerships note a continual decrease in the number of customers visiting the dealership for detailed vehicle information (Flynn, Belzowski, & Haas 2002, Prassel 2010). Most customers arriving at the dealership already have considerable knowledge of the vehicles as a result of internet provided information (Prassel 2010). The internet search lessens their shopping time and effort, and provides information from dealerships over broad geographic areas (Flynn, Belzowski, & Haas 2002).

Within dealerships, information is shared regarding purchases, repairs, recalls, and customer histories (Flees & Senturia 2008, L. Slack, interview, April, 2008). The sales, service, body, and parts departments all have access to vehicle or owner information. Compilation of all data in one area creates a complete picture of the
customer and vehicle(s), which supports customer service; thus making it increasingly important to manage all customer and vehicle data from the initial contact. Knowing a customer’s personal history can promote future sales (Mithas, Krishnan, & Fornell 2005) and knowing a vehicle’s history can help identify potential future vehicle service (Prassel 2010, Flees & Senturia 2008). Data warehousing now meets the needs of decision makers without disrupting business operations. Presently, businesses are competent using data warehousing and data mining to focus on customers, and relationships among marketed products (Wang, Liang, & Joonas 2009).

Current dealerships recognize the lifetime customer’s value as exceeding the profitability of a single transaction (Kim et al. 2006). Dealerships now bundle sales, service, and support functions to encourage continuous contact throughout vehicle ownership; a strategy that encourages repeat purchases (Prassel 2010). A dealer’s customer base is finite and usually defined by a limited geographic area, so the value of lifetime customers must not be underestimated. Repeat customers are also the most likely to provide referrals of new customers so managing the customer relationship has become key in driving continued profits (Prassel 2010, Flees & Senturia 2008).

To help dealerships maintain and grow their customer base and increase sales, automobile manufacturers have developed data management tools such as Electronic Customer Relationship Management (ECRM) which includes a variety of software programs. ECRM integrates customer data and vehicle data. This data is used by both manufacturers and dealerships to build and maintain relationships with current and prospective customers, and for rebuilding relationships with lost customers. Data gathered via ECRM include customer personal information, vehicle preferences, vehicle purchase and/or service history, vehicle buying habits, and demographic characteristics from the credit application (L. Slack, interview, April 2008).

ECRM was developed to assist dealerships by: managing relationships between dealerships and current or potential customers, identifying customized services to maintain and improve customer relations, and generating data for marketing decisions (Ford Motor Company 2006, Mithas, Krishnan, & Fornell 2005). A positive relationship with the customer is instrumental to maintain and generate subsequent sales (Flees & Senturia 2008). A positive relationship, facilitated by ECRM, is a result of enhanced service, and continued communication such as follow-up calls after a sale or reminder for vehicle repair (Flees & Senturia 2008, Prassel 2010).

Besides the benefits ECRM provides to dealerships, ECRM allows the manufacturers to compile lead lists for automobile sales and service. In addition, manufacturer-generated reports are available to the dealerships to analyze costs, sales, and service.

Purchasing, using, and maintaining ECRM is costly and time consuming. These costs include:

- the initial software investment,
- monthly software maintenance fees paid to manufacturers and a data management service,
- monthly website fees paid to manufacturers and multiple third party website hosts,
- postage for ECRM generated mailings,
- computer hardware and drivers license scanners,
- technical support for hardware, software, and training,
- monthly lead generation fees paid to manufacturers or third party websites,
and employee hours for training, data input, data management, report generation, and customer communications.

The research question posed is whether ECRM helps dealerships maintain and grow their sales, thus providing a cost benefit, or does the benefit fail to justify the costs incurred.

**Customer Relationship Management**

Discussion of customer relationship management (CRM) begins with a discussion of the link between CRM and relationship marketing. Parvatiyar and Sheth (2001) noted that the central theme of CRM is its focus on a cooperative and collaborative relationship between the firm and its customers. Allan and Chudry (2000) proposed that relationship marketing’s purpose is to build a long-term relationship with the customer that leads to repeat business. Payne and Frow (2005) suggested: (1) CRM is a strategic approach creating shareholder value through the development of relationships with key customers and customer segments; (2) CRM unites relationship marketing strategies and IT (information technology) to create profitable, long-term relationships; and (3) CRM provides opportunities to use data and information to both understand customers and co-create value with them. Parvatiyar and Sheth (2001) recognize that CRM is a comprehensive strategy and process of acquiring, retaining, and partnering with customers to create value for the company and the customer. These observations emphasize that as a result of emerging technologies, managing customer relationships must be part of a comprehensive profitable strategy.

CRM involves the incorporation of marketing, sales, customer service, and the supply-chain functions of the organization to improve efficiencies and effectiveness in delivering customer value. In order to integrate and manage these multiple functions in an automobile dealership, a data system is necessary to track the history of the customers, sales, and services. The complexity of the data system depends on an organization’s information needs, but its strategic goals must be clearly defined, or else it could generate nonproductive information, wasting time, resources, and money.

ECRM is posited to ensure profitable customer relationships because it identifies key customers with significant lifetime value to the firm. ECRM aids organizations as they collect, analyze, and distribute information for improved prospecting, focused communication and sales presentations, and tailored product configuration, as well as ease the cross-referencing of customers within divisions of a company for greater sales opportunities (Yim, Anderson, & Swaminathan 2004). Mithas, Krishnan, and Fornell (2005) stated that enhanced knowledge of customer behavior enables firms to manage and target customers on the basis of evolving service experiences rather than demographic criteria, which increases customer’s perception of the value of the firm’s offering and reduces the probability of losing loyal customers.

The use of ECRM by the sales force is intended to not only increase company revenue through their sales efforts, but to garner customer feedback. This feedback can be used for a myriad of activities within the firm such as product development and to improve customer service and satisfaction (Landry, Arnold, & Arndt 2005).
Technology’s Evolving Role in Managing Customer Relationships

Managing customer relationships has had to change because of the change in customers’ accessibility to information. Consumers are better informed about product offerings, pricing, and firms from which to acquire goods and services as the internet provides immediate access to vast quantities of automobile information (Prassel 2010). Consumers no longer must visit dealerships’ locations. Gathering vehicle and dealership information for purchase decisions is faster and cheaper while the information itself is more transparent as manufacturers, dealerships, and third party websites provide internet pricing information (Prassel 2010). Because of the internet, information that once took the consumer days or weeks to collect is gathered in a matter of hours, without visiting various dealerships, or consulting periodicals for vehicle reviews and assessments (Flynn, Belzowski, & Haas 2002, Prassel 2010).

Dealerships have access to lead generation web sites and software solutions have been created to allow firms to gather customer leads and information. Customer data collection begins when the customer researches a product or service. Technology allows for data collection from numerous sources, including dealerships, manufacturers, and state agencies. When dealerships are contacted, they gather information such a person’s phone number and address, the vehicle’s service history, and maintenance background. Automobile manufacturers record customer information including details regarding financing and rebates. State agencies record vehicle registration information including vehicle identification information, tag number, and lien holder. Through these databases, purchasing patterns are analyzed to suggest goods or services for customers, trade-in cycles are anticipated, and purchase incentives offered. Technology also allows data to be shared within an organization or externally.

Finally, e-mail and website searches have shortened the duration and increased efficiency of the retail buying experience (Flynn, Belzowski, & Hass 2002). Product brochures are available at the manufacturers’ websites, as well as video with customer feedback. Product reviews and comparisons are also available online from Consumer Reports ® or JD Power and Associates ®, as well as vehicle wholesale values from companies like Kelley Blue Book ®. Consumers may also contact dealerships electronically instead of by phone, or driving to dealerships. Through an e-mail to dealerships, a customer can request vehicle price, check availability, order parts, or schedule a service visit with a dealership.

As the process of automobile retailing changes, so do tools needed to manage that process and the associated customer relationship. ECRM has emerged as a proposed comprehensive tool to maintain positive customer relationships, while also acting as a tool to integrate many other diverse activities.

Automobile Dealerships’ Use of ECRM Data *

ECRM is one means for dealerships to establish and maintain a favorable and long-term relationship with its customers by providing a data management tool. From a customer’s first contact with the subject dealership, a salesperson creates a record that includes the customer’s name, address, phone number, and the nature of the contact such

* This section contains statements based on observations from the author’s ten years of auto industry experience and four years experience as General Manager of an automobile dealership.
as a walk-in, a phone inquiry, or a service visit. This information is compiled in ECRM and relied upon to establish a working relationship with the customer.

The program records every contact with the customer (e.g., phone call, one-on-one conversation, e-mail, mail piece, or message left for the customer). It is important that the salesperson record any and all information pertinent to maintaining a positive relationship with the customer. Information ranging from work schedule, family members, and details regarding the last car, to current automobile color preferences, desired monthly payment, and hobbies may be pertinent. Months later, a customer may be highly impressed when a salesperson reviews the information on file to “remember” the customer’s personal details and preferences. This computer program streamlines the customer prospecting and management process by readily providing all the information regarding a customer.

Automobile Manufacturers’ Uses of ECRM

Automobile manufacturers created complex computer models to generate lead lists from dealerships’ ECRM databases. These lists, predicting leads for future vehicle purchases or needed parts, accessories, and services, are sent to dealerships. A list of sales leads contains the customer’s name, address, phone number, current vehicle, and equity position. A list of service leads contains the same information with predicted scheduled maintenance visits in lieu of equity information. Manufacturers expect dealerships to use these lists to create and distribute letters and marketing pieces, to make phone calls, or e-mail customers for appointments, and to draw the customers into dealerships for purchases.

Manufacturers use ECRM to track the equity positions of vehicle loans to customers who financed their purchase through dealerships. By tracking which owners have a positive equity position (the loan payoff is less than the fair market value of the vehicle) manufacturers are able to estimate which customers to target for new vehicle sales.

Each manufacturer has also created “lead management” software for managing internet leads in an additional effort to expand the customer base. The software collects the prospect’s personal contact information and their vehicle of interest as submitted to the manufacturers’ websites (e.g., Ford.com, Chrysler.com). Once gathered, the manufacturer forwards the information to the appropriate, usually closest, dealership.

When the dealership accesses the interested prospect’s information, the software program requires details as to how the contact was made (e.g., phone call, e-mail, or letter). Manufacturers, realizing the value of this information, will assign the leads to another dealership if the dealership fails to contact the prospect.

Showroom Control in the Subject Dealership

At the subject dealership, ECRM software, Showroom Control, is used to manage sales force customer contacts, but not service department data. Showroom Control was integrated into the subject dealership’s operations in 2005 and is proprietary software developed by the dealership’s data management service provider.

Showroom Control collects the contact’s personal information as well as vehicle preferences and details from conversations with salespersons. It helps the salesperson to manage appointments and contact current, past and prospective customers. All tasks such
as, customer appointments, letters, e-mails, and phone calls are scheduled by the software which generates daily task lists for the salesperson.

Currently, the ECRM software available for service customers at the subject dealership is Genuine Direct, offered through Ford Motor Company, and functions separately from Showroom Control. This separation makes simultaneous management of the entire customer base (service and sales customers) impossible. Currently, the dealership’s data management service provider has not developed ECRM software to manage service customers, nor the technology to integrate ECRM of sales and service customers because of the costs involved.

Following is an example of the use of Showroom Control. John Driver comes to the subject dealership looking for a 2010 Ford Edge. Upon his arrival, a salesperson greets Mr. Driver and gathers some general information about why Mr. Driver has come to the dealership. The salesperson shows him any vehicles in which he is interested, and Mr. Driver agrees to a test drive. Before the test drive, the salesperson takes Mr. Driver’s license to the sales manager for a required scan into Showroom Control. The information is automatically populated into Showroom Control and linked to the appropriate salesperson. The salesperson records any information deemed pertinent into Showroom Control such as prospects comments, preferences, and impressions. The software prompts the salesperson to a task on his or her calendar for subsequent customer contact.

The type of future customer contact is determined by the outcome of the last customer interaction. An appointment could be scheduled for the customer to bring in a spouse, or if a sale is made, to take delivery of the newly purchased vehicle. After a sale, a letter, e-mail, or phone call would be scheduled. These tasks are generally scheduled after 3 days, 30 days, 120 days, and annually. The salesperson attempts to maintain contact with the customer to develop a relationship so the customer will return when another vehicle is needed, or to recommend the salesperson and the subject dealership to someone else.

If a purchase does not occur, the ECRM software prompts the subject dealership to maintain contact with the unsold customer. These subsequent contacts are set up for various points in the future such as 1 week, 2 weeks, 30 days, and so on until the customer either buys or indicates they no longer wish to be contacted.

Showroom Control also matches a prospective customer with a particular vehicle based on the specific criteria of the prospect. In another example, a prospect comes to the subject dealership looking for a pre-owned 2003 Ford Explorer but the dealership has none in stock. The salesperson enters the customer’s contact information and vehicle specifications into the software, and adds the 2003 Ford Explorer to a wish list in Showroom Control. The program searches other customers in the database to see if any owns a 2003 Ford Explorer. If a match exists, the salesperson contacts the owner of the Ford Explorer and encourages him or her to trade in the Explorer. If one does not exist, the vehicle stays on the wish list. The salesperson will be alerted if a 2003 Ford Explorer is entered into Showroom Control. This can occur if there is a new customer who owns 2003 Ford Explorer, whether or not the vehicle is being traded. It also occurs when a 2003 Ford Explorer is placed into the dealership’s inventory.

ECRM generated reports facilitate continued contact with current customers by reviewing sales from previous years. These reports may identify customers who may be in the market to trade their previously purchased automobile.

Additionally, Showroom Control allows the subject dealership to keep all customer records if there is sales force turnover. This is a major improvement over the
sales systems of the past when customer data was not stored electronically, and the salesperson’s customer list left with the salesperson.

Reporting is another important feature of *Showroom Control*. The sales manager is able to review the daily scheduled tasks for each salesperson, when such tasks are completed, and determine who is completing tasks and who is not. The sales manager also may reassign customers when there is employee turnover. For each salesperson, *Showroom Control* tracks closing ratios, sales as a percentage of leads, number of customer contacts, how his or her customer contacted the dealership, and what drew the customer to the dealership. This information is useful because it allows management to determine if the sales force needs training on closing techniques, phone skills, or customer follow-up. It also shows how effectively advertising dollars are spent and helps management to plan future spending.

**The Case Study**

This case study, in the rural subject dealership, was conducted to determine the effectiveness of ECRM tools regarding the subject dealership’s sales and service revenues, and if lead lists and online lead data are generating sales that justify the costs necessary to maintain an ECRM system.

The subject dealership sells new as well as used vehicles, and operates service, parts, and body shop facilities. For this study, sales data for new vehicles, and service repair data for customer paid/non-warranty repair orders was analyzed. Additionally, lead lists, online leads, and customer relationship management data was studied.

**Sales Data**

All sales data, lead lists, and online leads for the time period from October 2007 through January 2008, were analyzed to determine

- if the manufacturer lead lists and online lead generation services aided the subject dealership by maintaining or increasing sales,
- which sales, if any, were the result of lead lists and online lead generation sources, and
- if, these sales are more or less profitable to the dealership than a sale to a customer not on a list.

Lead lists and online leads provided by the manufacturer were included because they are provided at a cost and their value needed to be established, and because both are likely to produce sales.

**Sales Data Analysis**

Six-hundred and six (606) leads were generated by the manufacturer’s ECRM and the dealership’s website. (These two types of leads could not be identified separately.) Forty-one of these 606 leads (7%) were converted into sales. During the time period studied, the subject dealership sold 134 vehicles. The forty-one lead-generated sales represented 30.6% of the 134 total vehicle sales.

The majority of the leads came from the subject dealership’s market area. Some online leads may come from outside the subject dealership’s market area, or may be sent to multiple dealerships, because they are generated by the prospective customer and sent
to the dealership of the prospect’s choice. As this information is received, the sales force contacts the prospects.

Front-end gross profit, as well as front-end gross profit as a percentage of the sale price for each sale, was also examined. Front end gross is the revenue generated on the vehicle sale only. It does not include profit from the financing, and sale of insurance or extended warranties.

A t-test comparison, based on sales data was made between the front-end gross profit for sales to customers on the ECRM list (mean\textsubscript{LIST}=$1,460) and sales to customers not on the ECRM lists (mean\textsubscript{NOLIST}=$1,656). There was no significant difference between the two groups (p=.34). An additional comparison was made between the same two groups, except this time the percentage front end gross profit was used (mean\textsubscript{LIST}=6.9\%, mean\textsubscript{NOLIST}= 7.3\%). There was still no significant difference between the two groups (p=.76). This finding suggests that sales to ECRM list customers yielded no difference in profitability. In the most optimistic view the ECRM and subject dealership website generated leads that contributed $59,860 (41 vehicles x $1,460 front-end gross profit per vehicle) in gross profit to the dealership.

\textbf{Service Data}

Service repair data was chosen because of its use in an owner loyalty direct mail program, \textit{Genuine Direct}, through the manufacturer and the subject dealership. This data shows what types of service were purchased from the dealership, how much money was spent per repair, and what types of repairs were performed. The service data for 2007 was compiled from the dealership’s service records.

\textit{Genuine Direct} is divided into two programs: \textit{Genuine Direct Loyalty} and \textit{Genuine Direct Prospecting}. Through \textit{Genuine Direct Loyalty}, the subject dealership sends welcome letters after a vehicle sale, maintenance reminders, and reminders of missed scheduled maintenance to customers. The dealership selects appropriate coupons and sales promotions specifically for a vehicle’s age and mileage. Additionally, these letters contain information on recalls, as well as tire tread depth, battery life, and brake pad wear for each specific vehicle. \textit{Genuine Direct Prospecting} compliments the loyalty program by sending dealership-selected offers and national coupons quarterly to customers when they fall out of the \textit{Genuine Direct Loyalty} program from lack of service at the dealership.

The \textit{Genuine Direct Loyalty} program selects customers, with the most recent purchases, for contact until the subject dealership’s monthly $350 budget is exhausted, which equates to an average of 368 letters per month.

\textbf{Service Data Analysis}

\textit{Genuine Direct Loyalty} provides three services for repeat customers. It informs them of any scheduled maintenance, offers coupons and other sales promotions for service work, and reminds them of the importance of proper maintenance by showing the projected status of their battery life, brake pad wear, and tire tread depth. This regular contact benefits the customer by keeping them informed of their vehicle’s health and safety. It benefits the subject dealership by reminding the customer to return to the dealership for vehicle service and maintenance. It also reminds them that the dealership is ready to service their vehicle, and knows the history of their car or truck. All of this
repeated contact helps build confidence in the dealership and contributes to a strong relationship between the customer and the dealership.

In 2007, 4,417 customers were contacted through Genuine Direct Loyalty; a monthly average of 368 mail contacts. This includes all Genuine Direct Loyalty mailings (e.g., thank you for purchasing letter, visiting owner thank you letter, thank you for early service letter, schedule maintenance reminder letter, and the first missed scheduled maintenance postcard). The budget was $350 per month. The scheduled maintenance reminder letter response rate was used as the basis for program performance evaluation. It reminds customers to come to the subject dealership for scheduled maintenance. Based on the Genuine Direct data for a 12-month period, the 2,245 scheduled maintenance letters mailed yielded 494 returning customers for a 22% response rate. This compares to a national response rate average of 29%, and a regional (Northwestern Texas and Southwestern Oklahoma) average of 30%. The average gross profit per returning vehicle was $196, as compared to the national average of $132, and regional average of $113. This totaled $96,824 in gross profit from Genuine Direct Loyalty customers. For every dollar the dealership spent on Genuine Direct Loyalty, they made $23 in gross profit. This compares to a national average of $20, and an average for the region (Northwestern Texas and Southwestern Oklahoma) of $18.

Based on the General Manager’s experience, 88-90% of the customers who returned to the dealership because of the Genuine Direct Loyalty mailings were existing customers. Only 10-12% were not in the previous customer base, and thus considered incremental business.

Conclusions

Examination of the sales data suggests that it is important for the subject dealership to subscribe to and make use of the manufacturer provided customer lists. Almost one-third of their vehicle sales, over a four-month period, were from an ECRM lead. These vehicle sales contributed $58,860 in front-end gross profit to the dealership. Although only 7% of the total contacts from the lists resulted in vehicle sales, it is still significant because the sales force may be able to convert more of the 606 customers into vehicle purchasers over the long term. Some of the customers are clearly out of the market area, and may have purchased elsewhere. While most of the customers were in the subject dealership’s market area, there is no guarantee they would not travel outside of their market to buy their next vehicle because competitors’ information is so readily available. The key is for the salesperson to keep the relationship active and positive, with the expectation that there will eventually be a sale.

Genuine Direct Loyalty has been successful for the subject dealership by generating a possible $96,824 in gross profit to the dealership. It has lower than national and regional response rates, but profitability per returning vehicle is higher. It is also important to note the dealership is making $23 per each dollar spent for mailers. This is a significant increase over the regional average of $18. This suggests that the dealership could further increase profits by increasing its monthly budget to reach more customers. The dealership might also better make use of its comprehensive customer lists to make additional contacts with customers in addition to sending the Genuine Direct Loyalty mailer. It is also important to note that some of the service customers would return for routine service maintenance even if not contacted by the program.
ECRM is both a data management tool, and a way for firms to maintain and grow sales. It allows firms to manage large amounts of data, while at the same time aiding firms in developing relationships with their customers. The total profit contributions from ECRM and dealership website generated sales leads ($59,860) plus profit contributions from Genuine Direct ($96,824) totaled to $156,684. From the information presented, it appears that the use of the ECRM program is justified because of the resulting increase in business volume and profits generated for the subject dealership more than likely exceeded the cost of instituting and managing the subject dealership’s ECRM and dealership website activities.

Future Research

The automobile manufacturers are committed to continuing and increased levels of ECRM. ECRM is not a fad and will only grow. Because of this, several areas for future research are proposed. Researchers should identify true costs of ECRM implementation and profits derived from ECRM activities to indicate return on investment (ROI) of ECRM activities. This study will assist dealerships and manufacturers to identify target returns and where ECRM costs could perhaps be eliminated. Along the same lines, researchers should determine what the cost is of not engaging in ECRM activities. A study of this nature will be beneficial in gaining ‘buy-in’ from the engaged parties within a dealership.

Another question that warrants investigation is what extent sales personnel use ECRM. Dealerships are also interested in the relationship between ECRM use by sales personnel and various performance measures (e.g. vehicle sales per period, profitability per vehicle, increased preventive vehicle maintenance, degree of customer satisfaction, frequency of customer repurchase)?

The researchers have also the appearance of social media links in dealership websites (e.g. Facebook, MySpace, Twitter). Investigators should study dealerships’ use of ECRM and social media opportunities to improve customer relationships and generate increased revenue.
References


