

WARD'S Dealer Business

E-mail Marketing E-xplodes

By Cliff Banks

Ward's Dealer Business, Mar 1, 2006 12:00 PM

As U.S. dealers continue to grapple with declining profitability this year, following the trend begun in 2005, cutting expenses will become a top priority.

For many dealers, advertising is the first area that will be slashed. The fear is that reduced advertising means fewer customers, which only compounds the problem.

Part of the solution may be e-mail marketing. E-mail marketing by dealers exploded in 2005, according to some reports. One company, OnStation, based in San Mateo, CA, says it has sent more than 2 million e-mails for dealers since last March.

Earl Hesterberg, CEO and president of Group 1 Automotive Inc., the country's fifth largest dealer group, credits e-mail marketing firm AutoRevenue with saving more than \$1 million in postage and direct-mail costs.

In 2005, Group 1 collected more than 200,000 e-mail addresses and should triple that this year, Hesterberg says. The company is focusing much of its efforts on increasing traffic to its service departments.

"Marketing for the service department has lagged behind vehicle marketing," Hesterberg says. The group now is sending more than 200,000 e-mails a month to customers and is seeing a response rate of four-to-five times that of direct mail.

The benefits are far reaching, according to Hesterberg. E-mailing lets dealers consolidate and periodically cleanse their databases; it is easy for managers to use and allows for customized messaging and precise targeting. And it is far less expensive than traditional advertising.

OnStation, meanwhile, has pinpointed at least 40 different touchpoints dealers have with customers over what it calls the lifecycle of the customer.

As a result, the company has developed more than 40 customized messages dealers can use. Another system, launched at the National Automobile Dealers Assn. convention, uses automated e-mails to help dealers sell special-order parts.

Unsold special orders are a big problem for dealers, according to Jeff Seife, general manager of Boardwalk Auto Center in Redwood City, CA.

Automating special ordered-parts communication with customers will "greatly help reduce this expense," he says.

Many of OnStation's campaigns focus on existing customers the dealer has not communicated with for more than a year. One Florida dealer brought back 585 inactive customers over a 12-month period and generated an additional \$210,000 in service revenue.

E-mail marketing also is becoming more sophisticated and no longer are only basic service reminders. IMakeNews Inc., a Massachusetts company, targeting dealerships since early 2005, provides monthly lifestyle-like newsletters that have an average open rate of 40%.

IMN is starting to experiment with video applications in its e-mails, says Brian Epro, director-automotive services group for the firm. He says the firm will try to be strategic in how it uses videos.

For example, while some companies are including a 2-minute video selling oil changes in their e-mails, Epro thinks that is over the top.

"We're going to start seeing video walk-around sales presentations of specific vehicles," he says. Beyond that, Epro is keeping mum about future applications his company is researching.

© 2006 PRIMEDIA Inc. All rights reserved.