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Football fans may forgive bad treatment, but customers won’t

By Professor Jim Saker

Over the past few months, we have been conducting some research into the relationship between sports fans and their respective teams. Much has been written on the subject referring to the passion and feeling that exists between the supporter and the club.

It was, however, slightly sad to listen to the England supporters chanting ‘I am England till I die,’ as the team left the recent World Cup in plenty of time for the senior players to take their seats on the centre court at Wimbledon.

Apart from the phraseology being a little odd – one can be English until one dies, but being England is a problematic concept – I was left with the thought that by forming this relationship, supporters would be guaranteed unrealistic ambitions followed by resounding failure, all at a lot of expense. On top of this, it would only finish at death.

This level of commitment is highly commendable, especially with the poor showing of the team, but it appears that wherever the team plays a hardy group will stay loyal, only to be finally disappointed.

The concept of customer loyalty and relationship, whether it be to the England team or a business, is important in the long-term success of any enterprise.

What is interesting is the fact that over the past two years the relationship between new car buyers and the dealerships has changed radically.

Looking at the rise in the PCP penetration rate would suggest that for the bulk of customers the relationship is now both restricted and contractual. The customer is tied to the franchise in a far greater way than any simple warranty arrangement.

I was talking to the head of one of the manufacturer retail groups and we started to discuss this change of relationship and how this was or could impact on staff behaviour with respect to customers.

From his own evidence, he reported that there was beginning to emerge a tendency for dealer staff to take a different approach to customers on PCP contracts compared with other retail customers.

The view was emerging that you didn’t have to offer as much customer service for PCP-holders, as they were forced to come back to you. It was far more important to concentrate on retail customers, who could easily walk away and trade in or purchase a different car.

We both agreed that this mentality was flawed on a number of levels.

One of the issues is that the PCP by its very nature gives a natural break point where a customer has to decide whether to stick with you or not.

If the level of customer service has been poor, this could obviously encourage any customer to make a clean break. From the psychological perspective, if you feel trapped in a relationship or plan that is not delivering the type of service you expect then there is three years to build up both resentment and a desire to move.

However, if a positive relationship has been built, the risk of the customer walking away into a new unknown relationship will be lower and the customer will be motivated to stay and take out a further plan.

This, therefore, places an even stronger emphasis on delivering more customer care, not less.

There have been numerous studies on the comparative cost of retaining a customer compared with conquering a new one, with the entire process of gaining a new client usually working out eight to 12 times more expensive.

One of the biggest challenges in the rise of PCPs is the fact that there is little research into customer buyer behaviour at the end of these contracts.

How many customers will trade up or down within the same franchise? How many will want to switch? What will be their experience when they bring the car in at the end of the contract? How will people react to being charged for extra mileage? What about the assessment of damage and wear and tear on the car?

In the past, these types of negotiation have happened primarily with business users, but never on a scale that will occur when the large number of retail PCPs come to maturity over the next two years. If the view has been taken by the dealer staff that you can neglect these customers because they are tied in, then the dealership could be in for quite a shock when the contracts come to an end.

The prospect of large numbers of cars coming back with approximately the same mileage on them could also have a destabilising impact on the used car market.

England supporters may be loyal despite the poor performance of their team. I suspect that badly treated PCP customers may take a different view.

“The PCP gives a natural break point... This, therefore, places an even stronger emphasis on delivering more customer care, not less”

Professor Jim Saker is director of the Centre for Automotive Management at Loughborough University’s Business School and an AM Awards judge. He has been involved in the automotive industry for more than 20 years.