

AUTO REPAIR

DIRECT MAIL ROI

An Authoritative & Comprehensive Guide



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MAIL Shark

Print & Direct Mail Made Easy

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About Mail Shark

Ranked by INC magazine as one of Americas fastest growing companies for the 8th straight year in a row (as of 2019) Mail Shark is the industry's premier print and direct mail marketing partner.

Our client focused approach, coupled with our customized affordable weekly mailing and payment solutions and diverse paper and plastic product line of over 16 premium direct mail products, has made Mail Shark the direct mail marketing go-to resource for auto repair shops across the country.

Whether you are a General or Specialty auto repair shop looking for new customers to increase car count or a current customer acquisition strategy, Mail Shark will develop an affordable and customized direct mail strategy to achieve your goals.

References

[AAA https://newsroom.aaa.com/tag/cost-to-own-a-vehicle/](https://newsroom.aaa.com/tag/cost-to-own-a-vehicle/)

<https://www.themailshark.com/resources/calculators/auto-roi-calculator/>

[Auto Service, Maintenance and Repair - US - January 2019, Mintel](#)

[ANA/DMA 2018 Response Rate Report: Performance and Cost Metrics Across Direct Media - November 15, 2018](#)

Marketing is your investment in future sales and, like any potential investment, it's critical that you understand all the numbers that have an impact on your return on investment (ROI).

In Part 1 of this guide, we will show you how to calculate the real value of each new customer that comes into your shop.

In Part 2, we will take an in-depth look at auto repair direct mail response rates and show you how to correctly and accurately forecast and calculate the potential short term and long term ROI that direct mail can yield for you shop.

Finally, we will provide you with our Auto Repair Direct Mail ROI Calculator. This powerful, interactive tool gives you the ability to use your shops real numbers to quickly and accurately calculate and forecast your shops potential direct mail ROI.

It's important to note, the numbers discussed here are used to educate you on how direct mail works and allow you to quickly and accurately forecast the potential return that direct mail can yield.

For shops currently using direct mail, a different method is used to calculate your actual ROI. This is done with match back report that matches customers that have received your direct mail to those that have physically visited your shop and converted to a paid repair order.

Part 1

How To Calculate The Value Of A New Customer

Only looking at what a new customer spends on their first repair order is one of the biggest mistakes that auto repair shop owners make while analyzing their ROI.

Why is this wrong?

New customers may not have an immediate need for a major repair, or they may not use your shop for a major repair until you have earned their trust. Furthermore, you would be overlooking the ongoing revenue from future repairs and preventative maintenance from these customers that can only come over time.

The only way to assign an accurate value to your new customers is to determine your shop's Customer Lifetime Value (LTV). This is done by taking the average amount a new customer will spend at your shop over the lifetime they remain your customer. Your customer's Lifetime Value is the number that should then be compared to your marketing costs. Having a full grasp of your shops Customer LTV gives you the ability to make strategic fact-based decisions about your marketing, including:

- Which marketing efforts are paying off.
- How much you should spend to acquire a new customer.
- What level of discounts to offer.
- Are you generating an acceptable ROI?

To start, we need to determine the average number of years that a customer stays with your repair shop. Some [statistical data](#) shows that the average American moves once every five years. Therefore, we will use five years in our example. You will, of course, plug in your shop's average customer lifetime.

Next, we need to determine how much the average customer will spend at your shop over this same five-year time frame. For our example, we will use a figure published by the AAA:

"To calculate annual maintenance and repair costs, AAA examined factory-recommended maintenance, replacement tires, extended warranty costs, and services associated with typical wear-and-tear. New vehicles, on average, will cost a driver \$1,186 per year to maintain and repair."

Using these numbers, a single customer is worth \$5,930 over the example 5-year timespan that they remain a customer at your shop.

Customer Lifetime Value (LTV)	
Average Number of Years You Keep a Customer	5
Average Annual Amount Spent by a Customer	× \$1,186
Lifetime Value	= \$5,930

Now that we have determined the value of a new customer, there is another critical part of the calculation that most auto repair shop owners fail to consider - customer referrals.

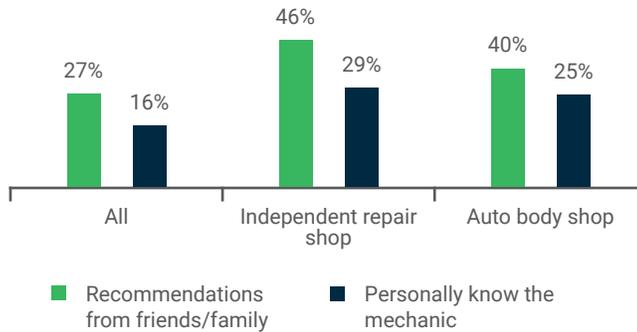
The Value of Customer Referrals

A quality auto repair shop will typically receive a substantial number of referrals from their happy customers. I'd venture to say that referrals remain the primary lead source for the vast majority of the top shops in the country. This is also supported by some of the latest consumer market research provided in Auto Service, Maintenance and Repair - US - January 2019 market research report.

When asked How did you hear about the places that serviced your vehicles? Where have you had maintenance or repairs completed on any of your vehicles in the past 12 months? 46% responded with Recommendations from friends/family.

"How did you hear about the places that serviced your vehicles?"

"Where have you had maintenance or repairs completed on any of your vehicles in the past 12 months?"



Base: 1,628 internet users aged 18+ who know where they purchased auto service from
Source: Lightspeed/Mintel

At Mail Shark we classify referrals not only as traditional word of mouth referrals made to friends or colleagues, we also include other referred vehicles owned by your current customers, whether it be their second vehicle, or a vehicle driven by their spouse, kids, etc.

It's not possible to generalize the number of referrals a shop owner can anticipate from their happy customers. Therefore, for this example, we will use a conservative figure and assume that over our example estimated 5-year timespan, at least one new customer or one additional family vehicle will be referred to your shop by each of your happy customers.

If each new customers vehicle is worth \$5,930 of revenue over a 5 year period and you were to receive only one referral from these happy customers, that additional referred vehicle is also worth \$5,930 in future revenue.

Revenue From Customer Referrals

Value of One Customer	\$5,930
Average Number of Referrals	× 1
Referral Revenue	= \$5,930

You will simply enter the average number of referrals you feel you receive from your customers. Keep in mind, we define referrals as other vehicles they own, or referrals made to friends or colleagues. Either way, whatever number you use, this step should not be skipped. Remember, without the initial marketing, you would have never acquired these new customer referrals.

Total Customer Lifetime Value (LTV)

The final step is to determine the potential total lifetime value of each of your new customers. In other words, what is the potential total impact on revenue from each new customer over the timespan they remain a customer? For this calculation, we simply tally up these numbers to calculate the potential total lifetime value of each of your shop's new customers. In this example, you can see that the potential total lifetime value of a new customer is \$11,860.

Total Customer Lifetime Value (LTV)	
Value of One Customer	\$5,930
Revenue From Referrals	+ \$5,930
New Customer Value	= \$11,860

This number adds transparency and echoes the importance of customer service and providing your customers with the best customer experience possible. Your customers are the lifeblood of your business and have a tremendous impact on your continued growth and future revenue. Treat them like gold, retain them as lifelong customers, and reap the benefits of their referrals.

Now that we have calculated and determined the potential value of your new customers, in Part 2, we will take an in-depth look at anticipated direct mail response rates.



Part 2

Direct Mail Response Rates for Auto Repair Shops

Unfortunately, there are too many direct mail companies that don't have enough in-depth experience working with auto repair shops. Many will provide you with numbers based on the [DMA's \(Data & Marketing Association, formerly the Direct Marketing Association\)](#) latest statistics, which show average direct mail response rates of 5.1%.

However, there is very little transparency about how the DMA calculated this number. What industries did their data include? What calls to action were used? Over what length of time was the data gathered? How many marketing touchpoints did the campaigns have?

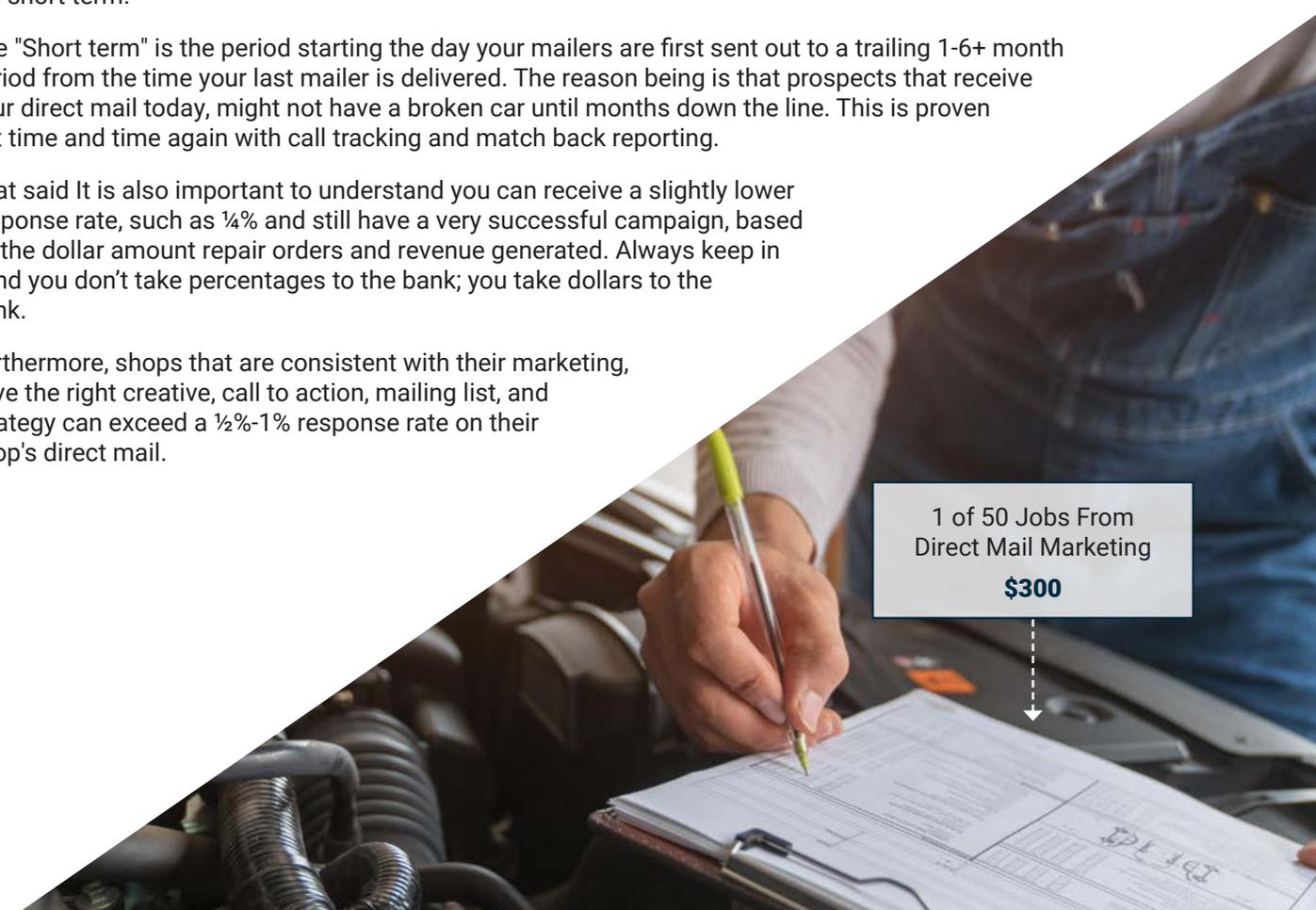
Furthermore, every auto repair shop is unique; Are you a general or specialty repair shop? How many competitors do you have? What are your local demographics? How long have you been in business? Do you have high-quality online reviews? The list could go on and all these variables have an impact on direct mail response rates and ROI.

Therefore, these numbers cannot be used with confidence to project your shop's potential response rates or ROI. We prefer to use a more conservative approach. Based on our real-world experience working with auto repair shops across the country, a potential average response rate you can anticipate is ½%-1% over the short term.

The "Short term" is the period starting the day your mailers are first sent out to a trailing 1-6+ month period from the time your last mailer is delivered. The reason being is that prospects that receive your direct mail today, might not have a broken car until months down the line. This is proven out time and time again with call tracking and match back reporting.

That said It is also important to understand you can receive a slightly lower response rate, such as ¼% and still have a very successful campaign, based on the dollar amount repair orders and revenue generated. Always keep in mind you don't take percentages to the bank; you take dollars to the bank.

Furthermore, shops that are consistent with their marketing, have the right creative, call to action, mailing list, and strategy can exceed a ½%-1% response rate on their shop's direct mail.



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Potential Short-Term Direct Mail ROI for Auto Repair Shops

Now that we have established a realistic potential average response rate of ½% -1% on your auto repair shop's direct mail, we can calculate the potential Short-Term ROI of your direct mail campaign.

To calculate the potential Short-Term ROI, we take the estimated increase in car count based on how many mailers you send out and multiply it by the response rate. For our example, we will use a ½% response rate. We then take that number and multiply it by your shop's ARO (Average Repair Order), then subtract out the cost of the mailer.

Short-Term ROI Example

Quantity Mailed	10,000
% Return	× 0.5%
Increased Car Count	= 50
Average Repair Order	× \$300
Gross Revenue	= \$15,000
Estimated Cost of Mailer	- \$3,500
Net Revenue	= \$11,500
Short-Term ROI	= \$3.29

For every dollar spent in advertising, you would have generated \$3.29 in net revenue.

In this example, after we removed the cost of the mailer, this campaign generated \$11,500 in net revenue, which equates to an ROI of 3.29 over the short term. In other words, for every dollar spent in advertising, you would have generated 3.29 dollars in net revenue.

Potential Long-Term Direct Mail ROI for Auto Repair Shops

The final step is to determine the potential Long-Term ROI that your direct mail can deliver. Calculating the potential Long-Term ROI will give you transparency to the real value and impact on revenue that your customers will generate over time.

Based on the potential Short-Term response rate from our example above, you would have acquired 50 new customers from your 10,000-piece direct mail campaign. Let's assume you have a customer retention rate of 80% because some of your customers either move, decide to use another repair shop, etc.

Now we can calculate the potential Long-Term direct mail ROI by taking the increase of your 50 new customers and multiplying that by the total lifetime value of each customer. (ex. 50 new customers X 80%=40)

It's important when forecasting these numbers that you analyze them from as many angles possible. We thought it would be impactful for you to look at the potential Long-Term ROI two different ways. First, we will calculate the Long-Term ROI with the inclusion of revenue from referrals. This is the textbook way to forecast your potential Long-Term ROI.

However, we also think it's important to analyze these numbers after removing the potential future revenue from referrals. Doing so adds transparency and shines light on the importance and impact that referral revenue has on the Long-Term growth for auto repair shops like yours.



Below we will take a look at an example of each:

Long-Term ROI Example With Referrals		Long-Term ROI Example Without Referrals	
Quantity Mailed	10,000	Quantity Mailed	10,000
% Return	× 0.5%	% Return	× 0.5%
Increased Car Count	= 50	Increased Car Count	= 50
Assumed Retention Rate	× 80%	Assumed Retention Rate	× 80%
Consistent Customers	= 40	Consistent Customers	= 40
Total Lifetime Value of One Customer	× \$11,860	Total Lifetime Value of One Customer	× \$5,930
Long-Term Revenue	= \$470,900	Long-Term Revenue	= \$237,700
Estimated Cost of Mailer	- \$3,500	Estimated Cost of Mailer	- \$3,500
Net Revenue	= \$470,900	Net Revenue	= \$233,700
Long-Term ROI	= \$135	Long-Term ROI	= \$67
For every dollar spent in advertising, you would have generated \$135 in net revenue.		For every dollar spent in advertising, you would have generated \$67 in net revenue.	

As you can see in both scenarios, direct mail remains one of the best investments you can make with your shop's marketing budget.

Now that you have a deep understanding of these numbers you can use our interactive ROI calculator to plug in your shop's exact figures and uncover the impact that direct mail can produce on increasing car count and ROI for your shop.

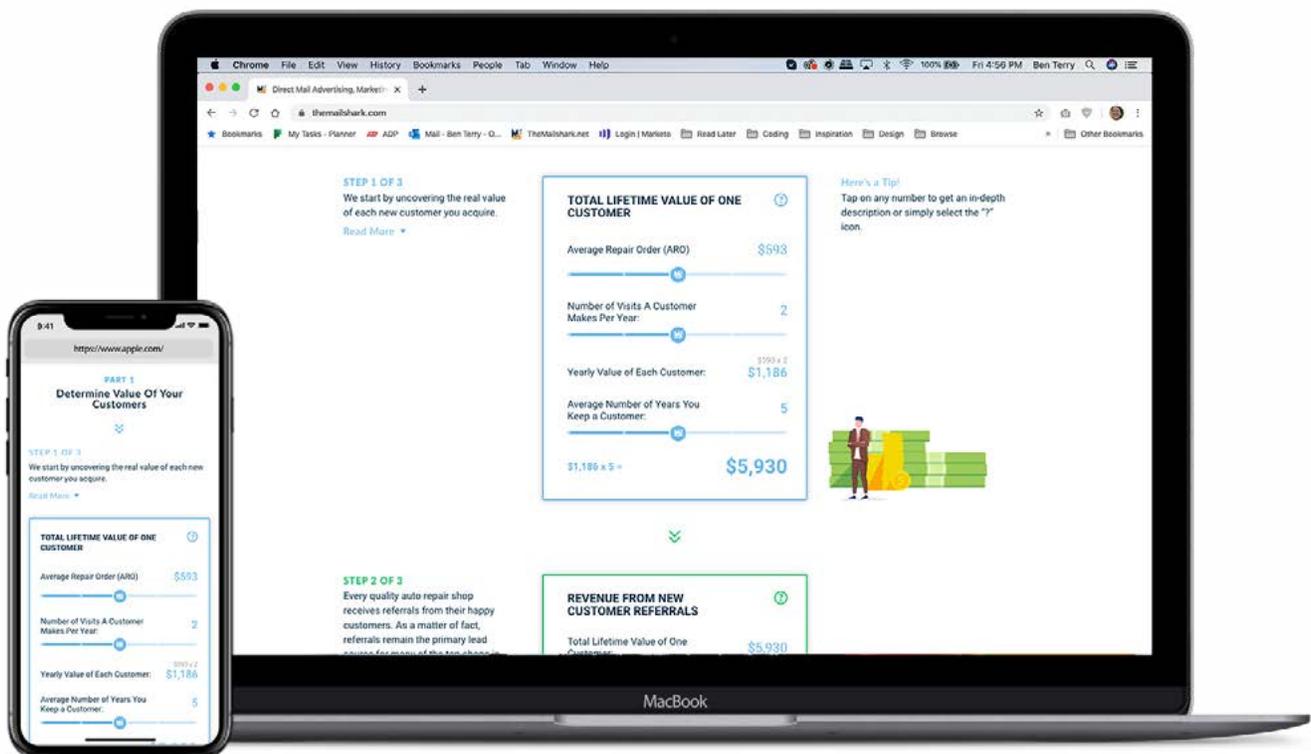
Part 3

Online ROI Calculator

Our ROI calculator will give the ability to determine the true value of your customers as well as how to calculate and analyze your potential short term and long term direct mail ROI based on your shop's numbers.

Click And Try It Now!

or



<https://www.themailshark.com/resources/calculators/auto-roi-calculator/>