



Davies Consulting

Understanding Whether Goodwill Payments Deliver a Return on Investment

Analysing the correlation between customer loyalty and goodwill payments.

A vehicle manufacturer wanted to know whether their multi-million pound goodwill programme was delivering a return on investment through building customer loyalty.

Expenditure on the programme was increasing whilst there was no direct evidence that it was achieving its aim of customer retention. The data available was disparate and unexplored and the manufacturer did not have the blend of expertise required to conduct the analysis.

Our Approach

Davies undertook analysis of the client's goodwill programme and explored the full data landscape to find the most influential indicators of customer retention and modelled both new and used vehicle purchase prices to predict ROI as accurately as possible.

In addition, our team modelled the propensity of customers to return to the dealer network in multiple scenarios. We were able to demonstrate that goodwill payments for certain issues were more effective than for others and segmented those advisors who issued a goodwill payment the most often to show how coaching and rigour around decision making would reduce cost.

Return on Investment

The key finding was that the size of the goodwill payment was secondary to the reason that the goodwill had to be given in the first place. Certain faults and failures were terminal to the relationship between manufacturer and customer, yet these carried the highest goodwill cost. The results of the study were used to amend the goodwill programme to become more selective when goodwill payments were offered, with rules around decision making more readily enforced and subject to audit. This led to a net £2 million saving for the client.

£2
million saving

Goodwill programme
amended to be more
effective

Get in touch

For more details of our analytics services or to discuss how we can help you generate richer insight from your customer interactions, contact:

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