



## **ADS identifies £5,800 as the true potential cost of losing touch with a customer after three years**

**Customers are typically lost *before* their maximum value to the dealer**

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**RESEARCH** from data experts ADS has revealed that losing touch with just one customer can mean losing around £5,800 in future profit.

With ADS research consistently showing that half of all records in the typical dealer customer database contain errors leading to loss of contact, this new analysis reveals the true cost of losing touch.

ADS (Auto Data Solutions) say that customers are most likely to defect to another service provider at the very moment when their retention value to the dealer is *increasing sharply*.

Based on industry-standard figures, one customer drives profit of between £6,020 and £9,420 over the ownership period of one car. ADS says this means that seeing the first missed service appointment as just £250 - £350 in lost revenue is therefore mistaken.

Instead the company argues that the dealer should take account of all future business at risk from each customer to appreciate the true value of long-term customer retention.

ADS's analysis is based on a range of industry insider and widely published calculations of customer lifetime value, broken down into four-year ownership cycles. Taking into account future sales and finance margins ADS calculated that losing contact with a customer at the three-year point means missing a potential £5,800 in future profit.

Data shows that by the three year point only around one in three customers remain with the original supplying dealer as service customers. Many of these customers go on to make their own arrangements when the dealer stops communicating, often due to outdated contact details in their database.

For a typical franchise dealer group database containing hundreds of thousands of customer records the cost of not correcting a typical industry-standard error rate of around 50% should be measured in millions, says ADS.

“It’s tempting to see every customer contact moment in isolation, in terms of revenue gained or lost, but that’s misleading,” said Jon Sheard, Operations Director of ADS.

“When losing touch through inaccurate contact details means a customer going elsewhere for an MOT or service, the dealer is typically losing all future profit, ranging from servicing and repairs over time to eventual car replacement.

“To really understand the cost of an inaccurate contact database, dealers should revise their interpretation upward from the immediate loss of something like a missed service to account for every future opportunity lost.

“Our analysis shows that this realistically represents £5,800 of profit from the three-year point onward.

“With the typical dealer group’s contact database containing tens of thousands of customers, the scale of commonplace errors adds up to millions of pounds each year.

“Our bespoke analysis of dealer client databases, before cleansing and updating, typically reveals error rates of around 50%, leading to lost contact. Our latest analysis shows for the first time that the true cost to dealers is exponentially more than just a few missed service appointments.”

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ADS customer lifetime value analysis methodology:

The £5,800 figure represents a calculation of future profit at risk when a customer defects at the three-year point. Calculations are based on typical UK dealer margins across new vehicle sales, finance and F&I products, alongside expected aftersales profit including servicing, MOTs, tyres and parts.

The model assumes a four-year ownership cycle and includes the potential value of retaining the customer into their next vehicle purchase. Figures are derived from a combination of industry benchmarks and ADS analysis of dealer database performance. Actual values will vary depending on brand, customer profile and retention rates.

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#### **ABOUT ADS**

ADS - Auto Data Solutions - connects motor retail businesses with market and customer data that increases efficiency and boosts revenue. Founded by a team of former senior CAP-HPI managers, ADS partners with all of the leading data and system providers to provide a unique set of services designed to drive growth and profitability for dealers.