

On the Line

For Your Share of the Repair Business...

Focus on Customer Relations and Retention

With an aging fleet that is currently approaching 12 years, this translates into a lot of needed repairs to keep these vehicles operational. The independents are not the only service providers that have an interest in this market. New car dealers are taking steps to secure their fair share of this business. With the service department representing approximately forty percent of the dealership's gross profits, they are serious about obtaining and retaining their share of this repair business. Another interesting statistic is approximately only fifty percent of dealerships' customers return to the dealer for repairs once the vehicle is out of warranty. Instead, they frequent the independent repair shops, and this has created much concern for the new car dealer about how to retain those customers.

CUSTOMER RETENTION

The new car dealers and independents are in competition for the same customer. Growing their business through customer retention makes good business sense, as replacing an existing customer can be five times more costly.

Have you wondered why the new car dealers are suddenly promoting tire sales? Tire sales are one approach to customer retention for the new car dealer. When the customer frequents another facility for tire purchases, that gives the tire establishment the opportunity to offer additional products and services. In addition, they will offer free tire rotations and that keeps the customer returning where inspections and additional repairs can be recommended and performed. A tire sale can easily generate suspension, steering, alignment and brake repair services. Having that vehicle return for a safety inspection on a frequent basis is imperative, especially considering the extended mileage service intervals that limit the number of times annually the shop has access to the vehicle to perform inspections and make service recommendations. New car dealers and independents are in competition for their share of this market and they are taking it seriously. Some vehicle manufacturers are offering their own parts programs for vehicles not of their original equipment manufacturer.

A TIME TO BILL AND A TIME FOR GOODWILL

When the service manager is under pressure to meet certain parts and labor goals, he can easily lose a cus-

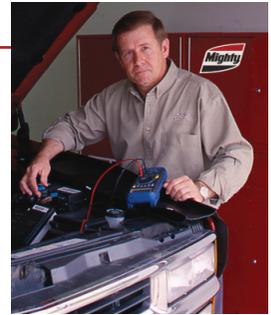
tomers in the process. Most vehicle owners are not aware of the time, training and financial investment required to service today's vehicles. It is a major investment and continual costly update that must generate a profit for the shop. There is a fine line between charging for a service and when it makes good business sense to offer it as a courtesy. If the customer feels they have been unfairly charged they will not return for service or a new car purchase and they will share that experience with many.

Case in Point: Three years prior, the vehicle owner encountered water pooling in the passenger side floorboard. The technician inspected the vehicle in the parking lot and determined that a rodent had damaged the evaporator drain hose, which would have to be special ordered. Taking all of three minutes to open the door and lifting the corner of the carpet, the vehicle owner was shocked when charged one hour labor for the inspection. The service manager explained that was company policy. She paid the charges and silently vowed to never return. The lady was a bank executive, she was well known, respected and she shared this experience with many. The service department lost more than they gained for that one hour labor charge. She had purchased three vehicles from that home town dealer, but recently drove 90 miles to purchase a new vehicle of the same make from a competitive dealer.

There can be a fine line between making a service profitable for the shop and losing a customer in the process. If you cross that line you may never get the opportunity to service that customer's vehicle again. For example:

- 1) Replacing a fuse and billing the customer for an hour labor will not be received well.
- 2) How many times have you been challenged by the entry on the repair order that reflects a percentage of the parts and labor for shop supplies? Customers view that as price gouging. I am certain that you have been challenged on it. Including it in the parts takes less explaining.

A good customer will share a bad experience with many...for a long time. Keeping the customer happy and giving referrals should be your goal.



By Larry Hammer
Technical Services



MANAGER IS PERPLEXED THAT THE CUSTOMER CANNOT ACCEPT THE DEALERSHIP'S "POLICY"