

## Fixing it after you sold it

You know the old saying “if they cannot drive it, they aren’t paying for it”. I have met and heard of dealers that knew that was the case yet when one of their cars failed the dealer told the customer “you can go get it fixed or leave it here”. There was a day when that worked. At least the customer had something to drive. Maybe the dealer would help them a little after the customer scraped up the money for parts. Have you ever met the “Service Manager” at a dealership that told customers “don’t worry about that \_\_\_\_\_ sound or that smell isn’t a big problem. “Just like grandpa, your car is getting a little older, it’s normal”. I watched someone say this over and over...the look on the customer’s faces was priceless. The Service Manager would say “we can take a look at it for a \$100 if you like but it’s not really a big deal”. Some customers would argue, some cry and others just leave (with or without the car). I’m not sure who he had pictures of in that operation but he was there for years telling customers this every day.

I do not think you can get by doing that these days, I know I couldn’t. Cars need to function. What is the best way to achieve that has almost as many answers as there are dealers out there but we can boil it down a little. You need to do some reconditioning up front so the cars can be sold and hopefully not come back the next day with an immediate problem. I personally do not want my customer telling me “I had to get \_\_\_\_\_ fixed and cannot make my payment”. I do not want my customer out at midnight in a car that dies as they drive down the highway and the customer has to decide what to do. We provide free towing through our Service Contract and make sure everyone knows they can call without expense to get the car towed to our dealership. Even the towing service knows, don’t try to figure out if the customer is covered or not, pick up the car and we will figure it out tomorrow.

Back to the boiling down, unless you’re selling cars under factory warranty you have to make repairs to cars or you get them back. The ones you don’t get back either broke down in another state and was left there, left at a local shop and have a mechanics lien or they set dead at the customers house until you find it. A few customers will fix the car someday but that is an outlier and not the norm.

So you are fixing cars that your customers are driving. Who is paying for those repairs? We all know the answer, you. That is unless you have something to cover the expense that the customer is paying for. If you’re offering a warranty for some period the repairs are being paid by you, out of your gross. Maybe you raised your prices and you are disciplined and have a reserve to use, still it’s money from your gross. If you pay a third party shop then those repairs are being made by someone else that sees your repair as a profit opportunity. These shops (unless you have a very close relationship with them) will slow in customer service and quality of parts, especially if you negotiated a discount with them. Their techs eventually won’t want to do your work because they share in the discount and parts will become less and less quality to cut costs. How many customers have you had go to a third party shop and come spinning to you in a lather because the shop told them everything on their car is bad?

I have talked with many dealers that have tried a third party service contract only to stop because “they wouldn’t cover anything” or “they keep raising their rates because we have too many repairs”. Most of the time that happens is caused by the dealer’s shop personnel not understanding how a service contract works. Because you as a dealer decided to sell the service contract your customers have higher

expectations and your shop or someone in your store promised a repair that would be paid only to end up not being covered and you have to pay the repair. This holds true whether you offer a third party service contract or setup your own via reinsurance (both can have goodwill but it is still eating up your or the third parties reserve).

What is important, I believe, is that you create a method where your customer is paying for the cost of repairs. The only way that happens is by charging the customer for that expense in your contract. Adding markup for a warranty and having a reserve, selling a separate service contract whether it is a third party or your own via reinsurance, something is added to the contract and those funds kept separate.

Your shop personnel need to completely understand what is covered, either by the third party agreement or your own reinsurance program (no you don't just cover everything), its important your people know what can be repaired and paid for with the funds from the chosen program. Just as important your sales staff need to understand as well so they are not "selling" something your aren't actually offering. Controlling expectations is a big key to customer satisfaction.

Have the capability to understand what you can charge the third party or your own reinsurance company for any given repair is also important. You need a labor hours reference guide (Alldata, Mitchell or other) and know how to use it. If you use a third party service contract or warranty you can charge retail labor rates for your market, \$80 to \$100 per hour. If you have a reinsurance company you're using your reserve and may not want to charge retail but certainly you can charge a rate that covers your shop costs and all your parts expenses.

You (or your shop people) need to understand the levels of parts prices and suppliers and work to get quality, warrantied parts at the best prices so you can do the repair one time (you need good techs) or make sure your parts suppliers provide repair expenses if they sold you a faulty part.

I have always paid technicians flag or labor hours and had them do return work at no charge. Good quality techs want to make all they can and working via flag hours is the best way to achieve that. If the part fails and the vendor will pay for replacement the tech gets paid again. If the diagnosis was wrong or the repair fails due to poor workmanship, the tech works pro-bono to right the situation. If you have techs that want to make some money then they will work faster and be more careful.

In order to control your shop costs and labor hours you need good records. Make sure you create Repair Orders for every repair you do or even discuss with a customer, including policy and reconditioning. Track everything done in the shop. You can do this in many of the DMS options available or you can use a different "Service Advisor" program like Alldata. There are options out there that work well. Don't half way have a shop, it costs you much more than doing it right.

There is gazillions more details that I can cover here. My main point is have your customer pay for the repairs they will need later by building in something to cover the cost upfront. Either reserve those funds or pay for a third party agreement, charge your customer for it and learn to use the product you offer. Primarily know you will do repairs so make it work for you.