

## Who pays when the car needs work?

So we have a customer that has been in their vehicle for 11 months of a 36 month note, still a nice car. This customer pays their payments OK but is currently behind a payment. A snow storm comes through and here comes the nice car on a wrecker. Spin out, tire and wheel damaged with the wheel leaning badly. The customer's insurance lapsed right before the holidays. The customer wants to keep the car but cannot afford everything. Do you have a solution in place that allows you to be consistent if something similar happens to 5 customers?

I know the answer about this situation is the same as all other BHPH situations, *it depends*. It depends on the customer's attitude. It depends on how the customer's account has been paid. It depends on where you are with your exposure on this deal. It also depends on how much and what type of damage the vehicle has along with what the customer can afford to do about it. Unless you are of a mind to say bring us all the money then we'll fix it, you should have a softer plan to help. I always advocate if a quick \$100 fix will satisfy a customer issue, we do it without pushing the customer for money but if it's more the customer has to pay in some way. It helps that we have our own shop in house.

In the original story the damage wasn't horrible. Because we have our own technicians it took about \$600 to repair with the tire and rim. The customer by that time owed us \$450 in past due payments and they needed to get insurance. For me this is where a service side note comes in. Do you offer repairs, even maintenance, and allow customers to pay on a side note? I have seen dealers that refinance the contract and add in the repair. I have seen dealers that create a side note telling the customer it has to be paid by the end of the note, or at least that's what the customer heard. Some dealers use a Goods and Services contract and charge interest.

What's the right answer? *Depends*. With our customer we had her get insurance, pay half the past due on her account and pay 30% of the repair. The rest is on a promise to pay for the installment payments and a service side note for the balance of the repair.

In some states you need a Goods and Services contract for side notes. You should have some instrument, signed by the customer, if you intend to collect side note money same as you collect regular payments. Without something signed that will hold up in court you cannot withhold a title if the customer pays off their installment contract but owes you service money. We run the Repair Order, explain in the "fine print" they are responsible for the charges, and then write out any terms agreed to for payback and have the customer sign it. We tell the customers this side note is to be paid as they make their car payments. About 30% of these are paid on time. The others are paid on "as the customer can" or if another repair needs to be done. We always explain that we cannot do a second service side note if one is open so please don't let this go to long. We pay a small commission to the cashiers for "collecting" service money (no calling) so we write off less than 10% of the dollars. Anytime we have a customer after the fact tell us they do not owe or don't remember the service note we just pull out the Repair Order they signed and usually the person that had the customer sign for us is still there so the conversation is short.

Most of the Billable work we do goes on a service note. We mark those repairs up same as our Service Contract repairs unless there are unusual circumstances where we try to help a customer that is unemployed or in some other personal crisis. This way we have some profit without interest and we aren't actually losing any money overall.

We do offer a premium coverage Service Contract that covers many repairs. It goes way beyond basic powertrain. We stick as closely as possible to the plan and not ask for a huge amount of goodwill. Our current program is a reinsurance program and so it is monitored closely by the administrator (there are some really good third party service contracts as well). By offering it as a Service Contract the customer is buying it so we make our needed gross profit on the vehicles and the customer is paying extra to help with repairs via their service contract. Even with the VSC (Vehicle Service Contract) going to 24,000 miles we still have need to do side notes.

What do we fix? Almost anything. You know....It depends. No we are not putting a transmission in a 175K 2006 Malibu on a side note. If a customer is paying us steady and tells us they still like that rig we will do smaller jobs (like brakes or a couple of tires). We generally ask for 30% upfront and get what we can from them. Have we done a motor R and R on a side note? Yes when the customer was strong and had the down we asked. That type repair requires we be at or near positive exposure with a good paying customer. Overall the average of our side notes are about \$200 so even though we will do something large we don't do many.

Does this help the portfolio? I believe it does. It is true, fix it or get it back. I know it helps the reputation. We strive to find ways to say yes where ever we can. From approvals to side notes to towing to payment arrangements we try to help customers get through and keep driving. We make sure the customers pay us every way we can to help keep their cars running and maintaining our margins.

So no matter if Mary Jane, Billy Joe or Sluggo the Clown come in with the same vehicle issue, our people know what they can do in each case. If the customer is in a position to be helped, we will help.