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EASING RECON WOES FOR FIXED OPS DIRECTORS

Perhaps the position in the entire dealership most squeezed by the used car department's appetite for fresh inventory and the reconditioning department's ability to get those cars to the sales lot quickly is the beleaguered service director.

The used car manager (UCM) figures into this frustration, as his or her delay in responding to requests to authorize repair and service costs ends up slowing down this crucial process. This delay alone can eat away the UCM's sales gross — and he or she won't even know it.

As we have noted before, every vehicle moving from "acquisition" to "sold" incurs a daily cost called holding cost depreciation. All in, this \$36-per-car-per-day cost erodes sales gross by as much. Get cars to the sales line faster, and less holding cost will erode the gross.

UCM approval delays of even a few hours slow down the entire line and throw kinks in otherwise what should be a smooth, highly efficient assembly line. This battle for efficiency is at the service manager's doorstep daily. When the flak comes in blaming the service department for taking too long to get cars to the sales lot, the immediate response is to duck and run.

Do these woes sound familiar?

- Juggling and scheduling service bay and technician availability for servicing trade, auction and private sale vehicles taken in by the dealership for the used car department;
- Managing labor, parts time and costs to service/repair vehicles safely, and yet keep costs low;
- Needing to pull cars out of line to wait for approvals, parts or sublet, or needing to push a vehicle ahead in line — at others' delay — to please a sales manager, GM or dealer;
- Balancing technicians and detailers between retail and internal needs;
- Poor communication about incoming inventory from auctions and trades, and then onboarding them into the recon process so work can begin promptly; and
- Dividing and managing recon detail technicians against the prerequisite for make-ready staff and delivery prep.

If these woes are to lessen or cease — if reconditioning cycle time is to shrink to a profitable three to seven Average Days in Recon (ADR) — the following must be in place:

- Improved communications between all involved departments and personnel;
- A more structured, step-by-step process enabling cars to be on-boarded more quickly and moved to the front line in less time; and
- Measurable and reportable accountability up

and down the chain of command — even to the granular level — for each technician and detailer, and to each step necessary to recondition vehicles to the dealership's standards.

A disciplined leader demanding accountability is not the most popular knife in the drawer, but it's often the most productive. Moreover, because he or she is clear that a policy of accountability is in place, technicians, advisors, detailers and porters may learn to work smarter, harder and faster so *everyone* wins.

We sometimes lose sight that used cars should be the most profitable department in the entire dealership. The reconditioning department can play a lesser or greater role in that outcome.



With an accountability-focused, multi-department workflow strategy in place, you can reduce a service director's heartburn while bringing order, coordination and accountability to vehicle reconditioning — all while flowing more profit to the bottom line. This is done by reducing:

1. Blame

If anything goes wrong, it's the service department's fault, right? Service managers are protective of their staff and get frustrated when blamed without justification. *Accountability validates truth.*

2. Delay

Delay created by UCM failure to quickly approve or decline work frustrates techs who rely on a fast decision to generate the flag hours to make a paycheck. In many recon processes, the vehicle is in and out; it comes in for the inspection and then goes back out to the lot while waiting for approvals. The ideal is to keep the vehicle in the stall or on the rack and keep it moving. Process-driven recon that monitors and measures this workflow can show UCMs in real time how approval delay means more holding cost depreciation and more gross erosion.

3. Communication Issues

Poor communication can leave the head not

knowing what the tail is doing — and the tail not knowing what to do next. To be efficient with internals, service managers must know where each vehicle is, who has it, what has been approved and what is being done. Mobile and e-mail communications keep connected parties in the loop, and each communication indicating completed steps, next steps and pending steps. No one has an excuse for not knowing what's going on or where's the '16 Malibu that came in yesterday.

4. Shifting Priorities and Wasted Time

Nothing is more frustrating to service managers and their staff than not having proper approval from sales management. It frustrates advisors and managers when they must waste time to track down the UCM for approvals. A system that speeds approvals, documents those approvals and keeps this assembly line flowing will avoid wasting time, clear up any confusion about priorities and eliminate lost opportunity.

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5. Eroding Profit Opportunity

Fixed ops managers get frustrated when not allowed the opportunity to make a profit. Some dealers find it necessary to send recon out, which UCMs endorse, particularly when they believe that reconditioning will be "cheaper." Some reasons for subletting this work include:

- The service department is not technically able to do the repair;
- The service department workflow is backed up with recon work; and
- The UCM *can* get it done cheaper, reducing his cost and increasing his gross.

That last reason is very frustrating for fixed operations managers because it *makes no sense*. When the used car department sublets recon, the result is money out of the dealer's pocket. The best-case scenario is to do *all* work in house and just shift money from one pocket to the other.

Finally, I am a strong proponent of making the store's door rate equal to the internal rate. *The used vehicle department should be the No. 1 customer of the service department.* By bringing many of these woes under the observation of reconditioning workflow software, frustration ebbs away, cars get to the front line in fewer days, money is not wasted on unnecessary holding costs and the dealership is more efficient and profitable. ○



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CUSTOMER RETENTION FOR AN ONLINE MARKET

How do you build retention with customers who buy from you, but never set foot in the dealership or meet an employee face to face? It's an important question for all online retailers, and it should be part of the marketing discussions with your staff and agencies.

Unlike many online retailers, you don't sell consumables that require frequent purchases. Most buyers won't purchase again for years — not even service work if you can't keep them post-warranty.

It won't be long until a growing segment of the market will be buying vehicles and aftermarket products online — some say as early as 2019. Experts in e-contracting and F&I technology platforms say the technology's ready now to sell aftermarket products online, if only state legislators would vote it in place.

How does a dealership initiate and foster a relationship with online customers? The purpose of building customer relationships, whether engaging them first online or in-store, is to retain their business into the future.

Retention is more than loyalty or even customer satisfaction. Those are nice attributes to earn from customers, but studies show that neither truly translates into those loyal and satisfied customers doing further business with you. Retention is measurable, in percentages of repeat customer business growth and in dollars from increased service turn and upsell per customer.

So how does a dealership build retention if an increasing percentage of new business originates online and 15 percent or more of those prospects simply don't want to walk into the dealership to conclude any part of that transaction? *You must begin retention efforts well up-funnel*, introducing and promoting your retention-generating programs earlier in the shopping journey. Even

while they're searching third-party sites and then your Website, use some of that online real estate to proactively introduce them to services and programs designed to help them get more value from their vehicle investment.

The white-label, online car buying service MakeMyDeal.com conducted a survey in 2015 of 500 consumers, and the responses offer compelling confidence in consumer online shopping preference for F&I products. It speaks of retention opportunities. Key findings of the survey include:

- 72 percent of shoppers want to learn about F&I products and services, and 71 percent would prefer to research these products from the comfort of their home — or anywhere but the dealership
- Most would look at third-party sites or dealership Websites for information
- 64 percent would more likely purchase F&I products once at the dealership if they'd had the opportunity to research choices earlier online

The data suggest that if you want to sell more F&I, go up-funnel and promote your products earlier in the customer's shopping cycle. Make sure one or more of those products you are promoting online are designed to connect the customers to the dealership in ways that keep them returning frequently during their first year of ownership, to build a habit of servicing their vehicle there.

One product that promotes valuable services to potential buyers, and when used keeps them

connected to the dealership for ongoing purchases, is the dealer-branded prepaid maintenance (PPM) program. These programs offer customers discount-priced, prepaid routine maintenance services. Because these services include oil changes and other routine maintenance, such as tire rotations or alignments, these customers build a habit of servicing with you.

One East Coast group recently reported its use of such plans has resulted in lease customers using the dealership for routine maintenance services for at least two years, and finance customers' routine maintenance services for up to five years. They report being at the top of their zone for customer retention.

Inform early shoppers why it is to their benefit to buy from you. Market aftermarket products like PPMs on your Website, third-party listings and by targeted Web ads to reach customers earlier in their shopping cycle to interest them early about the products you sell. The goal is to predispose them to say "yes" when offered these products online — and when in the F&I office.

Retention begins when customers are engaged through a seamless online-to-store experience. Shoppers are looking for well-trained, product-articulate sales staff when they engage with your dealership, whether via email, text or phone. Provide your staff the tools and training to be as product articulate, presentation polished and sales professional as possible. Educate all customer-facing staff, which includes advisors, cashiers, receptionists, greeters and salespeople, about the importance of customer retention, what it is, how it is earned — and how it can be so quickly lost. Don't miss out on engaging, and retaining *every* prospect and customer. ○




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