

THE AUTO DEALER'S ORIGINAL FIXED OPERATIONS RESOURCE

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# FIXED OPS

Magazine

## ***TIRE WARS!***

*Winning The Replacement Tire Business*



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# PROFITING WITH RECALLS

## USING RECALLS TO WIN BACK CUSTOMERS WITHOUT DISCOUNTING

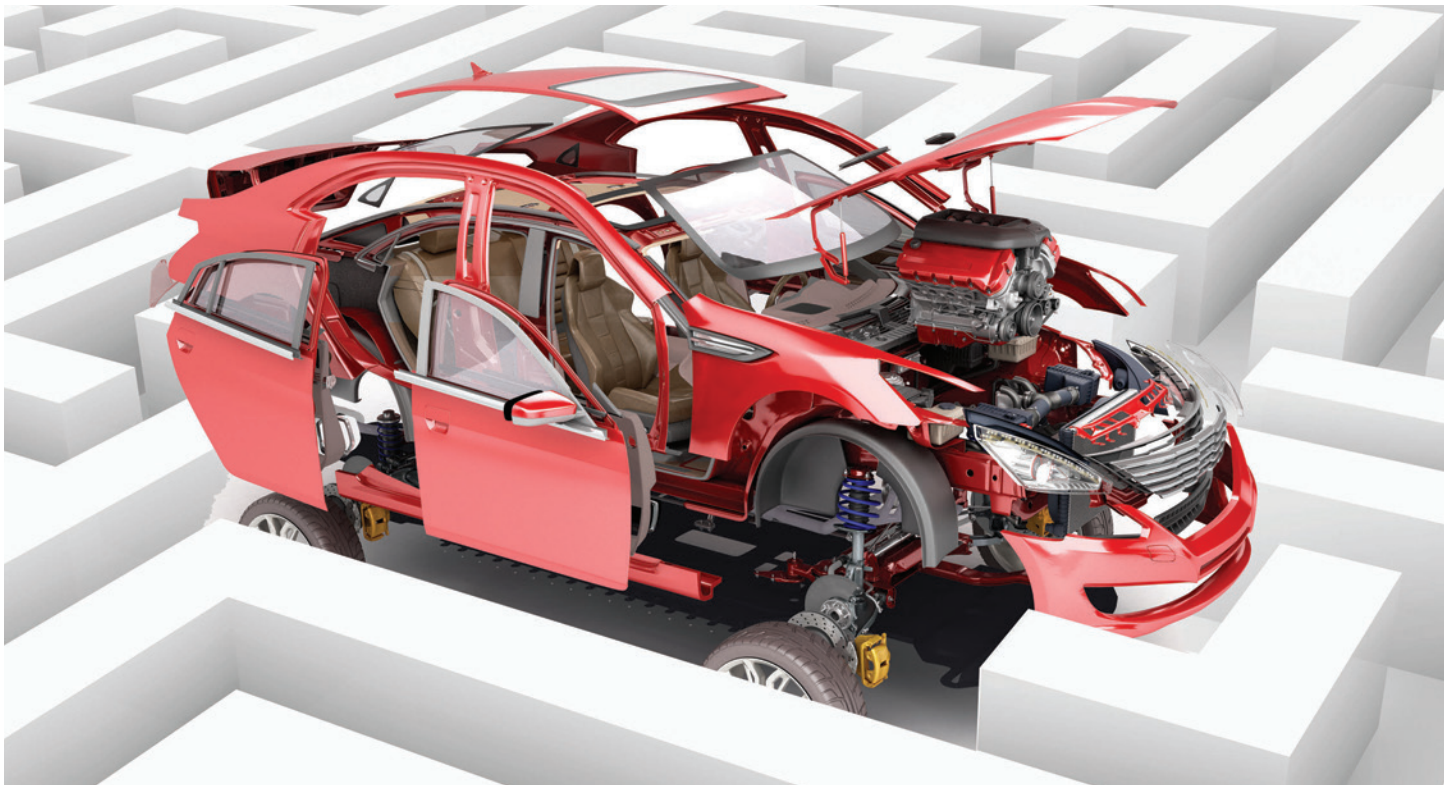
BY SEAN REYES, CMO AT RECALL MASTERS

Just read through your email, open your mailbox or read through Sunday print ads and you'll see just how desperate dealerships are to win back service customers from independent repair shops. It's understandable. Acquiring a new customer can cost five times more than retaining an existing customer, though increasing customer retention by just 5% can increase profits from 25-95%. It's the only game plan that matters - finding new customers and holding onto them. The big question remains - how do you win new customers and recapture inactive customers without deeply discounting services? A little more than 25% of all franchise dealerships are turning to opportunities derived from recalls.

Winning over consumers isn't easy. The challenge begins with understanding the consumer's shopping and buying journey. While not all consumers are the same, it's pretty apparent that we are leading with deeply discounted service offers as a means to buy back some of these consumers. It is a one-size-fits-all strategy that ignores the other variables that differentiate your franchise dealership from other service providers. Price isn't everything. In fact, consumers who purchase on price alone offer almost no loyalty to servicing regularly. Price - combined with transparency, prompt service and attention, perceived quality







and guaranteed workmanship – is how you’ll build a loyal customer base for the long haul. But, where do you start? Franchise dealerships have an ace up their sleeve – recalls. Recalls are the means to prying open opportunity and getting vehicle owners back into your dealership for a return visit. Let’s start with getting familiar with our target audiences:

#### **Out-of-Warranty Vehicle Owners**

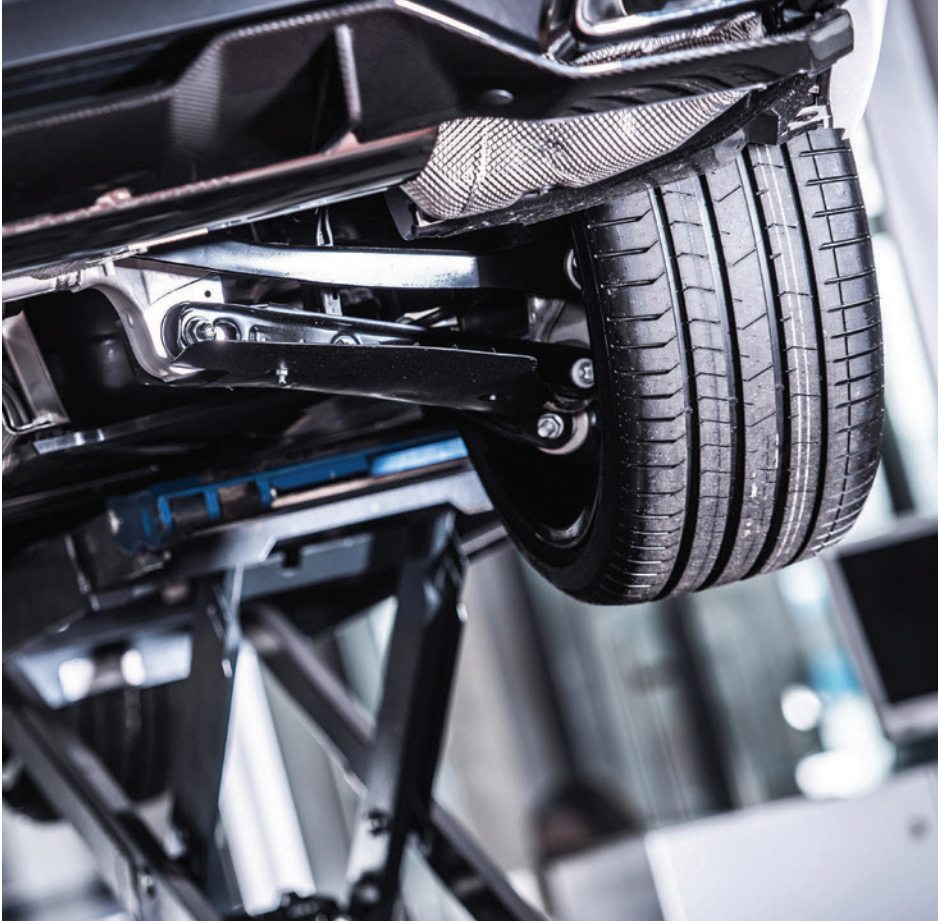
Setting price aside, franchise dealerships are still the preferred point of service (75% of consumers surveyed). Consumers perceive the quality of service significantly better at a franchise dealership – factory parts, certified technicians, state-of-the art equipment and facilities, factory support, on and on. However, it’s clear that, once a vehicle falls out of factory or extended warranty, the cost of service at a franchised dealership doesn’t align with the perceived value. When a consumer has to reach into their own wallet to cover the cost of service, price wins out over quality. Approximately 90% of those out-of-warranty consumers will defect

to independent repair shops within the first 6 to 12 months following expiration. Consumers don’t quite understand and appreciate the “total cost of service” and the subsequent impact on vehicle valuation. So, while price beats quality, “perceived value” shatters price. When service advisors take the time to educate consumers, the emphasis on price is tied to overall “perceived value” rather than a standalone deciding factor.

#### **Consumers are Busier than Ever**

A few years ago, a JD Power study revealed that 64% of people wait while their car is being repaired – more than most of us would have imagined. It probably seems a bit unfair, but “wait times” are not so much a factor at independent repair shops because it takes a very brave consumer to sit in the filthy waiting room of an independent repair shop. As an industry, franchise dealerships have invested heavily in creating comfortable, amenity-filled waiting rooms. Still, encouraging customers to endure excessive wait times is backfiring. Obviously, not every service appointment mandates a loaner car. How-

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ever, every consumer does deserve honest, prompt and periodic communication. This lends to the theme of transparency and making customers feel valued. Setting realistic expectations, especially with regard to wait times, is a sign of respect. Your service advisors are being paid to stay at the dealership the whole day – your customers aren't. Wait times are directly tied to customer satisfaction. Let's stop shooting our own feet.

#### **Independent Repair Shops are Hungrier**

Independent repair shops lead with price because they know it works as a means to get customers in the door. From there, it's a mixed bag of service delivery and outcomes. One fact remains consistent – small business owners can't afford to acquire customers at a loss. Neither should franchise dealerships. Still, the urgency independent

repair shops seem to operate under cultivates a win-at-any-cost approach to customer acquisition. It may explain the short lifespan of many un reputable shops that cannot deliver, but also highlights the success of those willing to deliver on the consumer's demand for value. Franchise dealerships don't need to adopt deceptive practices, but rather recognize that every single customer interaction should be addressed with a similar ambition to please.

#### **Act Like They Matter**

Not every consumer that walks through the door is going to convert into a customer. However, every consumer that walks through the door should matter to your dealership. This is especially true if they've had service with you in the past. The success rate of selling to a customer you already have is 60-70%, while the success rate of selling to a new customer is 5-20%. Customer acquisi-

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tion costs are skyrocketing and your team can't afford to be so dismissive, even when expectations are unrealistic. A Google search of independent repair shops in your PMA will reveal countless small business owners who will walk barefoot on hot coals to deliver exceptional service to your customer. This is especially true when it comes to how you treat owners of recalled vehicles. Are you rolling out the red carpet to treat them like a valued customer who has been inconvenienced by your factory's manufacturing defect or do you treat these repairs like a disruption to your more profitable ROs?

#### **Some Consumer Are Never Coming Back**

Lick your wounds, learn from your mistakes and apply your improved efforts on future interactions. It depends on your market and the location of your closest competitor, but you may be



## Don't Discount the Data on Recalls

### Unique Response Rate

Percentage of consumers taking action on recall notification

10%

\$543

### Average RO Amount

Repair Order total invoiced at time of recall repair

### CP Revenue / Total Service

Customer Pay revenue as percentage of total service revenue

47%

59.2%

### Second Service Visit (12 mos.)

Percentage of recall customers who return

### Purchase Vehicle within 12 mos.

Percentage of recall customers who purchase vehicle

6-10%

\$12.29

### Average Service ROI

ROI for every \$1 spent on recall marketing

Data based on all brands as of 02.24.2020. Data varies by brand.

retention data supports just how connected fixed operations is to future vehicle sales. When a vehicle is serviced by the selling dealership, 74% of car buyers said they were likely to purchase their next vehicle at that dealership, while only 35% of those who did not have their vehicle serviced at the dealer said the same. A little more than 25% of all franchise dealerships are turning to opportunities derived from recalls as, perhaps, one of the only ways to win new customers and recapture inactive customers without deeply discounting services.

For quite some time now, the spotlight on CP work has made it a commonplace for franchise service departments and independent repair shops to use discounted services as lost-leaders. Now, dealerships are turning to recalls. Since independent repair shops can't perform recall repairs, dealerships were able to reinvigorate inactive relationships with consumers who hadn't been to the dealership in years. More recently, with passage of recall reimbursement legislation, franchise dealerships in 42 US states now receive full retail rates for parts and labor on all recall repairs.

Another trend of note is the adoption of extended warranty products by consumers owning vehicles for a longer period. Older model vehicle owners retain and service these vehicles in higher numbers, with the intention to hold onto them for many more years. Those vehicles are also affected by recalls, which draw them back into your dealership. Approximately 52% of these recalled vehicle owners opt for additional CP or warranty work while at the dealership attending to the recall repair. Depending on the make, 6-10% of these recalled customers go on to purchase a vehicle from that dealership within 12 months of that original recall repair. Underlying all of this is the absence of deep discounts. To clarify, the dealership's successful customer acquisition effort is built around recalls and being there for the consumer at their moment of need with a chance to come into the dealership at no cost to the consumer.

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able to resurrect damaged relationships through recall marketing. If, by some great miracle, you are able to use a recall repair as means of luring that customer back into your store, you need to be ready to deliver exceptional service. Truthfully, every prospect who walks through your doors should receive this type of service and attention. It's possible that your competitor franchise dealerships have failed. How many of those consumers are displeased with another store and looking to switch loyalties to your dealership? The point is, it's the next interaction that matters. You might be able to conquer other competitor markets where recalls aren't approached with the care and attention they deserve.

These unique customer profiles illustrate why conditions are uniquely suited for comprehensive recall management. It goes beyond service revenue. Customer

## WHEN DEALERSHIPS HELP CONSUMERS OVERCOME THE NUISANCE OF A RECALL, THE INTERACTION CAN IGNITE A RETURN TO SERVICING AT THE DEALERSHIP.

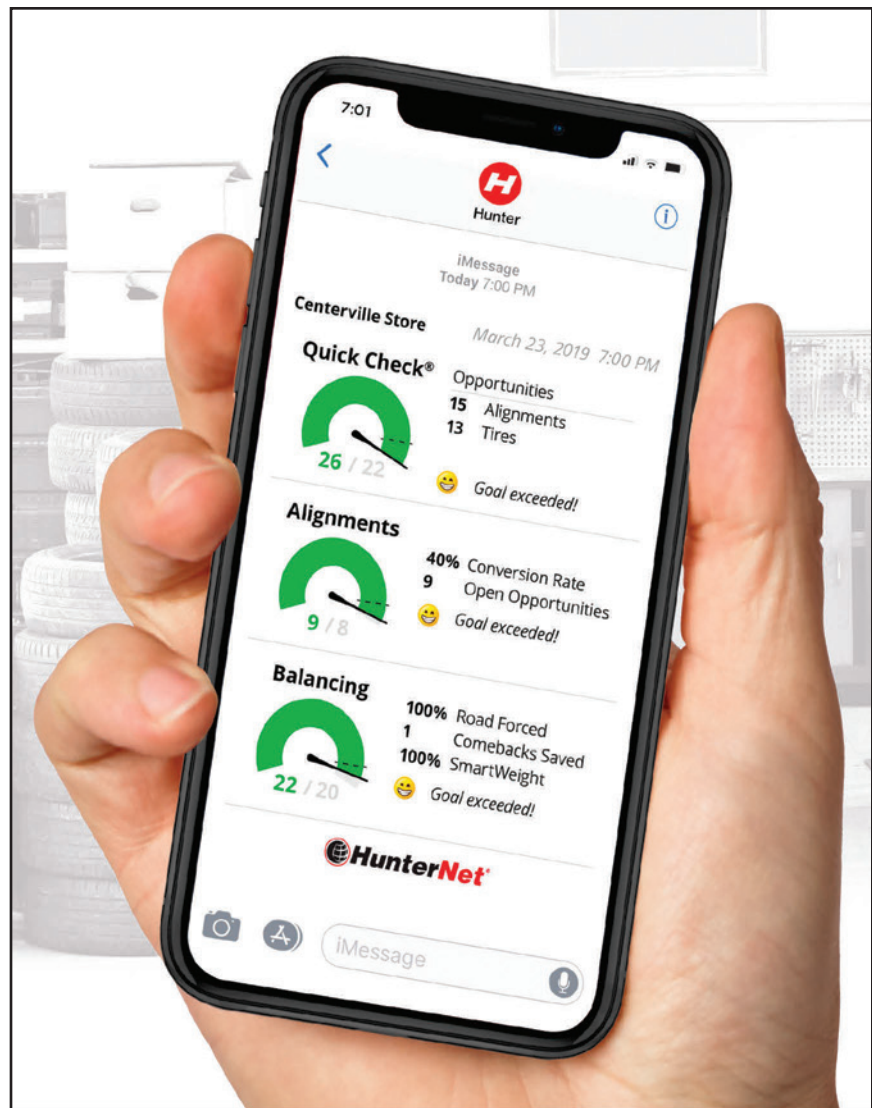
When dealerships help consumers overcome the nuisance of a recall, the interaction can ignite a return to servicing at the dealership. Of consumers who originally visited the dealership to tend to a recall, 55.8% paid the dealer a second visit within the first 12 months. The goal is to carry consumers from single transaction related to a recall repair to being loyal brand advocates who service with your dealership regularly, purchase their next vehicle from your dealership and refer others to your dealership... All without a single coupon to clip.

What is your dealership doing to win over customers with streamlined processes, attractive first-service incentives and rewarding loyalty programs? The process is only possible when your dealership embodies an experience that customers want to come back to time and again. You'll have to abandon immediate gratification in favor of long-term success that requires you to nurture relationships over the long haul. And, because you won't have to discount services to win over these consumers, it turns out that doing the right thing by consumers by assisting them with recalls is also a smart strategy for dealerships.



Sean Reyes serves as Chief Marketing Officer for Recall Masters, the automotive industry's leader in comprehensive recall management.

Sean's experience spans more than 30 years of business development and strategic marketing experience, having worked in the automotive, healthcare, finance, insurance and technology industries. While running a successful consultancy, Reyes worked



## Boost performance

### Automatic Push Reports:

- ✓ Track equipment utilization
- ✓ Maximize productivity
- ✓ Increase profitability

**HUNTER**  
Engineering Company

with world-renowned brands like American Express, Toshiba, Western Digital, Cox Communications, Gateway, Novartis, Microsoft, IBM, Mitsubishi, Yamaha, Compaq, HP, BMW and many of the nation's largest automotive groups. While he has an accomplished portfolio of design and product development, his strengths are "go-to-market" business

modeling, customer lifecycle management and digital marketing strategies. As Recall Masters' CMO, Reyes oversees product differentiation, all corporate communication, state ADA activities and automotive industry presence. Sean lives in Napa, CA and spends his free time hiking, kayaking, playing guitar and going to concerts with his family.