



## Fixed Operations Digest

### September 2014

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*"We have no right to consume wealth--or happiness--unless we also contribute to creating it."*

Alan Weiss

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#### Larry's Ramblings

I read in Automotive News last month that Nissan in the U.S. is planning to drop Customer Satisfaction Survey (CSI) measurements in favor of measuring Customer Retention. I am really glad to see Nissan take the lead on this, especially, since I recommended to Nissan that they drop CSI measurements and replace it with Customer Retention measurements in 2009. Better late than never I guess!

Customer Satisfaction Surveys, in my opinion, have little, if any impact on a customer's decision to continue doing business with a company. If a consumer likes doing business with a certain company, generally, they will not let one bad experience encourage them to seek out a new company to do business with.

Two weeks ago my wife had a bad experience when shopping at her favorite grocery store. The clerk forgot to put the Steaks, Shrimp and Bacon in her grocery bag and my wife did not find out about it until she got home. Needless to say, she was very upset and immediately called the store to let them know. The grocery store replaced the items for her and apologized. Next week, she went back to that same store to buy her groceries!

Customer Satisfaction Surveys imply that an upset customer is a lost customer...!

disagree! People do not stop doing business with a company because of one bad experience. They stop doing business with a company when they lose trust in the company's ability to take care of their needs. In most cases this requires that you let your customer down several times before they decide to leave you.

When manufacturers began tying dealership funds to CSI scores this made the problem worse for customers not better. One example that I like to share in my speeches is the "complimentary wash". Dealers were encouraged to offer customers a free wash with every service in order to improve CSI scores. Great idea, but, the execution has only added more upset customers. How, you might ask...every customer has a different interpretation of what a vehicle wash job includes. Most customers believe that a car wash includes cleaning the glass, polishing the interior, vacuuming the mats and dressing the tires. Most dealerships interpretation of a free wash is the same treatment you might get at that gas station drive thru "touchless" wash, you know the one that only wets your vehicle and leaves it dripping wet when you pull out of the wash.

One of these washes is a \$29.00 + wash the other is a \$5.00 wash. Does anyone think that giving a customer a "complimentary \$5.00 car wash is going to get them a better CSI score? And, can anyone afford to give a customer a \$29.00 vehicle wash when the customer only wants to purchase a \$29.95 oil change?

Chasing good CSI scores with value added services that have little or no "real value" in the customers eyes only serve to turn a satisfied customer into an unsatisfied customer!

Measuring customer retention over the life of the vehicle is the only true measure of customer satisfaction with their dealer. I applaud Nissan for taking the lead on this and I sincerely hope other manufacturers will follow Nissan's lead.

Think about this, CSI measurements have been around for over 30 years now. In that period of time automobile dealerships share of the automotive service market has shrunk from over 30% to 22%. If CSI measurement is such a great tool why has the dealer's share of automotive service business shrunk? Aftermarket shops do not conduct CSI surveys and their business has increased.

When dealerships stop focusing all of their efforts on obtaining a "perfect" CSI score and start focusing on taking care of their customers wants and needs our industry will see automobile dealer's share of the automotive service market increase.

### **Edwards & Associates Guide to Successfully Managing the Collision Shop**

I am sure you have heard that old saying "You cannot manage what you do not measure". In order to be successful you must measure the degree of success you are achieving every day and take appropriate action where necessary to correct out of line items.

Where do you start? We always begin our measuring process by determining how many hours the Collision Shop needs to produce each month in order to achieve a 20% net operating profit. The formula for this is: Average months expenses divided by current department gross profit minus 20% = Labor Sales required to produce 20% net profit. This number needs to be prominently displayed in the shop area so that every employee can see how many hours the shop needs to produce in order to achieve the desired net profit.

Next you want to break this down into sold estimates so that you can determine how many estimates you need to close and deliver each day to achieve your objectives. You can take your average monthly R/O's delivered and divide this into your average monthly labor sales to determine your average labor sales per repair order. Now you can divide this into your labor sales required to produce a 20% net profit. Divide this by the average number of days in a month and you now know how many jobs need to be delivered each day to achieve your profit goals.

Next, we want to make sure we know how many estimates we need to sell each day to keep our shop on track. Remember when we discussed tracking every estimate opportunity? This is critical to your success. If you track estimates written each day and if you divide the number of estimates written each day by the number of R/O's that need to be closed each day you get the estimate closing ratio (percentage) that you need in order to achieve your profit goals. Our guide is that your estimators should be closing at least 70% of the estimate opportunities that are presented to them. This includes customers who call inquiring about an estimate. Some shops do not track incoming calls to see how many of them turn into estimates. E&A recommends that you keep an estimate appointment log and that the Manager reviews this daily to ensure that customers who call in for an estimate actually do show up for the estimate. Once they show up you need to log them in an estimate tracking log so that you can track them till they either buy or tell you to quit calling them.

Now we know how many hours we need to produce each day and how many estimates we need to close each day and how many jobs we need to deliver each day. We can now move on to tracking our internal performance levels. This will ensure that your shop has a consistent flow of incoming work.

The first thing you want to check every day is parts order status. Are any parts on back order? Are there any jobs that need to be delivered today or tomorrow that may not be delivered if we do not get the parts today? Next you want to print a work in process report take this report, walk through the shop and lay your hands on every vehicle that is on this report. Determine the status; is it progressing on schedule, will it be ready when promised, if it is delayed, why? We also suggest that you Four-Square every vehicle in your shop, you write on each vehicles windshield the following items: date in, date promised back, customers name & R/O #, and insurance company name. This will make reviewing the daily work in process report much easier.

Once you do your walk around you want to do a review of completed job jackets from the previous day. I recommend that you require everything to be filed in the job jacket the same way; for example estimate first, R/O second, pictures, parts receipts

etc. This way when you review the finished job jackets it is much easier to find everything and it makes it easier when you have to go back to find info about a job. When reviewing the job jacket the first thing I want to know is had the estimator been in contact with the customer, if they were then the customer notes section should have this documented. Next, how long was the car in the shop (cycle time) and does the dollars on the job jacket match the dollars on the estimate and the repair order? Then you want to make sure that all of the customer forms were signed and in the jacket, like the power of attorney, the pre-estimate survey and the quarantine to pay form. If one form is missing and you do not say anything about it, it will just be a matter of time before your people forget to get the forms on every job.

After reviewing the job jackets, you want to pay another visit to the shop and ask each Technician how they are doing and if they need anything. While you are doing this also look at the special tools, welders and frame equipment. Are they using these properly? Are they putting them back in the proper places when finished? Visit the Paint Shop and check work in process. Is it up to your standards? Make sure they are using the paint mixing register properly by inputting the R/O number in for every mix job.

After your shop walk you need to go and visit local Insurance Agents. This is extremely important. Remember business goes where it's wanted and it stays where it is appreciated. The local agents need to know that you want their business and that you appreciate their business. We suggest that you take them a candy jar and that you refill it every time you visit them. Also take them before and after photos of their customer's cars that your shop repaired. Some shops even put these in a picture frame with their shops name on it and give to the agents. If they put it up your name will be prominently displayed in their business.

Finally, when you get back to your shop look over today's scheduled deliveries. Make sure they meet your quality control standards and also make sure that your estimators have already done a QC-inspection sheet on the vehicle and make sure that their evaluation matches your evaluation.

If you do these things every day, you will achieve success in your Collision Shop.

## **Successful Managers Participate in 20-Group Programs**

There are a lot of different names for 20-Groups, such as Focus Groups, Performance Groups, and Top Performer Groups at Edwards & Associates we refer to our groups as Master Mind Groups. These programs are not limited to the automotive business. Furniture makers, Public Speakers, Small Business owners almost every business group in America has some form of continuing education program available to them.

The concept is simple, bring business owners / managers from different regions together in a controlled learning environment and spend two or three days sharing common problems, ideas and openly discussing potential solutions with other people. The beauty of this concept is that it affords individuals an opportunity to test ideas, seek answers to problems and discuss potential solutions before you actually

implement them.

The ability to bounce ideas off of other managers who share the same concerns as you. And, who may have already tried the idea you are still thinking about is a wonderful way to ensure that your proposed solutions to problems will work.

When it comes to learning people can be broken into two categories, those who feel like they have had enough education and have no interest in advancing their skills and those who I refer to as Life-Long-Learners. These Life-Long-Learners are constantly striving to learn new and better methods. As a 20-Group Moderator I have had the opportunity to work with and observe the amazing successes that these Life Long Learners have been able to achieve through their participation in these groups.

What happens at an E&A Master Minds Meeting?

Our meetings are structured to make the most of the time that we have available. Each session starts with a "State of the Business" review by each member. Members discuss with the group their goals for their shop, what they have accomplished and what they are still working on accomplishing. After these discussions we then have each member share with us one problem that they would like to address during this meeting. We make a list of the problems on the board and then each member of the group shares with the rest of the group how they would address or solve the problem.

This group problem solving approach gives you not one or two ideas on how to address a problem but as many as 20 different ideas on how to resolve a particular issue.

After our problem solving sessions we do a financial composite review of member's financial performance. Our financial composite ranks members from best to worst. Ranking allows those who are doing a great job to be recognized for their efforts and it provides plenty of incentive to those who are on the bottom to do something to get off of the bottom.

Finally, at the conclusion of each meeting we ask members to commit to the group what changes they plan to implement that will improve their organization before our next meeting occurs.

Edwards & Associate has been running 20-Groups or as we prefer to call them Master Minds Groups for 20 years now. If you are interested in joining our Fixed Operations Master Minds Group or would like more information please contact [Larry@edwardsconsult.com](mailto:Larry@edwardsconsult.com) or call me at 1-800-979-9904.

### **Loui Attorney Gener Files Suit Against State Farm**

Louisiana Attorney General Buddy Caldwell filed a lawsuit Aug. 19 against State Farm alleging that the insurer has engaged in a pattern of unfair and fraudulent business practices aimed at controlling the auto repair industry and forcing unsafe repairs on vehicles without the knowledge or consent of Louisiana consumers.

*"State Farm has created a culture of unsafe business practices in which consumer vehicle*

*repairs are performed with cost-savings as the primary goal rather than safety and reliability," said Caldwell.*

*The suit, filed in Louisiana's 19th Judicial District Court, alleges State Farm violated Louisiana's Unfair Trade Practices Act and Monopolies Law by using scare tactics to steer Louisiana consumers to State Farm's preferred repair shops and forcing shops to perform vehicle repairs cheaply and quickly, rather than in accordance with consumer safety and vehicle manufacturer performance standards.*

*The lawsuit alleges that State Farm steers consumers to direct repair providers that have signed agreements with the insurance company. As part of the terms of the agreement, those repair shops must comply with the standards for repair laid out by State Farm. The insurance company, not the repair shop, dictates how long the repair should take, what types of repairs are made and the quality of replacement parts. In many cases, the repairs are completed with sub-standard parts without the consent of the policyholder.*

*"In some cases, we've found that these parts are nothing more than used junkyard parts," Caldwell said. "In others, we've found them to be foreign knock-off parts of questionable quality. Auto repair is not an industry where you can cut corners to save a little money. It could be a matter of life and death."*

*Caldwell says the suit aims to change the culture of unsafe business practices led by State Farm in the auto insurance and repair industry. State Farm currently holds the largest share of auto insurance policies in Louisiana. In 2012, State Farm wrote one third of all auto insurance policies in the state totaling over \$1 billion in premiums.*

*"Each month, Louisiana consumers give their hard-earned money to State Farm under the assumption that the insurer will take care of them if an accident occurs. This simply isn't happening. Quite frankly, State Farm has been there for State Farm, not the Louisiana consumer," Caldwell stated.*

## Want more Profit in your Fixed Operations...

### Enroll in an E&A Fixed Operations Manager College Course

If you have not participated in one of my Fixed Operations Manager College Courses or if you need a refresher, then I have some upcoming classes you need to attend.

#### Upcoming Schedule

- Parts Manager College Course - September 16-18, 2014 - Las Vegas, NV [Enroll Today](#)
- Fixed Operations Master Minds Meeting October 2nd. & 3rd. 2014,

Charlotte Traing Center [Enroll Today](#)

- Service Managers College Course- October 28-30, 2014 - Las Vegas, NV [Enroll Today](#)
- Advanced Serviec Selling Skills Course January 7 & 8, 2015 Naples Florida [Enroll Today](#)
- Collision Manager College Course January 13 - 15, 2015 Naples Florida [Enroll Today](#)

### **Executive Learning Resource for Top-of-the-Line Fixed Operations Managers or Those Who Want to Be**

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