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The Secret to Retention & Profit: FREQUENCY
by: Tyler Robbins

This year will be the year that the Pro's are separated from the Amateurs, the good separated from the bad, those who have been successful in spite of themselves will not be successful this year, in fact, I will say, this is the year that the retail Fixed Operations market will be the year where massive improvements occur. I state this fact because given the climate of the industry today, only those who truly understand what it takes to be successful and move forward with those facts, will be the only ones who are successful!

One of the secrets that has been looming around for a few years, yet very few have taken advantage of, or for that matter, even truly understand is the secret benefit of Frequency. Frequency has many applications that benefit the dealership as well as the customers and today, more than ever before, anything that benefits both the retail Fixed Operation and the Customer should be extremely high on YOUR To-Do list!

In this article, I will touch on two Frequency Actions that you can take advantage of immediately and start reaping their benefits immediately.

1. Frequency of Visits

I realize that I am not the first to discuss Frequency of visits, but I will express its benefits unlike you've heard before. Many Fixed Ops personnel realize the customer retention benefits of "pre-booking" the customers' next service visit, just like we are supposed to for the customers' first visit. Of course, by pre-scheduling the customers service visits you will definitely help retain those customers too, but the real power of pre-scheduling lies in the visit counts. Let me explain; let us assume average customer driving of 20K/year and assume a maintenance schedule with 5000K intervals. If the customer were following their schedule to the letter, you would in fact experience 4 customer service visits per year. However, when customers are left to their own responsibility for scheduling their service visits, they are rarely if ever early for those visits and rarely if ever exactly "on-time", they are in fact always late.

So let's look at it from a real-world perspective, lets just look at one month – If the dealership sells 50 units per month, then those 50 customers should be in 4 times for their regular service – that's 200 Service Visits. Assume that amount over the year and that means, 50 Units X 12 Months X 4 Visits = 2400 Service Visits. I realize that I am not counting in the existing customers, just these "new 50 units". Assume $100 per Visit as an average sale and you have generated $240,000 in Service Sales.

However, as we mentioned above – that $240,000 assumes that your customers are 100% retained and 100% on time for their service visits. As stated above, we know that customers are never "on-time", lets assume a conservative "late-factor" of just 1 month per service visit. That means that instead of 4 visits per year, you realize only 3 visits per year and now do the math – 50 Units X 12 Months X 3 Visits = 1800 Service Visits, and assume the same $100 per means $180,000 in Sales. In other words, the "late-factor" has cost you $60,000. Yahoo's like me are always talking about how to maximize the opportunities coming in your doors, and believe me, there are 101 actions you could perform to move the $100 per Visit needle up, but, all that aside – simply realizing more visits (on-time) from your customers will have a dramatically positive affect and you will feel it right away!

You don't need to have 100% Customer Retention to realize the benefits of this increased-frequency either – NO matter how much your current retention or current volume is – by getting whatever that amount of customers is to come in more frequently, you will realize increases. By getting the customers "on-time" you have not crossed any line- you are in fact, doing the customer a "service". Think of your dentist, they don't really give you the option of scheduling your own visits do they? Why? Well, for the same two reasons we want to pre-schedule our customers – first – the more frequently you visit the dentist (for maintenance) the less likely you are to have something "serious" pop up that ultimately will cost more to repair. Secondly, the dentist, just like us, works on the business of flat rate, and the more frequently they see you for "maintenance", just like our $100 example above – the more they make.

Additionally, when you think of a dental appointment, you never wonder if you are due, you know that they will call when you are. Most dealers leave the customers to wonder when they are due, and that is why they tend to be late, it reaches that point of "serious" before they come in. As a bonus for retention purposes, when you have pre-scheduled your customers, they are less likely to "wander", they already know that they are "handled". When you think about "serious" concerns or by our definitions, "emergencies", customers who believe they have gone too far past their "due date" for service, feel the need to have their maintenance done urgently, to them it has become an emergency, and if you are able to handle them in that "Oil change emergency" maybe they will come back to you, however, if you cant take that "emergency" or they are not "near" you – they will take their vehicle to the first and closest place to have their "emergency" remedied – and if that "place" is not you – NO RETENTION is your reality.

You have the opportunity to make more money based on their visit frequency and to retain more customers because they have not put themselves into an "emergency" situation, pre-scheduling has so many benefits and is virtually "free" in its implementation, how could you not?

2. Flat Rate Hour - FRH Frequency

There is a lot of merit in the ongoing improvement of your Service Advisors and Technicians skills, certainly with personnel, as with anything in life – we want to improve upon those areas that need to be improved upon, but we also want to do the things we do well more often!

Although labor grids, labor matrix, variable labor rates are not new, and I am not here to "Sell" Labor Grids, I am here to explain the value of FRH Frequency, which necessitates a brief explanation.

Traditionally, labor grids have been one of two "designs", either a straight escalating grid (the Effective Labor Rate from 1.0 goes higher and higher as the FRH hour interval goes up) or the "Bell", where the grid labor escalates up only to a half way point, then scales back down. The principal of the "bell" being, you don't want to price your labor with an outrageously high rate on bigger jobs or you simply wont get those bigger jobs! True enough, however, the reality in these two traditional grids is that the element of frequency is not taken into account.

For example, lets assume a traditional "grid" example:

1.0FRH = $100 ($100 ELR)
2.0FRH = $220 ($110 ELR)
3.0FRH = $360 ($120 ELR)
8.0FRH = $1440($180 ELR) and so on…

Traditional thinking would say that with these 3 FRH intervals you will generate an effective rate of $151.42 ($2120 Labor divided 14.0 Hrs); which is true IF you performed the exact same amount of repairs for each FRH interval above.

In the real-world however, the frequency of repairs at the lower flat rate intervals (less than 3 hours) are considerably more than those at the higher rates. Using the extreme Grid above, it escalates an even $10 per hour for every hour. In the real-world though – that $180 per hour at the 8.0 hour mark isn't going to be as much of a factor as the above example of $151.42 ELR implies.

The reason being – FRH FREQUENCY – For every repair a shop performs, even at this ridiculous rate of $180, there are likely 100 occurrences of a repair at 1.0 hour – NOW do the Math (100 X 1.0 X $100) + (1 X 8.0 X $180) = $11440 in labor sales divided by 108.0 FRHs = $105.92 Effective Labor Rate, NOT that $151.42 that you would have expected.

It is the FREQUENCY of the FRH interval that has the most dramatic affect, using this same extreme example, but adjusting the 1.0 FRH interval even $2.00 and the end result is $107.77 ELR – Almost ALL of the $2.00. This is the power and secret really that is Frequency!

In the reality of your shops – the amount of work being performed with above 3.0 FRH's is virtually nothing compared to the amount you do below 3.0 hours and the traditional matrix/grid does not account for that. I realize that adjusting the 1.0 interval is not really an option, but imagine if you adjusted your 0.5 or your 1.5 which I know you do FAR too much of (I say far too much, because very few true labor time guides are nice even 0.5 intervals!) which also means, you're not using the appropriate flat rate times anyway, but that's a different discussion.

The reality is, to increase your profitability without more customers – Frequency, in many forms, even beyond the two I've identified, is the "secret" and you need to begin to take advantage of that frequency secret immediately. If you need help identifying and capitalizing on Frequency, you know who you can call on!