

CAR DEALER

The Auto Dealer's Management Briefing**INSIDER****December 1, 2006**

Trend spotting

Published reports suggest that a group of private investors has put up \$5 million to develop a standard "head-up" display for automobiles. For the uninitiated, a head-up display is essentially a projection on the lower portion of the windshield that would deliver such information as speed, fuel level, engine rpms, sound system controls, etc. The head-up display, already offered in some BMW models, is designed to keep drivers' eyes on the road. Once the prototype is developed (within three years), the investor group will pitch the idea to carmakers as standard equipment for new vehicles.

Audi is planning a change in its retail pricing strategy. To increase profitability and to be more in line with competitors BMW and Mercedes, Audi will gradually increase sticker prices over five years. The increases will be evident as Audi rolls out each new model.

Look for Cadillac to add some flash to its next CTS sedan. The CTS grille will grow in size, shape and the volume of its shine. Also, the next STS will be bigger. The exterior will rival that of a BMW 5-Series car.

The Chevy HHR will get an SS added to its name in time for showroom deliveries in 2008. Horsepower will be beefed up to 175 with the 2.4-liter four-cylinder engine currently used in the Chevrolet Cobalt. About 10 percent of the HHR 2008 model run is expected to be devoted to the SS.

Silent killer

What you don't know about your CRM system could be bleeding Sales and Service opportunities

By Jerilyn Klein Bier

All the latest and greatest technology can't compensate for poor practices in customer relationship management.

A member of the *DealersEdge*® editorial department went shopping for a Ford Explorer at a large metro dealership. He purchased it too, partly because of the professional, personal attention provided during his shopping experience. A year later, the dealership undid all the good, he said, by asking him if he had made a buying decision. Another editor had a similar experience with a different dealership a month or two after buying a used Jaguar. Last year, I received a letter from a dealership looking to repurchase Nissan Pathfinders for its used vehicle department. They remembered I had gotten one from them, but apparently forgot that I had returned it at the end of my lease – six years earlier.

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Three examples of customer relationship management (CRM) gone awry, and we didn't have to look beyond our offices to find them. The problem, though, is more serious than you may realize. Many dealers across the country don't have a clue that their ineffective CRM efforts are costing them hundreds of thousands of Sales and Service dollars.

Improving CRM effectiveness was a major theme at the first-ever DealersEdge® CRM & BDC Best Practices Conference held last month at the Georgia Tech Conference Center in Atlanta.

"The tool is not the magic bullet and never has been," said Kevin Kavanagh, director of product marketing, strategic accounts with ADP Dealer Services. In fact, half of CRM implementations have failed to meet their expected return on investment 12 months after implementation, he said, citing statistics from the Gartner Group.

"A system is only as good as a process...A process is your key to success, a system only raises success," emphasized Robert Gruen, CEO of The Higher Gear Group, Inc., a provider of showroom/customer relationship/lead management system software, training and support. Processes, he says, include how you greet the customer, your paper flow and how you follow up, while a system lets you do such things as enter and print information and generate follow up correspondence. "You need a process or it's like you have an empty computer," he says.

Another key component to CRM success is people. "CRM is what dealership employees do, not the tools they use. CRM is a system with a goal: the professional management of all interaction with customers and prospects leading to improved profits," said Ken Pfau, director of CRM, training and

What to look for in a CRM provider

- ▶ In-store training, up front and monthly
- ▶ Phone system integration in real-time
- ▶ 24-hour support
- ▶ Product upgrades and customizations (ask how many programmers they have, how many upgrades they've done in the last year, and the version numbers)
- ▶ Dealer management system integration in real time and certification from the manufacturer
- ▶ 2GM (second grade mentality) – meaning their system is easy to use

Source: Robert Gruen, The Higher Gear Group

consulting for The Cobalt Group, the leading provider of automotive marketing services. "The major barrier to the success of any CRM program is a common one – underperforming employees."

CRM training is critical, as is a strong message from the top. "The dealer has to have his hands on the wheel; otherwise it's like having a monkey driving an 18-wheeler – you know nothing good will happen," Ron Fortt, vice president of business development

for CallCommand, a leading provider of web-based solutions that increase customer retention, loyalty and auto dealership profitability, told us.

So how do you get your people, processes, and CRM technology synchronized? Begin by defining your business objectives and identity both business and customer needs, said Mr. Kavanagh.

"Look at your processes from the customer level; that'll drive success of your CRM. Take a step back and see what happens from the time the customer leaves with his or her vehicle in the front-end, pulls up in the service department, or arrives in the parts department," said Mr. Fortt. "You have to have a process written in stone. Otherwise when you have turnover, the process erodes. Then let your CRM rep observe your processes in your store so they can figure out how to customize CRM for your needs."

For CRM to work well, your New and Used Vehicle departments, Service and Parts all have to work well together, said Mr. Fortt. Set specific short- and long-term goals in all departments, he says, including how many additional vehicles you'd like to sell, how many additional customer-pay repair orders you'd like to write, and how many additional parts counter sales you would like to have. Your CRM also should fit the culture of

your dealership and integrate with your dealer management system, he said.

Stephanie Mitchell, director of new business development for Dealer Product Services, Inc., a specialist in database management and marketing for the automotive industry, urged conference attendees to gather benchmark data from their dealer management systems. "Include five years of sales history and two years of service history, which can reveal profit leaks and other areas of potential business opportunities," she said.

Question your data too. "If your first-time closing percentage is too high, your salespeople may not be logging all customer opportunities into the system, said Higher Gear's Mr. Gruen. Also make your department heads accountable before implementing any new system, he said, by asking them, "Do you like this system? Are you going to use it? Will it help make us money?" Make sure any new managers hired understand your processes and are willing to use technology you've invested in, he added.

"A dealership has to want change and improvement to be successful," said Mr. Gruen – and that goes

Sorting out CRM proposals

Adam Gillrie of The Paul Gillrie Institute, a consulting group which helps automobile dealers understand current technology issues and reduce technology expenses, says he has seen dealership proposals containing as many as 30 line items related to CRM. Some important questions to ask CRM vendors, he told attendees of the recent DealersEdge® CRM and BDC Best Practices Conference, are: What will it cost to add deskings, what hardware is needed, and what kind of initial training and ongoing training do you offer? Dealers should also get in writing that they can get their data back at the end of their CRM contract – and specify the format and timeframe, says Mr. Gillrie.

for the front line too. Share technology features and benefits with all employees who will use your CRM system, tell them how the technology will help them make more money, and make them feel like part of the implementation decision. "It'll succeed 100 times more," he said.

Ask a CRM provider if it can help you reach your customers the way they want to be reached, said CallCommand's Mr. Fortt. Then make sure your system is set up to enable your employees to easily capture as much customer

information as possible. For example, it should prompt users to input a second phone number and e-mail address, said Ms. Mitchell of DPS.

CRM systems can also help identify, educate and manage underperforming employees, noted Cobalt's Mr. Pfau. Managers should examine CRM report data and ask how they can help employees reach goals. "Turn it into a tool rather than a hammer. You don't want a person to view a report as the enemy and look for ways to manipulate it," he said.

This was just a glance at some of the CRM ideas shared in Atlanta. DealersEdge® is already receiving interest for future CRM/BDC Best Practices conferences. Stay tuned. ❖

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Employee discipline and the ADA, FMLA

When can you discipline an employee who is protected by the ADA or FMLA for violating your work rules?

Dealership managers may be uncomfortable disciplining employees for work rule violations. However, morale and efficiency will suffer if you don't address problems like absenteeism, disruptive behavior, or drug use.

But what happens if an employee claims that a medical condition "made me do it"? Unfortunately, you can face legal claims for violations of the Family and Medical Leave Act (FMLA) or for discrimination under the Americans with Disabilities Act (ADA) if you improperly discipline or terminate protected employees who break conduct rules.

Just because employees claim that a medical condition is covered under the ADA or FMLA, however, doesn't mean they get a free pass to violate dealership work rules. The following discussion explains how these laws may impact your ability to address problem behavior by legally protected employees.

Absenteeism

Since regular attendance is essential for most jobs, you generally have the right to discipline, and even terminate, employees who do not meet attendance requirements. However, both the FMLA and the ADA may limit your right to take these actions for certain absenteeism protected by these laws.

The FMLA requires covered employers to provide eligible employees with up to 12 weeks of unpaid, job-protected leave in any 12-month period for covered family and medical reasons. In addition, you may not discriminate against employees who take FMLA leave, and you may not take an employee's FMLA leave into account under "no-fault" attendance policies.

Therefore, you should not discharge or discipline employees for absences excused under the FMLA's provisions. So, for example, in one case, the court said the employer violated the FMLA when it terminated an employee for excessive absenteeism because the absences were covered under the FMLA.

Similarly, the ADA affects an employer's ability to discipline or discharge employees for excessive absenteeism that is related to a disability. The ADA requires covered employers to provide reasonable accommodations to qualified individuals with disabilities, unless doing so would impose an undue hardship on the employer.

Thus, in some cases, you may have to accommodate a disabled individual by allowing more unpaid leave than is provided by your leave policy. The ADA, in effect, requires that this additional leave be considered "excused" absences or, in the case of no-fault attendance policies, not counted for purposes of determining if discipline is appropriate.

If, however a disabled employee is unable, even with accommodation to achieve reasonably regular and predictable attendance, the employee may not be considered a qualified individual with a disability and his absences would not be protected by the ADA. Thus, in this case, the court determined that an employee who suffered from cluster headaches was not a qualified individual under the ADA. He requested an indefinite leave of absence so that he could work at some uncertain point in the future. The court ruled that since he could not perform the essential functions of the job presently, or in the immediate future, he was not covered under the ADA.

Note, too, that under both the ADA and FMLA, you can discipline protected employees for absences not covered by these laws.

Violent, Abusive, or Other Disruptive Behavior

When an employee's conduct violates rules prohibiting acts or threats of violence, abusive language, or other disruptive behavior, your immediate reaction may be discipline or termination. In response, the employee may claim that the behavior resulted from either a mental condition or a substance addiction, and allege disability discrimination. However, the ADA generally allows you to require all employees to conform to necessary performance or behavioral standards.

So, for example, in a Wisconsin case, the court found that the ADA did not protect a disabled employee who failed to follow or comply with company rules and policies, was insubordinate, refused to follow direct orders from supervisors, and created a direct safety hazard to himself and coworkers.

The Equal Employment Opportunity Commission (EEOC) takes the position that you may discipline individuals with psychiatric disabilities for violations of conduct rules that are job-related and consistent with business necessity. However, you must be able to show that you would impose the same discipline on non-disabled employees. In addition, although you do not have to excuse past misconduct, you may have to make reasonable accommodations for qualified disabled employees to meet conduct standards in the future, unless the accommodation imposes an undue hardship.

According to the EEOC, for example, an employee with a mental disability who loses her temper at work and shouts at patrons and coworkers may be suspended in accordance with the employer's policies, because she violated a work rule prohibiting such disruptive behavior. Still, she may be entitled to a leave of absence for needed treatment as a reasonable accommodation so that she can comply with the employer's rules in the future.

Direct threats or acts of violence typically are not protected by the ADA.

For example, in a case involving the phone company, the court determined that an employee fired for outbursts directed at fellow employees could not sue under the ADA. The employer's policy against workplace violence included provisions for suspension and dismissal for "extremely severe" offenses. The court said that the ADA does not protect emotional or violent outbursts blamed on an impairment.

Poor performance also may be protected under the FMLA, if it stems from a serious medical condition that entitles the employee to FMLA leave. For example, an employee with a good performance record was fired after he began sleeping, reading, and exhibiting disturbing be-

havior on the job. The court allowed the employee to proceed with his FMLA claim. It said that if the dramatic change in his behavior was enough to put a reasonable employer on notice of his serious health condition, then he was entitled to FMLA leave covering the period that his employer treated as misconduct.

Drug and Alcohol Use

The ADA also covers alcoholics and rehabilitated drug addicts as disabled individuals and may require you to give these employees time off to seek treatment. However, it does not protect individuals who are currently using drugs illegally or bar employers from fairly and consistently enforcing their alcohol and drug use policies.

Thus, you may prohibit the illegal use of drugs and the use of alcohol in the workplace and require employees to be unimpaired during working hours. Furthermore, you may require disabled employees to meet essential job requirements, including regular attendance and proper behavior, even if the unsatisfactory performance is related to drug use or alcoholism.

So, the court determined that an alcoholic employee did not have a discrimination claim under the ADA. Evidence showed that he was discharged by his employer not for his alcoholism but because he would not be available for work during his four-month incarceration for drunken driving.

Be Consistent

Addressing employee misconduct or poor performance is often uncomfortable and virtually never easy. The whole disciplinary process becomes even more complicated when you have to be concerned about potential FMLA and ADA claims.

However, concerns about legal claims should not stop you from taking appropriate disciplinary action against employees protected under those laws. Just make sure that you apply your disciplinary procedures consistently and that you consider appropriate accommodations when required. Overall, a fair and predictable disciplinary process builds employee support, remedies problems, and provides a strong legal defense, if needed. ❖

On the service drive, how many customers are too many?

By Rob Campbell

When calculating how much work your mechanical shop can handle, look at your service advisor's efficiency as well as the technician's.

When planning on shop staffing levels one of the questions that we have to wrangle with is deciding how many service advisors are enough. If we have too much coverage on the drive our net profits can suffer. Having too few and your CSI and gross sales are likely to feel it.

So when looking at the performance of your staff of advisors, how do you separate the superstars from the rest? Is it gross sales? Is it hours per R.O.? Or, do you count the number of tickets generated?

Looking at R.O. count is helpful because sales and hours per R.O. are dependent on it. An advisor could be averaging five hours per R.O., but if he only wrote ten a week then we have a problem. I tend to think of repair order count as a version of technician efficiency. Just like some techs might be able to turn more hours in a given day, so might an advisor write more tickets in the same day.

So what is a good target when it comes to R.O.s per advisors per day (R.O.s/day)? Is it 25, 20, 15 – just where should a shop draw that line?

As with many things in the automotive shop, this can vary tremendously by store as levels of responsibility vary. Therefore, only you can decide how many repair orders your average advisors can generate. To help you with that task is the table below that covers a majority of what goes into a typical service visit. I've left one column blank so you can do your own calculations.

Since every dealership has modified job responsibilities that make their situation unique, you might need to add or subtract items as necessary. You'll also notice that I have specified that this timeline relates to customer-based tickets only. Clearly, an advisor can go quite a bit faster on an internal ticket. The same is true for a straight new vehicle prep or recall warranty repair. Also, when you're calculating your numbers try to keep averages in mind, from the simple but frequently straight LOF ticket to the more complex drivability diagnosis or upsell opportunities.

For our example dealership we see a total of 40 minutes will be spent on the average customer. Add in quick internals, fleets and minor maintenance service and we might expect that the number will hover around 18-20 R.O.s.

When it comes to deciding your own staff's production rate keep in mind that there is only so much time in a day and that an advisor's production can be too good. Just like an overly efficient technician might point to shortcuts being taken or poor quality of work, the same is true if advisors are writing too many tickets. If we found an advisor in our example store writing 35 tickets a day, then that's a problem. Unless they are all internal repair orders, there is no way that the advisor (given the system outlined above) could be doing everything we ask and still be pumping out those numbers. Something would have to be suffering and I can almost guaran-

Assignment/Task	Example Time	Your Time
Initiate a repair order, write-up the customer	9 min	
Create work order, route to shop/dispatch work	2 min	
Compile an estimate and look at additional service offerings (upsell)	9 min	
Call customer to update vehicle status, provide estimate, sell work needed	6 min	
Call customer on repair completion	2 min	
Discuss repairs performed at vehicle delivery	4 min	
Follow-up and CSI calls	6 min	
Other tasks	2 min	
Total time per customer R.O.	40 min	
Time Available	9 hrs (540min)	
Maximum customer R.O.s per day	13.5 R.O.s	

tee it gets cut in the time spent with the customer.

Increasing advisor output

In looking at this dealership, if we wanted to get more production out of the advisors we need to start peeling off some of their duties or looking at reducing the amount of time they spend doing them.

Looking back at our example store, they might decide to have the cashier call customers when the repair is completed, and hire an outside firm to do the follow-up phone calls. That would take eight minutes off the advisor's plate, reducing the average time to 32 minutes. That ups the potential production from 13.5 tickets to nearly 17. If you were an average shop that increase would book at least an additional \$1,500 in sales per week per advisor.

Other duties to look to remove from the advisor's plate also include the many administrative tasks that they might do. This includes booking tickets (look-

ing up labor time), flagging the techs, calling for warranty authorizations, arranging sublet services, and the list goes on.

For many shops it comes down to the fact that the advisor's time is better spent and more rewarding working with customers. These types of clerical duties might be better served by another staff member (or even a new hire if necessary) than draining on the advisor's productive time.

If you have a unique arrangement with the service advisor duties and responsibilities, let me know by e-mail at robcd@dealersedge.com. Your fellow readers would love to see how other shops are getting it done. ♦

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Web services, automakers help women get more recognition in dealerships

Sites like Ask Patty seek to make women more comfortable when buying or servicing a car.

Representing half of all new car buyers and wielding increasing economic clout, women are commanding more respect from automakers, car dealers and their service departments – but experts say there's plenty room for improvement. And seminar services, Web sites and magazines are sprouting up to help women demand it, reports the *Philadelphia Inquirer*.

"We do not feel respected," by the male-dominated industry, said Jody DeVere, president of **AskPatty.com**, a Web site about cars, geared toward women.

The site says it offers "a safe place for women to get advice on car purchases, maintenance and other automotive related topics," through interactive e-mail, blogs and "Womanars," Web-based seminars delivered by female automotive experts.

Ms. DeVere said she is confronted all the time with the question "why do women need a special Web site, special marketing, etc. – cars are cars, right?"

Sales tip: Try non-confrontational selling

Women spend more time on the Internet researching cars – preferring to avoid the high-pressure, confrontational experience of a dealership until

they're armed with information, said Courtney Caldwell, publisher of *Road & Travel Magazine*.

"Women and men want the same things from a car, but they prioritize them differently," said Ms. Caldwell, whose online magazine content is oriented toward female readers.

For women, a vehicle's safety is the top priority. For men, performance and styling are high-priority with safety an afterthought.

One of the top drivers of traffic to the female-oriented sites is discomfort with dealers – inappropriate sexual comments, a "bring your husband back when you're ready to buy" attitude, and the suspicion of being ripped off, get mentioned often.

Everyone, including dealers, say that's bad business.

Women drive CSI scores

According to some estimates, women fill out 85 percent of the "customer satisfaction index" forms that consumers return after a car purchase or repair.

"They are more likely to complete those forms, because they tend to be less confrontational," Ms. DeVere said.

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“In general it’s a male-based industry,” said Karen Riveros, a regional service manager for Volkswagen of America Inc., whose job it is to make sure local dealers are keeping customers happy.

Part of that, she and others said, will come from having more women auto executives, engineers, designers, mechanics, service managers and dealership owners.

Progress has been slow but steady – Ms. Riveros for instance, is one of a handful of females in her position nationwide, out of about 50. Ms. Caldwell recalled that when she approached advertisers in 1989 with the idea of a car and travel magazine for women, “There was a lot of laughing at me.”

Today the magazine, which several years ago went to an online-only format, is flush with ads and expects to log 10 million page views this year.

Volvo took the unusual but well-received step of handing over the drafting of its “Your Concept Car” to an all-female design team, unveiling it in 2004. The non-production car included fingernail-friendly capless fuel and washer fluid doors, swappable interior fabrics, and gullwing doors for easier entry and exit.

Kevin Mazzucola, executive director of the Automobile Dealers Association of Greater Philadelphia said that today’s dealers know that “the days of ‘look at that vanity mirror’ are long gone,” when it comes to marketing cars to women.

While the dealer’s group hasn’t launched any specific outreach efforts toward women, he said the group has designed its advertising buying to lure female attendees to the association-produced Philadelphia Auto Show. ❖

New ideas

Aftermarket product idea! The **DataDot Auto DNA** system consists of microdots, each the size of a grain of sand, which are laser etched with unique identifier information for each vehicle. Each DataDot kit comes pre-mixed with dots suspended in water-based adhesive, fitment brush, and warning decals. Dots can be quickly applied to a vehicle, with each car marked within 3-4 minutes. DataDot auto DNA is used by dealers, agents, and major dealer groups. It offers unique security for a customer along with high income potential for dealers. For more information go to www.datadotusa.com or call the company at (425) 882-0330.

Having trouble collecting e-mail addresses from showroom prospects? Try the Kiosk Email Collection system from Gear Synch. This is a turn-key in-store kiosk solution that allows car dealers to effortlessly collect e-mail addresses from customers while in the store. Includes customer incentive drawing, such as frequent flier miles or gas cards, to drive participation. For more information visit www.gearsynch.com or call Bill Ogden at (310) 348-8424.

The **American Student List** database contains prime prospects for auto dealers including college students, young adults, families and teens. Customize the dealership mailing list by geographic location, age/class year, household income, college attended, occupation, home value, ethnicity and more. The total database contains over 100 million individuals. Suggested uses include: First Time Buyer/College Grad offers, Marketing Family Friendly cars, targeting households by income for high-end autos. Interested dealers are invited to call (888) 462-5600 or visit www.eurorscg.com.

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