

Driving SMART Repairs to Dealerships

A New Strategy for Higher Customer Retention and CSI

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Introduction - Auto Market Evolution

Traditional standards for customer retention that worked for decades can no longer be counted on.

Everything is changing. The bar is rising as consumers demand easy shopping, value-based pricing, and a more satisfying driving experience.

Online auto sales are particularly disruptive:

- Carmax and Carvana continue to take a bigger part of market share.
- Shift, Vroom, and JoyDrive impact foot traffic of traditional dealerships.
- Craig's List and Facebook Marketplace make selling pre-owned vehicles even easier than in the days of classified print advertising.

Other potential disrupters for auto dealers loom like customers keeping their cars longer, ride-sharing, the growing popularity of battery electric vehicles (BEVs), and, on the horizon, autonomous vehicles.

All of the above contribute to ongoing efforts to stay competitive.

Dealers traditionally have tried to keep customers coming back to their stores via their service departments. Prompt, friendly, and thorough service are must-haves if dealerships don't want to lose customers.

Other time-honored methods involve products and services offered by the F&I department: GAP insurance, limited warranty, prepaid maintenance, road hazard plans, key replacement, lease-end protection, etc.

These are all fine, but what if there was something that would not only help the customer keep his or her vehicle on the road, but something that would make them feel better driving it?

There is. And we think this service program will help astute dealers wow existing customers back to their dealerships.

The Solution - Service Opportunity.

Provide convenient access to SMART repairs through the Service Department. (Small to Medium Area Repair Technology). Service plan that offers one-stop cosmetic repair service to new car owners.

What are SMART Repairs?

SMART is the industry acronym for Small to Medium Area Repair Technicians, commonly known as mobile cosmetic services. These repairs include dent & ding, paint touch up, scuffs, windshield chips, alloy wheel (curbrash), vinyl leather interior tears and headlight restoration.

The essence of this innovative solution is that SMART program provides consumers access to cosmetic repairs at the same time as maintenance services.

Remember, the new car buyer is in love with his or her new vehicle. At delivery, new car buyers typically promise themselves they will take good care of their new car's appearance. In fact, 70% of new car buyers desire to have their car look brand new for at least five years from the date of purchase.

Mostly, it's for pride of ownership. There's a sense of well being when a driver slips behind the wheel of a new car and drives it off the lot. A driver even has that same feeling after a good car wash. A clean car runs better, right? Imagine the customer satisfaction if it is pristine ... all the time!

But there's another reason for maintaining the cosmetic appearance that savvy owners desire: Higher Resale Value.

Of course, to get that higher resale price, new car owners must also keep up with routine maintenance. They can have their cars routinely maintained at the dealership, or they can go to a private garage. What is to entice them to use the dealership?

First, excellent, prompt, and friendly service is the no-brainer must-have dealerships must offer. But how about something more? How about a complementary SMART service that appeals to at least 70% of new car buyers?

How about a service that takes care of the irritating dings, dents, scratches, curb rash, windshield chips, interior rips, tears, and stains that inevitably occur? How about that service takes place at the same time as the routine service call?

For most owners, touch-up wear and tear repair services are not readily available. A convenient, one-stop-shop that provides both routine maintenance *and* cosmetics repairs in one location is virtually non-existent in the United States, although already popular in the UK and Australia.

The opportunity is ripe for similar programs to become available for American and Canadian dealerships to offer new car buyers a convenient, one-stop shop for keeping their vehicles both running properly and looking like new.

SMART Survey and Dealership Retention Trends

The Question:

How do customers handle reconditioning (S.M.A.R.T.) repairs? We surveyed 115 consumers both online and in person.

90+% of customers experience various types of reconditioning damage:

- Dent & Dings 21%
- Windshield Chips 18%
- Scraped Rims 17%
- Paint Scratches 23%
- Leather/Vinyl 9%
- Foggy Headlights 12%

89% of customers would have cosmetic repairs done at dealership during maintenance if the service was available.

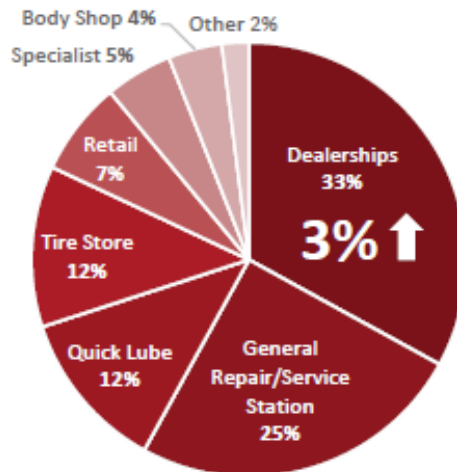
68% prefer going to a dealership versus 32% preferring Mobile service.

52% of customers accept wear & tear as normal course of ownership. 48% have a source for reconditioning service.

95% of customers are aware resale/trade-in values are higher when recon appearance is maintained.

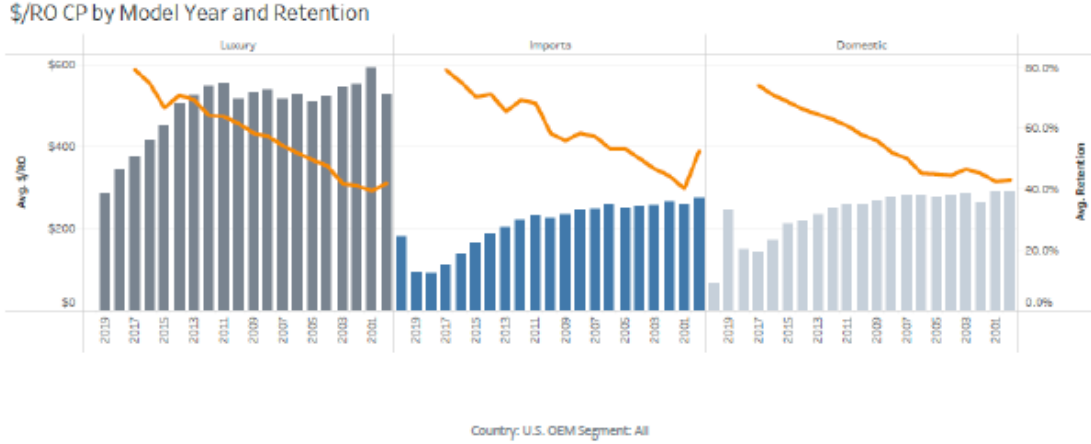
57% of customers plan to own a car over 10 years. 22% 6-10 years and 21% 1- 5 years.

What this means.....There is a gap in the market for auto recon services. Dealerships are well positioned to leverage existing recon activity at the store and provide consumers convenient access to both routine maintenance and reconditioning repairs. As one general manager said of the reconditioning services program, *“I like that it helps us become a one-stop shop for all their needs and they don't have to worry about going anywhere else.”* Bottomline-Dealers have an untapped workforce, and an exclusive opportunity to capture reconditioning market share and gain a competitive advantage.

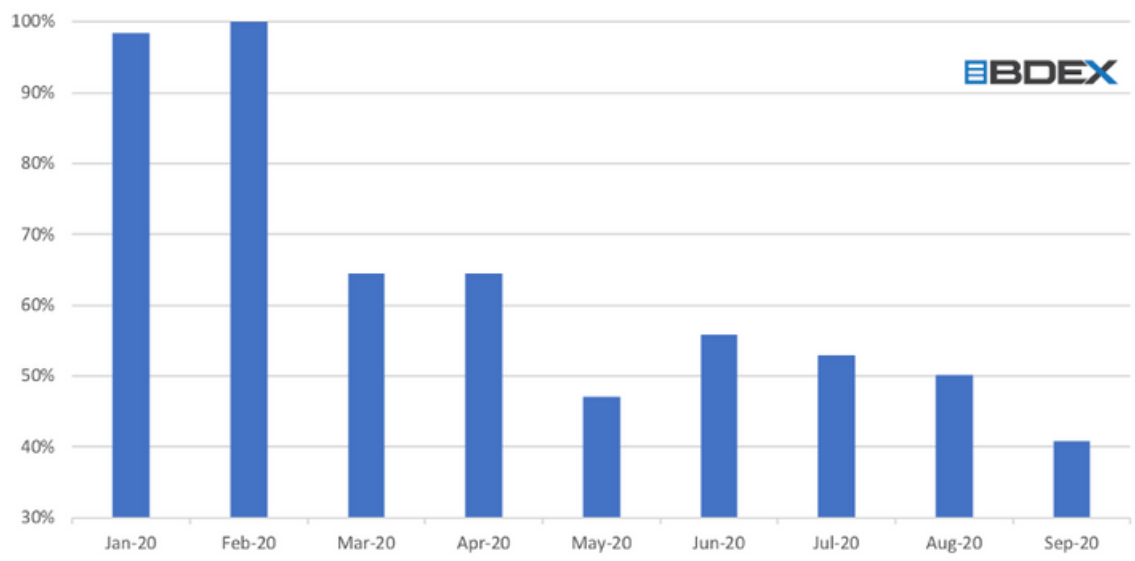


Based on U.S. Data

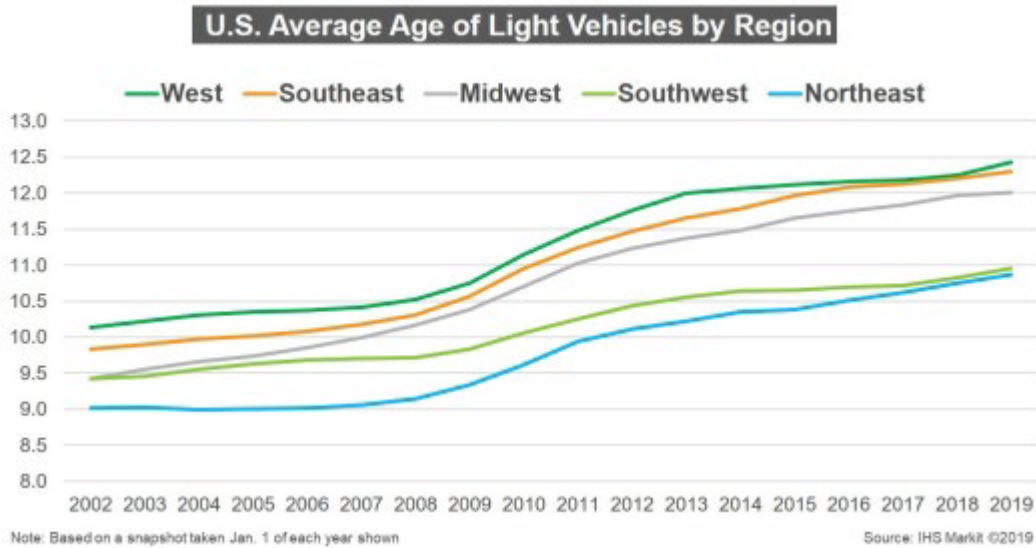
Dealership Retention Declines as Vehicles Age



AUTO DEALERSHIP VISITORS 2020



Note: Included is the volume of geolocation auto dealership visitors for 2020. Data is normalized to max volume of 100% in February 2020.



Avg. Age of Cars & Light Trucks Now 11.8 Years

Fixed Ops — Customer Satisfaction Index and Retention

Once a friction point for the service department, SMART repairs can now complement the value-added services that significantly improves CSI and customer retention.

Historically, customer retention drops off as a vehicle ages. By signing up for a SMART repair program, customers now have strong incentives to keep coming back to the dealership.

Since Fixed Operations has the most interactions with customers for the duration of a vehicle’s life, having tools to build stronger relationships is vital to success. A SMART repair program allows the service advisor and customer to engage more fully to ensure a well-maintained and attractive vehicle.

Customers love that their vehicles look better because of the SMART repairs. This sense of pride in the vehicle greatly increases the likelihood of maintenance repairs long after the warranty period, which are the most profitable services for the dealership.

In addition, as service advisors and customers form stronger, more trusting relationships, customers become well-disposed to hearing recommendations for new products and services.

A SMART repair program gives the service advisor a powerful tool to solidify the advisor-customer relationship, making the dealership the first place customers turn to for anything related to their vehicles.

The Customer

Everyone is busy. Just the same, most new car buyers don't put off mechanical maintenance. But cosmetic repairs are all too easy to delay. And then to delay again and again.

That's why so many resolutions to keep up a new car's appearance never become a reality.

As noted above, SMART programs solve this problem by allowing customers to receive cosmetic repairs at the same time as routine maintenance. No need for a second trip to another location.

For new car owners, the desire at-purchase to keep up the appearance of their vehicles is no longer a resolution quickly forgotten, but a reality.

By offering SMART service contracts, dealerships help customers fulfill the deep desire to take care of a valuable asset and investment.

Fulfilling that desire will help bond customers to both the dealership and its brand.

This is especially important. As noted earlier, today's consumers are not the loyal consumers of old. By fulfilling customers' aspirations and doing so, conveniently, dealers make more existing customers, repeat customers.

Customers who feel that new-car-high when they drive off the lot, will have that upbeat feeling extended with a SMART program. Good feelings associated with the dealership builds on and improves the dealer-customer relationship and increases the chances of customer retention.

In addition, customers love that their vehicles, cosmetically maintained, will be worth more when it's time to purchase a new vehicle. Even for those who lease, SMART contracts make sense as it helps lessees avoid end-of-lease charges for vehicle damage.

Service repairs typically covered in SMART contracts include:

- Dents and Dings
- Windshield Chips
- Paint Touch Up
- Scratch Repairs
- Bumper & Mirror Scuffs
- Alloy Cosmetic Wheel Repair
- Leather Rips and Tears
- Interior Fabric and Carpet Stains

- Headlight Restoration

Benefits to customers typically include:

- Convenient and Express Touchup Repair Services
- Transferable Contract — The vehicle’s resale value is increased by transferring the product warranty to the next owner. Transfer fee will apply.
- Saving Money — Less expensive than paying for repairs separately.
- Peace of Mind — Don’t have to worry about when and how to get repairs done.
- More Driving Enjoyment
- Higher Resale Value

As one service manager said about the SMART program, *“The number one benefit is convenience for the customer. Whenever they’re coming in for maintenance, they’re able to come in, get their basic services done, but also take care of the windshields, the wheels, the dents, at the same time, allowing us to make it a seamless effort.”*

SMART Mobile Techs and Dealers

SMART repair was developed to help vehicles retain their value by keeping that “new car” look without expensive work like body shop repairs, repainting a door panel, or full re-upholstery of a seat.

Using state-of-the-art tools, paints, and materials, techs repair minor damage like scuffs, chips, dents, scratches, scrapes, and tears whether on the exterior or interior of a vehicle.

Dealerships already have established relationships with local SMART mobile techs on their lots.

Dealers know whom they can trust to deliver top-notch work. Furthermore, these vendors prefer to work with dealerships.

Thus all stakeholders are well-positioned for incorporating into a SMART program.

By consolidating these trusted vendors into a SMART program, routine maintenance can be scheduled on the specific days and hours the vendors are already on the lot. Or by spreading appointments throughout the week, service drive logistics can be further optimized.

The Dealer

SMART programs offer a business model that leverages existing cosmetic repair activity at dealerships, giving those dealerships a competitive advantage in their territory.

SMART providers partner exclusively with select dealerships to offer a program to deliver SMART cosmetic services at the same time as routine maintenance.

There are two ways customers typically sign up for SMART cosmetic services.

1. Dealerships offer a SMART plan as an after-sale product to its customers.
2. The SMART Tech provider's own marketing campaigns direct car owners — who have purchased vehicles elsewhere — to its partner dealerships to perform routine maintenance and auto cosmetic repair, bringing new customers to the dealership.

SMART providers should include in the package a “take home” kit so that customers immediately feel the benefit of the contract. Kits should include items like:

- Waterless Wash Solution
- Vinyl / Rubber Dressing
- Car Interior Cleaner
- Wheel Cleaner
- Glass Cleaner
- Protectant Wipes
- Microfiber Cloths

Take home kits creates a Value add, and helps the customer drive off the lot extra satisfied.

After sign-up, dealers simply remind customers via postcard, text, or email to bring their vehicles in for both routine maintenance and cosmetic repair. Dealers can further motivate customers by offering:

- Vehicle Pickup and Delivery
- Delivery of Services at Home or Place of Work
- Drive Customer Back Home or to Work after Dropoff
- Pick Customer Up to Get vehicle

The more convenient dealers make it, the better the relationship-building.

Dealers should also remind customers of the benefits they are receiving by keeping up with both mechanical and cosmetic maintenance of their vehicles. Congratulate customers on their responsible ownership.

Dealership benefits from SMART service contracts include:

- Income from Point-of-Sale SMART Contracts to New Car Buyers
- Enhanced Customer Buying Experience with Take-Home Kit
- Income from After-Sale SMART Contracts to Service Customers
- Training and Support for Service and Sales Staff
- Marketing and Merchandising Support
- Customer Retention as Service and SMART Repairs are Done at Dealership
- Opportunity for Upsales of Other Products and Services
- Opportunity for New Vehicle Sales to Customer as Loyalty and Trust is Built
- Less Vehicle Prep Time for Vehicles Returned to Stock
- More Referrals from Happy Customers

As one general manager said of the SMART program, *“I like that it helps us become a one-stop shop for all their needs and they don't have to worry about going anywhere else.”*

State of the SMART Industry

An article posted April 4, 2020, on AM Online (www.am-online.com) reported most favorably on the benefits of SMART repair service plans in the UK saying, it's “... a win-win product. It means extra income for the dealer and buyers should see a return on their ‘investment’ when it comes to reselling the vehicle.”

Nick Franklin, head of distribution and product development for Autoprotect Group, said, “Over the past five years, SMART repair has come much more to the forefront of the range of add-on products dealers offer.” He adds that whereas the frequency of Gap plan claims are around 4%, use of SMART repair plans are around 35% and at certain times of the year as high as 70%. Thus consumers are getting significant value from their SMART repair plans.

UK based, Lee Coverdale, sales manager, considers SMART repair as a retention tool and sees trade-in values higher for those vehicles with coverage. But he adds, “This isn't a reflection on the true value of the product because the consumer may have had multiple repairs on the same areas, so their purchase has looked fantastic throughout the whole period of ownership.”

Phil Newstead, Director of DHMB Limited, which is a SMART repair provider and also UK based, says that after-sales departments can offer contracts to car owners, without plans, whose vehicles are in the service department and would benefit from a SMART

repair. He says, “There is a very clear upsell opportunity. It does have its challenges because the vehicles are probably up on the ramp for 70% of the time when in the dealership and people want their car back the same day. But I think potentially, it is a real revenue opportunity which no one has really got right yet.”

In the United States there are 273.6 million cars on the road. In Canada, 34.3 million. Well over 300 million combined. It’s estimated that 90% of vehicles need some cosmetic repair. With this in mind, the industry is poised for growth with demand far outstripping supply.

Wrapping It Up

SMART programs are a proven business model that will drive customers to dealership service departments, increasing profits and customer retention.

There is nothing like the car business.

As the digital retail revolution takes flight, we must keep in mind the history of automotive retail, which is replete with dealers who are resourceful and resilient businessmen who always rise to overcome market challenges. They know, firsthand, that getting the customer back to the store for service and then providing a superb experience exponentially increases the likelihood of selling that customer his or her next vehicle.

SMART programs drive customers back to the store.

Proof of concept is well established. SMART programs are already a proven business model in the UK and Australia, and, now, in Northern California. Thus they are poised to become mainstream in the United States and Canada as dealerships scale SMART repair programs regionally.

Super convenient SMART programs offer customers higher service engagement which, in turn, positions dealers to be more competitive in their markets.

The service brings in new profits and creates happy customers who will refer their friends and relatives to the dealership.

At the end of the day, it’s about building better relationships with customers. When this happens, brand and dealer loyalty increases. So will revenues.

About Radiant Ride

For more than 25 years, the Sticks Brown Group has specialized in automotive appearance, demonstrating an unwavering commitment to the industry. Now Earl Sticks Brown has successfully piloted a SMART program in Central California and is fast expanding. If you are interested in exploring a SMART program for your dealership, please contact Sticks directly through LinkedIn.

“There's a lot of great benefits to Radiant Ride, especially the customer retention. Being able to have customers come back to the dealership. The convenience factor, being local, and if there's somebody far away, guess what? Radiant Ride will go to them as well. To be able to have a product that you know that takes care of all those things and for a customer to come into a dealership where they bought it from, and for us to be able to hold on to that customer, it's important. It just brings them back every time and if they're in here for the third, fourth, fifth year of issues and at that time, they're looking at buying a new car because they were so well taken care of, that's a great tool for the dealership as well. So it's a win-win situation for everybody.” Jesse Ismate, Finance Director, Folsom Lake Ford & Kia

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