

BEYOND A HANDSHAKE

Customer Relations Management in the Retail Sector
of the Automotive Aftermarket Industry

Where are we now and where should we be?



This report prepared by the Automotive Industries Association of Canada

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BACKGROUND

The automotive aftermarket has been faced in recent years with a number of significant human resource training issues. For much of the past decade the focus of these training needs was centred on technical issues – specifically as they related to the rapidly changing nature of vehicle technology. In addition to these technical concerns, however, focus has also fallen on to a number of areas related to management and business technology. In particular in this area, customer relations management has been recognized in a number of forums as a critical issue for the aftermarket to address.

This theme has been repeated in a number of other forums including the 2001 Outlook Study and a number of Human Resources Development Canada Sector studies which AIA was involved in. The current project is intended as a first step to address this need by detailing the current state of CRM practices within the retail sector of the automotive aftermarket.

OBJECTIVES

This project intends to detail the current practices of customer service and customer retention, as well as the status of customer relations management, within the automotive repair and service sector in Canada. This detailing of current practices is seen as an important first step in identifying the nature of the industry's performance in this area. This research will thus lay the groundwork for future work aimed at developing specific programs to improve and assist the industry's performance in this area.

SCOPE OF WORK

The research required for this study falls into a number of areas. For the first section of this report, AIA has conducted a review of current research on Customer Relations Management. The second section of the report, details the current state of CRM in the automotive aftermarket industry. Given the tight time and resource constraints on the study AIA adopted a "one-stage " methodology. Thus rather than using a combination of surveys, focus groups and executive interviews, AIA focused solely on a survey approach.

REVIEW OF CURRENT RESEARCH ON CUSTOMER RELATIONS MANAGEMENT

Commodity suppliers typically compete on price. The commoditization of mass-produced goods and services have made it difficult for a company to differentiate its products or services and left it vulnerable to lower-price competition. In addition, Theodore Levitt believes that the buyer-seller relationship is currently flawed because of the failure to understand that the relationship does not end when a transaction is complete - it intensifies. Selling is no longer enough. Products are too complicated, repeat negotiations too stressful and too costly. The consumer is looking for a long-term relationship. The consumer is also looking beyond the product they are purchasing. The consumer does not just want a new set of windshield wipers but also related services, delivery, reliability, responsiveness and quality. Expectations for quality do not stop at the product but extend to the actual interaction that takes place with the organization. Levitt argues that what is really being bought is a set of expectations and, "when downstream realities loom larger than up-front promises..." there is trouble in the buyer/seller relationship. Mr. Levitt suggests "instead of trying to find new customers for the products you've already got, you find new products for the customers you've already got."

With the development of inexpensive powerful computing technology the situation has changed. Data is now collectable and available for analysis. The results of information about consumers have shown that some customers are more valuable than others. Data has also shown that the most loyal customers make a disproportionate contribution to profitability. Companies can take data on their various customer segments and tailor their products and services to meet those customers' needs and wants. This advantage is particularly important when directed towards the company's most profitable segment.

The idea behind Customer Relations Management (CRM) has been that with the collection and analysis of customer data companies, especially retailers, can cultivate "loyalty" and improve profitability. A retailer can respond differently to different consumers based on what they have purchased in the past or based on their potential for future sales.

THE RETAIL SECTOR

PriceWaterhouseCoopers conducted extensive research into retailers and CRM programs. Their conclusion was that current loyalty or frequent shopper programs fall woefully short of having all the components and capabilities necessary for creating a good Customer Relations Management Program (CRM).

The programs currently delivered by retailers tend to be too narrowly focused. Instead, PriceWaterhouseCoopers argues, they need to be consumer centric and create value for the customer. They should be using “stealthy” incentives – that is inducements that create real value which is differentiated by type of shopper and difficult to find elsewhere. Creating “stealthy” value for the customer requires a more coordinated effort than is currently seen in the retail community. PriceWaterhouseCoopers suggests three steps for moving towards a real CRM program:

- discover what value is to the customer – this requires working out what kind of data you need to collect to gain insight on the customer. It also means knowing how to use the information collected.
- assemble that value – companies need to identify the current resources that can be reallocated from existing initiatives. In addition, retailers need to determine the mix of direct and indirect opportunities that will be used.
- deliver the value - communicate value to the customer using channels the customer best responds to and listen for feedback.

TECHNOLOGY

The March 2000 edition of the Harvard Management Update published the following table indicating how technology facilitated the development of CRM:

The Technological Underpinnings of CRM

CRM techniques have always been around, but three specific technologies have made it possible (and economical) for companies to apply the tools to millions of customers at a time. The three are:

- Database technology – not simply storage capacity, but also the ability to analyze and map large amounts of data.
- Interactivity – Web sites, call centers, and any other means offer a wide variety of mechanisms for a company to interact with its customers.
- Mass customization technology, or computerized standardization, enabling a company to break products or services into modules or templates.

Together these technologies make it possible for a company to engage in the core activities of CRM.

PARTNERSHIPS

Partnerships are important. For any retailer it is important to develop strong links with manufacturers who can facilitate in data analysis and creating targeted incentives. Other partnerships such as ASPs (application service providers) can also prove advantageous. ASPs can provide data collection services that many retailers would be unable to develop by themselves on a cost effective basis.

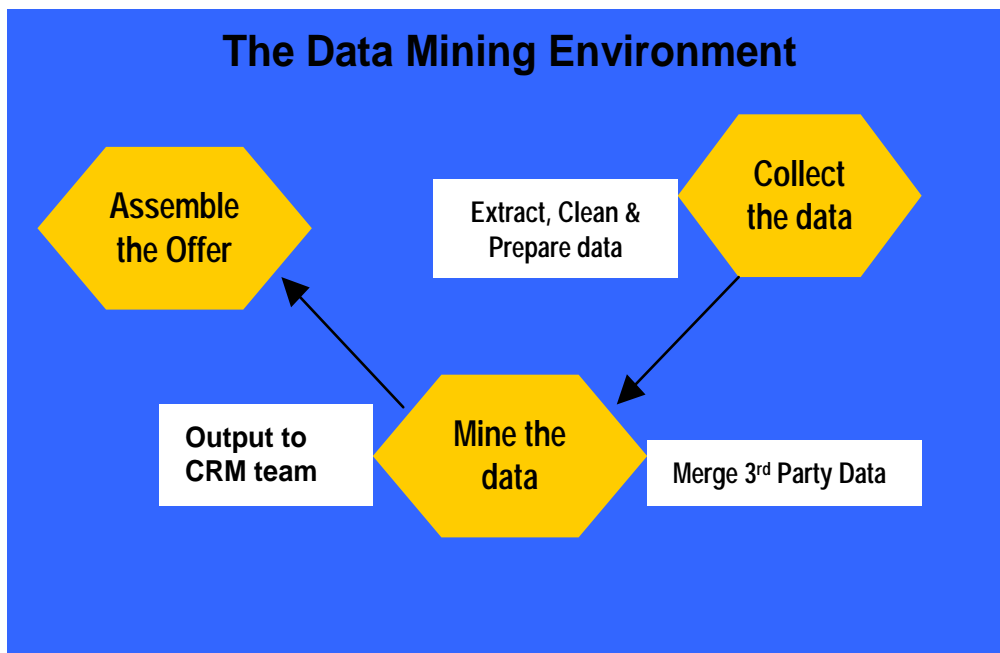
According to PriceWaterhouseCoopers, manufacturers generally allocate between “55% and 60% of their total advertising and promotion budgets to trade promotions with retailers. Reallocating dollars can therefore be difficult in terms of persuading the manufacturer to relook at how the dollars are spent” and also from the perspective of getting a unified campaign underway. Manufacturers along with retailers must begin to view CRM as a collaborative effort, where targeting dollars may reach fewer customers but end up producing larger profits.

DATA COLLECTION

The importance of building a network of channels for communicating back to the consumer and receiving feedback from the consumer is often ignored. Customers need to have multiple channels in which they can dialogue with the retailer/organization with whom they are doing business. A good customer who is silent is likely to be a lost customer.

PriceWaterhouseCoopers suggests that "it should be possible to identify a shopper and track his or her shopping patterns at any one of multiple points of contact with the retailer, including the 'bricks-and-mortar' store, the website, catalogues, customer service call center, a program partner, or a stand-alone kiosk." The information collected from all of these different points of contact should be placed in one central data warehouse. Collecting silos of information is not conducive to CRM as it only gives pockets of customer data. Combining all the data in one system is necessary to create adequate customer profiles. Sears is currently moving away from maintaining separate databases based on the store department to one integrated system.

Most companies have not build a data mining capability. The following diagram represents PriceWaterhouseCoopers' vision of how CRM data collection should work:



Information, if it is to be useful to the retailer, should be household-specific. PriceWaterhouseCoopers says “there needs to be data systems, processes and practices in place that extract, clean and prepare data in a timely, reliable way.” Data mining is crucial to an effective CRM program.

Data mining includes:

- segmenting,
- quantifying consumer responsiveness,
- targeting, and
- reallocating resources.

Retailers that are able to minimize data collection issues and costs can focus their resources on data analysis and maximize their ability to achieve a return on investment in customer relationship management.

Data mining is not effective if most customers go a long time between visits to a store. Incentives for more frequent visits may be needed to increase the amount of contact between the retailer and the consumer. AutoNation offered members free roadside assistance with a car purchase and four visits to the service station a year in order to increase their interaction with their customers.

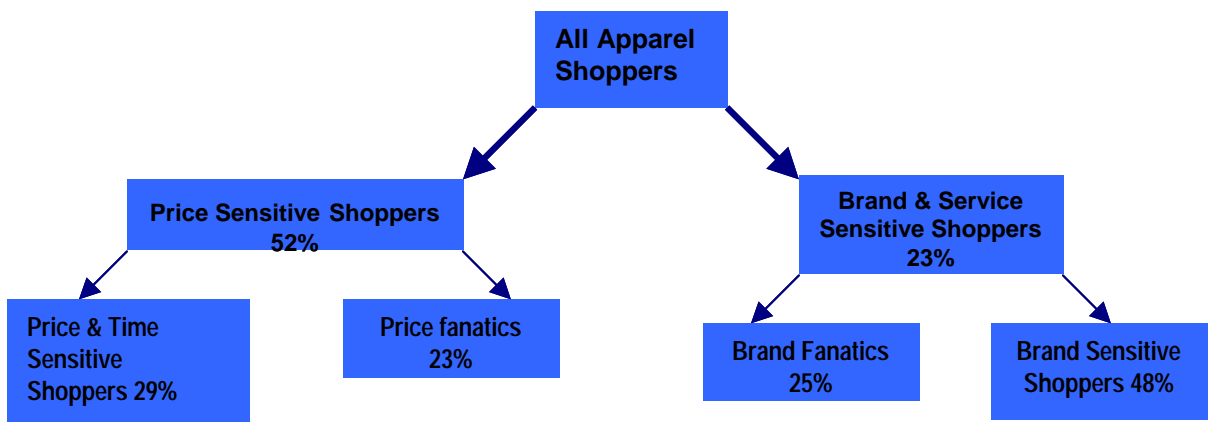
Consumer behaviour data, such as advertising and media favoured by households, needs to be added to the information collected by the retailer. The addition of outside data facilitates the extraction of a broader picture that is central to an effective CRM program – the retailer can identify their most important customer segments and know that customers preferred methods of communication.

One current problem is that data is often stored in proprietary systems that have limited analysis capability and that do not easily share data with other systems. Data extraction and cleaning can therefore be costly to the point where it becomes prohibitive for smaller retailers to achieve a return on investment.

The problem of proprietary systems is well understood in the Automotive Aftermarket. Over the past few years AIA has developed a relationship with U.S based associations to work towards uniform standards in the Automotive Aftermarket. One area of collaboration has been with the Aftermarket Council on Electronic Commerce and leading aftermarket organizations such as NAPA to establish and promote North American standards for cataloguing. A new project, i-SHOP, has published the first version of standards for manufacturers of equipment and software used in any repair and service facility. The goal for these projects has been to move away from proprietary systems that, as indicated by the PricewaterhouseCoopers research, undermine data mining and sharing.

The following example from research conducted by PriceWaterHouseCoopers details the type of data mining that can be done to facilitate development of targeted marketing. While the example is apparel shoppers the same research and customer segmentation could easily be applied to the parts and service industry.

CONSUMER-FOCUSED SEGMENTATION



Segmentation must be done based on shopper behaviour rather than spending levels or demographics. Basing analysis on spending gives the retailer an idea of who is important to them but not what the shopper is looking for in terms of value. Demographics also give very little indication regarding preferences or value and should not therefore form the basis for a CRM program.

METHODS OF DELIVERING THE MESSAGE

The media mix should shift towards target marketing to communicate targeted offers to targeted segments through targeted methods of delivery. Methods used may range from traditional marketing such as catalogues to new media such as email. All delivery channels should be dependent on customer preferences. Targeting helps evaluate which alternatives make the most economic and business sense and therefore merit investment. The information provided by data mining should help a retailer decide which current initiatives generate lower sales and gross profits than could be expected from a targeted initiative.

Retailers are investigating new methods of data delivery and capture. PriceWaterhouseCoopers provides examples such as the use of palm pilots to allow shoppers to send in orders remotely via the Internet. The future may see messages sent via mobile communication or wireless systems. Other technologies being used include cart-mounted screens that display messages triggered by wireless devices mounted on aisle shelves. As a shopper passes the shelf a marketing message is displayed. One retailer uses a display system in the store window that changes promotions based on the time of day. In the morning price conscious shoppers see ads in the window for sales, discounts or best buys. In the evening the fashion conscious shopper sees advertising posters or messages geared towards trends and style. A magalog (cross between a magazine and catalogue that provides articles on related issues as well as the product(s) being sold) are also gaining in popularity.

Reviewing the results of a program should include responsiveness to the whole mix of marketing events including degree of price discount, newspaper advertisement, inserts or shelf displays and in-store signage.

TYPE OF INCENTIVES

Analyzing the information can allow distinctive value sought by different customer segments to be isolated. This allows the creation of targeted marketing offers.

Theodore Levitt states “the mistake most retailers make is... they put too much into ‘visible’ incentives...” This leaves scarce resources to create the “stealthy” incentives and other components of a good CRM program.

The object of incentives needs to be clear to the customer. Only these kinds of incentives can differentiate the retailer and provide a real competitive edge. Often visible incentives fall short of this goal. Visible incentives are the same for every customer. The purpose for visible incentives is to reward the customer for shopping for various reasons such as frequent shopping or willingness to share information at each transaction. The incentive is generic to all frequent shoppers with no real discernable value identified for any particular customer.

Visible incentives such as a store card can also impede rather than help data gathering. The shopper can leave the card at home or not use it frequently as it becomes lost amongst other cards. Data collection is therefore impeded and any incentives ineffective.

Partnerships with credit card companies can also be fraught with disadvantages. A particular consumer may not be profitable for the credit card company but valuable to the retailer. Concentration on one card may work well for the retailer but payment methods should appeal to the retailers most valuable customer segment. Other visible incentives such as monetary incentives may only appeal to a certain segment of customer. As a result they need to be available as options but not the center or only component of a visible incentive program.

PriceWaterhouseCoopers indicates that visible incentives should have the following characteristics to be effective:

- be tiered
- promote choice
- leverage buying power of shoppers
- avoid benefits to charitable causes as a focal point
- include non-monetary incentives
- reward all transactions
- be transparent – keep it simple and easy for the customer to understand

One simple way to achieve an affective program is to simply ask customers what benefits they want.

The Harvard Business Review recently explained that for most loyalty programs, “the incentive in the form of price discounts is the only thing that shoppers are loyal to. Once the incentive goes away the so-called ‘loyal’ behaviour goes away.” Alternatively volume discounts seem to be one of the easiest ways a retailer can implement variable pricing which can be an important goal within any CRM program.

Ultimately all the current research indicates that retailer’s should minimize visible, undifferentiated incentives and maximize the targeted programs that are part of a CRM program.

EMPLOYEES

PriceWaterhouseCoopers states the new retail environment is about “clicks and mortar and more”. New organizational relationships, incentives and training are crucial to ensuring a CRM investment does not fail. Incentives need to be developed for staff so they become customer responsive and consumer-centric. CRM requires a knowledge-based worker who can vary how they perform their job based on information about the customer and the context of the contact. When a customer walks in a store it should not matter what they are there for or which employee they talk with. The employee who encounters the consumer should be able to call-up a profile that helps them understand and react to that particular customer. This means asking more of front-line sales and service staff.

The knowledge worker needs to process information and act upon it. Technology such as hand-held devices may facilitate this change as they allow store staff to access customer-specific information anywhere in the store to deliver tailored service. Even access to a regular computer with a networked customer management system would be beneficial. “Without the right training and incentives, the frontline staff can cripple a CRM program in a myriad of ways” argues the Harvard Management Guide.

CRM METRICS

There is no one ROI formula that can be used to determine the potential timeline on a return on investment in a CRM program. PriceWaterhouseCoopers provide the following steps as a method for analyzing a potential CRM program. The steps to follow are:

- Assessing current capability to deliver a CRM program – investing in the technology but not the staff will not provide the necessary foundation.
- Setting a realistic timetable for ROI (with a manufacturer-retailer partnership the suggested time period for net return of investment is 2-5 years)
- Setting the right scale for the program - on a market by market level
- Weighing and reallocating investments
- Maximizing returns by leveraging investment across the whole company – no one department can achieve success, it has to be the entire organization that is refocused to a consumer centric method of doing business.

The Harvard Management Review does not provide a specific formula, but suggests the following to examine the value of an existing customer:

- Multiply a customer's expected number of visits by the average amount of money spent per visit.
- Deduct the costs of acquiring and servicing that customer.
- Add in the value of accounts this customer refers to you, and discount the sum appropriately for the time period you're analyzing.

Most companies do not have any idea of the lifetime value of their customers nor do they have a clear idea of how much it costs them to acquire new ones. Over time it becomes easier and cheaper to serve the existing customer.

STEPS FORWARD

Theodore Levitt suggests that the quickest impact of CRM will be seen in business-to-business marketing because of the pay off in productivity, speed, supply chain integration, better planning, lower inventories and more efficient logistics. The research by PriceWaterhouseCoopers would suggest that retailers also have a lot to gain from implementation of a CRM program.

To move towards CRM in the automotive industry will require several steps including:

- Creating an IT blueprint of the industry to see where the technology gaps still exist and how implementation of a comprehensive B2B strategy can be achieved
- Promotion of a training environment. Without the appropriate attitudes, companies will not adopt or seek out the training necessary to ensure CRM programs are successful. Part of this step would entail research and analysis to determine the appropriate messages and vehicles by which to deliver them and to communicate the overall value of employee training within the aftermarket
- A review of current training in the CRM area.
- Promotion of existing training
- Partnership and curriculum development for training that is either not available or needs expansion to a new delivery method.

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AIA CRM SURVEY OF THE AUTOMOTIVE AFTERMARKET INDUSTRY

SURVEY DESIGN AND DISTRIBUTION

Design of the survey was of paramount importance. To ensure the collection of valuable research data, AIA consulted with its Retail Council and incorporated Council member recommendations into the final survey. In order to maximize the response rate, the survey was kept to two pages in length.

Distribution of the survey is key to the success of the research. This aspect originally posed a challenge in the tight timeframes for the project, but with the help of a number of AIA retail and banner program members and allies, those challenges have now been overcome.

All of the AIA Canadian Retailers have received copies, these include: Canadian Tire Corporation, Midas Canada, Mister Transmission, The Mufflerman, Petro-Canada Certigard, Sears Canada – Automotive, SMK-Speedy International, and Goodyear Canada.

Copies have also been distributed to Banner programs of a number of warehouse distributors and buying groups, these include Auto Sense Auto Parts, CARQUEST Canada, UAP/NAPA, and Uni-Select.

To ensure that truly independent automotive repair facilities are represented in the findings, AIA has distributed copies to independents via the Automotive Aftermarket Retailers Association of Ontario and SSGM magazine. In total, over 1,000 copies have been distributed to independent and banner program garages across Canada .

SURVEY RESPONSES

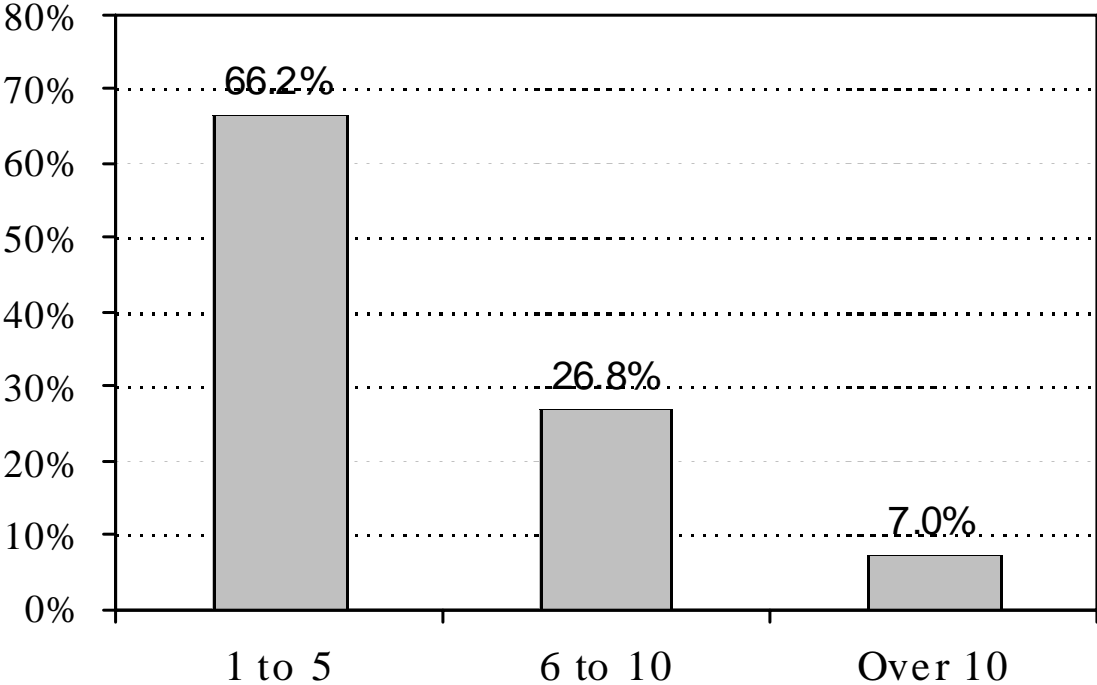
Survey results on the current state of Customer Relations Management in the automotive aftermarket industry follow. In total, 77 responses were received, accounting for 862 retail locations and over 8,000 service bays. Responses representing chain locations came from their respective corporate head offices. It was estimated that each chain response (which represented answers for all locations in any given chain) should be given a weighting of 1.25 (using Statistics Canada estimates on the total number of vehicle repair facilities). Of particular interest, 72 of the 77 responses were received from independent automotive repair facilities.

SUMMARY

- 94.9% of respondents maintain a database of their customers' personal information.
- 91.1% maintain a database of their customers' vehicle-related information.
- 89.8% track their customers service history, but only 30.2% track their customers' service preferences.
- The largest group of respondents use the customer information they track as a convenience for customers. However, more than half of those who do track customer information also use it to generate service reminders.
- Of those that track service histories, 93.3% provide records to customers upon request.
- Among all respondents (not just those who maintain a database), 43.8% indicated they provide service reminders for customers. Within this group, 38.7% ask their customers if they wish to receive them.
- 93.2% of those providing service reminders do so in house as opposed to hiring a service and over 90% use the mail to deliver their reminders.
- For those that provide reminders, 83.7% feel it has increased their work volume.
- 40.6% of all respondents indicated they perform follow-ups with customers after a service appointment.
- 40.6% also indicate offering incentives to existing customers to get repeat business or referrals, with free services being the most popular incentive offered.
- For customers who need work over an extended period, shuttle service was the most popular provision (as opposed to other costlier options like loaners and rentals).
- 25.7% reported using their customer data to assist in inventory stocking.
- 82.1% have their customer records stored on computer.

NUMBER OF EMPLOYEES

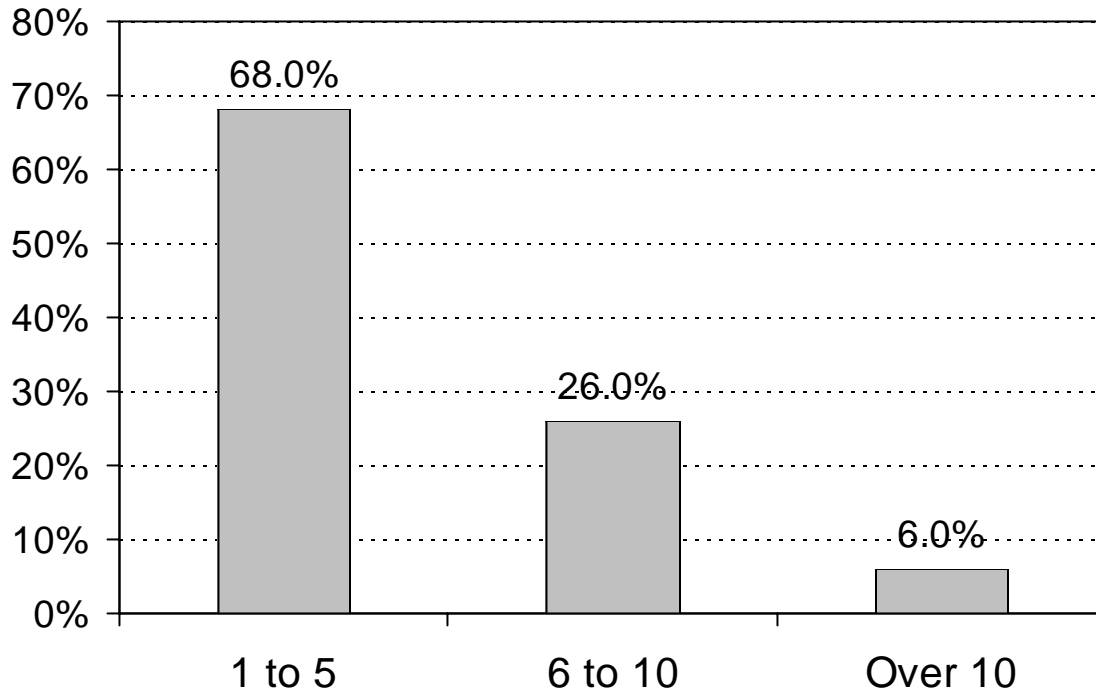
(Non-Chain Replies Only)



- The overall average number of employees per location is 5.5.
- The largest proportion of respondents (22.5%) had 4 employees.

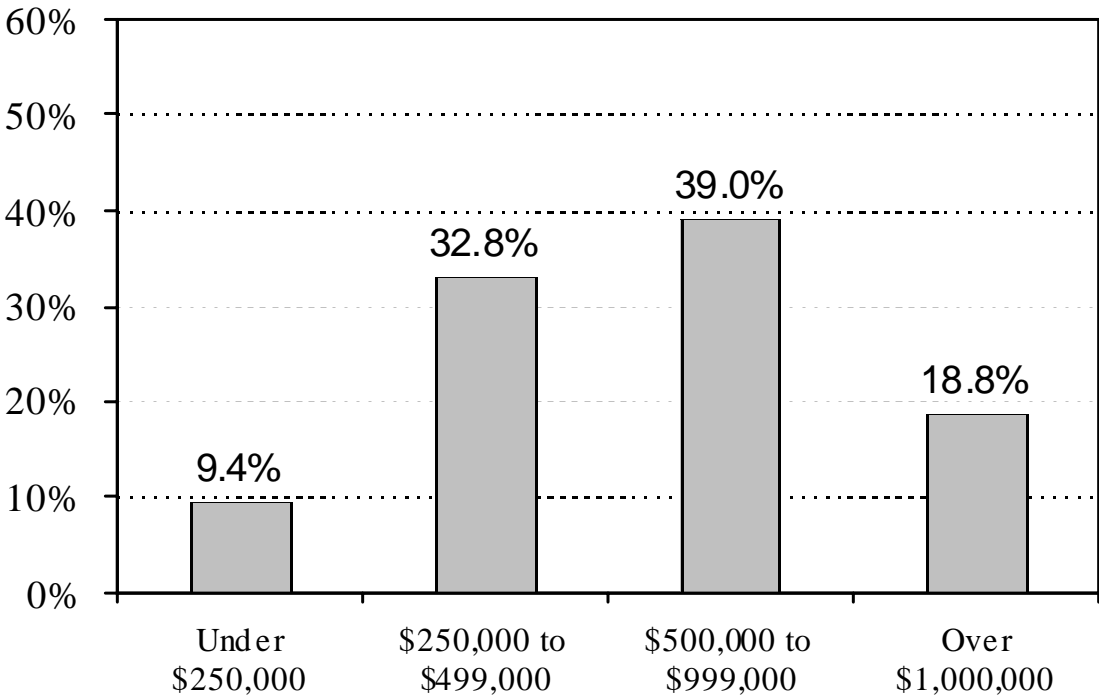
NUMBER OF SERVICE BAYS

(Non-Chain Replies Only)



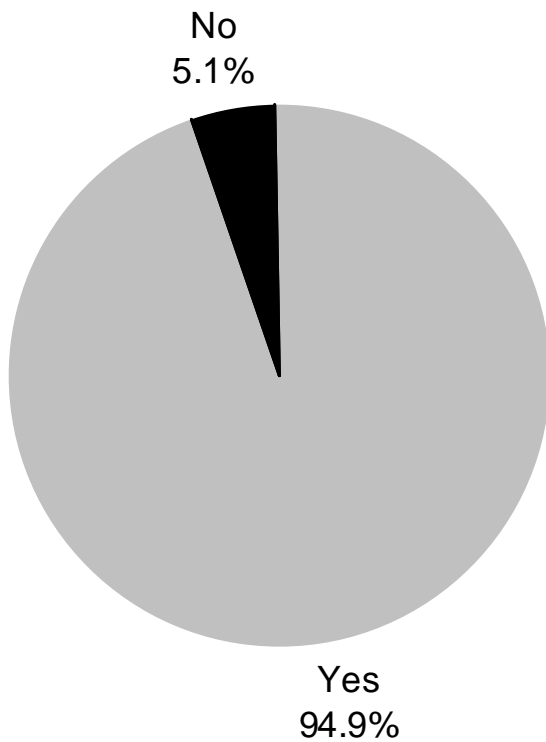
- The overall average number of service bays is 5.4.
- The largest proportion of respondents (21.7%) had 4 service bays in total for their operation.

ANNUAL SALES VOLUME
(Non-Chain Replies Only)



- Average annual sales volume is \$863,000.

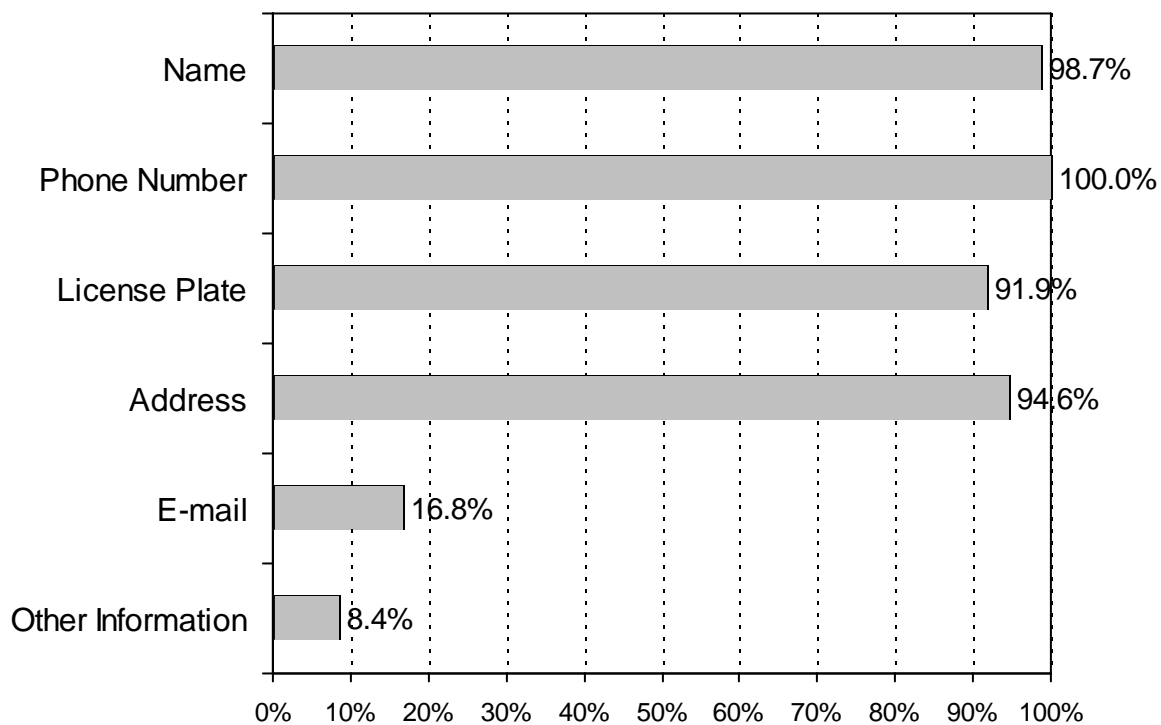
“DO YOU MAINTAIN A DATABASE OF YOUR CUSTOMERS’ PERSONAL INFORMATION?”



All chain responses indicated maintaining a customer information database, while 94.4% of independents said the same.

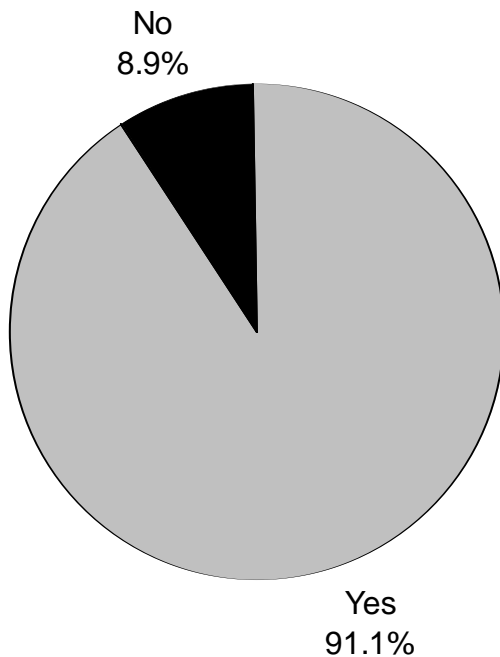
This is encouraging, as any CRM efforts would be virtually impossible without basic customer information.

TYPE OF PERSONAL INFORMATION TRACKED



- Those lacking address information are limiting their potential somewhat to interact with their customer base.
- Those tracking email addresses are ahead of the curve and have the potential for more modern communication with their customer base.
- Email tracking can also provide a method for more effective and cost efficient delivery of targeted marketing campaigns. Maintaining customer contact is important. One way of doing this without overselling the customer is to have an email update or tips service. Email is a quick and easy way of circulating information and reminding customers of a company's presence.

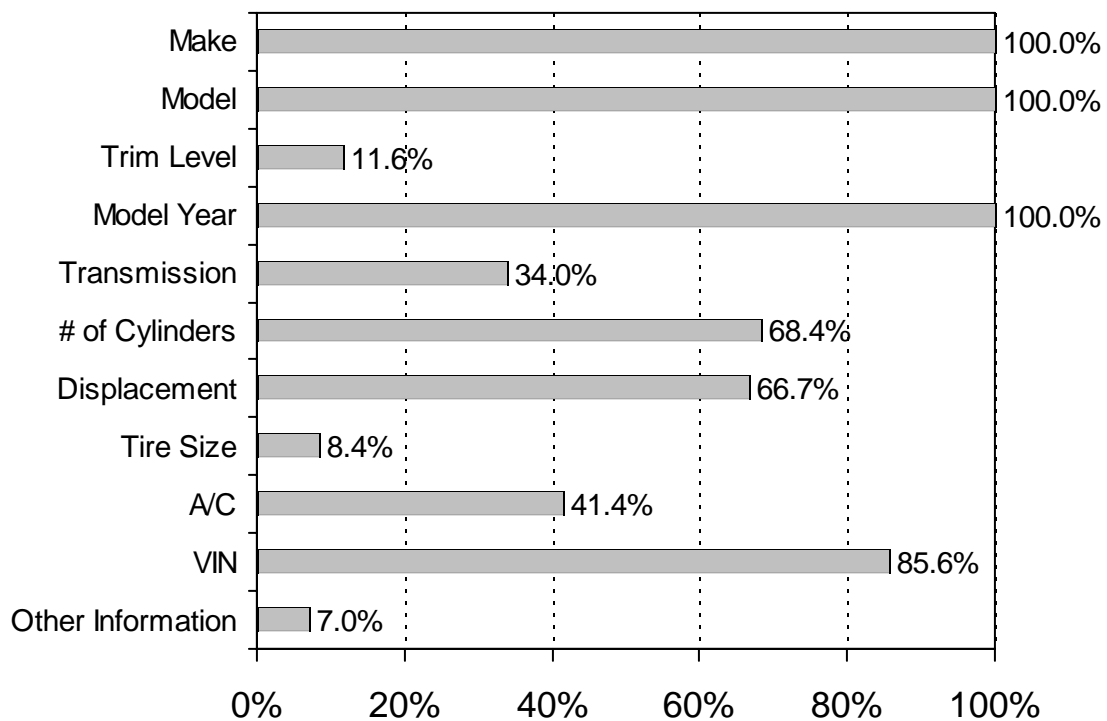
“DO YOU MAINTAIN A DATABASE OF YOUR CUSTOMERS’ VEHICLE INFORMATION?”



As with personal data, all chain responses indicated maintaining a vehicle information database, while 90.3% of independents said the same.

Again, those not tracking vehicle information are seriously limiting the CRM methods available to them.

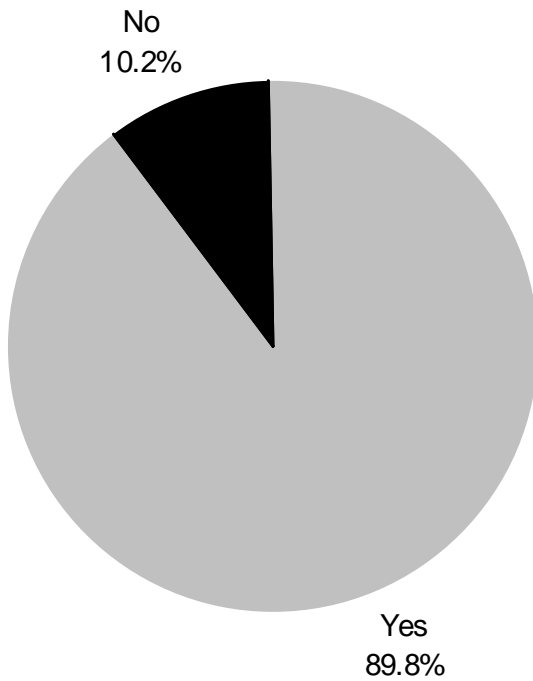
TYPE OF VEHICLE INFORMATION TRACKED



Amongst those companies tracking vehicle information, it is somewhat surprising to note that air conditioning is so low. Especially in light of the changing air conditioning requirements in a number of provinces. The presence of air conditioning affects servicing in a variety of ways.

On the other hand, the proportion tracking a vehicle's VIN is high. The VIN can reveal a great deal about individual vehicles with proper decoding software. Technology developments will soon enhance tracking beyond just VIN information to include service history. The data tracking will make developing CRM practices easier by providing more information that is easily accessible. The trick will be to ensure aftermarket operations collect and use the data effectively.

“DO YOU MAINTAIN A DATABASE OF YOUR CUSTOMERS’ SERVICE HISTORY?”

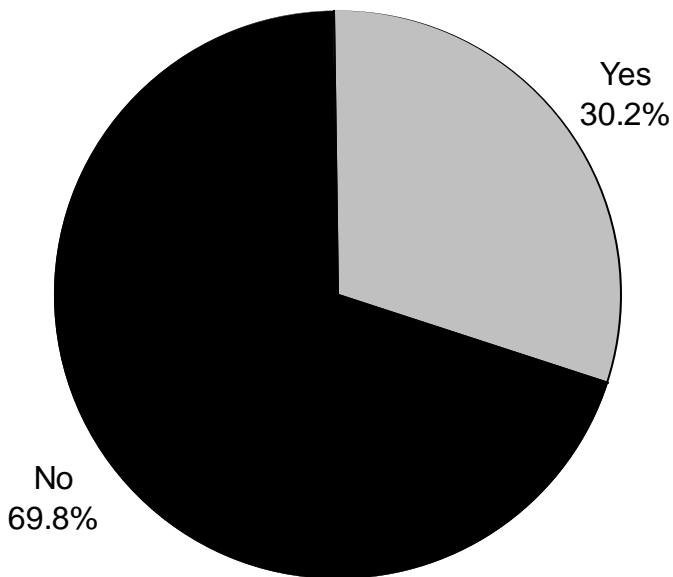


Again, all chain responses indicated maintaining a vehicle information database, while 88.9% of independents said the same.

Those not maintaining a customer history are lacking information that could potentially be used for relationship development.

Understanding customer preference is an essential part of a good CRM strategy. Profiling a customer base allows retailers to develop directed marketing strategies that meet the needs of core customers. The information collected can also have a direct positive impact on business operations such as inventory management. If a retailer knows the preferences and cycles of its main customer group, it can order accordingly. If a retailer’s customers buy high end parts and it stocks lower end products, it is missing sales dollars and running the risk of delayed service. Effective inventory purchases mean high stock turnover and less returns, all of which adds to the bottom line.

“DO YOU KEEP TRACK OF YOUR CUSTOMERS’ SERVICE PREFERENCES?”

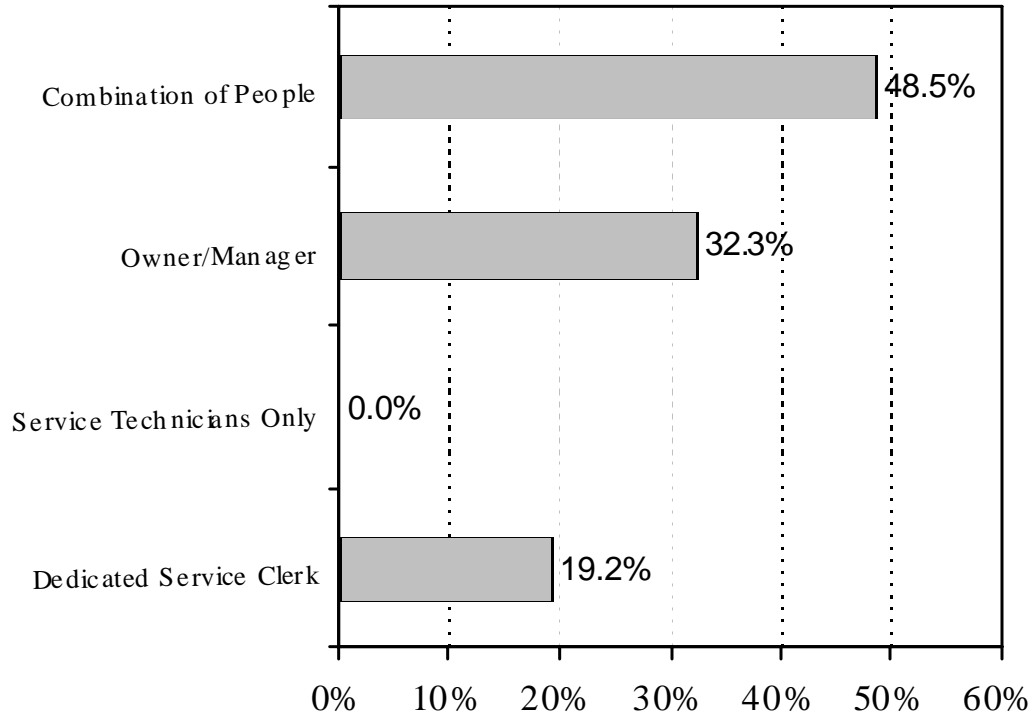


This could include such things as brand preferences, preferred oil weight etc. and demonstrates to customers that their preferences are important.

The most common items tracked were oil, oil filter and tire preferences. The low percentage of those tracking preferences may mean this is an area that could improve customer relations if executed properly. In other words, few repair facilities do this and therefore, it is not typically expected by consumers. So those that do it right may have an easier time attracting and retaining customers.

Research has shown the positive impact of reviewing customer preferences before any interaction. Retailers can tailor how to address a customer, what to talk to them about, and make an extra effort if a customer had a less than perfect previous experience. The efforts will show the customer the retailer pays attention and is concerned about their business. This is important for relationship building and just one example of how data from tracking customer preferences can be immediately put to use in daily aftermarket operations.

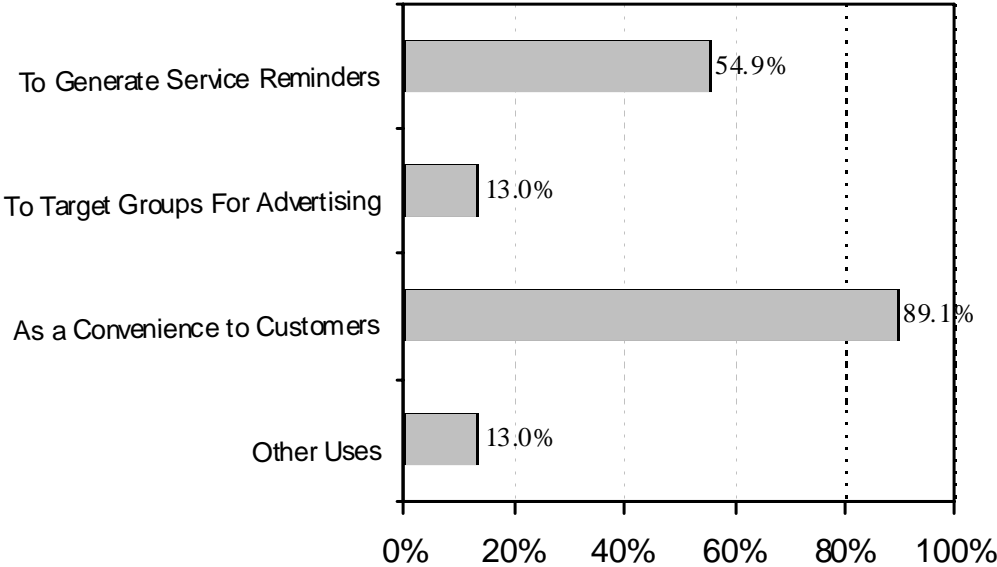
RESPONSIBILITY FOR DATA ENTRY



While it is difficult to have one person or group of people strictly assigned to entering data, the more people entering data, the greater likelihood there exists for inconsistencies. This could have customer service implications.

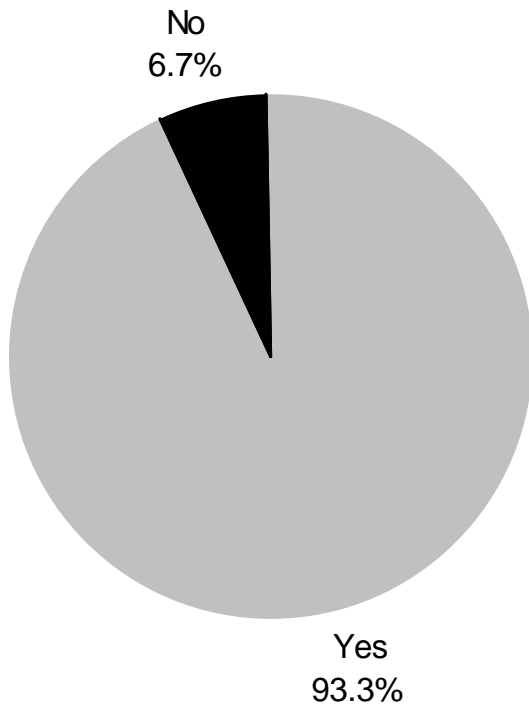
Technology advancements will play a significant role in this area. The movement towards collaboration to produce industry standards such as PIES (product information exchange standards) and i-SHOP (integrated shop systems) will result in less manual re-entry of data. Information will be able to flow through various systems in the shop's internal network and between levels of the supply chain without re-keying thus reducing costly errors.

“HOW DO YOU USE THE CUSTOMER INFORMATION YOU KEEP TRACK OF?”



It is encouraging to see the vast majority of shops recognizing the convenience of maintaining files for each individual customer. This is a very simple way to make the service seem more personal to customers.

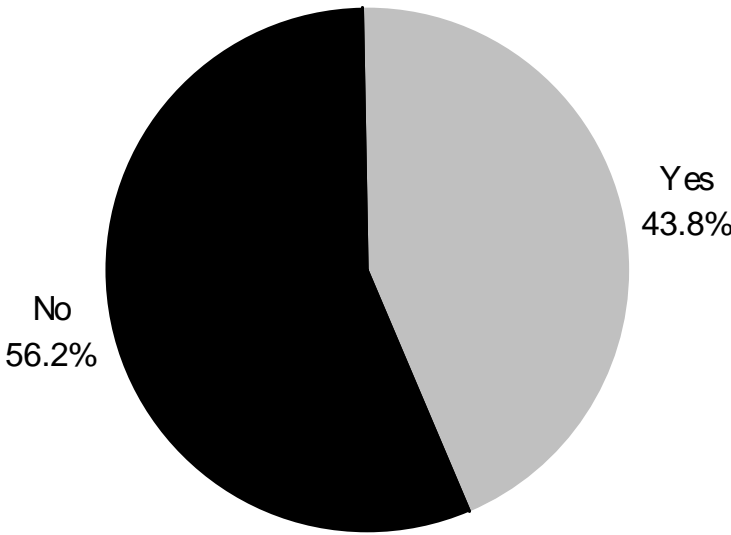
“DO YOU PROVIDE SERVICE RECORDS TO CUSTOMERS WHO REQUEST THEM?”



This is a very simple way for shops to maintain loyalty as customers move from one vehicle to another.

Those that indicated they do not provide records may do so because of poor record keeping.

“DO YOU PROVIDE SERVICE REMINDERS TO CUSTOMERS?”

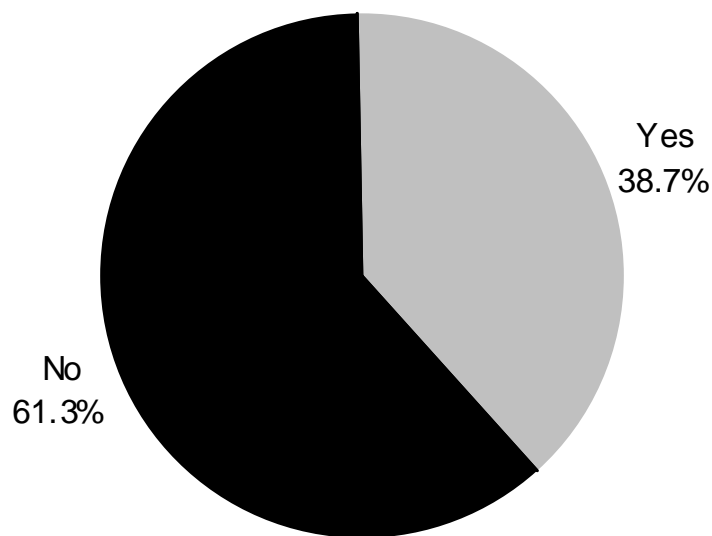


It is not surprising to see a near-even split here. Aside from the work (and cost) involved in generating service reminders, there may also be a sense of suspicion among some customers. Some may think that reminders are merely for revenue generation (which may be true) and are not designed to enhance customer service. This may be overcome by asking customers for their permission to send service reminders and asking them for their preferences regarding intervals between servicing.

This is an issue that requires further examination (perhaps from a consumer perspective) to determine the best way for service reminders to be approached.

“DO YOU ASK CUSTOMERS IF THEY WISH TO RECEIVE REMINDERS?”

(For Those Who Provide Reminders)

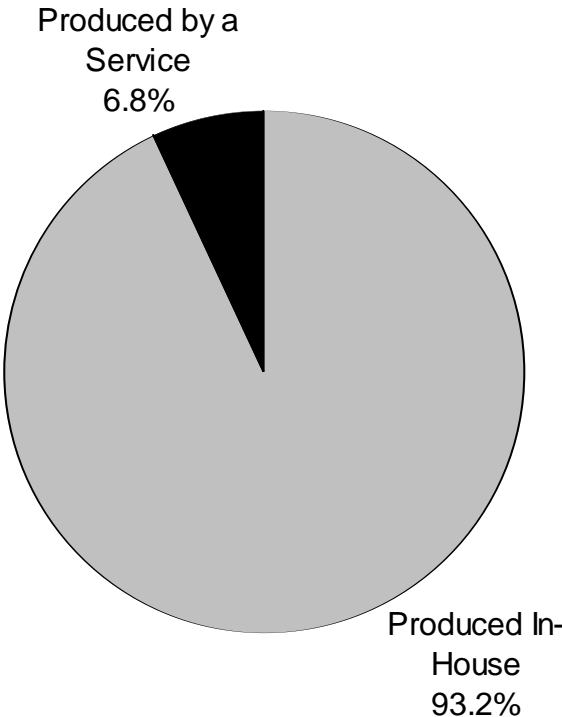


This goes back to the issue of consumer suspicion. By asking customers if they want to be reminded, it gives them the opportunity to decide how the customer relationship should be maintained.

With the appropriate explanation for the need to properly maintain a vehicle, most consumers would likely agree to receive service reminders. Not asking for permission to send service reminders is a serious service mistake and/or a missed opportunity.

METHOD FOR PRODUCING REMINDERS

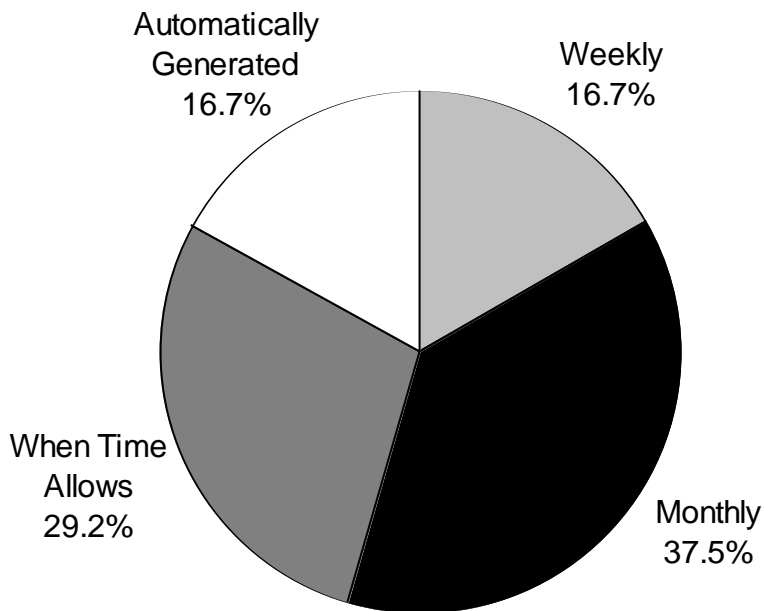
(For Those Who Provide Reminders)



For those producing their own reminders, it allows for greater control over process and information. However, organizations must be diligent in ensuring the reminder generation process is effectively managed internally.

FREQUENCY OF REMINDER GENERATION

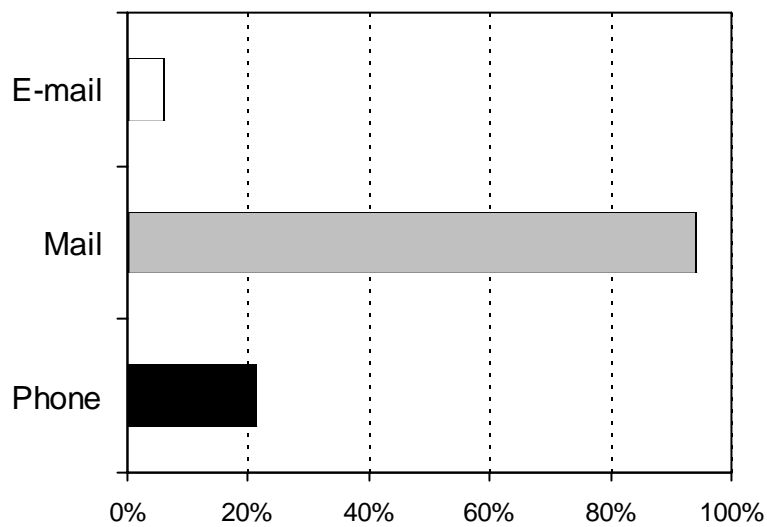
(For Those Who Provide Reminders)



The group of shops who produce reminders “when time allows” need to be mindful of the process. If service reminders become a “back-burner” part of the business, it is unlikely they will add to the customer service experience or generate profit.

METHOD FOR DELIVERING REMINDERS

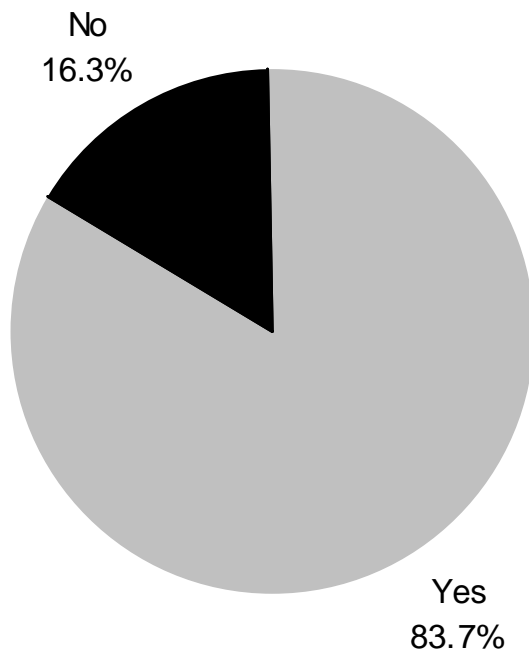
(For Those Who Provide Reminders)



Only a select few used email as a delivery method. This should certainly be explored, as it would be a quicker and more cost-effective way of distributing reminders.

“DO YOU FEEL PROVIDING REMINDERS HAS INCREASED YOUR WORK VOLUME?”

(For Those Who Provide Reminders)

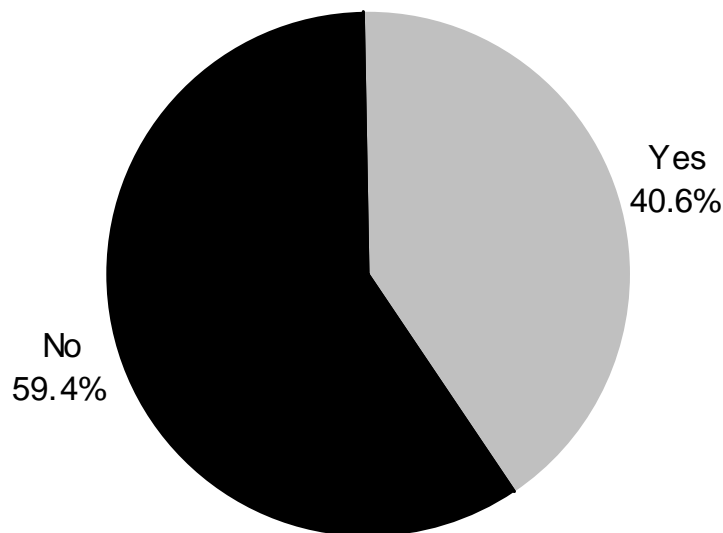


It is good to see that most outlets see reminders as being positive for their business.

Among those who indicated it has increased their volume of work, most could not estimate the magnitude of the increase realized from providing service reminders.

Tracking the effectiveness of service reminders would be worthwhile. Retailers could track when service reminders are sent to a customer, the date the service is recommended, when/if a customer brings in their vehicle, followed by a question asking them if the reminder to bring in their vehicle promoted their visit.

“DO YOU FOLLOW UP WITH YOUR CUSTOMERS FOLLOWING A COMPLETE SERVICE APPOINTMENT?”



The proportion of those that do follow up may mean this is an area that should be explored by shops. With most shops not following up, those that do have a greater chance of building a stronger relationship with customers.

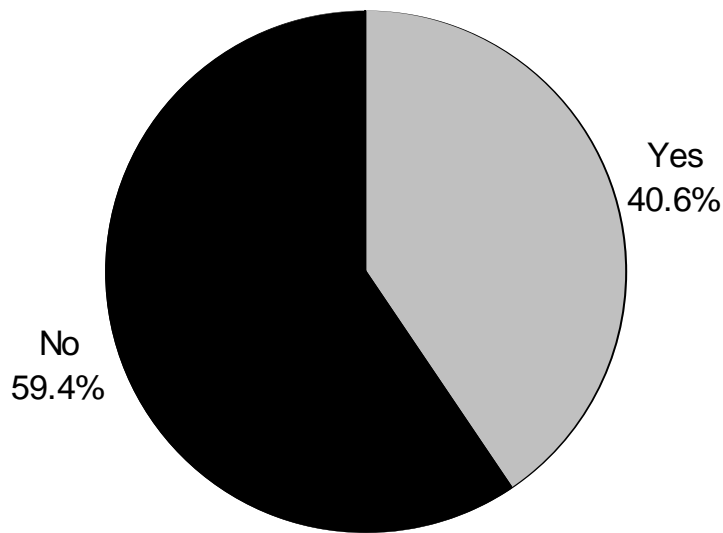
Among those that do follow up, most do so by phone within a week of the servicing.

Follow up adds to the perception that the retailer cares about its customers' experiences. It can be a quick but effective way of expressing loyalty to satisfied customers.

Another advantage to follow up is that it prolongs the contact between the retailer and the customer. Improved contact helps encourage customers to return.

Follow up must be done properly and address any concerns consumers may have expressed if it is to be effective.

“DO YOU OFFER EXISTING CUSTOMERS INCENTIVES TO GET REPEAT BUSINESS OR REFERRALS?”

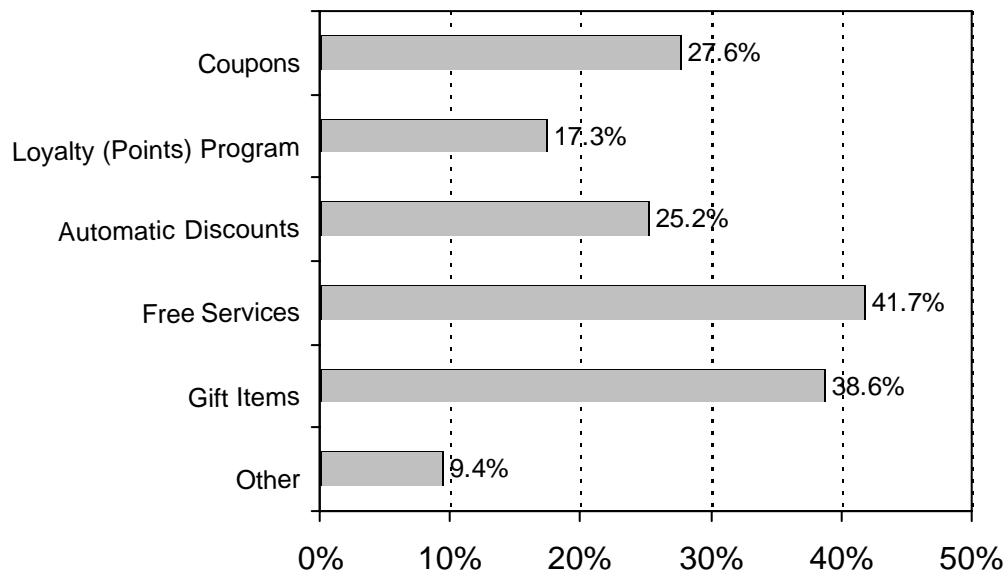


The majority of shops do not provide any incentives to customers. This is another area where a low-cost process could increase business and customer satisfaction. Incentives do not have to be expensive. It could be something as simple as a small discount coupon.

Targeted programs based on the information collected regarding customer preferences and service history may be more time consuming, but it will ultimately be more effective. For more information about incentives and how to use them within a CRM program, please see pages 9-10 of this document.

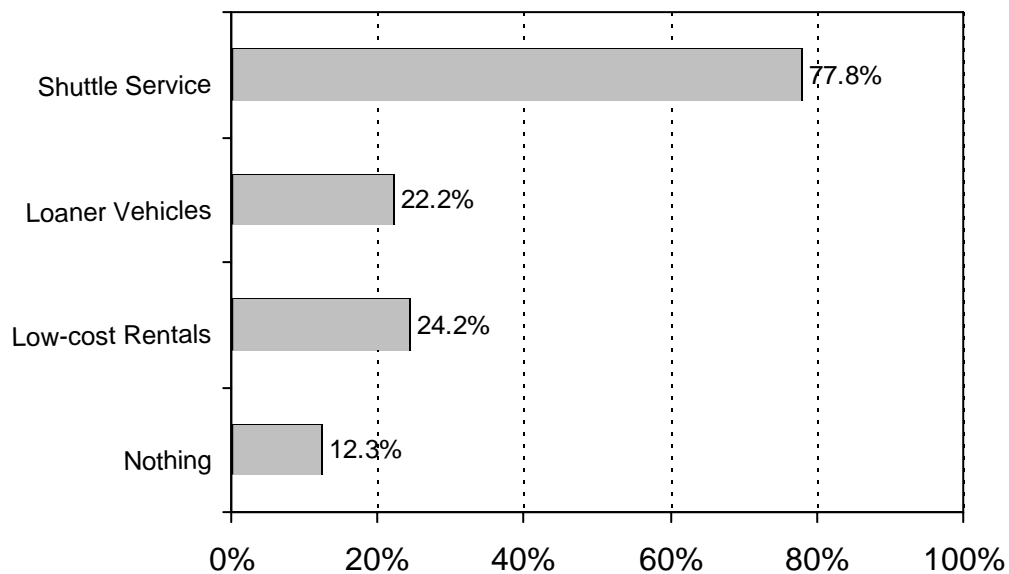
INCENTIVES GIVEN

(among those who provide them)



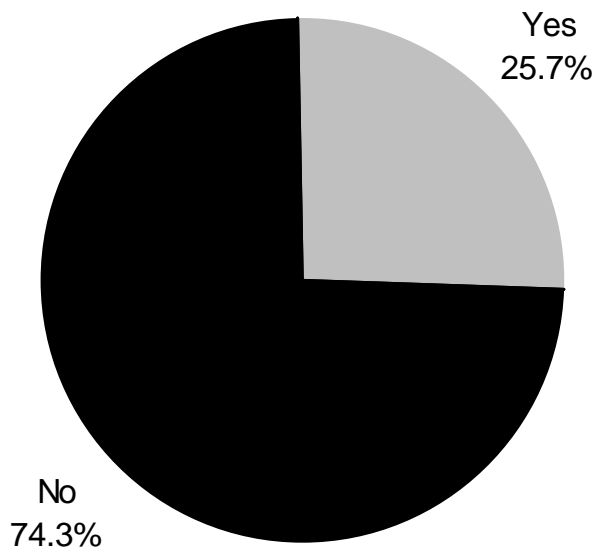
It is not surprising to see loyalty programs lower on the list, as these require more administration work, which would be especially difficult for independent shops.

“WHAT DO YOU PROVIDE TO CUSTOMERS WHOSE VEHICLES NEED SERVICING WHICH WILL TAKE AN EXTENDED PERIOD OF TIME?”



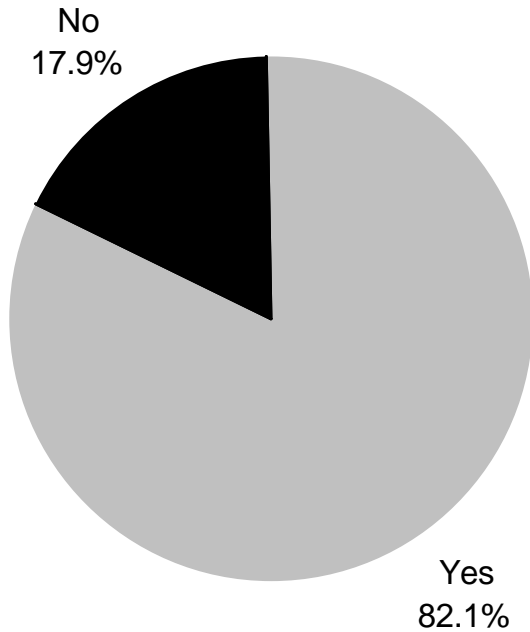
Shuttle service is the easiest method and lowers the risk and work involved for shops. Those shops not providing any services to customers should likely revisit their policies. Providing this convenience can be done cheaply (the price of a used vehicle to use as a shuttle) and it is typically valued by consumers.

“DO YOU USE YOUR CUSTOMER DATA TO ASSIST IN INVENTORY STOCKING?”



While this may take a fair amount of work, it may be worthwhile for the more significant repeat customers. If people know they will not have to wait for ordered parts (especially on less common vehicles), they will be more likely to come back.

“ARE YOUR CUSTOMER RECORDS STORED ON A COMPUTER SYSTEM?”



The majority of respondents indicated records were stored in a computer system. Even though only a small percentage indicated they do not, the issue of computer usage in the industry will need to be addressed. It would be very difficult to have processes in place that address customer retention without use of a computer to process information.

Among those who use computer systems, the average number of screens/terminals is 2.7 and for those with more than one system, 78.9% have them networked together. The average age of the newest system is 2.8 years, which suggests those that do use computers are dealing with fairly up-to-date systems.

77.8% of those using computers have internet access in the shop, with the vast majority using dial-up access instead of dedicated high-speed access. While dial-up is better than no access, high-speed is available at affordable rates now and can provide instant links to suppliers to check parts availability.

19.7% of those using computers have a direct link to their jobber/supplier to check availability and pricing. It is encouraging to see some organizations taking advantage of current technology. This is likely an area that will become more significant in the near term.

ACKNOWLEDGEMENTS

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AIA would also like to thank all of the organizations that helped to distribute the survey.

Finally, once again, AIA would like to acknowledge the financial contributions of Industry Canada, without whom this report could not have been made possible.
