

## To Pay or Not to Pay for jobs



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Monday, 08 June 2009

I have found two very different viewpoints on the subject of paying for work. In discussing the topic with a wide range of shop owners I've found two sides to the issue. On one side I find the owner who absolutely will not pay anything for jobs. On the other side I find a much broader range of opinions. Those concerned with the ethics of the situation generally will pay commissions to local mechanics and estimators and give discounts to dealerships and fleet management companies, but they draw the line at paying cash under the table to adjusters and directly to other insurance personnel.

And then there are those who will pay anybody, any time for any job they can get.

In a tough market like the one we're facing today, it would seem this is a topic that should be considered very carefully. In many sales companies, there is an expression: "feet on the street," meaning the more people that can be put out selling the product, the more sales that are likely to be made. An entire industry of multi-level marketing has sprung up around this concept. A huge effort is made to recruit just about anyone who has friends and family to promote the product. Even though the percentage of profit per sale gained is often miniscule, many hundreds of people have joined the ranks of Amway, Herbalife and Mary Kay Cosmetics.

Is there a way to make this "feet on the street" concept work for body shops? And is it ethical to pay for jobs brought into the shop in this way, or even possible? It's hard to imagine a multi-level marketing program for collision repair, but it's not so hard to imagine people who are out of work willing to do just about anything to make ends meet. Many shops employ at least one marketing person to contact insurance companies, agents, dealerships, and more. But I have yet to see a shop that employs an entire crew of straight commission sales people.

Perhaps this is a completely wacky idea, but unusual times call for unusual approaches to solving problems. Suppose you ran an ad and offered to train people to write simple estimates for you. In an earlier article last year, I talked about a simple business card estimate that could be left on a vehicle inviting the owner to come in for

a more complete estimate (call me for a reprint if needed). One shop owner devised a card with the typical top down vehicle diagram found on car rental forms, to indicate points of damage. Very little training would be needed to instruct most people on doing a simple visual inspection to indicate points of damage. The difficult part would be estimating approximate repair costs. This would require some careful creativity, but since most estimates will be for small dings and dents, some simple rules-of-thumb should be manageable. A prospective customer is always being asked to come in for a more complete estimate.

Would people really go out and look for damaged vehicles and try to get business into the shop for you? Obviously that all depends on how much you're willing to pay. Fleet management companies almost uniformly demand ten percent of a job. If you look at the difference between your door rate and the rate you give insurance companies, the odds are pretty good you're giving away at least ten percent there. So paying ten percent to someone willing to get out on the street to bring in business for you shouldn't be a problem. And it seems to me that this is far more ethical than slipping money under the table to some sleazy adjuster.

You might also have fun playing the rest of the multi-level marketing game. If you've ever been talked into going to an Amway or similar meeting, you may have some idea of what can be done. To make up for the small size of the commissions, many dramatize the game. Large score boards in the front of the room tally up each individual's progress. Big applause goes to the largest producers. And prizes are awarded along the way. In addition to commissions, you might also give car washes, detailing or even free minor vehicle repairs to people bringing in significant business.

From what I've been able to see, it's nearly impossible to avoid paying for some jobs, in one way or another. If it has to be done, it only makes sense to go in the direction of the largest volume of jobs obtainable. Insurance companies and dealerships generally provide the best volume of vehicles, but lately they have been unreliable sources. Perhaps creating your own volume of "feet on the street" could make a real difference in jobs in the shop.

I recently spoke to an insurance agent who said that in this tough economy they have had to shift their strategy. He said during normal years they had about a 15 percent attrition of customers, but they were generally able to attract at least 15-to-20 percent new customers to make up the difference. Now, he said, attracting new customers seems all but impossible, but fortunately the attrition rate is way down and by stepping up service they have almost been able to retain all of their existing customers.

Unlike people in the collision industry, I've noticed that insurance agents seem to spend 90 percent of their time on the phone. Except for keeping current customers informed on the status of a vehicle being repaired, few collision repair shops do any calling of prior customers. Granted this would be a fairly extreme way to bring back prior customers. Postcards, letters and e-mails are much more natural and time efficient ways to keep in contact with them, but when extreme downturns occur, extreme measures may be in order.

Part of the problem is due to the very nature of collision repair. Unlike mechanical shops that enjoy returning customer business for oil changes, brake-jobs and tune-ups, collision repair is not normally a recurring need.

I often compare the difference between mechanical shops and body shops to the difference between family physicians and surgeons. People go to their family doctor for regular checkups and minor conditions like a cough or flu. They only go to a surgeon when in need of major surgery. And they don't select a surgeon out of the phone book or from an ad on the radio, TV or local newspaper. Unfortunately collision repair shop customers are like the surgeon's. Body shops are only sought out when auto body damage requires special attention, and like surgeons, customers mainly look for family, friend or professional referrals rather than considering advertisements.

A shop owner would be well advised to copy a surgeon's approach to getting clients. They belong to many professional associations and maintain close ties to general practice physicians who refer patients when they need surgery. Many shop owners do maintain relationships with local mechanical shop owners who they do rely on for referrals when collision repair is needed. But from what I've been able to see, this link is often undervalued. Surgeons cultivate a relationship with a large number of physicians, since they realize that patients will only occasionally be in need of surgery.

Similarly, a collision shop owner should cultivate as many automotive repair relationships as possible to ensure having sufficient sources to bring in the volume of business needed.

And so we come back to the issue of phone solicitations. Unlike surgeons who generally thrive on major surgeries, body shops do get a fair amount of minor business to repair small dents, dings, scratches, plus theft and glass damage. During tough times, many vehicle owners will drive with minor damage rather than paying to have it repaired. These are prime prospects for a sales effort offering special discounts and add-on services. Postcards, letters and e-mails may do the job. But if employees are standing around during slow times, it couldn't hurt to follow the insurance agent's example and get them on the phone to check on the status of prior customer's vehicles. And of course it would also be appropriate to ask about other family member's vehicles as well.

This may also be a time when some selective customer education could bring in added business. Many shops have alignment equipment, but few people think of a collision repair shop when they're in need of wheel alignment. Most are also unaware that minor frame damage may be why their vehicle keeps going out of alignment. A sales effort emphasizing more complete structural alignment would be appropriate. Another point of emphasis could be auto glass. Today's typical vehicle has far more glass than vehicles fifteen or twenty years ago. Adding an auto glass specialty can give a shop another point of emphasis when contacting a prior customer.

One of the most important tools when contacting prior customers, is a database of information about that customer and his or her needs. Sadly, many shops don't collect much valuable information when customers come to their shops. Some do collect birthday and anniversary information so they can send greetings at these special times. And others ask for referral information like local mechanical shops or insurance agents so they can send a thank you for the referral. But customer information forms could also ask about employer's or employee's vehicles in order to offer discounts for fleet business.

A tactful survey call (or postcard) asking about other vehicles in a prior customer's circle of family, business and social connections could yield a wealth of new promotional targets. When the usual stream of insurance company and dealership referrals have

dried up, more extreme marketing measures may be in order. And these approaches that draw on years of accumulated prior customers could sustain a shop in the toughest of times.

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