

DON'T LOSE GOOD CUSTOMERS OVER PRICE

THERE ARE NO PRICE OBJECTIONS, ONLY VALUE QUESTIONS

BY CHRIS "CHUBBY" FREDERICK | CONTRIBUTOR

IN MY 40 years plus in the automotive business, the one thing that still tears me apart is the slow death of an automotive repair shop. I take it personally when it happens on my watch or even when I was not involved in helping that owner with his or her business. Raising prices to stabilize margins to enable you to operate successfully in whatever type of business model you have chosen can be life or death.

This month I am proud to bring you one of the best explanations of this life-or-death experience from Coach Eric Twiggs. I have heard every argument and witnessed every possible scenario on this subject; but I have never in all my years seen any more common sense written on the subject than this article by Eric. So I am proud to offer you our latest parts pricing matrix for those of you who were never sold on its implementation.

"I'm losing business because of your parts pricing matrix!" This is what a shop owner named Rich told me during our weekly coaching call. Both his car count and average repair order (ARO) were down from the previous year.

The shop is located in a rural section of the country with a high unemployment rate and low median income. The most expensive dealerships in Rich's area had a labor rate of \$73 per hour.

These factors led Rich to believe he couldn't implement the parts matrix that he learned about while attending his ATI classes. When I would remind him of what he was taught on the topic, his response was always the same: "My shop is different!"



He had two service writers named Steve and Chris. Even though they had the same invoice count, Steve held a 61 percent parts margin and a \$400 ARO, while Chris hovered around 45 percent and \$230.

I had Rich make the "Where have you been?" follow-up calls to his database to determine why people weren't coming back. He spoke with 10 customers; five from each writer.

As suspected, he received feedback stating he was too expensive. Four previously loyal customers mentioned finding another shop with lower prices. Which seller do you think had the most complaints?

If you guessed Steve, guess again! None of his patrons mentioned the price. They had good things to say about him and the service. All of the complaints came from Chris' customers. Why would Chris' clientele complain even though

Steve was charging more? Keep reading and you will learn three ways to lose your good customers over price.

Don't only mention what's wrong

Chris would only want to talk about what needed to be repaired on the car. Steve began his presentations by mentioning the positive findings from the courtesy check. His buyers felt their vehicle was worth investing in, while Chris often heard the following: "I'm getting rid of the car, so why spend the money?" His customers left without feeling the value of the service or of their vehicle.

I recommend using what I call "the good news opening" when presenting an estimate. It sounds like this: "Eric, I have some good news. We just completed the 30-point courtesy check and found that your tires are wearing

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evenly, your brakes are in good shape, and your battery is fully charged.” Beginning your presentation by sharing the good news from the courtesy check puts the person at ease, sets a positive tone and sends a message that the car is worth investing in.

Show and tell

Steve did a vehicle walk around with everyone, which enabled him to reveal items like worn tires and wiper blades in need of replacement. He experienced less resistance because he and the customer had the evidence in front of them. Chris didn’t believe in going out to the car. He would always say: “My people don’t like going back outside!”

All things being equal, people prefer to do business with individuals they trust. Unfortunately, our industry has a bad reputation in this area, so the average person enters a repair facility with their guard up. The vehicle walk around gives you a great opportunity to establish rapport and will make your job easier.

Since Steve’s clientele trusted him, they didn’t have to call other shops to make sure they were getting the best price. Chris’ customers would call the competition even when they had their vehicle apart in his bays!

Steve also had a habit of using pictures and visual aids to show the components he was referring to during the estimate presentation. According to a study done by communications expert Carmine Gallo, the average person is able to recall 10 percent of the information they receive via oral communication within 72 hours.

Gallo found that when the same information is presented using pictures, the recall rate jumps to 65 per-

cent. In other words, consumers will remember more of what they see than what you say!

Explain the benefits

I bet I know which radio station your customers listen to. It’s W.I.I.F.M., which stands for What’s In It For Me? They want to know about the benefits and value they will receive by making the purchase. Chris focused his presentations on the technical aspects of the parts and labor. Steve, on the other hand, connected the services needed to the benefits that were important to the buyer. Since they didn’t understand the benefits, Chris’ clients used price as the criterion for their purchase decisions.

In his book, “Buying Trances: A New Psychology of Sales and Marketing,” Joe Vitale lists the 26 reasons people buy anything. There are seven that specifically relate to selling automotive service. They are as follows:

- Save time
- Save money
- Make money
- Avoid effort
- Avoid pain
- Be safe and secure
- Increase happiness

As I reflect on the reasons people buy, I am reminded of an incident where Chris’s inability to explain the benefits came to light. He quoted his customer Laura \$530 for a distributor going on a 2004 Mitsubishi Eclipse. She responded with the following: “I can get it cheaper from the parts store down the street. You guys are too expensive — cancel everything!”

Rich, the owner, met with Laura in an effort to salvage the sale. What he told her proves the value of explaining the benefits: “Laura, the price you were


quoted by the parts store is a do-it-yourself price. Ours is an installed service price, which comes with a two-year, 24,000-mile warranty, which is twice as long as the industry average. With the warranty, you get nationwide coverage in case something goes wrong while you are out of town. Can you find it cheaper? Probably. Will you be as happy with your investment? Probably not.”

Laura’s response surprised everyone: “I didn’t realize everything I was getting. Go ahead and do it.” Why did she change her mind even though the price stayed the same? Laura understood the benefits and felt the value. When the buyer feels the value they will pay the price!

By mentioning the installed service price, Rich touched on the benefits of saving time and avoiding effort. When he spoke about the warranty coverage, he helped Laura understand how she could avoid pain and remain safe and secure.

Summary

Several weeks later, Rich terminated Chris, replacing him with a restaurant industry veteran who knew nothing about cars, but had a great attitude. As a result, the price complaints decreased and the margins increased!

If you only mention what’s wrong, don’t do show and tell and refuse to explain the benefits, you will lose your good customers over price! If you are tired of losing profits because of your pricing, for a very limited time you can download your own copy of the ATI Parts Pricing Matrix by going to www.ationlinetraining.com/2016-01. 

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
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Chris "Chubby" Frederick is the CEO and founder of the Automotive Training Institute. ATI's 115 associates train and coach more than 1,400 shop owners every week across North America to drive profits and dreams home to their families. Our associates love helping shop owners who are having the same struggle as many of them have had, and who are looking for the same answers — and in some cases looking for a lifeline. This month's article was written with the help of Coach Eric Twigg.

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