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To Install or Not to Install...That Is the Question

By Rick White

With the current economic state in some areas, shop owners are faced, more and more, with requests to install customer-supplied parts. In order to make the best decision for your business, it is critical to lay out all issues surrounding this subject. This article will help you to implement a policy regarding these types of requests and as well as help your staff to best explain that policy to your customers.

As a shop owner, you should be concerned with these four areas when installing parts supplied by vehicle owners. They are loss of gross profit, relationships, reputation, and liability.

1. Loss of Gross Profit

Most auto repair shops, as part of their overall gross profit strategy (you do have a strategy...right?), have a percentage mark-up on the parts that they sell and install. When a vehicle owner supplies the parts, the "mark up" is lost and negatively impacts your bottom line. However, shop owners may not know how to handle these requests and often ask me, "Rick, how do I deal with the loss?"

The quick answer is, "Don't do it!" Some owners have tried to compensate for the loss by raising the labor rate, which usually results in losing the job. Since these vehicle owners want to supply their own parts to save money on the repair, they will pass you by if your labor rate is higher. Additionally, your business never benefits by this practice.

2. Relationships

Peter Drucker, dubbed the father of business management, said "The sole purpose of every business is to create a customer." I would add, "...and keep him or her." You build a loyal customer base, over a period of time, by creating mutually beneficial relationships with people that value the experience and quality of your work for the dollars they give to you.

The quick answer is, "Don't do it!" Typically, the vehicle owner that brings his parts to you for installation is not looking for, nor is interested in building a relationship. It's all about the price. Any

place that he can get the job done for a cheaper price; he's gone. This type of customer also tends to be the most demanding, nickel-and-diming you on every little thing. He takes more of your time away from the customers that genuinely value your service and fair prices.

3. Reputation

When a customer asks you to replace a part that he's acquired elsewhere, your reputation is at stake. Ask yourself these three questions:

a. How do I know the part is going to solve the problem?

The customer may not have had the proper diagnosis. If you replace the part and the problem isn't solved, it is now your fault and will most likely have an uphill battle on your hands. You may now be liable for the correct repair.

b. What is the quality of the part?

Your customer, most commonly, does not know about the quality of after-market parts and may have purchased parts of questionable or poor quality. If the part fails prematurely, you will find yourself in another uphill battle called the blame game; you blame the part store and the part store blames you. You may now be liable for the correct repair.

c. Is it the correct part for that vehicle?

Your customer, most commonly, isn't the expert. Many parts look similar, but are not the proper part for the vehicle make and model. Ultimately you are the professional and will be held accountable if the wrong parts are installed. If something goes wrong, you may now be liable for the correct repair.

The quick answer is, "Don't do it!" Any one of these three situations can adversely affect the reputation you have worked so hard to establish. Remember, reputation is the hardest thing to build and the easiest thing to destroy.

4. Liability

There are two types of liability for which you should be concerned; insurance and legal.

Insurance

Insurance companies warn shop owners that installing customer-supplied parts may result in coverage red tape. If the repair resulted in a return warranty visit due to the part failure, then the manufacturer would be liable for the additional repair and insurance coverage would be denied; never a good situation for a shop owner. Insurance companies recommend that the vehicle owner sign a disclaimer relieving the shop from liability of damage caused by the part.

b. Legal

Since the law varies from state to state, Massachusetts-based Attorney, Kevin P. O'Malley strongly advises that the shop have a liability waiver drafted by the shops' lawyer, signed by the vehicle's owner, releasing the shop from any and all liability whatsoever

related to the failure of the part, it's installation, and any alterations made by the technician retrofit the part to the vehicle.

Attorney O'Malley also advises that the waiver include a warning of additional charges that may be necessary for:

- Ensuring the customer supplied the proper parts for the vehicle
- Fit or finish problems or adjustments and,
- Possible unexpected parts that weren't included with the supplied part such as gaskets, o-rings, etc.

Attorney O'Malley states that the waiver is paramount! Any thoughts or belief on the vehicle owner's mind that the shop is standing behind the fitness of the supplied parts must be dispelled in writing. He recommends the signed waiver should be kept in a safe place for a minimum of 3 years or more.

The only thought I would add is to cover what happens if the part supplied by the customer is defective. This situation reminds me of a time when a customer brought to me a salvage transmission to install. In short, I was forced to replace it three times before I could get the car running. Since I took the time to clearly document, and have the customer sign, what would happen in this circumstance, I was able to receive payment for each installation. The quick answer is, "Just don't do it!"

In closing, I would like to share with you a story a shop owner, in the Midwest, experienced when installing customer-supplied parts. I'll then offer my recommendation.

A customer towed an Audi to an automobile repair shop for a no-start diagnosis at the end of 2007. The shop determined that the engine had seized and contacted the customer with the engine-replacement estimate, which the customer declined. The customer bought a used engine online which the shop agreed to install, clearly notating "No Warranty" on the invoice. The first engine received was damaged and had to be replaced for a second used engine. After the second engine was installed, the vehicle still would not start. The customer had the vehicle towed to the Audi dealer where they found that the timing was off, valves bent, and oil leaking from the timing cover.

Although the shop did never had the engine apart and had the customer sign the invoice with a no-warranty customer-supplied parts disclaimer, the customer sued BOTH the salvage yard and the shop for actual damages, PLUS \$25,000.00 in punitive damages. The shop owner reported the lawsuit to the insurance company and the suit is still in litigation with a court date set for this summer. The attorney for the insurance company expects a "settlement agreement" is likely before the trial date. With a \$1,000.00 deductible, installing the customer-supplied part will cost the shop at least \$1,000.00 not including the many hours of payroll spent with involved employees giving depositions to attorneys on both sides.

Lesson learned: Don't install customer-supplied parts!

Rick & Brenda, the loss of gross profit, the inordinate time demands these vehicle owners typically place on your business, the potential damage to the reputation you have worked so hard to build due to circumstances beyond your control, and finally the increased liability exposure are the reasons why I strongly recommend NOT installing customer-supplied parts. Any short term dollars gained is outweighed by the potential risk to your company.



About Rick White & One Eighty Business Solutions

Rick White is a managing member of One Eighty Business Solutions (180BIZ), a Virginia based coaching and business solutions provider to the automotive and truck repair industries. Rick's clients consider him to be a trusted advisor, helping them to increase profits and free time while reducing stress. 180BIZ provides affordable, down to earth, one-on-one business coaching with no long term commitments and a money-back guarantee! To see how we can help you and your business, please email us at info@180biz.com or call (540) 833-2014.