

Five Essential Elements:



A White Paper describing how five critical elements can be linked together to form an effective customer loyalty program in the collision repair industry.



# Building an Action-Based Customer Loyalty Program

## White Paper

**BY: JASON BERTELLOTTI**  
Vice President, Repair Solutions  
Mitchell International



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“I know my loyalty score... now what do I do with it?” This is a question commonly asked by collision repair facilities as they ponder how to use their customer satisfaction indexing (CSI) data to build customer loyalty. They understand that measuring customer satisfaction is a crucial part of improving loyalty, but may not be using the information to its fullest potential because they don’t have a plan in place to take action on the data being collected.

This paper will “filter” the vast amount of information down to some practical steps that collision repair facilities can take to increase customer loyalty.

The issue of customer loyalty is a hot topic in business—a Google search of the term results in over four million hits, most of which apply to large corporations with complex infrastructures and enormous financial resources budgeted for customer care initiatives. Until now, not much has been written that applies specifically to customer loyalty in the auto physical damage (APD) industry. This paper will “filter” the vast amount of information down to some practical steps that collision repair facilities can take to improve customer loyalty.

Having conducted and analyzed millions of interviews with collision repair customers, AutocheX, (Mitchell International’s voice-of-the-customer performance management unit) has identified five crucial elements that work together to form a common-sense approach to increasing customer loyalty:

- Co** **Commitment**
- Dc** **Data Collection**
- In** **Integration**
- Ac** **Action**
- Ay** **Accountability**

These key elements of a successful, action-based customer loyalty program can be used by any size facility, and when incorporated into daily operations can help collision repairers enhance their customers’ experience at their facility and increase loyalty.



**Element 1: Commitment**

An effective customer loyalty program requires commitment—commitment not just to providing the best customer experience possible, but also genuine commitment to making customer loyalty an integral part of the company’s culture and daily operations. No matter the size of an organization, commitment has to start at the top (owner) and extend to all employees, including managers, service writers, technicians, and front office staff.

Consolidators and collision repair facilities with multiple locations may have a corporate layer of management that helps drive the customer loyalty program. At smaller facilities, the owner may lead the program and fulfill multiple roles to guide execution of loyalty activities at various levels. It doesn’t really matter how a business is structured as long as employees at all levels understand the message that improving loyalty is a top priority.



Commitment can be demonstrated in many different ways:

- Top level management buy-in—when employees see that loyalty is truly important to the owner, it will be important to them, too
- Willingness to allocate resources (time, money, and personnel) to customer service activities
- Consistently communicating the importance of customer satisfaction (more on this below)
- Process improvements—making improvements initiated by CSI data shows employees and customers that the facility has listened to and acted on customer feedback
- Making customer satisfaction a significant part of each employee's job objectives and linking pay raises, bonuses, and promotions to high performance in this area

### Communication and Commitment

Because communication is so important to expressing and reinforcing commitment to customer loyalty, it deserves further explanation. First, a communication plan that includes regular interaction with employees is essential. Collision repair facilities that measure customer satisfaction receive two types of CSI information that should be shared with employees: real-time Alerts that identify dissatisfied customers, and monthly reports that detail the facility's CSI results. Including CSI data as a prominent topic in regular staff meetings, at customer service training sessions, and in everyday conversation around the facility clearly conveys the shop's commitment to customer care.

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Also important, but perhaps less obvious, is how the facility communicates with customers. It is critical for shops not only to keep customers informed about the status of their vehicles, but also to let them know their feedback is appreciated and has been incorporated into daily operations. Facilities can close the loop with customers on a one-to-one basis by telephone or e-mail, and on a wider scale through special features and messages delivered via the shop Web site or newsletter.

Don't overlook the opportunity to communicate—even celebrate—the wins. As you start down this path you are likely to find some small, easy fixes that can be implemented right away. These offer the perfect chance to reinforce commitment and to demonstrate how the customer care program can be used to improve the organization.



### Element 2: Data Collection

Accurate, impartial data is the foundation on which an effective customer loyalty program is built. With a reliable and consistent system of collecting customer information, repairers can identify and resolve customer issues and accurately target areas needing improvement. Once they know what to fix, they can prioritize corrective measures to increase customer loyalty. This is the first step toward operationalizing satisfaction data—that is, incorporating customer feedback into daily operations to improve both customer satisfaction and loyalty.



Collision repair facilities collect customer information in many different ways. Some conduct their own customer surveys while others use outside market research vendors, either independently or as part of a DRP requirement, to interview customers. Still others use a combined approach where they contact their customers directly via telephone and/or postcard while also participating in a third-party CSI program. There are advantages and disadvantages to each, but generally using a third party is preferred because it provides:

- Validated survey instruments that have been tested over time
- Impartiality—customers often feel more comfortable giving their honest feedback to an outside party, so responses are more candid and reliable
- Consistency in methodology and procedures that helps ensure accuracy

#### **Attributes of an Effective Customer Survey**

Survey design is both an art and a science. Market research experts adhere to certain standards to obtain statistically sound data (the “science” aspect), yet must be flexible enough to adapt survey methodology to the circumstances (the “art” aspect). While there is no single perfect method to conduct surveys, there are some key elements for success when surveying collision repair customers. For instance, the best customer surveys are:

- Brief—no more than 3-5 minutes in duration
- Timely—conducted as soon as possible after the repair has been completed
- Actionable—each question should have a corresponding action
- Scaled—questions based on a 1-to-10 ranking yield very detailed and precise information that can be used to measure the intensity of opinions, feelings, and attitudes (i.e., 1 is completely dissatisfied and 10 is completely satisfied)

In addition, telephone surveys have many advantages over paper surveys because they produce a higher response rate (the proportion of people contacted who actually provide answers): 30-50 percent response for telephone vs. 5-10 percent for paper. Telephone surveys also:

- Yield immediate results
- Pinpoint the correct respondent (customer who had direct contact with the repair facility)
- Provide a more complex level of detail because the interviewer can answer questions and probe for additional information
- Communicate personal concern and commitment to listening to the customer

To get the most value from voice-of-the-customer data, it is crucial to know not only whether a customer is loyal, but also to understand what motivates a customer to become

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loyal (or not). Loyalty is best determined by asking what Fred Reichheld, developer of the Net Promoter® discipline, calls the “ultimate question”: *How likely is it that you would refer this facility to others?* Reichheld’s research over 20 years shows that loyal customers contribute significantly to growth and profits and that the “ultimate question” accurately reveals the level of a customer’s loyalty to a company.



In addition to the “Refer” question, it is important to ask a few targeted questions about the collision repair transaction to gather details about the primary drivers of loyalty. In the collision repair industry, these are, in order of impact: 1) keeping customers informed throughout the repair, 2) on-time delivery of the vehicle, 3) shop service, and 4) shop quality. Blending the loyalty question with transactional questions in a survey produces data that can be operationalized.

No matter the method, the focus of the data collection process should be on accuracy, consistency, and objectivity in order to gather the most trustworthy data possible for optimum decision-making value.



### **Element 3: Integration: making CSI part of your daily routine**

One of the more difficult challenges can be integrating CSI data into the organization’s regular routines. Too often, a company will create a loyalty plan but omit key elements from its day-to-day business operations. Processes designed to increase loyalty can be overlooked until there is some major event, at which time the owner or manager will ask, “Why haven’t we been doing this?” In these cases the answer is clear: the loyalty plan was never fully integrated into the operation.

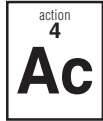
Most facilities have developed processes that help manage workflow. For example, they may have a process to ensure that estimates/assignments are handled a certain way every time, and there is a defined procedure for updating customers on the status of their vehicle. In the same way, customer loyalty practices must be integrated into the daily workflow. With so many different types of shop environments and organizational structures, it is impossible to address each scenario here, but as a general rule it is easier to modify an existing process than to create a new one.

Procedures can be built around CSI Alerts because they serve as a trigger to initiate specific action based on the type of issue needing to be resolved. Another approach is to include daily CSI survey results in regular production status meetings. Other examples of leveraging existing routines to integrate CSI data into the workflow include:

- Including customer satisfaction information in employee training sessions
- Attaching the latest loyalty information to employees’ paycheck envelopes
- Posting information to company bulletin boards where all employees can see it

**The key is that the processes are firmly embedded into the workflow on a consistent basis.**

Whether you create new processes or leverage existing ones, the key is that the processes are firmly embedded into the workflow on a consistent basis. The workflow should be closely monitored to ensure that each Alert has been addressed, resolved according to plan, and documented. This follow-up data can be very useful to the business to track trends and ensure that the organization is responding adequately both to problems and to praise in order to maximize customer satisfaction and loyalty.



#### **Element 4: Action**

Measuring customer opinion without taking action is a not only waste of time and money, but may actually *reduce* customer loyalty. If customers—especially dissatisfied customers—take the time to give their feedback but don't get any response, their original dissatisfaction can grow. They may even become detractors, vigorously spreading negative word of mouth about the facility and cancelling out the goodwill of promoters. Considering that each negative comment from a detractor may neutralize up to 10 positives,<sup>1</sup> this can quickly escalate into lost referrals (and lost revenue).

To maximize the value of the CSI Alert process, the Alert should be distributed immediately to the appropriate employee(s) and resolved as quickly as possible. The response plan should be well defined in advance to avoid delays. Employees should know exactly what action to take and the corrective measures they are authorized to perform to resolve problems.

In responding to Alerts, shops should pay special attention to the “Refer” metric because the 1 – 10 scale indicates the intensity of the customer’s loyalty to the shop (1 is “very unlikely” to refer the shop and 10 is “very likely” to refer). The scores for the four main drivers of customer satisfaction (kept informed, on-time delivery, service, and quality) help shops understand *why* the customer is happy or unhappy with the repair experience. Verbatim customer comments provide additional detail that can be helpful in isolating issues and prioritizing follow-up efforts.

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Each facility will develop its own plan to meet its particular needs, but in most cases the action plan should be designed around the following considerations:

- Response criteria (what gets followed up on, i.e., threshold of survey scores requiring action)
- Time frame to respond (when to follow up, i.e., within 24 hours of receiving Alert)
- Tracking process (how the response will be documented and who will monitor progress)

An important note: most CSI programs provide critical trending information as well as Alert notifications signaling when a customer has expressed dissatisfaction. There is, however, no substitute for talking with your customers. Whether you (or your employee) speak to a customer to resolve a source of dissatisfaction or to thank them for their positive feedback, that personal connection accomplishes two important goals. First, it tells customers that you care about their opinions. In reality, there are going to be plenty of times when there is nothing you can do except apologize. Even in those situations customers at least know that you heard them.

The second important aspect to understand is that the conversations will add much more depth and color to the situation than can ever be gleaned from words and numbers printed on a page. Not only does this help you and your employees understand the situations in more detail, but it will add passion to the program.

Besides the day-to-day actions to resolve specific customer issues, there also must be longer-term strategies implemented to improve the overall client experience. Take what you learn from these interactions and fix the underlying problems to prevent them from re-occurring.



**Element 5: Accountability**



Every employee has the power to impact customer loyalty. Front-line employees, managers, and executives are all responsible for different CSI-related tasks that contribute to the coordinated effort to drive action across the organization to improve loyalty. In the collision repair environment these roles are often blended together. However, it doesn't really matter WHO is fulfilling each role as long as SOMEONE is taking action and is held accountable. In reality, no single person should be solely responsible for the loyalty program's success because every employee contributes to the customer experience.

Front-line employees—the people who work directly with customers—can tangibly improve the customer experience one customer at a time. Their interaction with customers has an immediate impact on loyalty, so it is vital that these employees are empowered to make decisions and bend the rules if necessary to resolve problems on the fly. Studies show that customers whose complaints are settled quickly and completely can be even more loyal than customers who did not experience any problem.<sup>2</sup>

The facility manager's focus is a blend of strategic and tactical. On the strategic side, managers are responsible for such things as defining objectives and criteria, managing resources, and identifying best practices. On the tactical side, they train front-line employees in customer service skills, set a time line for follow-up efforts, track performance, reward high performers and coach low performers, and communicate the facility's CSI results to all employees.

The executive's role in the customer loyalty program is primarily strategic in that his or her task is to identify trends, set the organization's workflow priorities, fund operational improvements, and authorize employee CSI incentive programs. In the collision industry, executives (owners) often also have hands-on contact with technical aspects of the business and

**No single person should be solely responsible for the loyalty program's success, because every employee contributes to the customer experience.**



should communicate with customers to let them know they are being heard. Closing the loop from the top level sends a clear message to both customers and employees that satisfying customers is a top priority for the organization. Executive involvement of this kind can have a substantial impact on keeping customer care initiatives on track at all levels.

Accountability is the glue that holds an effective customer loyalty program together. This is a lesson learned painfully by Sprint in 2005 when customers defected in droves after it merged with Nextel. The mass exodus was mostly due to poor customer service. In the three years since the merger, the company ranked last in customer service among the five major U.S. wireless providers. When CEO Daniel R. Hesse took over the reigns in 2007, he discovered there was *not one single person accountable* for appeasing disgruntled customers. He quickly declared customer service the number one priority of the company and made every executive in every department responsible for customer service.<sup>3</sup>

**By implementing strategic and tactical measures that lead to action, repair facilities can energize their customer loyalty efforts and maximize the return on their CSI investment.**

### **Continuous Cycle of Improvement**

These days, customer satisfaction and loyalty are being widely recognized in business as fundamental for sustained growth and profits. Companies of all sizes — including auto collision repair facilities and insurance carriers — have adopted programs to collect customer opinion and follow up with disgruntled customers.

While these measures are imperative for success, they are much more powerful when incorporated into a program that takes a systematic approach to improving loyalty. However, making best use of CSI data is often a challenge. Collision repairers may feel they are too busy with daily operations, do not have resources to dedicate to a structured customer service/loyalty program, or may simply not know where to begin. But by implementing strategic and tactical measures that lead to action, repair facilities can energize their customer loyalty efforts and maximize the return on their CSI investment.

The best way to ensure that all customer loyalty efforts lead to tangible improvements in loyalty is to implement a continuous cycle of improvement that starts with commitment, adheres to best practices for data collection, integration, and action, and emphasizes accountability. The time and effort required to implement such a comprehensive program is well worth the investment in terms of sustained profitability and growth. In an environment where facilities cannot afford to lose a single profitable customer, it is critical to build and cultivate a legion of loyal customers who will return for repeat business and spread positive word of mouth.



### **Key Takeaways**

- **Commit to the process.** It is hard work and never ends, but commitment is essential for success.
- **Collect the right information.** You have to know how your customers honestly feel. Don't take shortcuts here because your customer data will be used for every decision and it needs to be accurate and objective. Don't forget to talk to your customers.
- **Make customer satisfaction part of your normal routine.** Consistency is the key. If customer care is not made part of the company's regular daily operations, it can easily slip away – along with your customers.
- **Take action.** Measuring customer satisfaction without taking action is a waste of time and money and can actually reduce customer loyalty.
- **Hold people accountable.** Managing customer loyalty is just as important as any other part of the business. Employees must be fully engaged in the loyalty program and held responsible for achieving performance objectives.

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### **Sources:**

- <sup>1</sup> Fred Reichheld, *The Ultimate Question*, Harvard Business School Press, 2006; page 49
- <sup>2</sup> John Goodman, Pat O'Brien, and Eden Segal, "Selling Quality to the CFO," *Quality Progress*, March 2000; page 6
- <sup>3</sup> Laura M. Holson, "Bedeviled by the Churn, Sprint Tries to Win Back Disgruntled Customers," *New York Times*, July 8, 2008; and Spencer E. Ante, "Sprint's Wake-Up Call," *Business Week*, February 21, 2008

### **About the Author**

#### **Jason Bertellotti**

Vice President, Repair Solutions  
Mitchell International

Jason Bertellotti joined Mitchell in December of 2002 as Senior Product Manager–AutocheX, in which position he drove the development and implementation of a new reporting engine, firmly establishing his focus on workflow and information solutions. Mr. Bertellotti then led Mitchell's Insurance Workflow and Information Solutions group.

Mr. Bertellotti currently oversees Mitchell's collision repair segment. The Repair Solutions group encompasses all products and services directed specifically to vehicle collision repair facilities. The comprehensive suite of integrated solutions includes: the Mitchell UltraMate® Premier Suite; Mitchell ABS™ and ABS™ Enterprise collision shop management systems; AutocheX, Mitchell's Voice of the Customer performance management group; and the company's National Auto Glass Specifications® (NAGS) glass replacement business.

Prior to joining Mitchell, Mr. Bertellotti acquired extensive enterprise product management and strategy experience at Guidance Solutions and Polexis, both in Southern California. As well, Mr. Bertellotti spent a number of years as a consultant with Booz Allen Hamilton. He holds his MBA from the Marshall School of Business at the University of Southern California, and a BA from UCLA.



## Shop Snapshots

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### **Shop Snapshot:**

#### **Raleigh Collision, Raleigh, North Carolina**

At Raleigh Collision in Raleigh, North Carolina, owners Joe and Sue Pelliccia have hands-on involvement with just about every aspect of the business, from answering the phones to inspecting cars on the shop floor. They are passionate about providing the best experience possible for their customers. Joe Pelliccia, President, says one of the ways they demonstrate commitment to customer care is by example: “It comes down from the top. When employees see what we do all the time, they know that customers come first and copy us. The team understands that the customer is always right.”

Because the facility is relatively small (8 employees), the Pelliccias take a rather informal approach to their customer care program. While there is no daily production meeting, information gleaned from CSI Alerts & reports is often discussed on the shop floor, especially when a previous customer issue may affect a job currently in progress.

Teamwork is emphasized, and “everyone is responsible for everything,” says Joe. To that end, employees are empowered to do whatever is necessary to make the job right, no matter what the repair order says. “They don’t need to ask permission; they can ‘just do it.’ This gives employees pride in workmanship,” he adds.

When a problem is identified in an Alert, Joe personally follows up immediately. No appointment is required for corrective repairs; customers may come in at their convenience. “These turned around customers are the most loyal,” he says.

Raleigh Collision is a past recipient of the AutocheX Premier Achiever Award for excellence in customer satisfaction.

### **Shop Snapshot:**

#### **Laney’s Collision Centre, El Dorado, Arkansas**

Good communication and a customer focus are key elements of the approach Laney’s Collision takes to customer satisfaction and loyalty. General Manager Craig Griffin says, “Customer satisfaction is built into our company culture. Everybody knows that satisfaction is the top priority and the only thing that’s acceptable — nothing less will do.” Customer loyalty is a critical issue for Laney’s because over 70 percent of their business comes from referrals.

Setting customer expectations at the very start of the repair is one way to set the stage for a positive experience. “When customers drop off their vehicle, we ask them right up front what concerns them most about having their car repaired. If you can understand that, you can make them happy,” says Griffin.

Communicating regularly with customers throughout the repair is another tactic Laney’s uses to keep customers satisfied. “At check-in, we explain the things that might cause possible delays and then keep them informed



throughout the repair process. We try to speak with each customer every 48 hours,” says Griffin. “When customers are unhappy, nine out of 10 times it has something to do with not being kept informed – for instance, something was not explained to their satisfaction.”

Laney’s policy is to respond to CSI Alerts within 24 hours. Usually the person to respond is the estimator, who had direct contact with the customer. “Within limits, they can do whatever is necessary to satisfy the customer,” says Griffin. “We expect full resolution of problems. Follow-up is documented on the file jacket and I check every one to ensure the problem has been solved.” If the issue is complicated, Griffin often calls the customer to personally close the loop.

Every month, the facility’s CSI reports are shared informally with the staff of approximately 13 employees. “Everyone sees the reports. They know the customers and remember the jobs so it’s good for them to see the results.”

Laney’s Collision is a past recipient of the AutocheX Premier Achiever Award for excellence in customer satisfaction.

### **Shop Snapshot:**

#### **Holmes Body Shop, Southern California**

Holmes Body Shop, with eight locations and approximately 230 employees in Southern California, has developed a comprehensive and proactive customer care program based on the Net Promoter® discipline of customer loyalty. Karen Schoknecht, Customer Care Manager, heads up the program which engages every single employee on a regular basis and offers bonuses based on Holmes Promoter Score (HPS) – the company’s proprietary metric for customer loyalty.

Commitment to customer care starts at the top with Owner Tom Holmes, whose substantial investment in the HPS program sends a clear message that customer satisfaction is the company’s highest priority.

The company tracks and rates every employee’s performance. Results are used to reward or coach employees based on performance. “We also rank our shops against each other, says Schoknecht. “There is lots of healthy competition between shops.”

In addition to distributing weekly HPS report to every employee, the company holds monthly HPS meetings at each of the eight Holmes locations. At the meetings, Holmes, Schoknecht, and the Vice President of Operations, Steve Morris, present the latest HPS data, provide a variety of customer service training activities, and recognize high-performing employees.

One of the keys to the company’s success, she says, is the comprehensive nature of their process: “We do a tremendous amount of follow-up and our employees are very, very aware of how many eyes are on the data. There is a sense of urgency—what gets measured gets attention.”

Holmes is a past recipient of the AutocheX Premier Achiever Award for outstanding customer satisfaction scores.



**About AutocheX**

AutocheX is a leading provider of comprehensive and impartial voice-of-the-customer measurement, analysis, and reporting for the auto physical damage claims industry. Founded in 1989, AutocheX conducts more than a half-million surveys annually for clients throughout the U.S. and Canada, and maintains an industry benchmarking database that comprises millions of completed customer satisfaction surveys. AutocheX is a fully integrated business unit of Mitchell International.

**About Mitchell International, Inc.**

Mitchell International ([www.mitchell.com](http://www.mitchell.com)) is a leading provider of information, workflow, and performance management solutions to the property and casualty insurance claims and collision repair industry. Mitchell facilitates millions of electronic transactions between more than 25,000 business partners each month to enhance their productivity, profitability, and customer satisfaction levels.

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Mitchell International, Inc.  
9889 Willow Creek Road, San Diego, California 92131  
**(800) 238-9111** [autochex.com](http://autochex.com)

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