

Dealer Quality at Chrysler: New Ways of Assessing and Increasing Service

by David A. Zatz

Chrysler's new Five Star dealer quality program requires dealers to continually improve and focus on the customer.



Many would shudder at the thought of simultaneously overhauling quality and participation in thousands of individually owned businesses, especially when said businesses have no clear motivation for change and an abysmal reputation. That made Chrysler Corp.'s bid to raise quality *outside* the factory quite challenging.

Chrysler's new dealership quality program applies common measurement, quality and participation methods to its dealerships. These methods, borrowed from a variety of industries, can likewise be applied to many different industries, but they may prove particularly useful for franchise and chain businesses.

The problem

Dealership service quality is essential to automakers' reputations and profits. For example, dealers are supposed to inspect new cars; if problems aren't caught and fixed *before* the

customer experiences them, the customer will form a lower opinion of the car's quality.

A more common customer service issue is a botched repair. A good mechanic or dealer can quickly isolate problems and fix them so they seem minor to the customer; a bad one can take minor problems and multiply them, making the car seem like a "lemon." Other than mechanics, few people can tell the difference between manufacturing defects and poor service; nor can typical measures of warranty cost or frequency, including customer surveys. A company that allows dealerships to botch repairs not only faces high repeat warranty costs but also a "below average" rating in *Consumer Reports*, which might not accurately reflect how well the vehicle was designed and produced.

Many dealers' service process, particularly for low- to mid-range car lines like Chrysler's, clearly disrespects customers' time and intelligence. Many people blame the company for

dealer problems; either they don't realize the dealer is individually owned, or they feel the company shouldn't tolerate bad dealers.

The problem goes beyond lost customers. The amount of improper, incorrect or unnecessary repairs, often caused by not listening to customers or by ignoring factory service bulletins, can dramatically inflate warranty costs. Because dealer-caused problems are often blamed on the company by customers and their acquaintances, the company's reputation ultimately takes the blows.



The first solution

Chrysler's first comprehensive program centered around survey scores. The Sales Satisfaction Index was sent to new car buyers 45 days after their purchase, and the Customer Satisfaction Index was sent to those who had their cars serviced; it included a question on how many repair visits it took to fix a problem. After the program began, survey questions were changed to match customers' major complaints more closely. The response rate was about 50 percent for the CSI survey and about 30 percent for the Service Satisfaction Index. Nonrespondents were called periodically to make sure their ratings were similar to those who did respond.

Few customers knew what happened to these surveys after they were sent in, and it was easy to dismiss them. In fact, according to a dealership manager and a zone representative we interviewed, two things happened.

First, after they were entered, the surveys were returned to the dealer so they could get in touch with customers and try to correct the problems. This could lead to backlash against the customer by defensive or even hostile service managers.

Second, based mainly on the results of these surveys, dealers with the highest scores received a plaque and a listing in the company's directory of Five Star dealers. "Data from the CSI surveys are the basis for just about everything we do," explains a zone representative. "Dealers live and die on these CSI surveys."

The other part of the program involved unsolicited calls to the toll-free number. When customers call that number, Chrysler launches a Customer Assistance and Information Request. A CAIR takes place when a dealership cannot adequately help a customer, and the customer asks Chrysler's corporate office for help. The dealer has 24 hours to let the company know what's being done, according to a dealership manager. "Chrysler takes it very seriously," notes the manager. "I have been involved in CAIRs from other dealers, and it is not pleasant for the dealer."

The Five Star program was publicized in brochures and magazine ads, but its impact on dealer quality wasn't strong enough to prevent the 4,700 Chrysler dealers from sliding to the bottom of a consumer magazine's dealer ratings. Some of the problems with the first program were:

■ Although there were product and service training programs, there was insufficient guidance in terms of how entire dealerships could institute continuous improvement. If owners or managers wanted to institute quality and participation systems, they had to do their own research and reinvent the wheel, so to speak. Without guidances, many managers were frustrated in their efforts to increase their ratings; "gaming the system" was probably com-

mon, with salespeople and service managers asking customers for high ratings.

■ There were still incentives for abusive, high-volume sales and service; the extra money that could be made from unnecessary work, high-pressure sales or padded warranties could outweigh program incentives.

■ It could take up to 90 days for surveys to be sent out, making the company look unresponsive and possibly leading to bias in the results.

■ When sales picked up, it was more difficult to convince dealerships, most of which are individually owned, that they needed to change and move to a high service model.

■ The criteria were not high enough; a comparatively poor dealer could be designated Five Star. Seventeen percent of Chrysler's dealerships had Five Star status (and had 33 percent of the sales volume).

■ Chrysler was not the only company seeking improvements. Customer expectations were pushed upward by leaders in dealer service, from Saturn at the low end to Lexus at the high end.

The program was not a complete failure. Training programs helped salespeople and managers learn about the products and more customer-friendly sales techniques. There was clear pressure on many managers to increase their ratings and deal with visible customer complaints. While this had a major impact on many dealerships, they did not get enough support for major organizational transformations.

The second program

The first program was not a strategic measurement process—it didn't include leading indicators such as staff surveys and immediate customer feedback, it lacked support as well as specific process goals and measures.

Due to these problems, Chrysler started a new Five Star program, requiring dealers to create their own continuous improvement and strategic measurement systems. Chrysler will try to focus the dealers on "improving or creating processes to find what creates customer dissatisfaction and quickly find ways to fix these issues ... the major intent is to make customers happy and create procedures that save [the dealers] money and increase their sales."



explains Public Relations Manager Michael McKesson. Jim Holden, executive vice president of sales and marketing, adds: "Dealers have to continually improve to maintain their Five Star status ... the new Five Star dealer is process-driven."

Indeed, the new standards acknowledge some of the principles of the balanced scorecard and other strategic measurement systems—for example, that it is as important to measure performance drivers as the end results. If employee issues influence customer loyalty—as research shows that they do—then employee issues should be measured because they are more timely than customer surveys. In short, if we know



that low morale will cause turnover of skilled mechanics and low customer satisfaction in six months, do we want to wait until we see turnover and lost customers, or do we want to fix it as soon as we get the employee surveys?

While the new standards are tougher, they are also easier for managers to justify. There will be a national advertising campaign to support the Five Star program in the fall of 1999; the Five Star dealer listings on DaimlerChrysler's Web site have been expanded; and only Five Star dealers can use the Internet lead generation program ("Get-A-Quote") and join some sales clubs, which give incentives to dealers whose sales are high for their class.

On the other hand, Chrysler doesn't expect *all* dealers to pursue Five Star certification and didn't make a major push for it. The corporate rewards are seen as only one incentive; as other dealers rise in quality, poor dealers will either see the justification for increasing their own quality or will fall by the wayside.

Training and guidance

The problem of guidance remains; many dealers simply can't get past a certain point without outside help, and increasing the rewards could result only in higher frustration for many dealerships. Even if people already understand the com-



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ponents of good service, they need a common direction and a starting point. To this end, a substantial number of field representatives will work with dealers to help them develop continuous improvement programs.

The field representatives themselves are trained in every function and requirement of Five Star. They act as both the consultants and primary contacts for dealer management, working with, teaching and encouraging managers. Once the rep feels the dealer is eligible for the program, they call in a validation team. If the validation team feels the dealer is ready, they call in a certification team (after a three-month "cure" period), which has the power to certify Five Star dealerships.

Sales, service and parts managers, as well as at least 70 percent of the salespeople, must attend Five Star training courses given by a combination of outside consultants and field staff.

New employees must undergo training

and orientation programs; even customers should be trained on the terms of the sale, the warranty and maintenance schedules. Sales reps are required to go through a vehicle delivery presentation, and to explain service and parts procedures.

Continuous improvement

By increasing staff and customer participation, and adding common quality practices, Chrysler hopes to achieve successful continuous improvement within all Five Star dealerships. Some of their requirements are:

■ **Staff surveys.** When staff members cannot get what they need or aren't motivated, they cannot provide good service. Therefore, a regular employee satisfaction survey forms one component of Chrysler's program. However, because it is far easier to give a survey than to actually use it, dealerships must prove that management shared the results with employees and used the findings to make substantial changes.

■ **Repair quality.** This directly addresses the most serious quality issue: making sure that only necessary repairs are performed and only once. While support systems are in place, mechanics and managers have been known to ignore even such simple systems as technical service bulletins pointing out common problems. Thus, instead of simply making technology available and assuming it will be used, Chrysler requires Five Star dealers to have visible quality metrics and routinely analyze the findings for both service and parts operations. All complaints, their causes and the dealer's changes to fix them must be recorded. Finally, a trained and qualified person must explain the repairs to the customer.

■ **Facilities.** Facilities must be up to par for their area, be convenient for customers and undergo regular maintenance. As an example, the parking areas must be paved, well-lit, convenient and clearly marked so customers know where to park.

■ **Technology.** Chrysler has spent \$230 million to develop diagnostic equipment for dealerships, which will include a massive computer network linking customers, dealers, suppliers and a number of departments within Chrysler. Using this system, repairs can be diagnosed quickly and correctly, while sudden clusters of repairs can be seen immediately by design engineers so production changes will take place more

rapidly. (In recent years, Chrysler and other auto companies have become much faster at fixing common problems on the line.) The system uses a satellite hookup to call up the most current service manuals, service bulletins, wiring diagrams, parts specifiers, diagnostic routines, root-cause analysis and computer-based training. It provides parts and labor availability, and estimates repair costs and time for service advisors, so customers will know how long they have to wait. Finally, every dealer's inventory will be on the system, giving customers access to 5,300 dealerships' parts supplies across the world.

■ *Follow-through.* Each time dealers sell or service a car, they must contact the customer within one week to follow up (two days is preferred). They must also create processes for getting customer input, resolving complaints and identifying problems in the service process. Dealers must prove that they record and collect customer comments and seriously respond to them. All customer comments must be documented and reported to management; all complaints must be resolved. Senior

managers must regularly analyze customer feedback, then try to find and resolve process issues.

■ *"Normal" processes.* Dealers must have continuous processes for assuring repair quality and managing parts inventories because these affect the customer directly (and Chrysler's bottom line). This includes vehicle preparation; it is far better for the dealer to catch problems rather than the customer.

■ *Reviews.* Dealers must update the process maps for sales, service and parts departments that were developed during training sessions, to keep them accurate and to find new issues and opportunities for improvement.

■ *Audits.* An objective third party, Underwriters' Laboratories, will audit the dealers and the Five Star process itself in order to prevent complacency and assure consistency across regions. There is also an annual recertification process for dealers to remain in the Five Star program, so that it is not seen as a one-time hurdle.

According to McKesson, Chrysler is committed to controlling dealer quality

through process rather than through inspection, to the point where they may phase out customer survey-based dealer scoring if all the continuous improvement processes are in place. The emphasis on surveys already has been reduced. On the other hand, *all* required processes must be in place for three months and certified by a team of three to four people before the Five Star award can be given; there is also an annual recertification process.

Chrysler's application of strategic measurement and involvement to service is unusual in both scale and in the attempt to raise quality among a diverse group of independently owned business. Within two years, the results should start to show. In the meantime, these ideas and methods are food for thought in other industries and companies.

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