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Chrysler LLC: Managing Performance of a Diverse Dealership Community

Mark Place and John Zonneveld

The brand integrity of large automotive manufacturers depends on customer satisfaction. The diverse, independent nature of the automotive dealership channel presents several brand management challenges.

Like many large, franchised channel operations, a key to Chrysler's success is consistent customer satisfaction across all retail locations — a difficult task with approximately 3,600 individual dealerships across North America. A low-performing dealership reflects badly on all dealerships and the original equipment manufacturer (OEM) as a whole.

Although auto dealers are similar in that they all sell and service cars, the specific nature of each dealer can vary widely. Dealerships are dispersed geographically in densely populated urban and suburban areas, as well as remote rural locations. Other differences among dealerships include the different brand mixes and service offerings (used, new and fleet sales; Five Star certification; BusinessLink).

Challenges

These dealer differences present significant customer satisfaction and brand management challenges. With all of these differences, it's difficult to compare the performance of a small rural dealer mostly selling four-wheel drive trucks to a large urban dealer selling every vehicle in Chrysler's lineup. The smaller rural dealership may have lower sales numbers than its larger counterpart — a dealership in a growing suburban neighborhood. If the vehicles it sells are more difficult to service, then any measurement of its vehicle repair efficiency may be affected. Is the rural dealership actually less effective than the suburban one? Lower sales would be expected from the dealership in the less populated area, so how does Chrysler make what appears to be an apples-to-oranges comparison into an apples-to-apples comparison?

Another challenge for Chrysler and other automotive manufacturers is the franchise structure of the dealership channel. Since dealerships are not directly owned by Chrysler, the company's



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ability to manage day-to-day operations, make hiring decisions and maintain learning programs is limited. Furthermore, service technicians may have the attitude that "their job is fixing cars, not taking classes." If dealership managers and owners don't have an incentive or desire to have their technicians take Chrysler training courses, the technicians likely won't take training, especially if it is outside the immediate domain of solving a car-related technical issue (a customer-service course, for example).

To help overcome these challenges, Chrysler implemented two initiatives: a dealer scorecard to track performance and a performance-based approach to individual and dealership certification. The scorecard provides a mechanism for Chrysler corporate staff to track dealership performance on a wide range of performance metrics. The training and certification program provides a mechanism to drive training through the dealership channel and to link training with performance.

Dealer Scorecard

The dealer scorecard provides a convenient measurement and diagnostic tool for dealers and corporate personnel. It includes performance measurements along 37 metrics covering nearly all aspects of the dealer's operation. Reported for all franchise dealers in the United States, Canada and Mexico, typical performance measures include sales volume, financial indicators, measures of customer handling such

as sales and service satisfaction, and the level of participation in certification-based training.

Detailed reports exist for each metric on the scorecard. Users can easily "drill-in" from the scorecard to view underlying data consisting of hundreds of additional data points and the calculations that were used to derive the final metric. For example, if a dealer's sales volume appears low, a detailed report is available to indicate which specific models are selling well and which are selling poorly.

To provide a normalized basis for comparison, many of the most critical metrics are scored according to algorithms that take into account dealer size. By normalizing scores in this way, they can serve as a basis for comparing two dealers, regardless of whether they are across town or across the country.

Performing some statistical analysis on performance data can help rationalize a scorecard and make clear what is important to measure and score. Chrysler analyzed data from all its dealers. This analysis indicated that the Customer Satisfaction Index (CSI) metric — although a small part of the overall dealership score — is the single performance measure most closely correlated with a dealer's overall score.

Not only is CSI a lever to increase overall performance, but it also provides an important indicator of how satisfied customers are with a dealership's vehicle service experience. A successful service encounter is a team effort, requiring courteous

service advisors to ensure that the visit is convenient and pleasant, efficient parts managers to ensure that the required parts are readily available and skilled technicians to make sure that repairs are completed quickly and effectively. In effect, Chrysler can evaluate the effectiveness of a dealership's service department activity by using CSI as a proxy, even if it can't directly observe and manage those activities.

Performance-Based Certification

Chrysler's Five Star certification identifies customer-friendly, high-performing dealerships. To attain Five Star certification, Chrysler dealerships must first meet specific requirements in the areas of customer satisfaction, employee training and customer follow-up. For example, Chrysler requires a Five Star dealership to have a certain number of certified individuals.

The structure of the certification programs addresses Chrysler's challenge of not having direct management control over the dealerships. Cascading individual, department and dealership certifications encourages managers to promote training for busy dealer employees who might not be interested in taking time out for training or don't feel they have the time. Five Star certification can be used as a sales tool by the dealership, which encourages owners and sales managers to ensure that the required dealership employees are certified. Certification also can indirectly influence consistent activities at dealerships by enforcing best practices.

Service technician certification requirements can increase the technical knowledge at individual and department levels. The collective knowledge at the departmental level is particularly important when considering the complexity of car repair — obviously, most people don't know everything there is to know about a car. This complexity is why specialty shops exist, devoted to a part of the vehicle, such as the transmission. Adequate technical coverage can improve the likelihood that a vehicle is repaired correctly in its first visit to the shop, which, in turn, improves CSI.

In addition to completing courses and assessments, individual certifications include CSI and other performance metrics. Chrysler's service technician certification programs also include industry-standard technician certification (ASE). Similar to the scorecard metrics, these performance objectives are normalized, based on dealer size, to level the field in terms of certification. A sales consultant working for a smaller dealership can get the same performance-based certification as staff working at a larger dealership.

Since CSI statistically correlates to overall performance of dealers, Chrysler can ensure that certified dealerships will be higher performing by embedding CSI and similar customer satisfaction metrics into certification requirements. To help dealerships meet those requirements, other certifications can require training that impacts CSI, either directly or indirectly, as in the example of how technical coverage in the service department can affect CSI. Chrysler's performance-based certification both drives the training that can lead to increased performance and ensures that dealership certification is a credible imprimatur in the marketplace.

Managing Channel Certification

To implement a performance-based certification program, Chrysler needed a learning management system (LMS) that corporate staff could use to administer sophisticated requirements with interrelated, cascading certifications. Chrysler selected an LMS from Latitude, which designed its solution to meet the unique needs of channel training and certification. The LMS was integrated into the Chrysler dealer portal and other business systems and branded as the Chrysler Academy Learning Center.

The Chrysler Academy Learning Center has a certification/compliance engine with the ability to handle various types of certification requirements beyond simple course completions, which allows for the performance-based program and helps deal with many channel-training challenges. The ability to nest certifications within other certifications provided the cascading structure to drive training through all levels of the dealership. It also reduced the effort required to maintain the program and adjust requirements, since administrators take a modular approach to administering their certification structure.

In addition to supporting performance-based, cascading certifications, the Chrysler Academy Learning Center addressed several challenges specific to training an extended enterprise retail channel. Some of the relevant features included:

- The ability to geographically target training opportunities based on convenience and locality to the students who need the training.
- The ability to measure course demand geographically, so training providers will know where to provide training events and ensure that the maximum number of seats will be filled, which maximizes the training investment itself.
- The ability to base manager certification requirements on the accomplishments of their staff,

essentially leveraging the employees' direct managers to ensure they get the training necessary to provide outstanding service.

- Advanced prerequisite and equivalency processing capabilities to reduce confusion and complexity in handling complex technical skill curricula for service technicians. These capabilities allow them to keep up with rapidly changing technology in the most efficient way possible by providing abbreviated "update courses" that focus on those elements the technician hasn't already covered in other training.

Conclusion

Both the dealer scorecard and the performance-based certification help improve customer satisfaction and enhance the credibility of Chrysler LLC's Five Star certification. In the future, the scorecard will likely undergo several changes, reflecting the importance of CSI on overall dealership perform-

ance. Currently, CSI focuses on the service department experience, but Chrysler could implement a customer satisfaction metric focused on the entire dealership experience. This metric could be measured by the rate at which vehicle owners return to the same dealership to subsequently purchase a new vehicle or by the relative success the dealer has in attracting purchasers who had previously purchased a competing vehicle.

Future developments in the learning center will facilitate its evolution into a true learning portal for dealers. This development will bring together information from multiple sources to provide dealer employees with an on-demand learning environment. Powerful search capabilities will include peer-inside course content, "ask the expert" forums, wikis, blogs, chat rooms and other resources to provide the learners with exactly what they need to perform their jobs better than ever before. ■

Mark Place and John Zonneveld are senior consultants at Latitude, a technology consultancy focused on improving the operational performance of the extended enterprise. They can be reached at editor@clomedia.com.