

#NADASHOW

NADA
2022 | **SHOW**

Improve Your Reconditioning Operation



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Learning Objectives

The Reconditioning Department

We'll share the value of a dedicated partially autonomous department to all internal work. Our goal is to provide perspective on the productivity of a single department and team and their supportive relationship to both Service and Sales. It's essential to see recon as a profit center and not an additional duty.

The People

We'll dig into the staffing and roles of the department. We will also describe the benefits and crossover that support Service, Sales, and Customer Experience. We will also take a step back and look at the accountability and participation of store leadership and their role in the recon process.

The Process

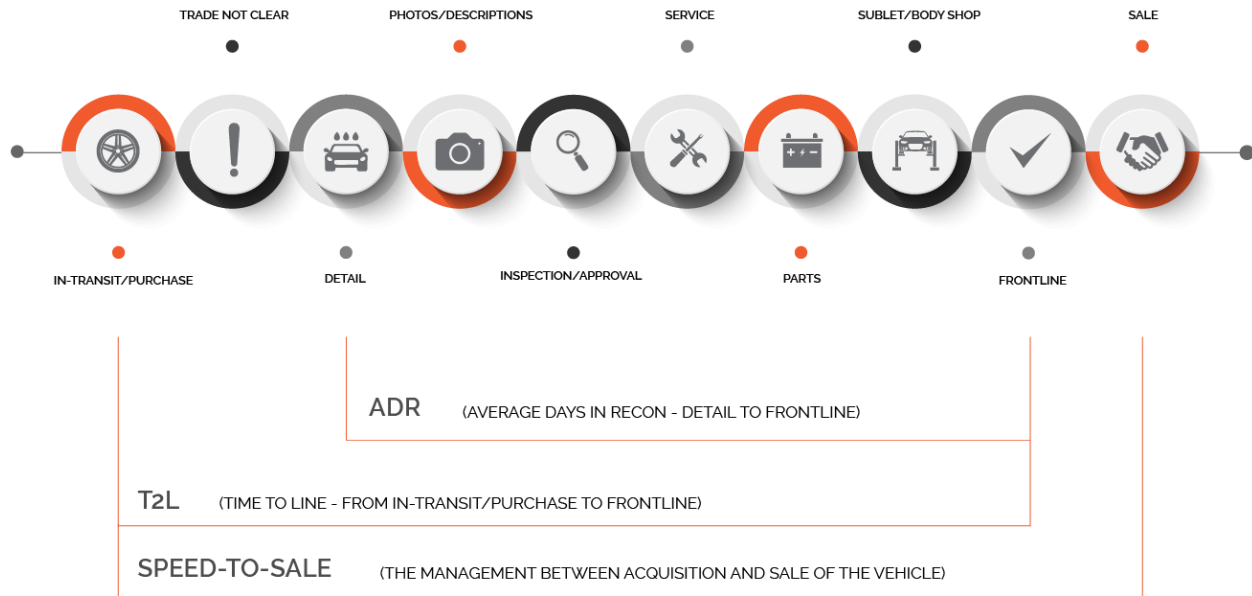
These will be the more tactical takeaways for our audience. The process talking points are where we share best practices and processes that we have learned from our experience and exposure to thousands of dealerships on the most effective ways to reduce holding costs, increase efficiency, increase inventory turn, and eliminate waste. We will review processes that can standardize an entire dealership, unify departments, and help earn more profit.

The reconditioning process

Speed to Sale: The management between acquisition and sale of the vehicle.

Time to Line: From in-transit / purchase to frontline.

Average Days in Recon: First repair step to frontline



In-Transit / Purchase

Standardize processes

- Standardized receiving and clearing of vehicles
- Do a preliminary walk around to ID parts that need lead time i.e. windshields, or tires

Trade Not Clear

Holding Trades

- If you don't have a rollback issue Don't hold trades
- If there are laws in your state pertaining to when you can sell a vehicle, recondition the vehicle and hold it at the end of reconditioning so its for sale on release day

Detail

Details Carts

Bring the supplies to the car.

A study out of a domestic metro dealer in UT proved that by adding a detail cart and eliminating the need for the detailer to walk from a bench or a cabinet added an additional 3.6 hours of production per 40-hour period. A few hundred dollars is cheap for a 9% increase in efficiency.

Purchase a good cart, you might be tempted to run to the big box store, or the discount tool store and get the \$100 cart; don't. These carts have solid bottoms, and they collect abrasive particles, the first towel, chamois, buffing pad, etc. that you set on that solid surface will pick up the debris and you'll end up with a scratch and policy adjustment that costs twice what you'll pay for a good cart.

The carts used in the study were a product purchased from Innovative tools Note: there's no affiliation to innovative tools by the author of this document or the authors employer, this is simply a reference to the tools that contributed to the success of this study.



Standardize the supply order process

Create a standard that provides easy, clear, direct, communication

- Product Cards
 - Number your carts
 - Create numbered cards for each product
 - Store the cards on the cart
 - The technician pulls the card for the product he needs and places it in the order section of the box
 - The supply sergeant pulls the cards and uses them as order, receiving and stocking guides



Variable Detailing

Problem: Detailers all attack a car with different methods and processes. Sometimes the same type of car can take different times based on who and when they get assigned. Different amounts of materials are used, and different quality issues come up. It's also hard to decide how to pay...

Hack: Figure out different stages of detail and cleaning. 3 is usually a best practice inside and outside of the car. Here's an example

Outside Stages

1. Wash and Wax
2. Wash, Buff, Minor Wet Sanding, Wax
3. Wash, Buff, Wet Sanding, Headlight Restoration, Wax

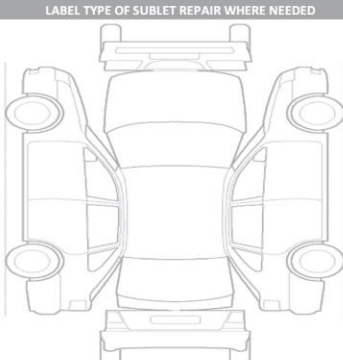
Inside Stages

1. Vacuum and Wipe Down

2. Vacuum, Wipe Down, Light Stain Removal, Carpet Shampoo
3. Vacuum, Stain Removal, Pet Hair, Sand, Carpet Shampoo, Wipe Down

Whatever you decide for the stages to be, have them defined and published to all employees on what materials to use and how to use them. That way when a detailer gets their work, they now know exactly what they have to do, what materials to use, and what quality is expected.

ADVANCED HACK: Have your detailers paid flat rate. Assign each “stage” as a labor hour, paying them as you would a technician. Next thing you know your dirtier work will be chased after and detailers will be more productive.

COSMETIC INSPECTION FORM													
STORE: DCJ () FORD ()	YEAR/MAKE/MODEL												
STAGE #													
EXTERIOR	INTERIOR												
() STAGE 1 \$49.95	() STAGE 1 \$49.96												
() STAGE 2 \$99.95	() STAGE 2 \$99.95												
() STAGE 3 \$149.95	() STAGE 3 \$149.95												
() EXTRA LARGE VEHICLE \$99.95	() ODOR REMOVAL \$24.95												
() REFINISH HEADLIGHTS \$39.95													
() BLACK OUT STANDARD \$24.95													
() BLACK OUT EXTRA LARGE \$99.95													
EXTERIOR STAGES 1. Wash and Wax 2. Wash, Buff, Minor Wet Sanding, Wax 3. Wash, Buff, Wet Sanding, Headlight Restoration, Wax													
INTERIOR STAGES 1. Vacuum and Wipe Down 2. Vacuum, Wipe Down, Light Stain Removal, Carpet Shampoo 3. Vacuum, Stain Removal, Pet Hair, Sand, Carpet Shampoo, Wipe Down													
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INSTRUCTIONS WHITE COPY: STAYS WITH REPAIR ORDER YELLOW COPY: TURNED IN BY DETAILER PINK COPY: STAYS IN CAR FOR SUBLET													
LABEL TYPE OF SUBLET REPAIR WHERE NEEDED 	INSTRUCTIONS WHITE COPY: STAYS WITH REPAIR ORDER YELLOW COPY: TURNED IN BY DETAILER PINK COPY: STAYS IN CAR FOR SUBLET												
DETAILIER TECH NUMBER/SIGNATURE	DATE												
QUALITY CONTROL INSPECTOR	DATE												

Cross-Train Employees

- PDI Technicians can be trained for the prep as well to remove a persona and stage for the process
- Technicians can be trained for the Cosmetic Inspection to free up a manager and for the estimate to have all the elements
- Porters can be trained for delivery prep to offset detailer resources
- Detailers can be trained for minor cosmetic repairs to help with vendor costs all the way up to difficult addons such as bed liner spraying

Photos

Internal photography

- Be to market before your vehicles are frontline ready
- Many dealers with 3-5 day reconditioning times are to digital market within 24 hours of acquisition
- Internalize photography so you're on your own schedule with your own processes
- For lower volume stores, consider paying a flat rate to detailers for photos and stickers

Used Car Reconditioning 40 picture photo layout

1. ¾ drive side front
2. ¾ passenger side front
3. ¾ drive side rear
4. ¾ passenger side rear
5. Straight shot front
6. Straight shot rear
7. Full driver side
8. Full passenger side
9. ¾ drive side front – close up on lights
10. ¾ passenger side front – close up on lights
11. ¾ drive side rear – close up on lights
12. ¾ passenger side rear – close up on lights
13. ¾ drive side front – close up on tire
14. ¾ passenger side front – close up on tire
15. ¾ drive side rear – close up on tire
16. ¾ passenger – close up on tire
17. Inside shot – front driver's side door – open
18. Inside shot – front passengers side door – open
19. Inside shot inside shot – rear driver's side door - open
20. Inside shot rear passengers side door – open
21. Inside shot – front drivers side seating area
22. Inside shot – front passengers side door seating area
23. Inside shot rear driver's side door seating area
24. Inside shot rear passengers side door seating area
25. Inside shot front seating area (from rear seat)
26. Inside shot rear seating area (from front seat)
27. Straight shot hood open
28. Straight shot trunk open
29. Inside shot close up steering wheel area
30. Inside shot close up stereo console area
31. Inside shot close up temperature controls
32. Inside shot close up cruise controls
33. Inside shot close up on instrument gauges
34. Inside shot close up on mileage
35. Inside shot close up on shifter
36. Inside shot close up headliner sunroof shot
37. Owner's manuals and keys
38. Close up on make/model emblem
39. Vin plate
40. Front license plate holder

Inspection / Approval

Standardize your inspection

- Implement a standard inspection process and include cosmetic reconditioning
- Know your potential investment
- Dealers pay an additional .3 to .7 for a good cosmetic inspection

COSMETIC INSPECTION FORM

STORE: DCJ () FORD ()	YEAR/MAKE/MODEL	
STOCK #:	VIN	
INSPECTED BY:	DATE	MILES
() WHOLESALE or PRE AUCTION	() WASH and VACUUM	\$32.95

EXTERIOR	
() STAGE 1	\$49.95
() STAGE 2	\$99.95
() STAGE 3	\$149.95
() EXTRA LARGE VEHICLE	\$99.95
() REFINISH HEADLIGHTS	\$39.95
() BLACK OUT STANDARD	\$24.95
() BLACK OUT EXTRA LARGE	\$99.95

INTERIOR	
() STAGE 1	\$49.96
() STAGE 2	\$99.95
() STAGE 3	\$149.95
() ODOR REMOVAL	\$24.95

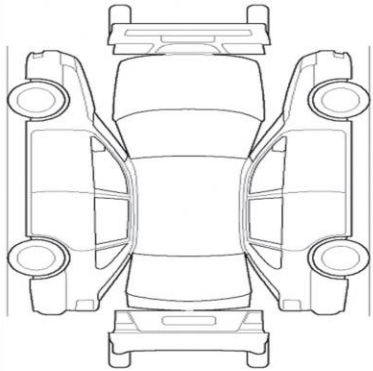
PAINT SUBLET REPAIRS	
() TOUCH UP/WIPE DOWN	INVOICED
() Entire Vehicle Touch Up	INVOICED
() REFINISH FRONT BUMPER	INVOICED
() REFINISH REAR BUMPER	INVOICED
()	INVOICED
()	INVOICED

PAINTLESS DENT REMOVAL SUBLET	
() ONE PANEL	\$45.00
() TWO PANELS	\$91.00
() 3 OR MORE PANELS	\$125.00
()	INVOICED

INTERIOR SUBLET REPAIRS	
() REPAIR BURN HOLES	INVOICED
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() REFINISH STEERING WHEEL	INVOICED
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() SEATS	INVOICED
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INSTRUCTIONS	
WHITE COPY: STAYS WITH REPAIR ORDER	
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LABEL TYPE OF SUBLET REPAIR WHERE NEEDED



DETAILER TECH NUMBER/SIGNATURE	DATE	QUALITY CONTROL INSPECTOR	DATE
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Dedicated approval process

- Good
 - Have a standard inspection process with a dedicated approval process for maintenance and repair items
- Better
 - Have a standard set of approved maintenance items based on age, mileage and certification
 - Escalate repair items to a decision maker
- Best
 - Have a standard set of approved maintenance and a set dollar amount of repair items based on age, mileage and certification

- Escalate high-cost repair items to a decision maker

Pro Tip: Create a fast response approval standard so all approvals are sent through one channel while the vehicle is racked

Service

Dispatch to the availability of the tech

- The time-of-day matters when dispatching work, and can dramatically affect your vehicle thruput
- Dispatch higher mileage older age vehicles in the early hours
- Dispatch late model lower mileage vehicles in the later hours
- Give technicians the job they can finish today

Communication Hack

- For shops with restrooms for one person, save wasted time checking the restroom door
- Place a light above the restroom and tie it into the restroom light
- Place a timer on the interior restroom light so the light turns off if there's no inside activity for a few minutes



Parts

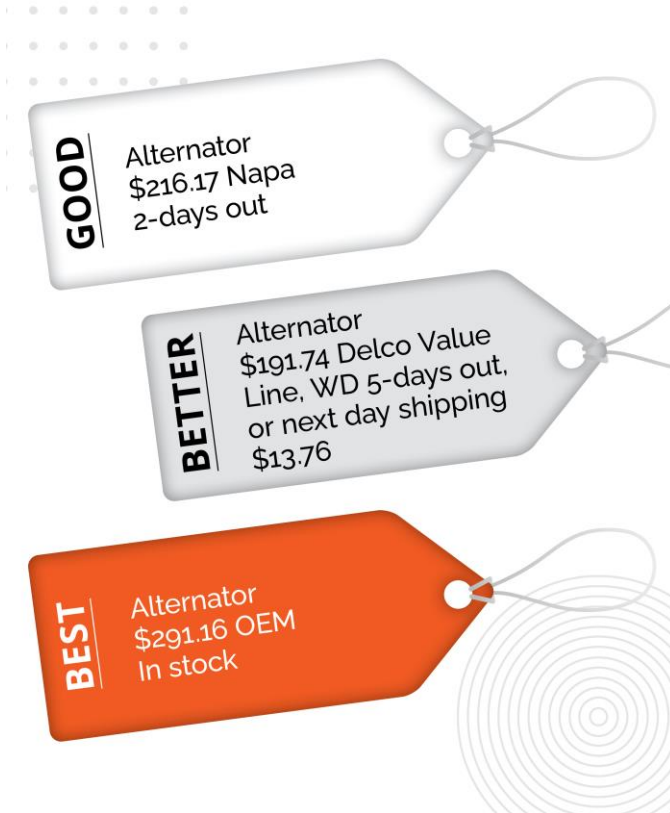
Parts Procurement Specialist

- A dedicated parts person managing reconditioning orders, should have a skillset beyond catalogue searching
 - Procurement areas
 - OE

- Aftermarket
- OE value line
- Recycled
- Tires

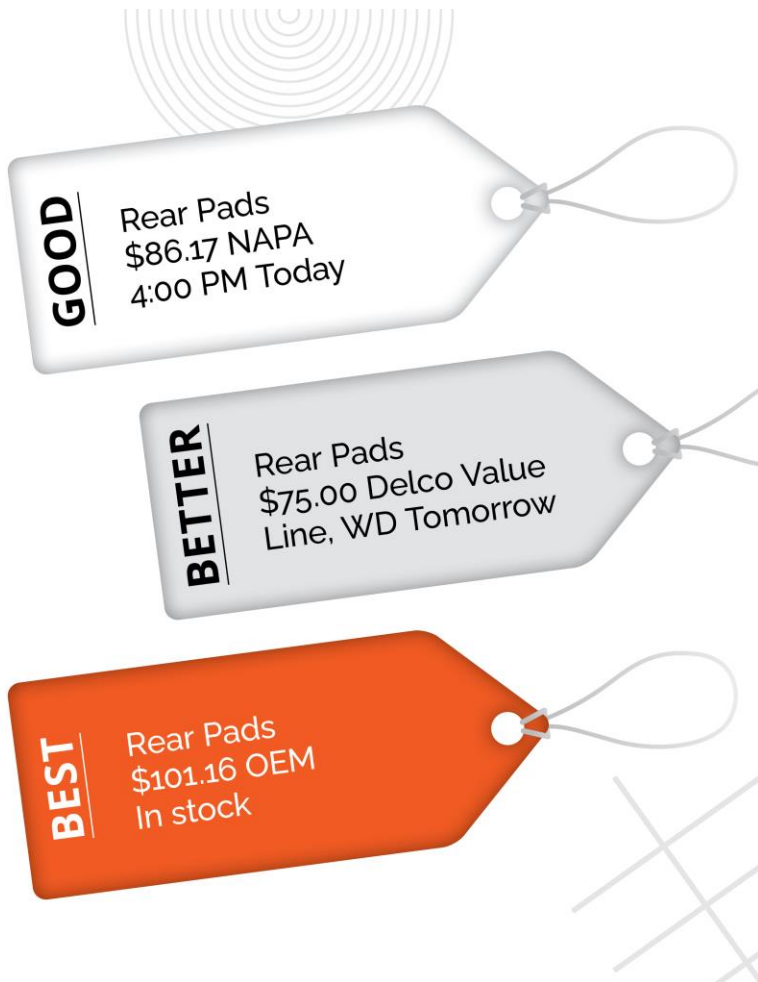
Good – Better – Best Parts Options

- A good parts procurement specialist is timeline focused, and offers parts and shipping solutions that reflect a speed to sale culture
- Good, Better, Best options because nothing is black and white



Strategic Parts Ordering

- The cheapest part, is not necessarily the least expensive
- The average used car holding cost for domestic dealers is \$36.20 per day
- A part that's \$26.16 cheaper, but arrives tomorrow will cost the average dealer \$10.04 vs the part that's on the shelf
- This doesn't include labor, or lost time re-racking the vehicle



Recon Hack – Prepull Parts

- Dealer has a standard set of parts that are installed based on year, mileage, and certification
- Parts is notified at writeup
- Parts bills, pulls, and places parts in a tagged bin
- Delivers to a staging shelf in the recon tech department



Sublet

Internalize your cosmetic reconditioning

- What can technicians do today that would save you on sublet
 - PDR
 - Interior
 - Order removal
 - Black out
 - Photos & stickers
 - Windshield repair
 - Body repair

Note: the pricing below should only be used as an example, dealers determine their own pricing

Menu Price of Repairs Used Car Reconditioning Analysis

Op Code	Paintless Dent Repair	
PDR1	Charge 1 panel 1-5 dents	\$ -
PDR2	Charge 2 panel 1-5 dents	\$ -
PDR3	Charge 3 panel 1-5 dents	\$ -
PDR4	Charge 4 panel 1-5 dents	\$ -
PDR5	Charge 5 panel 1-5 dents	\$ -
PDR6	Charge 6 panel 1-5 dents	\$ -

Op Code	Windshield Chip Repair	
WCR1	1st chip	\$ -
WCR2	2-3 chips	\$ -
WCR3	4-5 chips	\$ -
WCR4	Crack (smaller than a dollar bill)	\$ -

Op Code	Interior Repair	
IR	Dye Carpet	
" "	1st 1/2 row	\$ -
" "	Each additional 1/2 Row	\$ -
" "	Seat Dye	
" "	Billed Per Panel	\$ -
" "	Dash Crack Repair	
" "	less than 4" in length	\$ -
" "	4-6" in length	\$ -
" "	Burns	
" "	Per Panel	\$ -
" "	Leather Scuff	
" "	1st Panel	\$ -
" "	Each additional panel	\$ -
" "	Console pad repair	
" "	Center console	\$ -
" "	Stereo knobs	
" "	per stereo	\$ -
" "	Steering wheel repair	\$ -

Op Code	Bumper & Small Panel Repair	
BCC	Charge per panel	

Op Code	Bumper & Small Panel Scuffs	
SR1	0-5"	\$ -
SR2	5"-10"	\$ -
SR3	10"-15"	\$ -
PNLR	15"-	\$ -

Op Code	Paint Repair	
TU	Panel Touch up	\$ -
PB1	Panel Buff 1 panel	\$ -
PB2	Panel Buff 2 panel	\$ -
PB3	Panel Buff 3 Panel	\$ -
PB4	Panel Buff 4 Panel	\$ -
PB5	Panel Buff 5 Panel	\$ -
PB6	Panel Buff 6 Panel	\$ -
CB	Complete Buff	\$ -
AB	Acid Bath	\$ -
HR	Headlamp restore	\$ -
SLR	Single Lamp Repair	\$ -
WSR1	Water Spot Removal billable per 1/2 car	\$ -
WSR2	Water Spot Removal whole car	\$ -
BSMR	Repair body side molding	\$ -
SMR	Repair side view mirror	\$ -
BOO	Re-Black out operation	\$ -

Op Code	Internet photo's	
PSP	Photo	\$ -
STI	Stickers only	\$ -
PHO	Photo only	\$ -

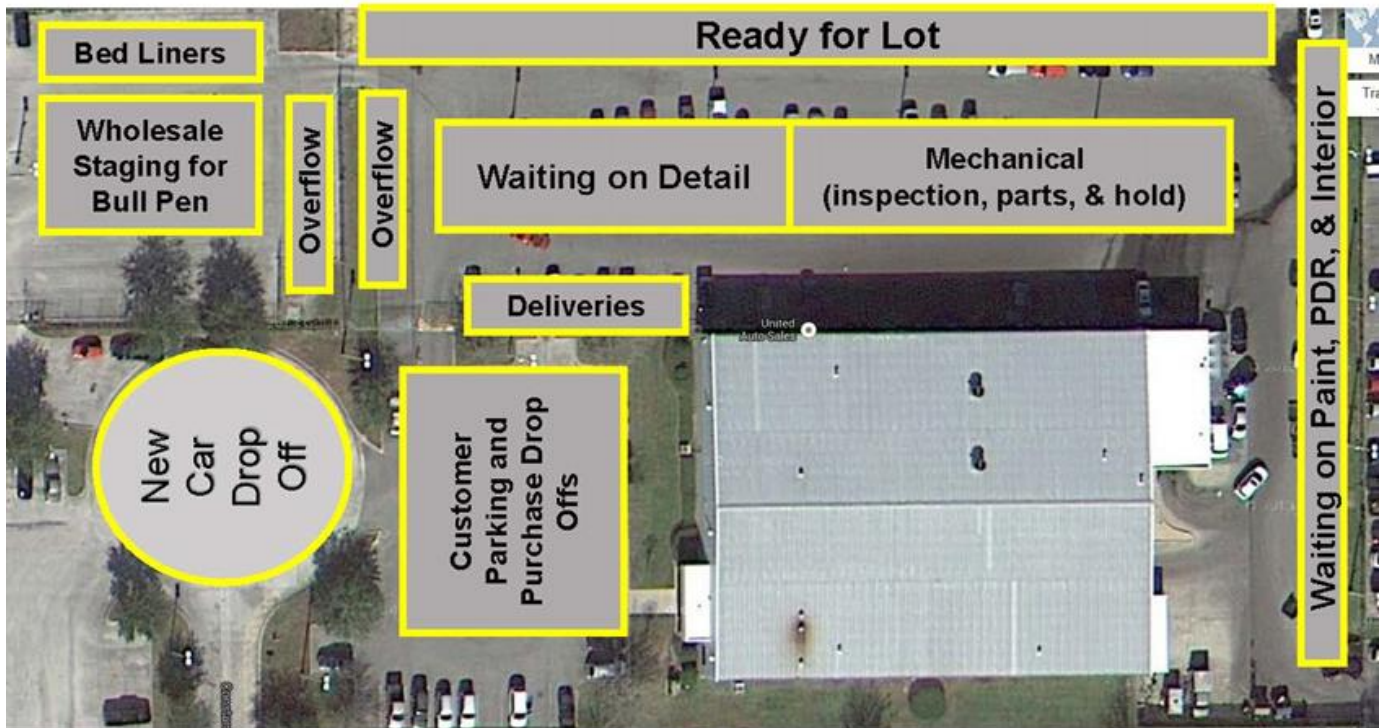
Op Code	Odor Removal	
ORO	Fog Generator	\$ -

Op Code	Miscellaneous operation	
RECON	Fog Generator	\$ -

Planning for a speed to sale culture

Where you park it matters

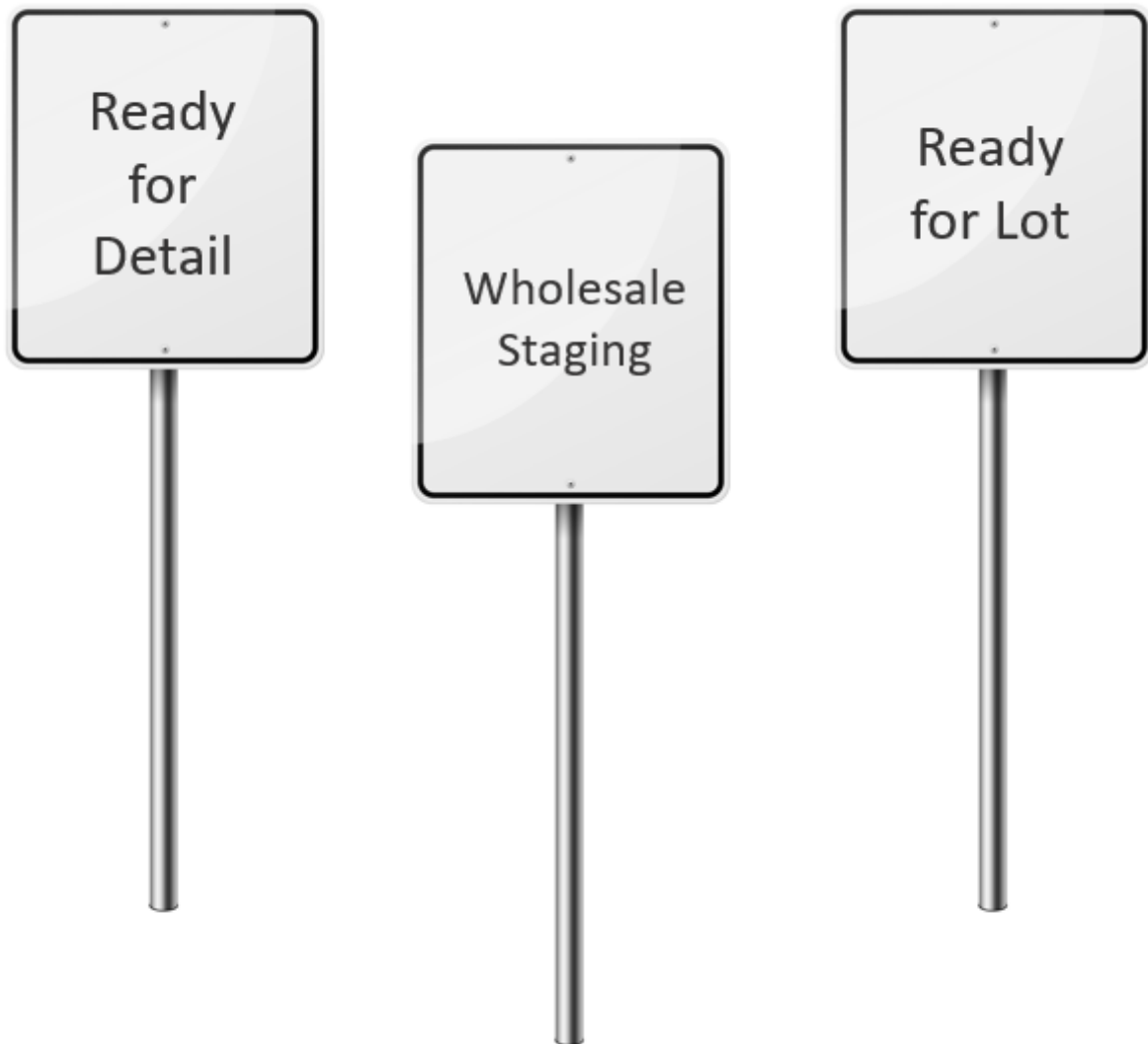
- Using a Google Maps/Earth screenshot of your dealership
- Map out where the vehicles should be parked considering the traveling distance for team members
- Hang in shop at the exits



Mark Your Parking Lot

- Post signage in your parking lot

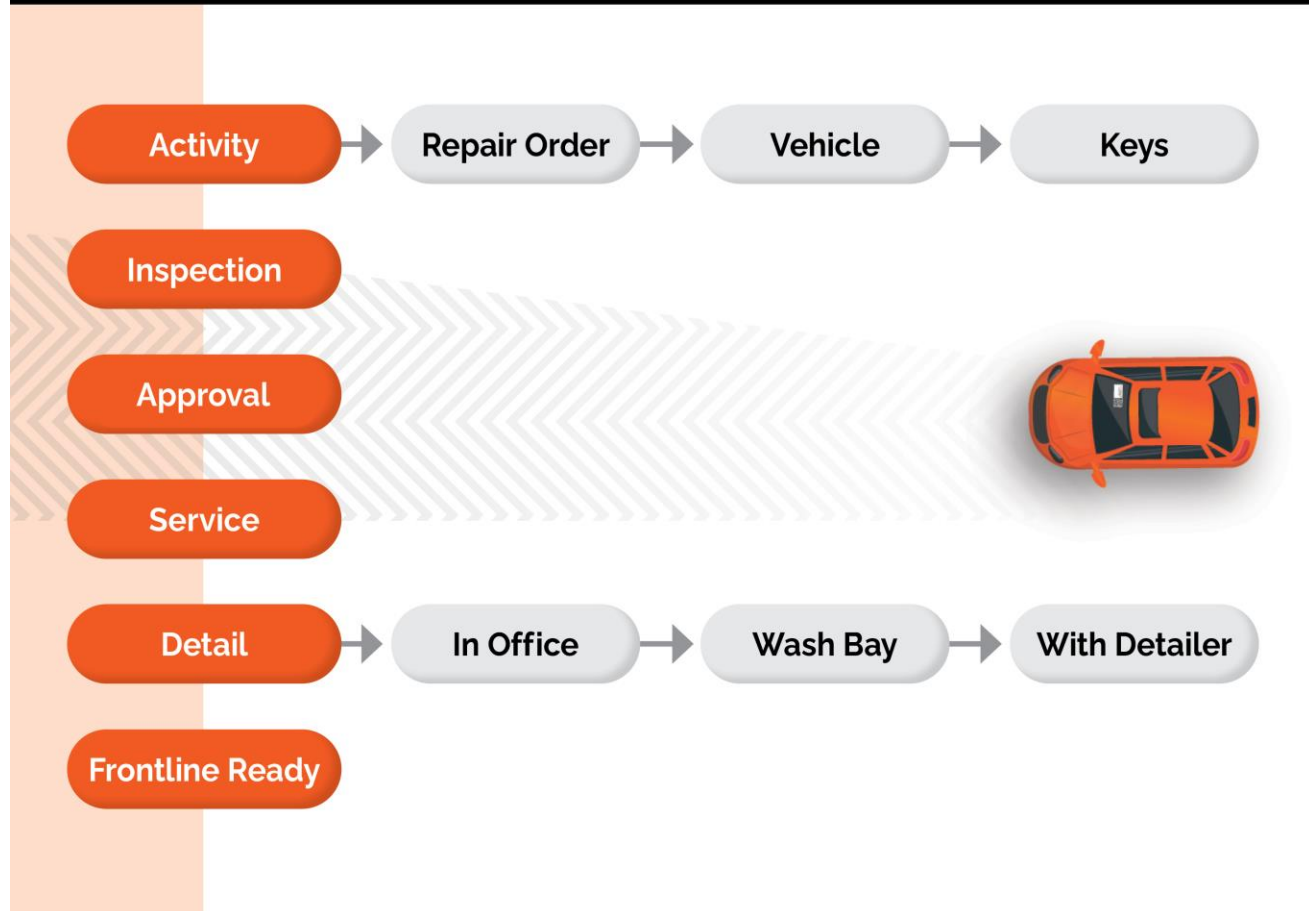
Note: Culture that's not commonly communicated quickly becomes an outdated idea that nobody's engaging



Matching your physical and virtual worlds

- Implement a process that uses a standard for your reconditioning steps that states when a vehicle is ready for (Step) the repair order will be (location), the vehicle will be (location), and the keys will be (location)
- If the standard isn't met, then the vehicle isn't ready for the next step

VISUAL WORKFLOW TRACKING



Intern Variable Parts and Labor Rate

- Use a variable parts and labor rate based on average days in reconditioning
- Consider using the following; breakdown and adjusting your parts and labor rates based on the Average Days in Recon
 - 3-4.9 days = x
 - 5-6.9 days = x
 - 7+ = x

Use ADR as a metric for pay

Below is an example pay plan used for a reconditioning manger that keeps the focus on time

NAME

Reconditioning Manager

Plan Details Effective DATE:

1. \$xx,xxx annual Salary
2. Bonus Structure
 - a. Cycle Time bonus paid on the 15th of each month for both stores combined average time from start of "Received/Cleared" to start of "Front Line Ready" in Rapid Recon.
 - i. 5.0-6.99 Days = \$300
 - ii. 3-4.99 Days = \$500
 - iii. < 2.99 Days = \$750

ENTER LEGAL HERE

This compensation plan does not constitute a contract of employment. All employment with the dealership is on an at-will basis, which means that either you or the dealership can terminate the employment relationship at any time with or without notice or cause. The dealership also retains the right to change this compensation plan at any time, without prior notice. In the event of separation from employment, the Dealership will pro rate the salary and commissions earned through the date of the separation.

The Chaser

- The chaser is a speed-to-sale focused individual that usually works for sales but works in the fixed departments
- The chaser is responsible for checking in trades and purchases, and monitoring reconditioning along with the department heads to ensure red flags are being handled in a timely manner
- The chaser has the authority to sublet internal work if the internal departments aren't able to maintain the desired ADR

Centralized Reconditioning

- Best case, reconditioning should be its own dedicated department
- At a minimum you should have your own dedicated staff
 - Reconditioning staff can cross over to customer pay, but reconditioning is the priority

Staffing

- Staff to the workload, if most of your deliveries are in the late afternoon, staff your detailers heavier then, i.e. 2 detailers in the morning-afternoon shift, and 6 detailers in the afternoon-evening shift
- Multiple shifts
 - Open 16 hours per day and run multiple shifts
- Use time before real-estate
 - 3-day work week = 4-day weekend
 - Two 13-hour shifts Monday – Wednesday, Thursday - Saturday