

Follow the Leader Interview

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1. STRATEGY & COMPANY MISSION

Our mission is to improve service center profitability by increasing consumer trust. We do that by improving communication between consumers and service advisors during the repair process. Getting your car repaired is never fun. But many car owners worry about more than just inconvenience; they often approach the repair process with skepticism and fear. We help service advisors and managers build trust by visually presenting their repair recommendations online through pictures and videos. Using tools like visual selling and the Internet is already standard practice for new and used car sales; we're bringing that practice to the service department. The service advisor's job is in some ways more difficult than the sales consultant's because the majority of customers drop off their vehicles and leave. This creates an unfortunate dependence on phone calls for selling complex, expensive repairs. With ClearMechanic, images of the customer's actual worn or broken parts are placed alongside explanations and illustrations that help the customer understand the importance of different maintenance and repair jobs. We also help keep the customer informed throughout the day on the status of their repair. Delivering that kind of information, in the way most car owners prefer to receive it - online - helps not only sell repair work on the day the car is in the shop, but also for years afterward by increasing customer loyalty.

2. MARKETING OBJECTIVES AND OPPORTUNITIES FOR 2010 & BEYOND

Our product development and marketing priorities have always been driven by customer input. It is critical that we keep this philosophy in mind as we deploy ClearMechanic in more service centers. Only by listening to our customers and observing their interaction with ClearMechanic's technology can we continue to improve the product.

As an example, we recently launched ClearMechanic at a large Texas dealership renowned for its excellence in customer service. This dealer immediately identified a new use case for ClearMechanic involving its major fleet customers, who preferred to do business online rather than making dozens of phone calls daily. That insight opened up numerous opportunities for us. And it all stemmed from listening to a thoughtful customer.

For most dealerships the service department generates the majority of net profit. This is only going to be more true in the future. Consumers are keeping their cars longer and as a result focusing more than ever on maintaining their vehicles and paying for needed repairs. But what comes with that are higher expectations for service centers. If you look at what consumers are used to in other parts of their lives such as tracking mail, managing finances, even ordering food, you realize they receive very high levels of service, often enabled by technology. For instance, consumers can research a restaurant online and make a reservation without ever picking up a phone. Even researching and buying a new car is easy online, including building a vehicle down to trim level and accessories. Compare that with the current car repair process of service advisors making phone-based upsells for work that may cost hundreds or thousands of dollars, and our opportunity becomes clear. It's imperative that service departments catch up with consumers' expectations of real-time, high quality, technology-enabled customer service. By giving customers the ability to track the status of their vehicle online, receive real-time pictures, watch educational videos and communicate with the service department, service managers are able to bring customers a higher level of customer service.

3. MANAGEMENT CHALLENGES

One is ensuring that service managers know we are offering a product that helps them sell additional repairs and provides immediate ROI. The number one thing we hear from service managers is that they're busy. So busy that it's often hard for them to find breathing room to research a new product, even one that can guarantee profits. Once they see the product in action and hear about other service managers' successes using the ClearMechanic, they're hooked. For instance, we have one service advisor that was able to pay off his ClearMechanic purchase in one day by upselling three repairs using our system.



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ClearMechanic improves service center profitability by increasing consumer trust - achieved via improved communication between consumers and service advisors during the repair process. The result is loyal customers who are more enthusiastic about buying repair work on the day the car is in the shop, and also for years afterward.

Another challenge this year will be dealing with the sheer number of opportunities we have in front of us. We have business development opportunities, sales opportunities, product development opportunities, etc. Every opportunity sounds intriguing so the challenge for us is remaining focused. But I'm confident that if we continue to provide the best technology in the industry to help dealers communicate with and build trust with their customers the rest, with a bit of hard work on our part, will fall into place.

4. INDUSTRY & MARKET SITUATION

It's a great time to be in the service department. In the current market consumers are avoiding new car purchases and instead focusing on repairs and maintenance. While auto repairs average 20 percent of dealership revenue, they supply nearly half of the gross profit. Americans spend \$87 billion annually on auto repair services. But another \$64 billion in maintenance work goes unperformed each year, due in part to consumers' dislike of the repair process. For car owners, repairs are expensive, intimidating and time-consuming. It doesn't help that the Better Business Bureau ranks auto repair service providers in the bottom 1% of all U.S. businesses based on customer complaints.

But a lot of this is simply the result of poor communication. We see a huge opportunity to bridge the gap between repair shop employees' extensive knowledge of cars and repairs and consumers' less extensive knowledge. Building strong communication between service advisors and consumers helps create trust, loyalty and repeat business. Few car owners will ever enjoy taking their car in for service, but with the right tools dealerships can ensure customers feel well taken care of and keep coming back. Despite being rock-solid profit centers for dealerships, repair facilities have historically been ignored by large technology firms and entrepreneurs. More often than not new technology is focused on helping sell new cars rather than improving the repair process. As a result, service managers don't have as good a set of tools for customer interaction as they should.

5. MOST SIGNIFICANT ACCOMPLISHMENT

We feel our biggest sense of accomplishment when we watch a service manager use ClearMechanic to pay off his investment in our system in one or two repair transactions. We've seen our customers increase their upsell success rates from an average of 50 percent to as high as 90 percent. For instance, one of the service advisors using our system had a customer come in doubtful about a coil spring repair recommended by an independent shop down the street. The service advisor used ClearMechanic to send a picture of the cracked spring, along with additional information and recommendations for repairs. The advisor not only sold the coil spring repair, but each of the additional repairs he recommended.

In addition, because consumers are more willing to share their email addresses for repair updates and photos of their worn parts, service departments using ClearMechanic often see their email acquisition rates go from as low as 10 to 20 percent to 50 or 60 percent or more. That's the power of ClearMechanic, it takes away customer doubt and helps a service advisor earn customer trust and increase dealership profits.