



Service Manager Bulletin

TITLE:

Warranty Retailer Counseling Process (WRCP) Program

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“Right first time in Time”

Program Overview

Retailer warranty spending is tracked through the Warranty Retailer Counseling Process (WRCP). The WRCP is used to gauge individual retailer performance on objective measures over time. This tool assists Retailers by setting clear performance expectations and parameters focusing on individual processes and procedures, to help achieve the *ultimate goal of qualifying for self-authorization status*.

Contributing factors escalating a Retailer’s warranty expenses may be beyond the retailer’s control, such as repair(s) claimed in that reporting period in which parts and/or labor are of a significant expense. VCUSA does not discourage necessary and appropriate repairs that are justified supporting all parts and labor. However, when a Warranty Score is outside the normal index, many times there are out-of-line factors identified due to influence by retailer personnel.

In Q2 2020, the COVID-19 pandemic impacted all markets resulting in unreliable and skewed data. As a result, Volvo suspended all retailer warranty performance reporting. This allowed for the opportunity to revisit and improve the reporting metrics, including the WRCP.

Volvo is pleased to announce the New Warranty Retailer Counseling Process Program. As of January 1, 2021, we have moved to a National Index to measure Retailer warranty performance. The new process is outlined in detail below.

Note: A timeline will be provided that will outline what actions will take place at each Level and how Volvo will contact and counsel retailers, as well as what expectations and deliverables retailers will be expected to meet.



Program Launch

We have applied this new methodology to all Retailer's performance as of September 2020. We will post each month's updated reports on the Retailer Portal, so each retailer can begin to monitor their individual performance based on the New National Index parameters. The monthly reports you receive will be based on the following data.

December 2020: September, October and November.

January 2021: October, November and December.

February 2021: November, December and January.

March 2021: December, January and February.

April 2021*: January, February and March.

*Qualifying scores will begin with the January 2021 results. The Program will officially launch with the results you receive in April 2021 which represent your actual performance for the first quarter of 2021.

New Warranty Retailer Counseling Process Parameters

Scoring:

Retailers will be measured and reported on 7 categories.

- A. Warranty Cost Per Unit*
- B. Rejected Jobs %*
- C. General Operation %*
- D. Repeat Visit %*
- E. Jobs per Vehicle*
- F. Average Claim Entry Days
- G. Jobs without Material %

Retailers are measured on 5 of the 7 categories with separate weightings, all index scores are capped at 200% and measured in USD.

A. Weighted Cost per Repaired Vehicle Index: Weighted (35%)

Variables:

- Total Labor = All labor costs excluding non-warranty claim types for 3 month-rolling period
- Total Material = All material costs excluding non-warranty claim types for 3 month-rolling period
- Total Sublet = All Sublet costs excluding non-warranty claim types for 3 month-rolling period
- Vehicle Count = # of unique vehicles serviced excluding non-warranty repairs

Calculation:

$$\text{➤ } WCPUS = \frac{\text{Total Labor} + \text{Total Material} + \text{Total Sublet}}{\text{Vehicle Count}}$$



$$\text{WCPUS Index} = \frac{\text{Dealer WCPUS}}{\text{National WCPUS}} - 1$$

B. Rejected Jobs per Repaired Vehicle Index: Weighted (10%)

Variables:

- Total Jobs = All jobs excluding non-warranty claim types for a 3 month-rolling period
- Vehicle Count = # of unique vehicles serviced excluding non-warranty repairs for a 3 month-rolling period

Calculation:

- $\text{Jobs per Veh.} = \frac{\text{Total Jobs}}{\text{Vehicle Count}}$
- $\text{Jobs per Veh. Index} = \frac{\text{Dealer Jobs per Veh.}}{\text{National Jobs per Veh.}} - 1$

C. General Operation Index: Weighted (10%)

Variables:

- Total Gen Time = Sum of all General operation labor hours excluding non-warranty repairs for a 3-month rolling period
- Total Time = Sum of all labor hours excluding non-warranty repairs for a 3-month rolling period

Calculation:

- $\text{Gen Op Usage \%} = \frac{\text{Total Gen Time}}{\text{Total Time}}$
- $\text{Gen Op Index} = \frac{1 - \text{National Gen Op \%}}{1 - \text{Dealer Gen Op \%}} - 1$

D. Jobs without Material Index: Weighted (0%) [For reporting purposes only].

Variables:

- Total Jobs = All jobs excluding non-warranty claim types for a 3-month rolling period
- Total Jobs Without Material = Count of all jobs without material excluding non-warranty claim types for a 3-month rolling period

Calculation:

- $\text{Jobs without Material (JWM) \%} = \frac{\text{Total Jobs Without Material}}{\text{Total Jobs}}$
- $\text{Jobs Without Material Index} = \frac{1 - \text{National JWM \%}}{1 - \text{Dealer JWM \%}} - 1$



E. Claim Entry Time Index: Weighted (0%) [For reporting purposes only].

Variables:

- Entry Days = Difference between R.O. Repair date and QW90 Entry Date
- Total Jobs = All jobs excluding non-warranty claim types for a 3-month rolling period.

Calculation:

$$\text{➤ Avg. Claim Entry Days} = \frac{\sum \text{Entry Days}}{\text{Total Jobs}}$$

$$\text{➤ Avg. Claim Entry Days Index} = \frac{\text{Dealer Avg. Claim Entry Days}}{\text{National Avg. Claim Entry Days}} - 1$$

F. Rejected Jobs Index: Weighted (30%)

Variables:

- Total Rejected Jobs = Count of all rejected jobs for a 3-month rolling period out of total jobs

Calculation:

$$\text{➤ Rejected Jobs \%} = \frac{\text{Total Rejected Jobs}}{\text{Total Jobs}}$$

$$\text{➤ Rejected Jobs Index} = \frac{1 - \text{National Avg. Rejected Jobs \%}}{1 - \text{Dealer Avg. Rejected Jobs \%}} - 1$$

G. Repeat Visit Index (15%)

Variables:

- Multiple Visits Total = Count of vehicles with 2 or more visits
- Visits total = Count of all vehicles repaired in a 3-month rolling period.

Calculation:

$$\text{➤ Repeat Visit \%} = \frac{\text{Multiple Visits Total}}{\text{Visits Total}}$$

$$\text{➤ Repeat Visit Index} = \frac{1 - \text{National Avg. Repeat Visit \%}}{1 - \text{Dealer Avg. Repeat Visit \%}} - 1$$

The sum of the measurements outlined above will equal the **Weighted Score**.

Calculation:

$$\frac{[(\text{WCPUS Index} \times 35\%) + (\text{Jobs per Veh Index} \times 10\%) + (\text{Gen Op Index} \times 10\%) + (\text{Rejected Jobs Index} \times 30\%) + (\text{Repeat Visit Index} \times 15\%)]}{\text{Weighted Score}}$$



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Dealers will be measured by the **Warranty Score**

Calculation:

$$\begin{aligned}
 \text{Warranty Score} &= \frac{(\text{Dealer Weighted Avg.}) - (\text{National Weighted Avg.})}{\text{Weighted Avg. Standard Deviation}} \\
 \text{St. Dev of the Weighted Score} &= \frac{\sum (\text{Dealer Weighted Score} - \text{National Avg. Weighted Score})^2}{\text{Retailer Count}}
 \end{aligned}$$

Process Levels:

Retailers will be reviewed monthly based on the previous 3 months Warranty Scores. (3-month rolling).

Each level is determined by a point system:

- **5 points:** Warranty Score is not above 1
- **1 point:** Warranty Score is not above 2.5 and is greater than 1
- **0 points:** Warranty Score is above 2.5

The chart below provides some possible outcomes based on the last 3 months scores (points). Each month the oldest month and score is dropped and replaced with the most recent months score.

Month			Cumulative Points Scored (3-month Period)	Corresponding Level
1	2	3		
5	5	5	15	Level 1
5	5	1	11	Level 1
5	5	0	10	Level 1
5	1	1	7	Level 2
5	1	0	6	Level 2
5	0	0	5	Level 3
1	1	1	3	Level 2
1	1	0	2	Level 2
1	0	0	1	Level 3
0	0	0	0	Level 3

Level 1: Self Authorizing

- ❖ Status: Solid performer, Compliant
- ❖ Action: **No Action**
- ❖ Approval:
 - o Achieve/Maintain Self- authorizing privileges
 - o 1.5 Hours Gen Op approval



Level 2.1: Enter the retailer counseling process at Level 2 for the **first time**

- ❖ Status: Above National Index, Needs guidance
- ❖ Action:
- ❖ Step 1: SM, GM and AMM are notified via email of retailer's entry to Level 2.
- ❖ Step 2: KPI and Level 2 Retailer Claim Analysis Training required with Senior Warranty Analyst
- ❖ Step 3: Training must be scheduled within the current business month of the reporting period
- ❖ Approval:
 - o Maintain Self- authorizing privileges

Level 2.2: Reentry to the retailer counseling process at Level 2 (after KPI training)

- ❖ Status: Above National Index, Needs guidance
- ❖ Action:
- ❖ Step 1: Desktop Review with a Senior Warranty Analyst
- ❖ Step 2: Self-Review and Action Plan required
- ❖ Step 3: 100% TMA review will be conducted simultaneously with Steps 1 and Step 2 above.
- ❖ Approval:
 - o Self- authorization for up to 0.5 hours Gen Op time.
 - o Goodwill Self-authorization remains active
 - o Repeat repair self-authorization suspended

Level 3: Remain in the counseling process and advance to additional review measures.

- a. Status: **Consistently Above National Index**
- b. Action:
 - ❖ Step 1: 100% warranty claim review & correction
 - ❖ Step 2: Dealer Audit will be conducted
 - ❖ Step 3: 100% TMA review will be conducted simultaneously with Steps 1 and Step 2 above.
 - ❖ Approval:
 - o All Warranty and Goodwill self-authorization privileges are suspended.

New Dealers:

New retailers will have a grace period of 3 months where they are set to level 1. When there are 3 complete months, they will be scored based upon the criteria outlined above.

PLEASE NOTE:

VCUSA may conduct Audits outside the scope of this program at any time.

There may be instances when conditions outside this process warrant immediate action. As a result, audits, TMA parts returns or any other action deemed necessary may be conducted outside the scope of this process at VCUSA's discretion.