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Car Repair Prices: Who Charges More, Dealerships Or Local Shops?

By Theodore Olson

Many argue that dealership prices are 4 to 6 times higher than local shops. This is farfetched. That

would mean that \$100 at a local shop would be \$400 to \$600 at a dealership. Dealerships aren't run by the sharpest businessmen, but this kind of pricing discrepancy would put dealers out of business, fast. The sources calculating such pricing gaps are never quoted, so I am not sure from where such data comes, but let's look at what's really going on.

First, 98 % of ALL service centers are overcharging. This includes dealerships, local shops and franchises. Stating that dealerships charge four to six times higher unfairly singles out this portion of the industry. We need to watch out for every type of service facility. While it's always easier to focus on the big, faceless name of a dealership, it's unwise. Your local mechanic who you pass in the grocery store is just as likely to rip you off.

Surprisingly, in many respects, a dealership is often less expensive. To be clear, I am not siding with dealerships. Again, no matter what type of facility one services a vehicle, some type of price-gouging will occur. Having said that, here are some common myths about dealership prices.

MYTH 1: The parts are more money.

This is not true. Dealers, for the most part, stick to MSRP (manufacturer suggested retail price) guidelines. Guidelines, as abused as they are, are better than none. Local shops have no guidelines. They can charge whatever they want.

We've all been taught that aftermarket parts are less expensive than factory/MSRP parts—this is not true. A frequent "case in point" is air filter prices. Below is a sample from one of many actual invoices:

Dealership/MSRP Price: \$17.00 (factory fiber filter) Local Shop/Aftermarket Price: \$32.00 (aftermarket paper filter)

Tip...always compare you're aftermarket part price against MSRP, you'll be surprised just how much your local garage is charging you for inferior parts.

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MYTH 2: The labor "time" is higher.

Actually, many dealers follow manufacturer recommendations and industry standard multipliers. In other words, they're not just shooting from the hip. The labor time (i.e., how long it takes to repair something—1, 2, 3 hours...etc.) may be lower than the resulting times from the labor price-gouging tricks practiced by your local garage.

This is not to say that dealers don't practice labor tricks—they're the masters! It is to say that they are more inclined to follow suggested guidelines.

MYTH 3:

Dealers always rip people off.

In the automotive service industry, every type of service center rips you off, dealers are no exception.

Theodore P. Olson holds extensive certifications from Mercedes-Benz, Toyota, GM, and ASE. He currently works as a service industry consultant. Ted is the author of eight books and numerous articles on the automotive service industry.

<http://www.repairtrust.com>

Car Repair Prices: The Dim Underworld Of Automotive Service

By Theodore Olson

Most know the most glaring auto repair pricing abuses: Service centers overcharging \$100's even \$1000's for repairs, or charging for repairs that were never done at all.

To be sure, this still happens every day. However, there are many other techniques which involve flying just low enough to avoid detection.

The savvy service centers increase the price so as not to set off any alarms. It has become so common that it's not just an accepted industry practice, but even service customers have accepted paying higher prices.

Knowing how ingrained price-gouging is within the automotive service industry, it's shocking (although understandable) that even service customers have succumbed to excessive car repair prices. I frequently hear service customers' state:

"Yeah, I know I was ripped off, but my car's fixed now." Or, "I know they charge too much, but they're convenient."

This is insane! To accept auto repair price-gouging is to allow its continuation. The difficult part, of

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course, is how to stop it. Given that the automotive service industry is so big and powerful (and so frightfully necessary) how does one battle such a force?

Perhaps the first thing to understand is the degree to which this type of stealth-like price-gouging occurs. A two-decade undercover investigation has revealed that 98% of all repair shops (dealerships, local shops, and franchises) are price-gouging their customers in one form or another.

The following exchange, between a service manager and service advisor, provides an idea of the "scope of scamming" below the radar.

A service advisor asked his manager how to bill more hours per month, which is another way of asking how the advisor can make more money. The service manager casually stated:

"Simply add an additional two tenths to every ticket you write."

In other words, every customer this service advisor "helps," he was instructed by a superior to add a "little" extra. So if the labor rate is \$100 per hour two tenths would equal \$20. Rather than pay \$100 per hour, the service customer would actually pay \$120.

\$20 doesn't sound like much compared to the gross injustices we all know. However, whether it's an overcharge of two cents or \$20, it's too much.

If you visit a shop practicing this strategy alone (there are hundreds of strategies, many applied simultaneously), you may end up paying over a \$100 or more by year's end.

What's really shocking is that being ripped off \$100 over a year's time is actually minor!

Try \$500-\$5000

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