

Service Lane Profitability

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Opportunities Galore!

What a great time to be in the automotive business...really!

The first quarter of 2007 is history and your comptroller is probably putting the final touches on the financial statement. So how is your dealerships' bottom line? I mean the net, the profit: the money you take to the bank. Whatever that number is, over 65% of it probably came from fixed ops. At least that's what NADA was forecasting late last year in their Average Dealership Profile.

That same profile says that service and parts are bringing in roughly 12% of the total revenue. Let's let that sink in for a minute; 12% of the total revenue (sales) is producing 65% of the profit! Somebody say "WOW!"

Increasing our service sales revenue has an exponential effect on the bottom line. The ability of your fixed ops personnel to sell service has a direct link to your dealerships' ability to make money AND to retain customers who will someday be in the market for a new or used car.

The shortest distance to your sales floor is through your service door! It's not often that I write something profound; but that sentence ought to be on every internal memo your dealership issues. It should be the focal point of every meeting you have. Heck, it ought to be your business plan for the rest of the year!

Each year our industry builds about 17 million vehicles and scraps about 13 million. That's a net growth of 4 million vehicles per year. There are currently 231 million cars on the road; up from 191 million just 10 years ago...in other words, 40 million more opportunities. That's 40 million more LOF's, 40 million more 30K services, 40 million more sets of wiper blades...and on it goes. What a wonderful time to be in the automotive business; the automotive maintenance business that is. The opportunities are truly endless for growth, retention and profitability.

The action plan to seize these opportunities is really quite simple (but not easy): Attract more customers to your drive, sell them maintenance service when they arrive, hold on to them through their ownership cycle, and direct them to the sales floor at the appropriate time.

I was determined to be upbeat and positive when I started this article. But halfway through writing it I had a service drive experience that I must share. It makes a strong point because unfortunately, this dealership did not seize the opportunity.

I received a colorful, professional letter in the mail inviting me to the dealership to get \$10.00 off my next oil change. I had planned on taking my SUV (with 44,000 miles on the odometer) in for a minor heater problem anyway, so the timing of the coupon was perfect. With \$10.00 coupon in hand, I approached the advisor and asked for and LOF. He was polite, professional, well-dressed and articulate. The service lane was neat and spotlessly clean. I hadn't made an appointment, so I had to take their shuttle to work. The shuttle was immaculate and the driver was friendly.

They called when it was ready, I paid the cashier and picked up my vehicle. It was a positive, professional experience. In fact, I was completely satisfied. But, rather obviously, they blew it!

Why did they spend all that money on the mail-out? To get me to go to the dealership...and it worked! Why did they want me there? The only reason I can see was so they could give up \$10.00 of their profit on an oil change that they didn't make any profit on in the first place.

They certainly got no other benefit and neither did I! Granted, I did get my heater fixed, but I was going to do that anyway. They offered no menu, no 27-point inspection (although it was listed as a line item on my RO), no walk-around, no fluids pulled and most importantly, no upsells! By the way, I knew I needed over \$250 in scheduled maintenance...but if they're not going to ask, I am not going to buy! This is a true story. Do you suppose **your** customers have ever had a similar experience at **your** dealership? Ouch!

Do some analysis and track the success of your mail-outs, emails and phone calls. How many customers are returning? More importantly, though, is how your service sales team is doing with those who do return. To clarify, I am not suggesting that you stop soliciting the business. Programs that increase traffic on the service drive are very important. But, for goodness sake, make sure the advisors know what's going on and why we are soliciting more customers. Increased traffic only produces increased revenue (and net profit) if the advisors ask for the maintenance upsell business. Make sure that they do!

Every edition of this publication is packed full of money-making ideas and fixed ops processes. Every article I have written over the past two years has highlighted specific opportunities and focused on ways Service Departments can "seize the moment." So how's your fixed ops team doing?

I am looking for some success stories. I'm ready to brag on some Service Departments. I'd like to find dealerships that "get it" and that "get it done" on the service lane.

Here's my offer: Send me an email that says your service team is up to the challenge. I'll select about a half dozen dealerships and send in our mystery shopper crew. I'll call you with the results and then, in a future article, tell everyone how wonderful your service team performed. My in-box is waiting to hear from you! Seize the opportunity!

CALL OUT:

The shortest distance to your sales floor is through your service door!

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