



Service Dept. More Important

By Cliff Banks

Ward's Dealer Business, August 2008

Conventional wisdom is that when vehicle sales decline, dealers turn to other areas business to keep that revenue coming in. That's why the service department has become more important for dealers, as they look for ways to drive revenue.

The average dealership gets 30%-40% of its profit from its service department revenue.

That department is becoming more important to customers, too. Google says that, while the total number of searches for new vehicles in the U.S. has declined by 16 % between March 2007 and March 2008, there has been a 35% growth in people visiting parts and service sites in the same period.

High-volume stores appear to be capturing some of those customers, according to this year's *Ward's Service 150*, a ranking based on data from this year's *Ward's Dealer 500*.

Dealerships on the *Ward's Service 150* generated 5.8% of their revenue from service departments in 2007, up from 5.3% in 2006. Those dealerships averaged \$159 million in total revenue with \$9.2 million from the service department. They also sold an average of 2,961 new vehicles in 2007.

Meanwhile, the percentage of revenue created by the service department declined from 4.6% to 4.3% for the rest of the *Ward's Dealer 500* (350 stores) over the same period.

On the marketing side, dealerships are becoming more sophisticated in their use of e-mail advertising, says Chuck Tilton, product-marketing manager for the Cobalt Group's Onstation.

“We're seeing dealers target more to specific niches of customers,” he says. “They're limiting the number of attempts to each customer, but are running as many as six or seven campaigns to smaller niches.”

The quality of the creative content is improving, Tilton says. Dealers are learning they can tie all of their marketing programs together and see what their customers did and what transactions they made.

Another trend is automated phone calls to customers alerting them to service specials.

While most dealerships market only to customers who have purchased new vehicles, some

-continued-

dealers are seeing success by marketing their service departments to people who have bought used cars.

It's a way to increase customer pay business to offset declining warranty work most brands are seeing today because of improved vehicle quality.

Several experts advise dealers to advertise oil-change services using prices that compete with independent and chain shops. That also presents upsell opportunities if a vehicle is found to need additional work or maintenance.

But dealers have learned that driving too much quick oil-change business can backfire. One problem is that those customers rarely will spend more on additional services.

And many dealerships aren't equipped to be as fast as 15-minute shops. As a result, customer satisfaction scores drop.

Dealers also need to be careful of marketing free inspections in an effort to generate warranty work. If the affected auto maker finds out, it could lead to a factory audit of warranty work.

Dealers wanting to drive more business to the service department need to make sure they have the proper staffing levels. And having enough competent service technicians continues to be a problem that plagues a lot of stores.

Think creatively. Most dealers use community colleges as a pipeline for talent, but you're competing with other dealerships in that channel.

Many dealers avoid traditional help-wanted ads, saying the return on investment is not there. If you must advertise for help, creative spots on the radio might be a better idea. The trick is using methods your competition hasn't thought of yet.

Some dealers are using the Website Craigslist.com to find technicians. Posting jobs is free, although, it can be time consuming, though.

The people on Craigslist generally are younger and are more trainable and willing to learn, according to dealers using it. Be prepared to conduct a lot of interviews.

Another trick for dealers is to take your vehicle to get work done at the local tire shops and quick oil-change shops. Give your business card to the employees that are working hard and conscientiously.

Other dealers pay their staff a "bird-dog" fee for referring potential employees to the dealership. Pay a bonus once the person is hired and a second bonus if the person lasts a year.

Also, have your service manager talk with representatives visiting the store to sell tools for technicians. You might want to pay them a bird-dog fee if they recommend employees working elsewhere who ultimately come to work for you.