



# ausCAR

**July 2010**

THE MOTOR DEALER REPORT FROM AUSWILD & CO  
PO Box 527 Kogarah NSW 1485  
*Chartered Accountants and Dealer Management Services*

Website: [www.auswild.com.au](http://www.auswild.com.au)  
Telephone: (02) 9588 5511  
Facsimile: (02) 9588 7865

---

## **The Time Machine (Your Service Department)**

Time.....It's a non renewable resource. Once you've spent it, it's gone forever. Your senses can't see, smell, taste, touch or hear time.

Your service department through its management team have the responsibility of controlling and selling time. Time.....is an intangible commodity that cannot be stored and discounted for sale tomorrow nor can it be sent back to the manufacturer in the next parts return. It can also be one of the most expensive resources for the service department and the dealership to acquire and maintain.

50 % of the available selling hours for 2010 have already gone. Your service manager and his/her team's ability to plan, measure, control and market the remaining 50% of hours available for sale in 2010 can have a dramatic effect on the success or failure and profitability of your service department and of the success of the entire dealership.

Dealers and service managers who have consistently recognised and focused on the importance of the service department as a profit centre and one of the five keys to the future success of the dealership, have reaped the rewards by constantly achieving an average "selling gross" of over 60% in the service department – more than double the average selling grosses achieved by both the new and used vehicle sales departments combined who average less than 25% selling gross.

2009 was a challenging year both globally and locally for the automotive business and especially challenging for the new and used vehicle sales.

The introduction in June 2010 of the *National Consumer Credit Protection Act* will impinge on the current methods used by dealerships when offering finance and insurance options to the customer. It remains to be seen how much of a negative impact the new regulations will have on the dealerships' finance and insurance income - even more reason for dealers to include their service department resources to expand and farm the dealership's customer base.

80 % of customers will give the sales department an opportunity to sell them another vehicle if the service department has met all of their needs. Unfortunately for a number of dealers, their business plan is limited to the "Hope System" - "the work happens", "jobs get done", "short term targets are being met".

To meet the challenges and to take advantage of the many opportunities in 2010 and beyond, there needs to be a change in the culture in dealerships.

Dealers spend large amounts of money building new premises and branding their businesses to attract customers and to instil the perception that they are customer orientated and that they are a professional business to deal with.

So why is it that after investing huge amounts of money to promote the business, the service department is still referred to as the **"back end"** of the business? The perception of being the back end of anything is not an inspiring or a pleasant one for the service staff or the customers.

First impressions, perception and relationships are the tools the service department use to sell time – what sort of first impression or perception do you create when introducing the customer to the back end of your business? Do 5 star restaurants refer to the kitchens as the back end of their business? The successful ones don't !

Perhaps a more accurate description of the service department should be the **"back bone"** of the business. The service department is one of the five key departments that make up the dealership business; the department that successfully markets an intangible commodity referred to as "time". The selling gross figures previously mentioned reveal not only the results that have been achieved but the future potential of the business.

No additional costs - just a simple change in the culture of your dealership business can lead to increased customer retention, service labour sales, vehicle sales and increased profitability. Include the service department in future dealership marketing plans and strategies.

The following are some strategies you may want to consider:

- ✓ Dealership customer retention strategies - make use of the "kiss" system.  
"Pretend that every single person you meet has a sign around his or her neck that says, *'Make me feel important. Not only will you succeed in sales, you will succeed in life.'* Mary Kay Ash.
- ✓ You can create loyalty programs much more cheaply than you may expect. Simply by using your customer's name when they come into your service department is a great place to start.
- ✓ The only time that the dealership has 100 % customer retention is at the time of the purchase and the delivery of the new or used vehicle. Introduce the service team and the many services they provide at the time of delivery.
- ✓ Implement consistent and innovative service marketing programs together with increased training for all front line service counter staff.
- ✓ Offer appointment times that are most convenient for the customer and confirm appointments. People who have their vehicles serviced at the dealership regularly are *two and a half times* as likely to refer someone to your dealership and *buy another vehicle from you*.
- ✓ *Prioritise* the customer's needs; attend to the *"primary"* concern *first*. Ensure the vehicle is *fixed right - the first time - on time*.
- ✓ How many of your current employees use your service department for recommended vehicle servicing or repairs?

***"People tend to live up to what's expected of them and they tend to do better when treated as if they are capable of success."***

*This month's article was contributed by Alex Hupalo. Alex is a automotive consultant, mentor & coach and can be contacted on 0415 643943 or by email to alex@alexhupalo.com.au*

For additional information, please contact your  
Auswild Dealer Management Services Team

Vincent Choy      Greg Jepsen      James Dick

(02) 9588 5511

**Important:** This is not advice. Clients should not act solely on the basis of the material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. This bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without prior approval.