Profitable Service

World-Class Service Advisors: New Drivers of Profitability

By Jon Strawsburg
Vehicle sales are down across the country. And as the price of gas continues to rise, consumers are driving less and looking for smaller, more gas efficient vehicles. Consequently, many dealers are looking at Fixed Operations to maintain overall profitability, and to be an integral part of their growth strategy.

Your Service Department can generate as much profit as your vehicle sales staff. Since Service Advisors are responsible for selling the technicians’ time, they have a strong impact on your bottom line and on customer loyalty. Think about it. When a customer comes in for service, the Service Advisor is the face of your dealership. The customer’s service experience – from how much they spend to how likely they are to return – is largely in the Advisor’s hands.

Service Advisors play a critical role in your Service Department’s profitability. They directly affect customer retention and your bottom line. This Issue Paper discusses how dealers are enhancing the ways in which customer service is delivered and reaping the rewards.

The average service technician produces close to $170,400 per year in gross profit compared with the average salesperson that generates $174,000 per year. The small gap between the amount of gross generated by salespeople and technicians should be recognized and it is time to contemplate whether our service technicians should be accorded additional acknowledgement as a result of what they bring to the bottom line. Maybe the posture, “we have always done it this way” as it pertains to salespeople needs to spill over to the service department when it comes to work performance recognition and achievement thresholds.

- Jeff Sacks
  President, Jeff Sacks & Associates
  An NCM Company

Perception Versus Reality

There’s no doubt there are numerous misconceptions about franchised dealership Service Departments. Consider these quotes from Internet blog sites:

“They (service staff) are often treated as second-class citizens inside of companies. Is it any surprise they treat customers the same way? This shouldn’t be the case! Customer service is the face of the company to most customers. It is the area where most customer-facing interactions take place. It is time for companies to stop viewing it as a “cost of doing business” and instead, view it as a key to building strong customer relationships and, ultimately, referrals.”

“It’s an inconvenience, but you really do have to maintain your car if you want it to work well, burn fuel efficiently, and stay clear of costly repairs. But what kind of facility should service your car? There’s always the Service Department at the dealership, but you know it’ll probably cost you an arm and a leg.”

Sound familiar? Are these comments true for your dealership? For most dealerships, the answer is “absolutely not!”, but is that how the customer sees it? Perception and reality differ when it comes to dealership Service Departments. The result is you have to work that much harder to change the perception of consumers.

Here are two common misconceptions of dealership Service Departments:

1. Perception: Dealership service staff is not friendly.
   Reality: Most dealerships have invested considerable time, energy, creativity, and money into CSI initiatives that truly improve customer interaction and service levels.

2. Perception: Dealership service prices are too high.
   Reality: Dealerships typically offer good value, even if it’s not the lowest price. Dealership menu pricing on price-sensitive maintenance and repairs include more services than the “$21.99 oil change” down the street. You have OEM-trained and certified technicians, OEM parts, and specialized tools to do the job right.

Unfortunately, perception trumps reality in the consumer’s mind.
Mass merchants and quick lubes typically run on a volume-based business model, rather than the relationship model that characterizes most of the other channels in the aftermarket. Although this model can create increased service traffic, it can also negatively impact retention and advocacy.

— Rohan Lobo
Senior Manager of Automotive Research, J.D. Power and Associates

**Best Practices for Managing Service Advisors**

In response to concerns with customer perception and increased pressure on Fixed Operations for profitability, Reynolds and Reynolds recently held a service profitability forum with a group of highly profitable dealers. This group discussed best practices for managing Service Advisors, and provided advice on using the right software to enhance service operations and profitability. The bottom line: the knowledge and experiences of this group can help you build a more profitable Service Department.

Here is what dealers had to say:

**Create a positive environment for Service Advisors.** Regardless of customer mood, Advisors must maintain a positive attitude to facilitate open and friendly dialogue with customers, and to put a customer at ease. For this to happen, they must have an inviting work environment:

• The service drive must be bright and clean.
• The work area must give Advisors room to move around.
• Noise should be minimal.

In addition, all equipment must work properly and consistently. Even a printer that jams often can take a huge toll on your Advisors’ mood over time. And that mood invariably spills over to your customers and their perception of your Service Department.

**Change the traditional role of Service Advisors.** In many dealerships, the Service Advisor is an order taker, pushing metal through the service drive as quickly as possible. Rather than just a “processor” of customers, the Service Advisor should be a trusted consultant for them. Advisors should spend quality time and build a relationship with each customer. This means taking the time for a proper greeting, performing a thorough vehicle walk-around inspection, and having a BDC or phone receptionist field all phone calls when there is a live customer in the drive.

**Change the way in which Service Advisors are hired, trained, and evaluated.** Good Service Advisors need to be more than fast, hard workers with a service background who know your computer system. They need to be sales and customer-relationship oriented. They should also understand the importance of building long-term relationships with your customers.

Service Advisors should clearly understand your dealership’s competitive advantages and know how to communicate them to your customers.

People are not your greatest asset. The right people are. The wrong people are your greatest catastrophe and mediocre people are your greatest drain on resources.

— Dave Anderson
Learn to Lead, Inc.

**Service Advisors should clearly understand your dealership’s competitive advantages and know how to communicate them to your customers.**
Hold motivating service sales meetings at least weekly to teach your Advisors how to sell, how to get more service appointments, and how to identify and overcome objections. Show them how to make it easy for customers to say “yes” and hard to say “no.”

— Randy Johnson
President, Car People Marketing

Set up the right compensation plan for Service Advisors. Service Advisors directly impact your bottom line. Without the right incentives, you’ll have many oil change only jobs and missed opportunities. You will also have high turnover among Service Advisors, which will hinder your ability to build long-term customer relationships.

If Service Advisors are paid by the number of ROs generated, they’ll focus on getting customers in and out quickly instead of taking the time to identify additional service needs. Consider a pay-for-performance compensation plan.

This compensation plan should be based on these four factors:
1. Number of ROs.
2. Average labor dollars per RO.
3. Average parts dollars per RO.
4. CSI scores.

The right balance of these four factors is based on dealership revenue and CSI goals. It may take some work to determine the right formula for your dealership, but once this balance is achieved, it will help ensure Advisors are focused on being consultants to your customers, selling them services they need while building stronger relationships.

While a large part of Service Advisor incentives are focused on sales, long-term growth and profitability are heavily dependent on customer retention. Service Advisors should be made aware of the following factors designed to discourage over-selling and encourage customer retention:

- CSI scores are built into the incentives. Utilizing a consultative role and selling all required services/maintenance builds trust and CSI scores. An old fan belt breaking on the way home from the dealership does not.
- Overselling to customers hurts CSI scores.
- Customer retention and long-term relationships ultimately build revenue which, in turn, boosts Service Advisor compensation under this program.

When developing a new compensation plan for your Advisors, look at their current compensation and your dealership’s key metrics and financials. Involve your Finance Manager for help with forecasts and calculations. Focus on sharing increases in net profits, not revenue or gross profits. Don’t give away more than you earn!

Make sure your new compensation plan does not reward or punish Advisors for maintaining current levels. If they exceed current averages, they should make more money. If their numbers drop, they should make less. It sounds simple, but careful consideration is necessary to avoid negative reactions from Advisors. Any hint of an unfair plan could lead to problems instead of motivation.

Always include Advisors in discussions about pay-for-performance plans. Giving staff a sense of involvement/input is an important step in successful change management. Let them understand the new business objectives. Make sure they understand that it gives them the potential to make more money. You need their buy-in on the new plan or it is likely to fall flat.

Once you’ve designed the pay-for-performance plan, perform a little market research to confirm compensation packages and pay for performance plans are competitive with other dealers in your area. Hire and retain the very best people for this important customer-facing role. Once hired, train your new Service Advisors on how you want your customers to be treated. Remember, having a friendly, sales-oriented person for a Service Advisor can have a dramatic impact at your dealership.
It’s not always about money. It is important to your customer service and revenue goals that your Service Advisors have strong levels of job satisfaction. Although money is a strong motivator, recognition can be just as strong when done correctly. Something as simple as “Service Advisor of the Month” or a gift card of some kind can be enough to recognize hard work and possibly start some competition between Advisors.

In short, Service Advisors must build lasting relationships and serve as trusted consultants to your customers. However, they need to be happy in their jobs so they can deliver the relationship-building, consultative service that leads to increased profitability.

Management by Metrics

There’s an old adage in business: “If it can be measured, it can be managed.” Your Service Manager most likely already tracks overall department metrics such as revenues, costs, and profitability. But does he/she look at the metrics at the Advisor level? If not, there may be some unknown major profit leaks.

To leverage your service metrics, look at each individual Advisor to determine:

- Average labor hours and dollars per RO.
- Average parts dollars per RO.
- CSI scores.
- Average number of ROs processed per day/week/month.
- Number of ROs open for an extended period of time.
- Proactive communication with customers (service reminders, follow-up, etc.).

This tracking should be performed regularly (i.e. more than once a month). If one Advisor is sub-par with any of these metrics, identify the problem and correct it immediately. A delayed response could mean repeated, unnecessary mistakes and disgruntled customers who will go elsewhere for future service.

Give Your Advisors the Right Technology

Without the right technology, your Service Advisors’ time is wasted on unprofitable tasks like re-entering data into the system, calling the parts department for quotes, and looking up pricing. With the right software solutions, menial tasks are done automatically, allowing your Advisors to focus on taking care of your customers and generating more revenue.

Customer Relationship Management (CRM) tools are a quickly growing segment of software solutions. They allow your Advisors to build and maintain strong customer relationships with proper follow-up communications to keep your customers coming back. Some CRM tools provide live communications or automated follow-up that surveys customers after a service experience. With these survey results, problems can be fixed before a customer gets a chance to tell others of a bad experience or complete a manufacturer survey, either of which can damage your business.

Pricing/retail estimating tools enable Advisors to give customers on-the-spot, accurate cost estimates for their repairs. They can tell if the required parts are in stock and when the vehicle can be picked up. In addition, some advanced estimating tools can look at shop capacity and

In the early 1900s, a factory tested a theory that productivity would increase if the lighting in the plant were turned up. So every day they increased the lighting a little bit and recorded the productivity. As the lighting increased, productivity increased. Then they began to lower the lighting every day and recorded the results. The productivity continued to increase! Turns out, the productivity had nothing to do with the lighting. Productivity increased because it was being tracked.

– Mark Sappington

“Track Technicians’ Performance”


Service Advisors must build lasting relationships and serve as trusted consultants to your customers.
determine when the vehicle can be worked on and finished. No more “5:00 surprise.” The customer is put at ease, and the Advisor can spend more time talking with them instead of researching repair information while the customer waits.

**Conclusion**

Some of the country’s most successful dealers have been making changes in their Service Departments to make them more profitable. These changes include:

- Hiring, training, and evaluating Service Advisors who are sales and customer-relationship oriented.
- Insisting that Service Advisors spend quality time building relationships with customers.
- Implementing pay-for-performance compensation plans.
- Creating a more inviting work environment.
- Maintaining a brighter, cleaner Service department.
- Changing the role of the Service Advisor to that of trusted consultant for customers.

To begin the transition to a more profitable Service Department, meet with your Service Manager and objectively evaluate your Service Advisors. Ask the following questions:

- Do you have the right people in place?
- Do they have the tools and technology to be effective?
- Are they properly trained?

Once you’ve completed this evaluation, think about how you’re going to encourage and measure your Service Advisors’ success:

- Are you using the right incentives?
- Do you know which metrics will help you measure performance?
- Do you have a mechanism to obtain and manage metrics to ensure success?

If you answer “no” to any of these questions, you have an opportunity to improve your processes, and ultimately your profitability.

With vehicle sales lagging and an increase in independent shops opening, more and more focus is being placed on Fixed Ops. With the right Service Advisors in place, you’ll create a more profitable dealership, highly satisfied and effective Service Advisors, and a group of loyal customers. The time to act is now. Schedule your meeting today.

**About the Author**

Jon Strawsburg is vice president of Product Planning for Reynolds and Reynolds. He is responsible for product planning of core DMS products for both ERA® and POWER. His career at Reynolds spans more than 30 years and includes leadership positions in product management and marketing, as well as extensive work with large dealer groups and OEMs.

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