

Service Department

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Run Swiftly To The Battle! Creating a Culture of Urgency

One of my heroes in the automotive business is Jeff Sacks of NCM Associates, Inc. Jeff has observed that, in the early years of vehicle ownership, people stay very loyal to the dealership service department. However, in the first year or two, a vehicle doesn't need too much customer-pay maintenance. As the years go by, loyalty drops like a rock. Yet, owners of older cars spend a lot more money to repair, service, and maintain their vehicles.

These truths lead us to a painful conclusion: When our customer retention is the highest, customers spend the least (with us.) When our customer retention is the lowest, customers spend the most (with our competitors.) Ouch!

While the exact statistics vary slightly, most studies show that dealerships get less than 20% of the preventive maintenance work done nationwide. Yet, we get 100% of the warranty work. Therefore, as long as we are giving it away for free, people remain 100% loyal. But when consumers are deciding where they are going to spend their hard-earned money...80% of them go to the competition.

Speaking of warranties, Hyundai has a 10 year/100,000 mile powertrain warranty and Ford is at 5 year/60,000 miles. GM has just announced an increase to a 5 year/100,000 mile powertrain warranty. Chrysler, on the other hand, has decreased their warranty to 3 years/36,000 miles. Because warranty lengths tend to ebb and flow, over time it can be a challenge to establish a trend. But the tea leaves seem to suggest extended powertrain warranties are increasing in popularity.

So the question arises, does customer loyalty increase as the length of the warranty increases? Since the consumer can't go anywhere other than the dealership to get warranty work done for free, the current thinking is probably yes. However, everyone has seen a steady decline in warranty revenue over the past decade; therefore, I don't believe extending the duration of the warranty automatically increases loyalty. I think the more important question to ask is whether increased warranties will result in increased customer-pay gross? No, it won't...unless we implement intentional processes to proactively pursue customer-pay maintenance revenue.

Just because customers come to the dealership for warranty work, there is no guarantee they will have us perform customer-pay maintenance... unless we ASK them to. Extended warranty durations do increase our “hunting season”...that period of time when we have a captive audience on the service drive.

We must move swiftly if we intend to increase our market share and customer-pay maintenance penetration. There is a battle raging for the preventive maintenance business across America. But, I am firmly convinced that our battle is not with competing service centers and garages. The Pogo comic strip said it very well, “We have discovered the enemy...and it is us!” Last year \$56 billion of maintenance went unperformed in the United States. This is not business that some competitor stole from us, but rather money that we left on the table. Why? Simply because we didn’t have the urgency to ask.

Most of us remember the story of David and Goliath from Sunday School. The Israelites and the Philistines were lined up on opposite sides of a valley geared up and ready for battle. It was finally decided that rather than having a full scale war, each army would send out their best warrior in a winner-take-all battle to the death. The Philistines chose Goliath, a nine foot tall mighty man of war with a sword, a javelin, a shield, and full set of body armor. The Israelites, on the other hand, couldn’t find a man willing to face the challenge. Ultimately, a red-headed, freckle faced shepherd boy with a sling shot stepped forward. Everyone laughed, especially Goliath; but David moved with confidence to the battlefield.

Let’s pick up the story: “As the Philistine, Goliath, moved closer to attack him, David ran quickly toward the battle line to meet him. Reaching into his bag and taking out a stone, he slung it and struck the Philistine on the forehead. The stone sank into his forehead and he fell facedown on the ground.”

Now for a quick recap: Goliath was bigger, stronger, better equipped, better financed, and more popular. Yet David was faster...he had a profound sense of urgency...and he WON!

Our battlefield is the service drive, our battle is asking for the preventive maintenance business, and our primary weapon is an urgent desire of the heart to make it happen NOW!

In today’s business environment, no longer will the bigger overcome the smaller, no longer will the stronger overpower the weaker...but rather, in today’s business environment, it will be the faster who will out-perform the slower.

I’ve seen many service managers running swiftly...in retreat...running away from the battle. Running away from accountability, running away from leadership, etc...

It's easy to fall into this pattern of behavior and easy to make excuses and rationalize our lack of action. But, it's a loser's pathway that leads to lost customers and lost profitability.

The battlelines have been drawn: Which way are you running?

Call Out..."Last year \$56 billion of preventive maintenance went unperformed...because we didn't have the urgency to ASK." –Charlie Polston

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