

# Times Have Changed, But Ya Ain't Seen Nothin' Yet!

Posted on July 3rd, 2014 by Charlie Polston

Most managers in the automotive industry have their nose to the grindstone, squarely focused on finishing the month ahead of projections. From dealers to general managers, from middle management to service advisors, from consultants to guys who write for Dealer Magazine, all of us are striving to “have a good month”.

Thankfully, there is a group of automotive professionals that took a bold step to conduct an opinion survey and bring together focus groups to look at the future of franchised dealerships in the United States. AutoTeam America recently released their report “2025 Dealership Vision: What Lies Ahead!” (To view the full report, check out their website at [www.autoteamcpa.com](http://www.autoteamcpa.com).) Simply put, I think their prognostications are thoughtfully researched, accurately compiled, and concisely presented. The report, however, does not paint a very rosy picture for fixed operations and I hope they're wrong – but I fear that they are spot-on! Let's look at some key takeaways from the report:

- When comparing 2013 to 2025: new car sales will be up, gross will be down; used car sales will be up, gross will be down; fixed ops sales will be up, gross will be down...are you seeing a pattern here?
- The greatest threat to the current automotive franchise system, according to 54% of those surveyed, is factory demands on the dealership and factory entrance or interference in the market.
- Manufacturers will provide greater incentives to help the dealership maintain profitability, but “with those incentives will come greater influence and control over how the dealership conducts its business,” according to the report.
- “The only hold against the tide of manufacturers looking to micromanage the dealership, without taking any of the responsibility or capital risk, will be increasingly specific state franchise laws to protect the dealership's investment,” AutoTeam America says.
- Service will continue to be the most profitable department in the dealership. (In my opinion, that means great job security for service managers who act like a businessman, who think like a sales executive, and who hold their techs and advisors accountable to sell maintenance services.)
- Parts gross profit will be highest on specialty parts that are used when a vehicle needs to be repaired. Parts gross will be smaller on maintenance and light repair parts. (Therefore, you better start praying that your customers' cars start breaking so they will need to be repaired with high-grossing specialty parts! But wait—look at the next prediction.)
- Vehicle dependability will continue to improve. It doesn't take a crystal ball to predict this, because over the past seven years vehicle dependability has increased from 216 problems per 100 vehicles to 126 problems per 100 vehicles. (Okay, so a dealership will need more broken cars to stay profitable, yet cars are breaking at half the rate they used to and will break down even less in the future. Ouch!)

- AutoTeam America predicts dealerships will need a higher volume of retail customers (customer-pay) doing preventive maintenance and light repair. Yet manufacturer recommended maintenance intervals will continue to be extended, reducing customer visits to the dealership. Additionally, reduced maintenance requirements and manufacturer-paid maintenance will further reduce customer-pay labor sales.

Once again history validates this, because over the past seven years, dealership service visits have dropped from 3.5 annually to less than 2 visits annually. (Forgive me for stating the obvious, but the very thing dealerships need— more preventive maintenance retail service lane traffic— is the very thing that manufacturers, by their actions, are squashing! I've always heard that the automotive industry was full of contradictions, but my goodness, this is nuts.)

What does it all mean? With all these external forces affecting your business, how should you respond? There is so much outside of your control that you can't change; is there anything you can do? Yes! You can proactively sell much-needed preventive maintenance services. Your customers have made a huge capital investment in a high-tech, mechanized, computer-controlled piece of machinery that must deliver them and their precious families safely from Point A to Point B. Your job as a service professional is to help vehicle owners protect their investment. The only way to do that is by performing routine preventive maintenance.

Let me make a prediction of my own: dealerships that hold their service personnel accountable to sell preventive maintenance will have the highest customer retention, the highest customer satisfaction, and the highest overall profitability in the industry. They will remain vibrant and productive in the midst of an ever-changing marketplace.

No matter how sophisticated cars get, they won't be reliable without maintenance. Preventive maintenance services provide a consistent revenue stream for the dealership and provide peace of mind for vehicle owners.

Powerful forces are changing the automotive industry, but now that you know what's coming, you can arm yourself with a battle plan for success. My personal thanks to James Godfrey and the folks at AutoTeam America for giving me permission to quote from their report.

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