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## Larry's Ramblings

From everything I see a market shift is occurring, but unlike previous market shifts I am having a very hard time figuring out where this one is headed. Here is a sample of the headlines I have seen this year:

- Aftermarket Service Business is up 45% over the last three years
- Used car prices are going to decline
- A glut of off-lease vehicles is expected this year
- Sedan Sales are down 45%
- Truck Sales are soaring
- Another record Sales year expected in 2016
- Manufacturers are not expecting the normal summer shutdown
- Elections will bring about an unstable market

When I read these headlines I get confused. Is 2016 going to be another record year? Is Service Business going to slow down or pick up? What will vehicle Sales do? I wish I had a crystal ball, but I gave mine to one of my clients...after it quit working!

Here are some things that I know for a fact:

- In 2015, the average Franchised New-Car Dealership posted Net Profits of \$363,308 from its Service and Parts Department, \$71,265 from its Used-Car Department and \$41,268 from its New-Car Department, according to the National Automobile Dealers Association.
- Parts and Service are critical for profitability.
- Recalls are at an all-time record high.
- Labor Rates are finally over \$110.00 per hour (in most Dealerships). Unfortunately, too many Service Departments are discounting this back to under \$90.00 per hour.
- Service Employees are still hard to find, especially for Dealerships who do not have a full-time recruiting plan.
- Collision Repair Estimate averages are at an all-time high over \$2,400 per estimate
- Parts Department Gross Margins on Customer Paid Repair Orders are finally over 42% (for most Dealerships).
- Success favors those who are best prepared for it!

*esteem of their personnel. If people believe in themselves, it's amazing what they can accomplish."* -SAM WALTON



It's NOT too late to get your **Service Manager** enrolled in the **Service Manager College Course** on July 26-28

Deadline for enrolling is Friday July 102h

[Click Here to Enroll](#)

Don't forget about other upcoming courses...

**Collision Manager College Course** on August 16-18

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**Parts Manager College Course** on September 27-29

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## Discount Addicts

*Is your Service Department addicted to discounts? If you told your Service Staff that effective today they could no longer offer any discounts whatsoever, would everyone stick their thumb in their mouth, lay down, curl up into the fetal position and start crying?*

From what I am observing, discounting has gone way beyond the **"Problem" Stage** and has entered the **"Disaster" Stage**. Here is an example for you:

I looked at the Discount Operation Codes for a Dealer client last month. This Dealership had 18 different Discount Operation Codes built into their Service Pricing Guide Program-

- \$5.00 off coupon
- \$10.00 off coupon
- \$15.00 off coupon
- \$20.00 off coupon
- \$30.00 off coupon
- \$40.00 off coupon
- \$50.00 off coupon
- \$100.00 off coupon
- \$35.00 2-year maintenance adjustment
- \$50.00 2-year maintenance adjustment
- \$75.00 2-year maintenance adjustment
- \$85.00 2-year maintenance adjustment
- 10% discount coupon
- 10% off Parts
- Military Discount (no set amount, Adviser writes in amount)
- 10% Military discount
- 10% Senior citizens discount

- 10% Service Manager discount

If you believe that this is an extreme example, *I challenge you print out a list of your Dealerships Service Departments Discount Codes*. I bet that you will discover your Service Department looks a lot like the one in my example above. This problem is not limited to Dealership Service Departments, the next time you go to the Mall make a point of counting the number of stores that have discounts advertised in their windows. Dealerships are not the only business who have become addicted to discounts. Discounting is what businesses do when they fail or forget how to sell the features, advantages and benefits their business offers. Discounts are the next to the last step (death) in a business life cycle. When price is the only differentiating factor, the products your business sells become a "commodity". Commodities are products that are sold based on price!

Discounts worked well when only a few businesses offered them. Grocery stores started the discount trend back in the 1970's. Discounting is very easy for a grocery store because they have thousands of line-items to sell. Dealership Service only has about 400 line-items.

Manufacturers have become enablers by encouraging Dealers to offer discounts. The nationally advertised "Lube Specials" and the nationally advertised "Brake Specials" have encouraged Dealerships to become even more addicted to discounts than they already were.

It seems like in today's world, everyone discounts! Well not everyone... high line businesses have avoided jumping on the discount bandwagon. Ritz Carlton does not offer discounts. The Mayo Clinic does not offer any brain surgery coupons. These so called "high line" businesses sell features instead of price. They train their Staff to counter discount questions from customers by reminding customers of the Features associated with doing business with them. Question: is Dealership Service recognized as a "high end" service? I believe it is. In fact, I believe Dealership Service is at the top of the Automobile Service food chain.

Discounts, normally found at the bottom of the food chain replace feature-based selling methods. Discounts will turn your Writers into mindless zombies. They forget how to listen to customers wants and explain to customers what they need. They forget how to sell the difference between an O.E. Part and an Aftermarket Part. They forget how to explain the difference between an ASE Certified Technician and a Manufacturer Certified Master Technician.

Another really big problem with becoming addicted to discounts is that your customers are never satisfied. If you look at the discount list above you can see how it has increased over the years. The Manager started out with a \$5.00 discount coupon, this escalated to a \$10.00 discount coupon. You can see where the Manager tried to stem the discount request coming from his Writers when he went from \$10.00 to a \$15.00 discount. Of course that did not work so the discounts went to \$10.00 increments all the way up to \$100.00. There is no end in sight for this Dealer.

Discount addicts are a lot like drug addicts, they tell themselves that last discount mailer worked, it brought in 100 more Repair Orders than we usually write, let's offer a larger discount next time! Pretty soon, the customers figure out that all they have to do is tell their Writer *"your price is too high"* and the Writer says *"let me give you a discount."* In case you did not know, this is the same way people get hooked on drugs! They start off with a small dose and pretty soon they require larger and larger doses.

It is very easy for us to identify Dealership Managers who have developed an addiction to discounts. All one needs to do is look at the pain on the Service Manager's face when we tell

them they need to eliminate all the discount codes in their system. Usually, they stick their thumbs in their mouth and start crying!

**Where will this madness stop? When the Dealer decides they are through losing money in their Service Department every month.** Unfortunately, the Manager and the Writers might have become addicted to the point where they have completely forgotten how to sell features instead of price. When this happens, the only solution to this problem is to flush the Manager, Writers, Discount Operation Codes, and hire a new Staff; a Staff that knows how (or can be trained) to sell features instead of price.

**If your Shop is not too far gone and you only have a mild addiction, here are some suggestions to help you get off of the service discount drugs:**

1. Put up a "Wall of Fame" in your Service Lane. Show pictures of your Factory Trained and Certified Technicians. Let your customers see for themselves that your Dealership Service Department is staffed with highly trained and highly skilled Technicians who can fix any problem the customer might ever have on their vehicle.
2. Prepare a list of features that your Service Department offers and put a laminated copy of this on every Service Consultants desk:
  - Complimentary shuttle
  - Complimentary coffee and doughnuts
  - One-Year Warranty on Parts and Labor, good at any franchised Dealer nationwide
  - Over \$xx,xxx invested in special tools specifically designed for your customer vehicles
  - Appointments offered for customers convenience
  - Complimentary Appraisals of their current vehicle
  - Early bird and night owl drop-off service
  - Extended Service Contracts offered at any mileage
  - Your Dealership maintains a history of every service and repair ever done on customers vehicles
  - Complimentary recall check with every service
  - Complimentary Inspection of the customer's vehicle major operating components
  - Factory Trained Technicians
  - Factory Certified Master Technicians
  - One-stop service, our Dealership can handle all of your customer's vehicle needs at one time. No need to visit several different specialty shops
  - Competitive up-front pricing
  - I am sure you can add to this list if you put your "thinking cap" on
3. Begin holding regularly scheduled training sessions for your Writers and other Service Staff. Use these sessions to teach your Staff how to sell *features* instead of price. Have your Staff role play overcoming price objections.
4. Instead of promoting discounts in your service mailers start promoting features. Use mailers to educate customers on the VALUE of doing business with your Dealership Service Department. **Value, when properly presented, always trumps price.** Remember, customers must see the value so you have to constantly remind customers of all the value features your Dealership offers.
5. Enroll your Service Consultants in our two-day Advanced Selling Skills Class. This

class teaches Service Consultants how to avoid discounting by selling Features, Advantages and Benefits.

Remember, when you fail to demonstrate your Shop's *features* and *value* to customers, all you have left to sell is **PRICE!**  
You can avoid becoming addicted to discounts if you eliminate discounting and teach your Staff how to *sell value instead of price!*

## Update on Advisor Overtime

In case you have not heard the Supreme Court ruled 6 to 2 that Advisors are not required to be paid overtime. I followed this suit very closely and I believe the key argument that won them over was a previous U.S. Labor Department ruling was that commissioned Sales Persons' were not entitled to overtime. Most Dealership Advisors receive the bulk of their pay from commissions. Let's hope this is the end of this story.

## From the Archives

### Management Team Building

***Make these commitments to yourself and you will become a better Manager!***

1. We are here to serve our customers.
2. ***Respect*** your Employees as *valuable members* of the TEAM that serves your customers.
3. Meet with your Team regularly.
4. Make sure your Team knows and understands what your vision is.
5. Every Team member should have specific, measurable goals to achieve. From keeping the Service Aisle clear to answering the phone on two rings
6. Remember, you are the Captain of your Ship. You set the course!
7. Value customers and Employees for their *future worth*, not just for what they can do for you today.
8. Share the results. Everyone wants to know "how are we doing?" If you are measuring it, then share it.
9. Don't be afraid to experiment! Truly successful Managers are always looking for an edge over their competition. They are the ones raising the bar.
10. Remember, you are the coach, *act* enthused and you will *be* enthused.

## Executive Learning Resource for Top-of-the-Line Fixed Operations Managers or those who want to be

A free monthly newsletter about Automobile Dealership Fixed Operations. Based upon the Consulting, Training and Research work done by Edwards & Associates and its Chairman, Larry Edwards CMC.

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