

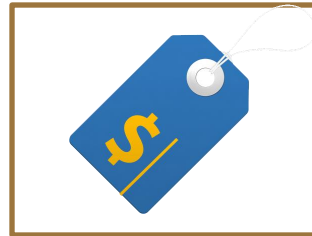
5 Ways to Generate Significant Profits in Your Service Department



Customers love my service department...What's next?

Now that you've made the commitment to making sure your service department delivers a superior customer experience that drives repeat visits, it's time to boost your profits without detracting those customers.

Our dealership expert, Bob Clements, provides 5 ways to do so.



#1. Bump up price margins on parts that get applied to work orders

Think about a customer that comes in asking for some of your traditional, fastest moving parts. They've made your job easy because all you have to do is look up the part, availability and location, and the customer is on their way. The same, however, cannot always be said for your service department.

When a customer brings a unit in for service, the tech must first evaluate the unit and then determine what parts are needed.

Some are a relatively easy fix. Others, however, take more time and research in both diagnosing the problem and locating some of your lower-volume parts.

When more research and special ordering is involved, this whole process has just doubled if not tripled your time and resources.

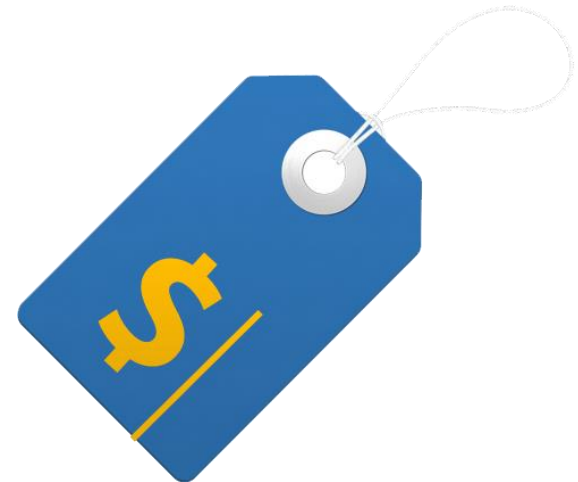
To maintain a profitable service department, it's essential to reduce some of the costs involved.

Charge 5% more for parts

Since customers tend to be more focused on labor dollars than parts dollars, Clements encourages dealers to **charge 5% more for each replacement part** to cover the costs associated with diagnostics, finding the right parts, identifying part numbers, creating purchase orders and so on.

He also recommends to give a 5% discount to customers who walk in simply to purchase a part, so that they aren't overcharged.

By charging 5% more, the average dealer who sells \$200,000 worth of parts or more through their service department can pick up an additional \$10,000 or more in net profit.



#2. Charge for all diagnostics

Do not fall into the trap of thinking you're providing great customer service because you'll look at piece of equipment for free. You must charge for any and all diagnostic work because time is money and if you provide fantastic service, your customers will work with you.

Clements recommends that you have diagnostic policies set in place that are clearly communicated to the customer.

He suggests charging \$35 per half hour minimum of diagnostic work up-front on hand-held equipment and \$70 per one hour minimum of diagnostic work up-front for anything that's a ride-on.



Do not give this fee back if they choose not to fix it after it's been diagnosed or decide to buy new. If they decide that they want their equipment fixed, you can work that fee into the overall labor totals of the service.

#3. Post an hourly labor rate that's visible to your customers

Clements recommends posting a rate that is visible for all non-purchasing customers to see, so they immediately know what you are going to charge them for labor.

If they are loyal customers who have done business with you for a long time, you can honor their loyalty by offering their labor at a reduced rate.

For example, let's say you typically charge \$80/hr as a labor rate. Make sure you have signage posted that lists your rate. If one of your regular customers comes in and needs some work done, tell them that since they are such a great customer, you'll knock \$10/hr off their labor and give it to them at a rate of \$70/hr.



#4. Implement flat-rate labor codes into your business management software

Once you have a posted hourly labor rate, it's very important to base all work in your business management system off this labor rate and not to underestimate labor times.

An easy way to simplify and keep your pricing consistent is to implement pre-determined labor rates for all of your services and set these codes up in your software so they can easily be added to a work order.

For example, if it takes your tech roughly a half-hour to rebuild a carburetor, have your labor code for rebuilding a carburetor set up to automatically charge an hour at \$80.

It's ok to over-estimate because you pay more for good, efficient techs. Plus it might take a less experienced tech longer to do the same job.

In either situation, this helps you remain profitable and your more experienced techs are getting credit for being more efficient.

To help simplify what you should be charging for each job, and to keep in line with others in the industry, Clements has come up with a series of pre-determined labor codes that he has made available for OPE dealers.

#5. Offer service packages and extended service contracts

Create service packages and extended service contracts that you can add on to your wholegoods at the point of sale. This helps increase the probability of your customers bringing business to your service department.

Work with your parts manager to determine what services will be needed during the lifetime of the unit.

If you sell an \$8,000 mower, on average, you'll have \$5,000 in parts and labor come back into your service department.

A lot of times people are skeptical of offering these packages because they typically wouldn't buy these packages themselves, but Clements urges you to implement them into your business. He says statistically 30% of customers will buy into some type of extended service offer.



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We can help!

Ideal's business management system can help you bring your customer service to the next level.

- **Effectively manage your service department** with our easy-to-use Service Scheduler.
- **Improve your customer service** by having detailed information about serviced equipment at your fingertips.
- **Drive additional revenue** with price markup capabilities on shop parts.
- **Maximize the profitability of your techs** with our Technician Time Clock.

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Discover 7 ways to "wow" your customers and breed customer loyalty into your dealership.

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How to Evaluate Business Management Systems

Get a checklist for each area of your business and find out how to choose a system that fits your dealership best.

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About Ideal Computer Systems

Ideal is a full business management system for OPE dealers that will integrate and automate all aspects of your business. Ideal helps thousands of lawnmower, small engine, chain saw, and tractor dealers across the USA and Canada run their sales and service businesses more effectively and boost profits.



Sales

Quickly process all sales transactions and reduce double entry. Ideal's sales module integrates information directly into your inventory, purchasing, marketing, and accounting modules.



Service

Offer the best in customer service. Ideal's service features allow you to track detailed customer history and their units serviced. You can also track the efficiency of your techs to ensure you're getting the most out of your employees.



Parts

Regulate your inventory. Ideal allows you to check the status of your stocked items, pinpoint items that are costing you money, reduce ordering time, and keep detailed records of all your supplier transaction activity and purchase history information.



Accounting

Eliminate double entry into additional software and access all financial and accounting information instantly. Ideal's fully-integrated accounting modules will provide you with everything you need to process and record all of your transactions.