

# High Technician Turnover, Fierce Competition



## It's Time to Crisis-Proof Your Service Department

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In automotive retailing, fixed operations has long served as the financial backbone of the dealership. In fact, there are signs that your service department may have to shoulder an even greater share of the burden to keep your business profitable in the near future.

Why? The convergence of many factors is set to put additional strain on your variable operations, including:

- Thinning profit margins in new vehicle sales,
- Constantly shifting consumer expectations,
- And, increased competition from direct-to-consumer manufacturers like Tesla and Rivian, as well as online and used retailers like Carvana and Vroom.

For the first time since the Great Recession, the average U.S. new car dealer operated at a financial loss in 2018. The typical dealer lost \$13,000 – compared to a \$430,000 profit in 2013.<sup>1</sup>

Even so, many dealers will ask: “Why panic? We know we have fixed ops – and the steady, reliable revenue stream the service department represents – to fall back on.”

Not so fast. It turns out dealership service departments are facing a crisis of their own, one that’s separate from all of the factors impacting variable ops but which could be just as devastating if left unaddressed.

I’m talking about the struggle to find and keep enough technicians to meet the demand for maintenance and repairs.

## Your Service Technicians – A Day in the Life

The Bureau of Labor Statistics estimates there will be a decline of 6,400 automotive technicians between 2018 and 2028. Why is there a decline when there are jobs waiting to be filled and evident demand for these positions?

To understand *why* it’s happening and how to combat it, let’s first make sure we’re well acquainted with the current day-to-day working reality of the average dealership service technician.

A snapshot of this person: They’re 40 years old with 19 years of industry experience, have spent 3.8 years at their current job and, most importantly, would *not* recommend their work to a friend.<sup>2</sup>

Let’s focus on that last point for a moment, as it obviously has some profound implications for the future of fixed ops. Why is the average dealership service technician not happy enough with their professional quality of life to want to recommend their career path to someone else?

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The most obvious place one might go would be income, and it's true that the average salary for both incoming techs and longtime service employees are not among the highest when compared to skilled laborers in similar fields.

But, what's also true is no amount of money is going to convince someone to stay somewhere if there are deeper issues feeding their unhappiness or discontentment with work. So, let's identify some root causes for why techs are leaving the dealership.

First, perhaps a smarter way to think about money and your technicians is the reality that they often have to foot the bill for tools and even training. This is a lose-lose arrangement: Technicians are going into debt to purchase tools, and the shop is losing productivity while staff *should* be completing jobs in the service bay.

In the same vein, ongoing training is required more than ever for technicians to effectively service vehicles. Dealerships that invest in training technicians drive future success and increased productivity. Those that don't are putting the responsibility – and the cost – to stay knowledgeable solely on the technician.

When technicians are required to pay for their own tools and training, it creates the feeling of a contractor relationship rather than an employee relationship. In such an environment, it should surprise no one that the average technician moves on to the next dealership in less than four years.

Looking beyond money, consider the inefficiencies and annoyances in the day-to-day workings of your service department and how these eat away at job satisfaction. See how many of these questions you can answer yes:

- Do you have a plan that delivers parts to the service bays to allow technicians maximum time for vehicle repair? Is your parts department staffed and supplied adequately so technicians deal with little or no wait time?
- Has your dealership digitized communications and orders between technicians, advisors, and parts to eliminate all the time wasted walking and waiting?
- Is your shop equipment well maintained and state-of-the-art, prioritizing safety and performance capability?
- Are your advisors showing maintenance menus and every technician recommendation to each customer? If not, advisors may be prequalifying customers to the point of not presenting all the findings. This erases technicians' incentive to perform the inspection in the first place, costing *everyone* potential revenue and exposes potential liability for critical service items that were not inspected or presented.

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- Does your service department have porter staff to locate and pull in vehicles? Are vehicles preloaded in your service bays and ready to be worked on before technicians arrive in the morning? Your technicians generate in excess of \$200 an hour in labor and parts sales, meaning it's better to absorb the cost of a porter at \$12 an hour than lose the revenue of a technician.

Unless you're answering "yes" to most of these questions, there's only one question that truly matters: Does your dealership provide the *best* opportunity for your technicians to make a good living?

### **The Cost of Turnover to Dealerships**

Dealers grasp many of these issues intuitively thanks to the difficulty they're having manning service bays. Experts estimate the typical technician generates \$1,000 in revenue per workday,<sup>3</sup> so a job unfulfilled for 30 days means a potential loss of \$30,000 for your fixed ops department. A job unfulfilled for 60 days? \$60,000. For 90 days? \$90,000.

High turnover and fierce competition for skilled technicians means that even as dealers are increasingly forced to rely on fixed ops for profitability in the coming years, fixed ops will become shakier than ever before. The time to address the turnover crisis was yesterday.

So, the million dollar question is: How do dealers respond?

How do you make the role of technician in your service department *attractive*?

### **New Efficiencies in the Service Department**

As we noted before, more money only goes so far and may not necessarily have the strongest correlation to long-lasting job satisfaction and lower turnover rates.

Achieving real results means digging deeper to address the underlying, systemic issues with your business. In this case, that means recognizing what aspects of your service department are driving your technicians to leave – and tackling those issues head on.

Let's start with an idea that doesn't actually go over that well with many technicians: Enforce a process or system that ensures your staff performs multipoint inspections *every time*. On the surface, this might seem like a time-waster, but consider that roughly 33 percent of dealership service customers agree to additional repairs or maintenance work when a service advisor recommends it.<sup>4</sup> That's extra money in your technicians' pockets.

In fact, leveraging technological solutions to both revamp and enforce processes is the key to unlocking *many* new efficiencies in service, improving your technicians' work lives, as well as productivity and profitability.

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If you have a way to enforce multipoint inspections for every customer, you should also be able to ensure your advisors present every possible upsell opportunity the technician finds.

And if you are presenting every upsell, you should have a detailed record of upsells and declined services readily available. Your upsell process should be digital and not require any information to be rekeyed to avoid unmarked data in the system.

When compared to stores with a digital process, stores with manual logging of declined service recommendations (i.e., a haphazard, non-standardized approach) see an average of only seven percent of repair orders (ROs) logged with declined service for follow up. Those implementing an electronic solution see an average of 30 percent.<sup>5</sup> In other words, a forced, digital process ensures more recommendations get done or are at a minimum recorded, increasing your chances of upselling during the customer's next visit and improving your opportunities for marketing later.

Of course, declined service recommendations aren't the only place where leveraging technology can help shore up service department revenue. The vast majority of these solutions will prove more popular with your technicians since they make their work lives simpler and easier:

- Digitize interactions between technicians, advisors, and parts to keep technicians in the service bays, eliminating time wasted walking and waiting.
- Have a system in place that always puts *accurate* pricing at their fingertips.
- Make sure the service work they found and recommended comes *back* to them (as long as they're available) to promote a culture of fairness and equal opportunity.
- Implement a system that staggers appointments evenly throughout the day, preventing 20 people from showing up at 8 a.m. to overwhelm your staff.
- Make sure needed parts are in stock and each customer history is reviewed *before* they arrive.

Investing in new efficiencies in fixed ops serves your dealership by empowering your technicians, delivering a first-class working environment for them, and cutting costs while also boosting revenue opportunities.

### **Conclusion**

Choose to see your technicians as the assets they are, invest in their success and job satisfaction with truly competitive pay and benefits, and empower them with a state-of-the-art operation that

makes their work life simpler and easier while boosting revenue opportunities *and* cutting costs.

Make the commitment to this approach today, and you'll position your fixed ops – and your dealership as a whole – to weather any storm.

Visit [www.reyrey.com/whitepapers](http://www.reyrey.com/whitepapers) to read more about how the automotive industry is changing.

<sup>1</sup> Forbes

<sup>2</sup> Carlisle

<sup>3</sup> Fixed Ops Journal

<sup>4</sup> Dealer Rater

<sup>5</sup> Auto Dealer Today



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