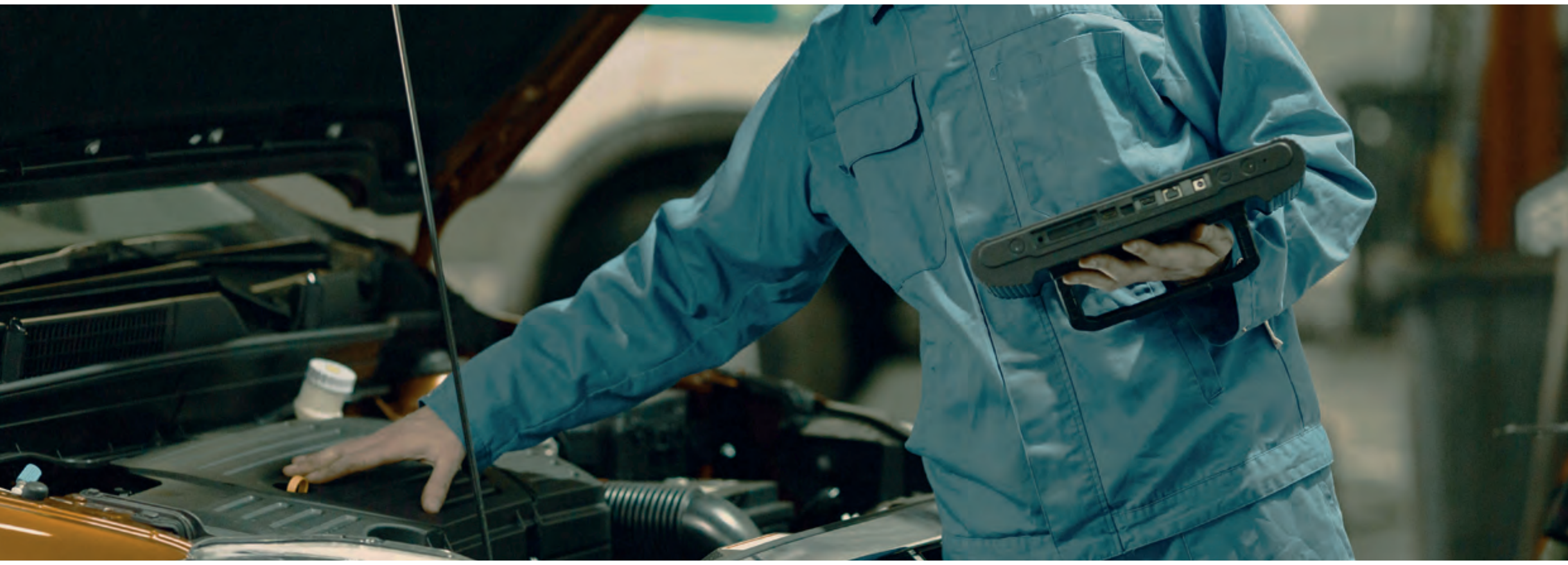


# The Future of Aftersales Profitability in Franchised Dealerships

David Hart

CONNECTIVITY.CX
a more rewarding customer experience

# About the author

With over 30 years' experience spanning both dealership and manufacturer roles, David is a leading automotive expert.

By developing and implementing customer-centric strategies, he has helped many franchised dealerships to enhance revenue, efficiency and brand loyalty within their aftersales departments.

Known for his deep industry insight, David is an advocate for innovation and strategic transformation in the automotive sector.

# Contents



## Why Aftersales Matters Now More Than Ever

Aftersales has long been the backbone of franchised dealerships.

***If you're doing it right, aftersales can often cover operational costs while new car sales contribute additional margin.***

Yet, many dealerships still treat aftersales as an operational necessity rather than a strategic profit centre. As the industry faces major disruptions - from digital transformation to the rise of electric vehicles (EVs) and shifting consumer behaviours - aftermarket services must be reimagined to ensure sustainable profitability.

This research paper explores the current challenges confronting franchised dealership aftersales departments, drawing from extensive industry research and interviews with seventeen professionals from the UK automotive sector.

By then integrating real-world insights gained over more than 30 years in automotive, this paper presents actionable solutions that will position dealerships for long-term success.

# The Research

In order to comprehensively understand the multifaceted challenges confronting franchised car dealerships' aftersales departments, We embarked on an extensive research journey that spanned more than 6 months.

The project focused predominantly on the UK and Ireland, but also encompassed a broad geographical spectrum, including in-depth studies from emerging economies, and advanced markets such as China, the European Union, and the United States.

A mixed-methods approach was adopted. The first stage involved a meta analysis of the most up-to-date industry statistical data focusing on aftersales services and aftermarket support. The paucity of academic research focused on aftersales, and automotive afterales in particular, may reflect an assumption that aftersales is no different to selling new or used cars. In other words, the same sales techniques will suffice. Indeed, one of the challenges within aftersales is an attitude that service advisors are there to advise and not *to sell*. As such, the second stage of the research involved a series of semi-structured interviews with 17 professionals from within the UK automotive sector.

The semi-structured nature of the interviews meant that the conversations focused on the concerns of the interviewees, offering insight into their attitudes and concerns. These concerns may yet to be reflected in statistical trends at a dealership or even regional level, making the experiences of the interviewees key to achieving a postdictive understanding of where dealerships need to implement change in order to ensure the profitability of their aftersales departments.

## Participants by job role

Group Head of Marketing, Aftersales Manager. Director of Operations, Aftersales Manager, Service Manager, Dealer Principal, Dealer Principal, Aftersales Regional Business Manager, Parts Manager, Service Manager, Dealer Principal, Director - Commercial Operations, Director of Digital Transition, Service Manager, Master Technician, Group Head of Aftersales, Director (Trainer / Consultant), Managing Director, Franchise Manager.

## Brand representation

1. Abarth
2. Alfa Romeo
3. Alpine
4. Audi
5. BMW
6. BYD
7. Citroen
8. Citroen (Authorised Repairer)
9. Cupra
10. Dacia
11. Fiat
12. Fiat (Aftersales Only)
13. Fiat Commercials
14. Ford
15. Ford Commercial
16. Genesis
17. Honda
18. Honda (Authorised Repairer)
19. Hyundai
20. IVECO
21. JAECOO
22. Jaecoo
23. Jaguar
24. Jeep
25. KGM
26. Kia
27. Land Rover
28. Lexus
29. Lotus
30. Maserati
31. Mazda
32. Mercedes Benz
33. Mercedes Benz Vans
34. MG
35. Mini
36. Mitsubishi
37. Mitsubishi (Authorised Repairer)
38. Moke
39. Nissan
40. Omada
41. Peugeot
42. Peugeot
43. Polestar
44. Renault
45. Seat
46. Skoda
47. Smart
48. Suzuki
49. Toyota
50. Vauxhall
51. Volkswagen
52. Volkswagen Commercial Vehicles
53. Volvo



# The Key Challenges Facing Aftersales Departments

# 1.

## Evolving Customer Expectations

Modern consumers demand:

- Seamless, digital-first interactions with quick and convenient service.
- Transparent, competitive pricing comparable to independent repair shops.
- Premium experiences, particularly for EV owners, who expect superior service quality.

Customers frequently take vehicles to independent repairers before turning to dealerships, often frustrated by misdiagnoses. OEMs contribute to this frustration by withholding known issues that do not have solutions, leaving dealers to manage customer dissatisfaction.

Post-COVID shifts in service expectations have further increased pressure on dealerships to deliver enhanced customer experiences.

### Strategic Solutions

- Implement AI-driven customer communication and automated service updates
- Introduce flexible service plans and loyalty-based subscription models.
- Offer real-time price transparency to compete effectively with independents.
- Streamline digital check-in and appointment scheduling to improve customer experience.

# 2.

## Talent Shortages and Workforce Development

The automotive industry is facing a severe shortage of skilled technicians, compounded by: Seamless, digital-first interactions with quick and convenient service.

- An aging workforce with fewer young professionals entering the trade.
- High turnover rates among service advisors, affecting customer satisfaction and efficiency.
- Rising technician wages, driven by industry demand and aggressive recruitment strategies from competitors.

To combat these challenges, some dealers have introduced Service Reception Managers to reduce pressure on advisors, while also outsourcing booking and marketing calls to call centres like Bamboo Marketing to streamline operations.

### Strategic Solutions

- Create competitive salary packages and career growth incentives.
- Ensure continued apprentice recruitment and tailored technician training plans.
- Offer flexible working arrangements, such as four-day workweeks, to attract and retain talent.
- Implement structured retention programs, including long-term incentive bonuses for experienced staff.

## 3.

## Increased Competition from Independents/Fast-Fit Chains

Independent garages and national service chains are aggressively expanding into EV servicing, a market once dominated by franchised dealerships.

Factors contributing to this shift include

- Perceived cost advantages offered by independent repairers.
- Growing availability of third-party EV diagnostic tools and parts.
- Consumer willingness to explore non-OEM servicing options.

Larger national chains, such as Kwik Fit, are increasingly targeting EV servicing, which could leave dealerships handling non-profitable warranty and diagnostic work unless proactive strategies are adopted.

### Strategic Solutions

- Differentiate by emphasising the benefits of OEM-certified repairs and factory-trained technicians.
- Enhance customer retention strategies through service subscription models.
- Develop transparent, flexible pricing structures to counter price sensitivity.
- Improve customer communication to highlight the long-term value of dealer servicing.

## 4.

## Profitability Pressures and Rising Costs

Margins in aftersales are being squeezed due to:

- Manufacturer-fixed warranty labour rates that undercut profitability.
- Rising costs of parts, tooling, and labour, limiting pricing flexibility.
- Reduced service revenue from EVs, which require less maintenance than internal combustion engine (ICE) vehicles.

To maintain profitability, dealers have begun piloting new service models, such as short-term renewable service plans, “Drive Now, Pay Later” financing, and bundled value-added services like software updates and roadside assistance.

### Strategic Solutions

- Shift to shorter-term service plans with renewal options based on cost fluctuations.
- Introduce financing models for service and repairs to help customers manage unexpected costs.
- Offer personalised service packages tailored to customer needs.
- Increase service advisor training on offering maintenance plans and deferred work follow-ups.

## 5.

### Digital Transformation and Data Management Challenges

Many dealerships are hampered by outdated, fragmented systems that create:

- Inefficiencies in workshop operations and appointment scheduling.
- Poor customer retention due to a lack of proactive service engagement.
- Missed revenue opportunities due to weak digital marketing and follow-up processes.Larger national chains, such as Kwik Fit, are increasingly targeting EV servicing, which could leave dealerships handling non-profitable warranty and diagnostic work unless proactive strategies are adopted.

Service advisors often navigate six or more disconnected platforms, leading to inefficiencies and errors. The lack of a unified Dealer Management System (DMS) remains a critical issue.

### Strategic Solutions

- Invest in AI-powered customer retention tools and automated digital marketing.
- Upgrade Dealer Management Systems (DMS) to integrate booking, CRM, and invoicing.
- Implement predictive maintenance models based on real-time vehicle diagnostics.
- Introduce self-service options to streamline customer interactions.

## 6.

### Challenges in Evolving Automotive Technology

The shift to electric vehicles (EVs) and software-driven systems presents new challenges for dealerships. Modern vehicles require specialised diagnostic tools, ongoing software updates, and highly trained technicians. The shortage of skilled EV technicians and service advisors creates further operational pressures.

Parts availability, particularly for EV batteries, remains a critical concern, with supply chain disruptions causing extended repair times and customer frustration. The transition from internal combustion engine (ICE) vehicles to EVs also necessitates adjustments in inventory management and service protocols.

### Strategic Solutions

- Expand technician training programs to include EV diagnostics and software updates.
- Strengthen manufacturer collaboration to improve access to technical support and parts supply.
- Implement proactive inventory strategies to mitigate supply chain disruptions.
- Educate customers on evolving service expectations and vehicle maintenance realities.

## Future-Focused Strategies for Aftersales Growth

## Future-Focused Strategies for Aftersales Growth

To navigate these challenges, franchised dealerships must implement a forward-thinking approach that integrates:

### Customer-Centric Digital Transformation

Customer retention and maximising service visits. Seamless online booking, real-time service tracking, and AI-powered customer engagement.

### Workforce Development

Recruiting and retaining skilled staff. Investing in upskilling programs, structured career paths, and modernised working conditions.

### Pricing and Profitability Adjustments

Transitioning to dynamic pricing models, short-term service plans, and value-added service subscriptions.

### Data-Driven Operational Efficiency

Leveraging automation, integrated software solutions, and predictive analytics to enhance workshop productivity.

## The Detail: Operational Metrics and System Challenges

This section provides a deep dive into the key performance indicators (KPIs) that define aftersales success, alongside the operational and digital challenges dealerships face. It explores how data management, dealer management systems (DMS), and performance tracking impact efficiency, profitability, and customer retention. By understanding these metrics and system limitations, dealerships can refine their strategies, streamline operations, and enhance long-term aftersales performance.

### Key Performance Indicators (KPIs) for Aftersales Success

Measuring aftersales performance requires tracking:

- **Financial Metrics:** Labour sales, parts sales, gross profit, net profit, recovery rate.
- **Operational Efficiency:** Workshop utilisation, productive efficiency, chargeable vs. non-chargeable hours.
- **Customer Satisfaction & Retention:** CSI, Net Promoter Score (NPS), service plan renewals.
- **Digital Performance:** Online booking conversions, automated marketing effectiveness.

## Aftersales Performance Monitoring & Best Practices

- Dealers vary in their approach, with some using daily reporting systems like DOCs and others relying on weekly or monthly reviews.
- Automated reporting tools improve efficiency, but manual engagement fosters accountability.
- AI-driven analytics enhance tracking and decision-making.

## Challenges in Dealer Management Systems (DMS)

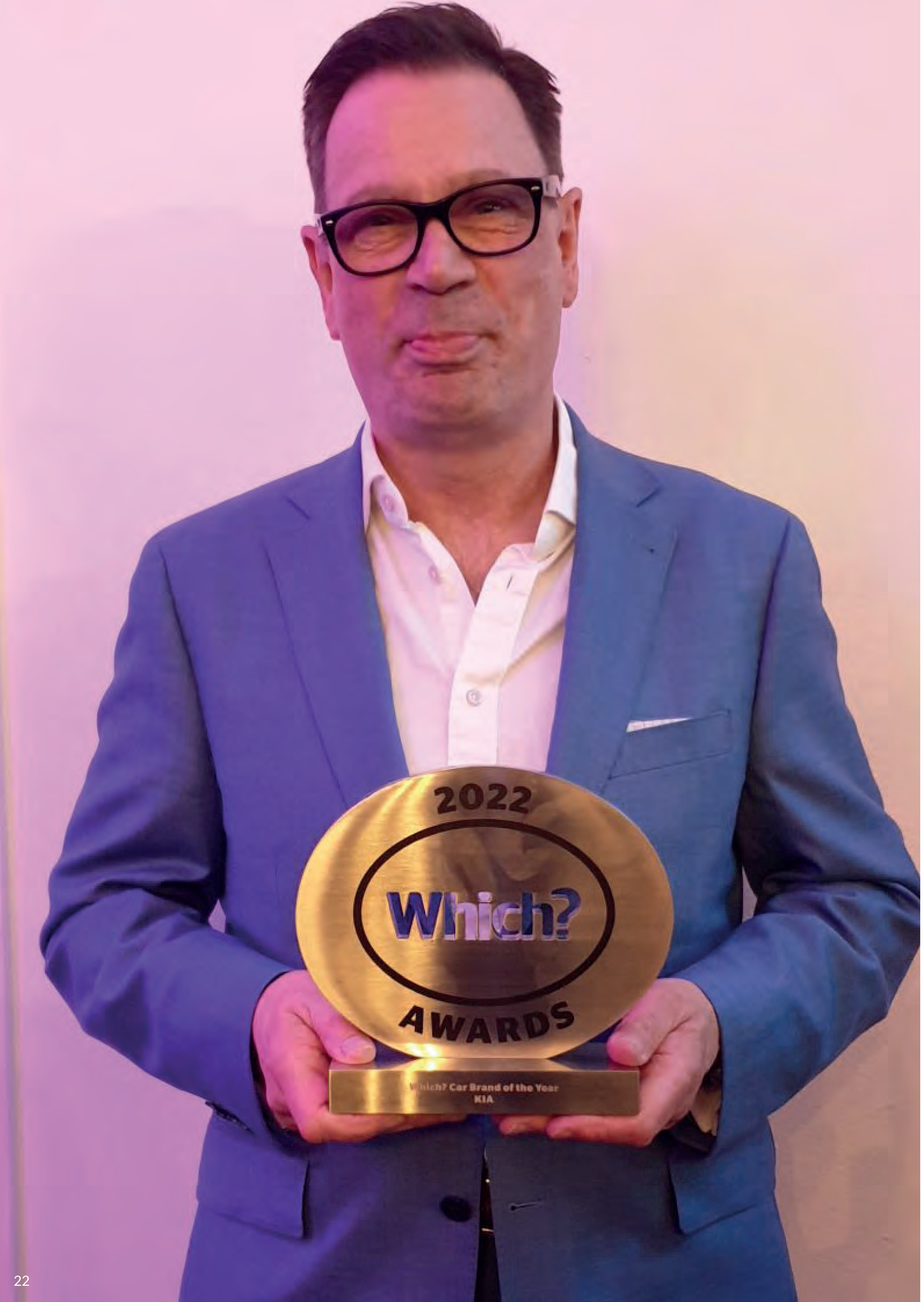
- **Fragmentation:** Over 11 different DMS platforms are used across the UK, leading to inefficiencies.
- **Usability Concerns:** Some systems (e.g., Keyloop) struggle with user-friendliness, while others (e.g., Gemini) are more adaptable.
- **Integration Issues:** Many dealerships require multiple third-party tools to compensate for DMS shortcomings.

## Data Integrity & Customer Retention

- Many dealerships lack structured data cleansing processes, affecting customer engagement.
- Regular data maintenance ensures:
  - Targeted communication and increased retention.
  - Compliance with GDPR and improved marketing efficiency.

## Digital Solutions Enhancing Aftersales

- **Online Bookings & Payments:** Reducing manual entry and improving service transparency.
- **EVHC & Diagnostic Tools:** Ensuring work follows a structured upsell process.
- **Marketing Automation:** AI-driven customer reminders and promotions.






## Aftersales as the Key to Dealership Profitability

If you're concerned about your franchised dealership aftersales department being at a crossroads and aren't sure where to go next, ask us.

You can either embrace innovation and strategic improvements or risk losing market share to independents and disruptors.

By focusing on digital integration, talent retention, customer engagement, and operational efficiency, dealerships like yours can turn aftersales into a sustainable, high-margin revenue stream.

Consult with David Hart of Connectivity.CX to develop a tailored strategy that maximizes your dealership's aftersales potential.

Call 07920 221 1076 or email davidh@connectivity.cx

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