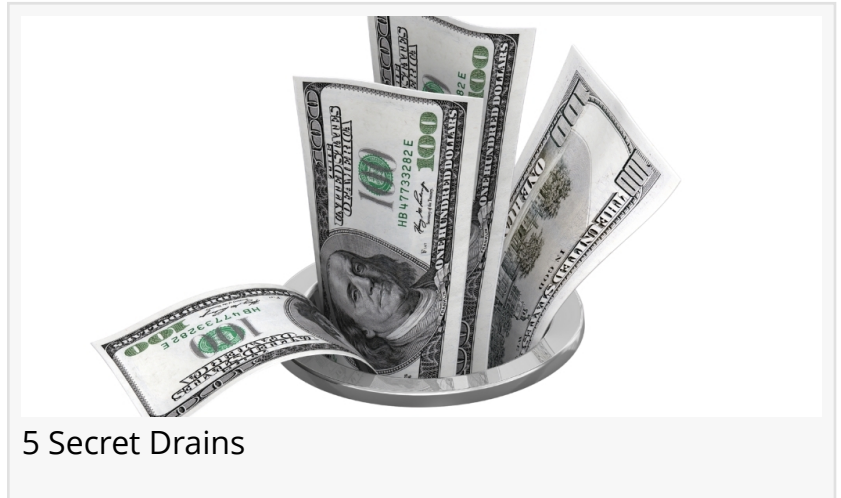


# Car Dealership Profit Margins: 5 Secret Drains

*Car dealership profit margins are a constant concern. Knowing which potential drains on profit to plug, can make or break dealership profitability numbers.*

LONG BEACH, CALIFORNIA, UNITED STATES, September 29, 2020 /EINPresswire.com/ -- Car dealerships can't exist if they are not profitable. What is unique about most automotive franchise dealers is that there are



multiple profit sources feeding into the overall margin. Knowing which profit margin sources to focus on can make a big difference in overall car dealership profit margins.

Which profit margin source should get the most attention?

There are three sources of dealer profit. The new-vehicle department of a car dealership accounts for about 58% of a dealership's total sales, but it contributes less than 26% of the dealer's gross profit. The used-vehicle department represents 31% of total sales and similarly represents only 25% to gross profit. The majority of a dealer's profit comes from the service and parts department, accounting for 49.6% of the dealer's gross profit.

Therefore, the focus on car dealership profit margins should be in the service and parts area of the business. Knowing what the drains on profit are here and how to plug those drains, can have the biggest impact on dealership performance.

Plug these 5 Secret Drains to improve car dealership profit margins

## 1. Doing Work to Do Work

Consider how much time is spent logging into various systems just to manage [communications with service customers](#). Customers expect real-time responses to their requests. They need Welcome, Status, Car Ready, Pay Here Texts to become satisfied returning customers. They expect you to back up those texts with email and phone calls too.

How many systems does a dealer need to accomplish this? How many tools does a Service Manager need to log into, monitor, and manage to get answers quickly and respond to customers? Too many systems and tools cause extra work that is required to get the basic work completed in a profitable manner.

If you could speed up this process and integrate all these tools, how many more ROs per day could a dealer process in a month... in a year?

## 2. Landline Land Mine

Do you know how many potential service customers find your landline number online and try to schedule an appointment for service via text? Many dealers don't, because those customers get frustrated, lost, and possibly end up at an independent repair facility as a result.

There are 150m texts that go to landlines every day. They are all unanswered. At best the customer gets a failed text notice. At worse, their message disappears into the ether.

69% of customers prefer to start a conversation with a text today. 75% of customers won't leave a voicemail. This means dealers need a way to capture texts to landlines. Every missed RO opportunity resulting from a text to your main phone landline is costing you \$250 or more on average. That's a pretty big drain to plug.

## 3. Emerging Demographics: Translation

U. S. demographics are diverse. 21.6% of people over the age of 5 in the U.S. speak a language other than English at home. Of those that do speak English, nearly 10% state that they speak English "less than very well".

What does this mean? A sizable portion of your service customer base either prefers or must be communicated with, in a different language. Sure, you can get by on English, but customers will ultimately go to the place that makes them feel comfortable.

Plug the language drain with easily integrated translation tools that will ensure accurate communication, more trust, and repeat service customers that will drive up your profit margins.

## 4. "Time Is Money"

Great, you managed to set the appointment, service the vehicle on time, and keep the customer happy. But wait, you're not done. Your accounting department needs to accrue the revenue. Time is money, and the longer it takes for the [customer payment](#) to get properly calculated, checked, and applied, the longer it takes for that revenue to impact your profit margins.

Does this comment sound familiar, “The Fixed Operations Director is reviewing it”? The controller’s time is valuable and expensive. Emails back and forth all evening to get revenue on the books properly is costing you. This is wasting a lot of time.

Plug the drain, save time with solutions that can automate the reconciliation process, and improve margins.

## 5. Power of the Lift & Loaner Cars

The car is up on the lift and the opportunity begins. If you can efficiently earn trust and explain what needs to be done, customers will approve the service. Waiting to hear from a customer, waiting for a customer to decide, even waiting for a customer with a loaner to return, keeps the car up on the lift longer, and delays revenue. This slows the number of ROs a dealer can perform each day. It is a drain on your margins.

Providing a complete [Video MPI](#) earns customer trust. They see what really needs to be done. When video is sent via text these metrics come into play:

90% of text messages are opened in 3 minutes with an average response time of 90 seconds. So you get a faster response and the car is off the lift faster.

Videos generate a 2.2X increase in CP work, so the approval rate goes up on those fast responses.

If a loaner car is involved, a text that the car is ready decreases Loaner car days by 23%. Saving money that goes toward your margins.

Want to plug one or all of these drains?

If you’re wondering how to plug one or more of these drains without having to implement multiple solutions, myKaarma can integrate with your existing systems and reduce the number of clicks required to communicate, provide customer direct to service text and email communications, translate on the fly, and automate reconciliation. myKaarma video management and Pickup & Delivery options manage multiple transportation needs. All of this is in one tool that creates Exceptional Interactions with customers and maximum profits for dealers.

Contact myKaarma to learn exactly how this is accomplished.

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