

## Dealership service departments face risk, reward in an EV future

Conventional wisdom about how the electric vehicle transition will affect the dealership service business has been largely gloomy. After all, EVs have fewer moving parts, don't need oil changes and are more likely to get over-the-air software updates away from the dealership to fix many issues.

But the outlook for franchised dealerships on EV service might be more optimistic than that, at least for the early to medium years of the shift.

"When an EV consumer comes in, they might not come in as often, but the type of work that needs to be done is more expensive," said Stephanie Valdez Streaty, director of industry insights for Cox Automotive.

That higher cost — and potentially more profit for the dealership — comes from specialized parts and higher hourly labor rates for the technicians certified to work on EVs, Valdez Streaty said.

### EV service prospects

CDK Global surveyed nearly 200 dealership managers about their current electric vehicle service business and their expectations for the future. Here are key findings:

- 85%** currently service EVs
- 88%** expect EV repair orders to increase
- 89%** expect EV warranty work to increase
- 78%** expect EV service revenue to increase
- 48%** expect EV owners to come in for service once a year
- 42%** say it's difficult to persuade technicians to get EV training
- 37%** expect customer retention to improve with the introduction of EV service



Source: 2023 CDK Global EV Service: Today and Tomorrow study

Other potential upsides for franchised dealerships in the near term:

- EVs are new and complex enough that consumers are much more likely to go to the franchised dealership for service needs, even beyond the warranty period.
- Because EVs are heavier than internal combustion engine vehicles, their tires and suspension components wear out faster, giving dealerships the chance to sell more tires and replace worn-out parts.
- Though dealers have balked at times at the cost of training and equipment required to prepare their service departments for EV work, that outlay means EVs in need of repairs are more likely to be brought to them vs. independent repair shops for a long time.



**Dealers are "going to have to get creative and think of new revenue streams."**

— Stephanie Valdez Streaty, director of industry insights for Cox Automotive

"Servicing EVs requires some very expensive investments that [independent shops] aren't ready to do yet because the volume isn't there," Dave Thomas, director of content marketing and industry analysis at CDK Global, told Automotive News for a March story.

Recent surveys by CDK and Cox Automotive reveal both the risks and potential rewards in the EV future for service departments, which already are crucial contributors to dealerships' total earnings as detailed earlier in this issue. Uncertainty is clearly an underlying factor to it all for retailers.

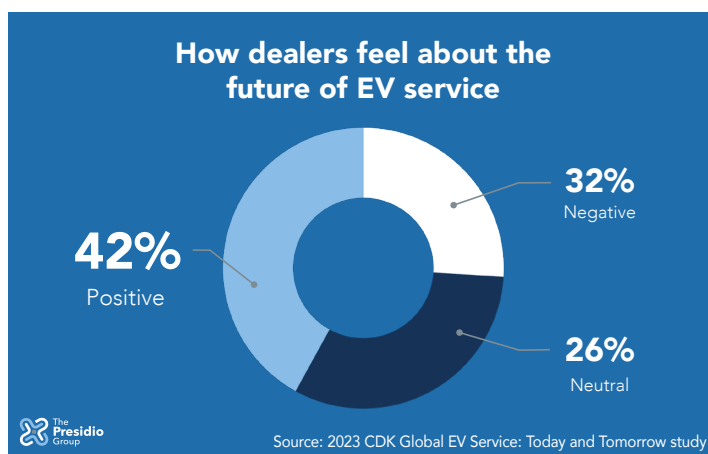
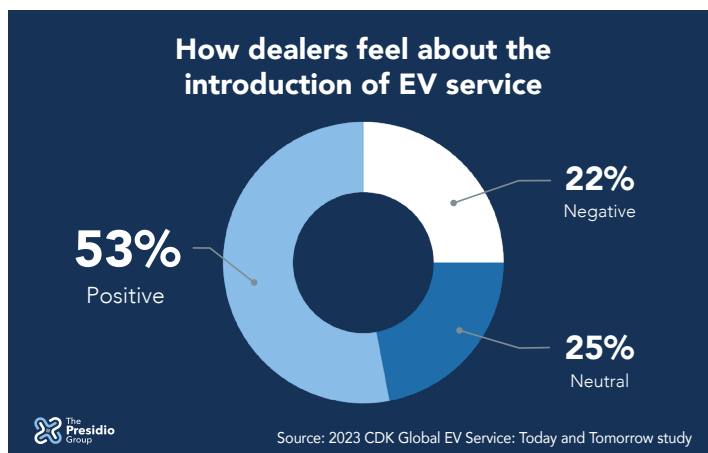
Of CDK's survey respondents, 53 percent indicated positive feelings about the introduction of EV service. Still, they aren't "exactly jumping up and down about it," Thomas told Automotive News. In response to a separate question

about the future of EV service, 42 percent of respondents said they felt positive, while 32 percent indicated negative feelings. CDK's EV service survey was released in October.

Cox's broader service survey, released in December, found that dealerships, while still the industry's biggest provider of service based on service visit volume, have lost ground to other competitors since 2021. Consumer trust in dealerships also has eroded during that period. The survey also found that while dealerships are preparing for an increase in EV service by adding infrastructure and training, much more investment is needed.

A more recent Cox study on EVs, released in May, showed that automakers have stepped up their cooperation with dealers. Survey respondents in that study reported increased support such as free maintenance offers for EV buyers in some cases. But more resources are needed such as additional service incentives and advertising co-op funds to promote EV service, respondents said.

With automaker help and by taking more initiative on their own, dealers can do well in service in the EV future over the long haul, experts said.



"They're going to have to get creative and think of new revenue streams," Valdez Streaty said. "Long term, that's where the risk is."

Dealerships that put extra effort into developing new revenue streams and better exploiting existing ones like tire replacement or repairing older vehicles will likely improve their profitability, operational stability and, ultimately, their own value.

"One of the things that I would say that dealerships probably struggle the most with is tire selling," said Skyler Chadwick, director of product consulting for Cox Automotive. "Well, guess what? This may change their focus on how to become better tire sellers...This is going to change the way we do things."

Another huge opportunity for dealers is the customer experience, Chadwick said. With fewer visits and thus touch points with customers expected, it is more crucial than ever for dealerships to deliver an exceptional experience.

"Most of the time, we will buy tires or service from the first person who actually quotes us. That's just human nature," he said. So if dealerships create a topnotch experience, they'll be more likely to be the first place a consumer goes when in need.

"This is an opportunity for dealerships to hold their customers, keep on them, and really retain them and make sure that they continue to buy their vehicles and service their vehicles at their dealership," Chadwick said.

Valdez Streaty said dealerships may have brand-new opportunities with consumers around EV infrastructure, providing charger installation service as part of a vehicle purchase, for instance.

Some dealership groups are already doing just that.

Jamie Darvish, CEO of DARCARS Automotive Group, said at the Automotive News Retail Forum: NADA in February that his company has an electrician on staff who goes to customers' homes to help them figure out what they need for installing at-home chargers.

In the end, cars will still break and will still require maintenance, and dealership operators are counting on that, even if the day comes when most of them are EVs.

"The need for those kinds of things isn't going away," Jeff Daniel, service director at Maple Hill Auto Group in Kalamazoo, Mich., told Automotive News. "It's premature to think about service departments running out of work. EVs are not perfect vehicles — they still break down."