

A background image of a man with a beard and mustache, wearing a dark work jacket, standing in a workshop or garage. The image is overlaid with a semi-transparent purple filter. The man is smiling and has his arms crossed.

COMMERCIAL PLAYBOOK

EXPANDING YOUR REVENUE HORIZONS:
**THE ROLE OF THE COMMERCIAL
VEHICLE SERVICE CENTER**

CHAPTER 5

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EXPANDING YOUR REVENUE HORIZONS:
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TABLE OF CONTENTS

- ▶ Introduction
- ▶ The Growing Demand for Commercial Vehicle Services
- ▶ Benefits of Adding [or Growing] a Commercial Vehicle Service Center
- ▶ Steps for Implementing [or Enhancing] a Commercial Vehicle Service Center
- ▶ Conclusion



1

INTRODUCTION

Auto dealerships face many challenges that impact their ability to thrive and grow. Although encountering adversity is not new, the particulars evolve with the times. One of the most prevalent current struggles in vehicle sales is lingering supply chain disruption, leading to lost sales and an imbalance between supply and demand. Some even project that supply and demand **won't fully return** to balance until 2024.

However, despite shutdowns and other challenges, consumer retail sales declined by only 9% year-over-year in 2020, leading many dealers to enter 2021 on a high note with strong sales. Paradoxically, this also resulted in increased competition in the market. Furthermore, the rise of electric vehicles and vehicle subscription services is changing the way consumers approach car ownership, which may impact traditional dealership models.

As the industry continues to evolve, auto dealerships are constantly seeking new ways to expand their services and increase revenue. One area that has shown significant growth and potential is the commercial vehicle market. **Chapter 1** of our Playbook series highlights the value of adding a commercial vehicle component to your dealership.

This particular chapter discusses why you should consider adding, or enhancing, a commercial vehicle service center, and delves into the key considerations that dealers and general managers must take into account when assessing the value of adding commercial business to their enterprise.



2

THE GROWING DEMAND FOR COMMERCIAL VEHICLE SERVICES

The commercial vehicle market has experienced significant growth in recent years. For instance, according to [Fortune Business Insights](#), the global commercial vehicle market size was \$821.28 billion in 2021 and is projected to grow to \$1,712.44 billion in 2029. Furthermore, [Grand View Research Inc.](#) reports the global commercial vehicles market size is projected to register a compound annual growth rate (CAGR) of 3.7% from 2023 to 2030.

GROWTH HAS BEEN DRIVEN BY FACTORS SUCH AS:

- ▶ The rise of e-commerce and the need for efficient delivery services.
- ▶ The increasing demand for specialized vehicles to support various industries.
- ▶ The growing emphasis on eco-friendly transportation solutions.

The caveat to this growth, as mentioned in our introduction, is an unsteady supply chain.

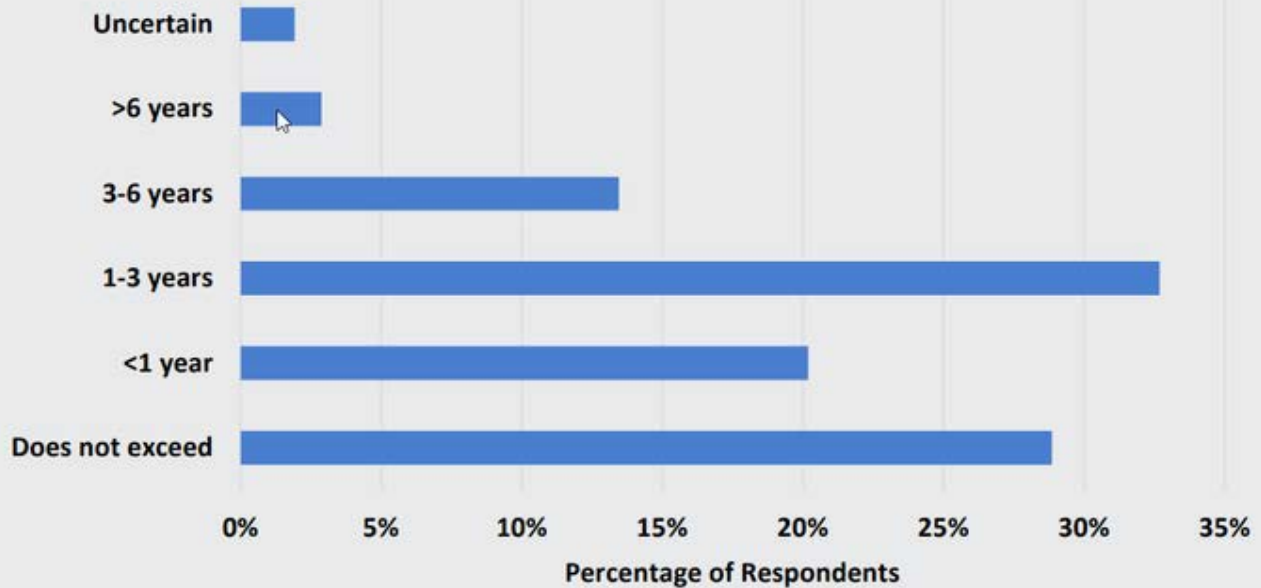
The combination of disrupted supply chains and reduced production capacity has resulted in a significant decrease in the availability of new commercial vehicles [although inventory levels have been showing signs of recovery]. This has led to longer wait times for businesses looking to purchase new vehicles for their fleets. In some cases, businesses have been forced to delay the replacement of older vehicles, resulting in an increased need for repair and maintenance services to keep their existing fleets operational.



2

THE GROWING DEMAND FOR COMMERCIAL VEHICLE SERVICES

Figure 4 **Average age exceeding replacement cycles**



Source: NTEA 2023 Fleet Purchasing Outlook Survey

Over 69% of respondents in an NTEA survey reported their average commercial vehicle ages are exceeding normal replacement cycles. Source: NTEA

According to the NTEA's 11th annual [Fleet Purchasing Outlook](#), 69% of survey participants report the average age of their trucks is exceeding their normal replacement cycle.



When I first started in the business 20 years ago, the average age of a fleet was five and a half years old, now the average age is 14 years old. Age and high mileage of commercial vehicles are big factors in maintenance and repair needs.

AJ Hewitson, Fleet Sales Director at Paradise Chevrolet Cadillac

2

THE GROWING DEMAND FOR COMMERCIAL VEHICLE SERVICES

Companies are now more reliant on their existing vehicles, making it crucial to ensure that they remain in good working condition. This increased demand for repair and maintenance services has led to growth in the commercial vehicle repair and maintenance market.

There is a growing need for specialized service centers that can cater to the unique requirements of commercial vehicles, and dealerships can capitalize on this demand by offering comprehensive service solutions for commercial vehicle owners.

"The growth in demand for work trucks and vans across the U.S. is tremendous," says Aaron Johnson, CEO of Work Truck Solutions. "And the need for commercial vehicle maintenance and repair is not subject to the same fickle elements as with passenger cars. If a business owner's vehicle isn't on the road, it isn't making money."

That urgency for maintenance and repair felt by business owners is echoed by some of the best commercial dealerships in the country.



I've heard from multiple business owners that it costs them in the neighborhood of two to three thousand dollars a day when their commercial vehicle is not up and running.

Dan Bryan

General Manager for Commercial Sales and Service of Ricart to Business



If a business owner's vehicle isn't on the road, it isn't making money.

Aaron Johnson

CEO of Work Truck Solutions

"I've heard from multiple business owners that it costs them in the neighborhood of two to three thousand dollars a day when their commercial vehicle is not up and running," says Dan Bryan, General Manager for Commercial Sales and Service of Ricart to Business. "And business owners are willing to pay for more maintenance at one time than the average retail customer. The commercial customer would rather get it done while the vehicle is already in the shop so he doesn't have to have that vehicle out of service again. This trend manifests in the fact that our retail ops gross revenue has remained essentially flat over the last four years while commercial has increased by 124%."

It's the nature of businesses' dependency on their vehicles that qualifies a commercial service center as such a solid investment.

3

BENEFITS OF ADDING [OR GROWING] A COMMERCIAL VEHICLE SERVICE CENTER

A commercial vehicle service center offers dealerships several benefits, including:

Increased Revenue Streams:

As the commercial vehicle market size increases, dealerships expanding into that side of the business tap into a new and growing customer base, and generate additional revenue from servicing and maintaining these vehicles.

A **Mordor Intelligence** report indicates the United States automotive service market size, which includes both commercial and passenger vehicles, was valued at \$177.51 billion in 2023 and is expected to reach \$237.33 billion by 2028, registering a CAGR of around 5.98% during the forecast period. And according to a different report by **Global Market Insights**, North America is set to account for \$180 billion in the automotive repair and maintenance services market by 2028. Although the figures vary—possibly due to variables in building data sets—there is an obvious growth trend for this field. And, while these figures encompass both commercial and passenger vehicles, they still provide an indication of the market size for vehicle service and repair.

It is worth noting that commercial vehicles often require more frequent maintenance and repairs due to their heavy usage and higher mileage, which could lead to higher revenue generation for commercial vehicle servicing compared to passenger vehicle service and repair.

“Certainly, high mileage contributes to more frequent maintenance,” explains Bryan. “But also some commercial vehicles will run at idle for hours on the job while providing power for equipment, so service intervals for work trucks can definitely be more often than for passenger cars.”

It’s also worth highlighting that, although new vehicle inventory is on the rise, used commercial vehicles are still prevalent in business fleets and single-vehicle operations as illustrated by the current average age of well over 14 years. Naturally, used vehicles typically require more maintenance and repair to keep them on the road. A fact punctuated by Erin Kerrigan, founder and managing director of Kerrigan

Advisors, Irvine, CA when she spoke at a webinar sponsored by the American International Automobile Dealers Association, Alexandria, VA.

“In 2023, there are many reasons to be optimistic about profit potential,” said Kerrigan. For example, dealership Fixed Ops profits are up as customers drive more and service and repair older cars and trucks.

While Kerrigan’s comments ring true for consumer/retail vehicles, this is even more acute for commercial vehicles since small and medium-sized fleets are having to hold onto work trucks and vans longer than they used to, which equates to even larger Fixed Ops profit opportunities for dealerships in this arena.

There’s no doubt that commercial maintenance and repair represents a major increase in profit opportunities in multiple ways.

“Not only are shop rates for commercial repair higher than for retail, but hours per repair can average 50% more than retail,” reveals Bryan. “Looking at dollars per repair order (RO), passenger ROs average about \$390, while commercial ROs pull in about \$650. That’s nearly 50% higher than for passenger vehicles. In terms of gross revenue per technician, again, commercial averages are nearly double.”



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Dan Bryan
General Manager for Commercial Sales
and Service of Ricart to Business

3

BENEFITS OF ADDING [OR GROWING] A COMMERCIAL VEHICLE SERVICE CENTER

COMPETITIVE ADVANTAGE:

Let's face it, there are a number of dealerships out there selling work trucks, and as new inventory increases, so does their competition. Dealers must see the larger picture of the positive effects a commercial service center can have on several aspects of their business. Providing a one-stop shop for commercial vehicle owners can lead to technician acquisition, increased customer loyalty, repeat business, and overall revenue.

"Dealerships know the challenge of hiring and retaining skilled technicians. And you know what makes a technician happy? Having work." quips Bryan. "So, we make sure we own our backyard, meaning that we do everything within our power to get the service work for all the vehicles we sell, which makes for happy technicians; therefore, we retain technicians."

Offering specialized commercial vehicle services can differentiate you from your competitors and help attract and retain more customers and repair technicians.



Any touch points you have with the customer, including maintenance and repair, are going to have an impact and give you more opportunities.

AJ Hewitson

Fleet Sales Director

Paradise Chevrolet Cadillac



4

STEPS FOR IMPLEMENTING [OR ENHANCING] A COMMERCIAL VEHICLE SERVICE CENTER

With many variables and possible requirements associated with a commercial service center, it's important to consider these points, regardless of where you are today, as it relates to servicing work trucks and vans.

For dealerships that have no commercial component to their business, or for those that sell, but do not yet service them, this assessment can lead to informed decisions about the potential costs and benefits, and whether or not adding a service center is the right fit for your operation.

For dealerships that are currently selling and servicing commercial vehicles, all of the following points are valuable benchmarking tools to assess their commitment to the business owners to whom they currently serve.

Here are five steps to begin your journey.

1. CONDUCT MARKET RESEARCH:

Again, dealerships that have no commercial component to their business must conduct thorough market research to ensure the venture's success and profitability.

The first step in targeting a range of fleet sizes for service is to identify the target market, which includes understanding the demographics, preferences, and needs of potential customers in the local area. You can assess the level of commercial activity in your local area by analyzing various indicators. These may include the number of local businesses and industries, the types of businesses present, and the growth trends of these businesses. Utilize online business directories like Yelp, Yellow Pages, and Google My Business to find companies within your target market and geographic area. Pay attention to local news outlets for current and projected infrastructure development projects in your area, as these require commercial vehicles for construction and transportation purposes.

Furthermore, engaging with local business owners to learn more about their current maintenance and service needs by attending trade shows or local business networking events can provide valuable insights into the demand for commercial vehicles. Local trade and vocational

associations may be useful in finding the businesses most likely to be future customers, and often publish their membership lists online. By evaluating these factors, you'll better understand the commercial activity in the local area and make informed decisions regarding a commercial service operation.

Networking with the local Chamber of Commerce can also be extremely helpful in assessing the types of commercial activity in a market. The Chamber of Commerce consists of local businesses and professionals who work together to promote economic growth and development in the community. By connecting with your Chamber, you'll gain valuable insights into the needs and preferences of local businesses, as well as stay informed about upcoming infrastructure projects and business expansions. Additionally, the Chamber often hosts networking events, seminars, and workshops, which provide opportunities to build relationships with potential customers and partners, further enhancing the understanding of the local commercial vehicle market.

Analyzing competitors in the region is also crucial, as it provides insights into their strengths, weaknesses, and potential gaps in the market that your service center can fill (think SWOT analysis). Gathering data on the size and growth of the automotive repair and maintenance services industry, both locally and nationally, can help you gauge the potential demand and market opportunities. Additionally, understanding the specific services that are in high demand, such as preventative maintenance, tire services, or specialized repairs for commercial vehicles, can help tailor your service offerings to meet customer needs effectively.



4

STEPS FOR IMPLEMENTING [OR ENHANCING] A COMMERCIAL VEHICLE SERVICE CENTER

2. ASSESS FACILITY REQUIREMENTS:

Evaluate existing dealership facilities to determine if you can accommodate adding commercial vehicle services / growing your existing commercial service footprint, or if additional space and equipment will be needed. When a dealership decides to add commercial vehicle maintenance and repair to its business, there will typically be a need to invest in additional equipment and tools to accommodate the unique requirements of these larger vehicles. Essential equipment may include:

- ▶ **Heavy-duty vehicle lifts:** An average shop lift may be rated for up to 10-12 thousand pounds, and that's fine, considering a fully-loaded 2023 F-350 weighs in around the 7-8 thousand pound mark. But commercial vehicles are often in the 20-30 thousand pound range, so investing in heavy-duty lifts that can handle the increased weight is crucial.
- ▶ **Tire service equipment:** Commercial vehicles often have larger tires and may require specialized tire changers and wheel balancers designed for these vehicles. Although many service centers continue to use sledgehammers and bars for heavy-duty tire changes, it's a method that poses a considerable safety risk to the technician, not to mention damage to the customer's wheel. Using an appropriate tire machine reduces operator effort and technicians have more control.
- ▶ **Diagnostic tools:** Commercial vehicles may have different electronic systems and components, so investing in diagnostic tools compatible with these systems is necessary.

For instance, scan tools tailored for commercial vehicles such as semi-trucks, light-duty trucks, buses, construction vehicles, and agricultural vehicles are preloaded with a completely different set of make and model configurations than a scanner made for passenger vehicles.

Some commercial vehicles are equipped with hydraulic systems that may require specific pressure gauges. Work trucks and vans may also use a 48v electrical system necessitating specialized diagnostic solutions.

- ▶ **Specialized hand tools:** There are wrenches, sockets, and other hand tools designed for larger fasteners and components commonly found on commercial vehicles. For instance, 3/8" drive sockets may be used for cab and trim on a commercial vehicle, but a commercial service center will definitely need to also be outfitted with a full complement of ½" and even 1" drive sockets and air wrenches to accommodate the vehicles coming in.
- ▶ **Brake service equipment:** Commercial vehicles may have air brake systems, requiring specialized equipment for servicing and maintaining these systems.



One of the most important things, whether you're just starting out or you're well established, is to create separation between your retail service and your commercial service operations.

Dan Bryan
General Manager for Commercial Sales
and Service of Ricart to Business

4

STEPS FOR IMPLEMENTING [OR ENHANCING] A COMMERCIAL VEHICLE SERVICE CENTER

These are just a few examples of the equipment that may be needed when adding commercial vehicle servicing to your business. Another consideration is whether to create a separate operations group strictly for commercial vehicles.

"One of the most important things, whether you're just starting out or you're well established, is to create separation between your retail service and your commercial service operations," recommends Bryan. "Commercial and retail customers have different sets of needs and expectations. But the fact is that commercial work is more profitable, so we don't want to dilute our focus on taking care of the commercial vehicles in a way that gets them back on the road making money for their businesses. It's a whole different mindset because with retail if circumstances prevent work from being finished, you can usually make up those lost profitable hours and still keep your customer happy. But with commercial, the CUSTOMER cannot recoup the time the vehicle was out of service, costing money rather than making money; that time can never be put back on their calendar. So, trying to juggle the two ops under one roof just doesn't allow you to properly care for either one."

It is essential to research the specific requirements for the commercial vehicles you plan to service and ensure your facility and business plan are equipped to handle these needs. However, it's also important to remember that while there will be investment on the front end if you're new to commercial vehicle servicing, repair and maintenance work, the ROI can be well worth it and provide significant returns in the form of bottom-line dollars.

3. ASSESS STAFFING AND TRAINING

Opening a new commercial vehicle service center requires careful planning and execution, especially when it comes to staffing and training employees. The success of the service center depends on the quality of the technicians and support staff, as well as their ability to perform specialized tasks and provide excellent customer service.

Commercial service center personnel need to be aware of and adapt to the unique needs of business owners with commercial vehicles to provide efficient and satisfactory services. Some of these unique needs include:

- ▶ **Fleet management:** Business owners with multiple commercial vehicles may require comprehensive fleet management services, including tracking, maintenance scheduling, and fuel management. Personnel in larger service center operations should be knowledgeable about these services and able to assist customers in implementing and managing them effectively.
- ▶ **Customization and upfitting:** Since commercial vehicles often need to be customized, or upfitted, to meet specific business requirements, such as installing specialized equipment or modifying the vehicle's body, it's important that personnel are conversant in customization options that will help them answer questions from customers.
- ▶ **Quick turnaround times:** Business owners rely on their commercial vehicles for daily operations, making quick turnaround times for repairs and maintenance crucial. Being able to efficiently diagnose and resolve issues to minimize vehicle downtime are critical skills.
- ▶ **Specialized knowledge:** Commercial vehicles often have unique features and systems that differ from those in passenger vehicles, meaning that your team will need to be knowledgeable about these systems.
- ▶ **Financing and incentives:** Business owners may require information on financing options, tax incentives, and **special programs available for commercial vehicle purchases**. Providing your service team with resources for customers with these types of questions, such as knowing who to point them to on your sales team, will help you stand out, and can easily result in additional sales revenue, along with repair order dollars.

By adapting to these unique needs, commercial service department personnel can better meet the demands of business owners with commercial vehicles, ultimately leading to increased customer satisfaction and loyalty, as well as the profits associated with commercial service business.

4

STEPS FOR IMPLEMENTING [OR ENHANCING] A COMMERCIAL VEHICLE SERVICE CENTER

4. PLAN MARKETING AND MESSAGING:

Marketing for a commercial vehicle service department differs from marketing for a passenger vehicle service center in several key aspects, as the target audience, messaging, and promotional strategies need to cater to the unique needs and expectations of these specific customers. Here are some ways in which marketing for these two types of service centers may differ:

- ▶ **Target audience:** While passenger vehicle service centers focus on individual consumers, marketing efforts for commercial vehicle servicing should be tailored to reach decision-makers within businesses, such as fleet managers, procurement officers, or business owners.
- ▶ **Messaging:** The marketing message for a commercial vehicle service center should emphasize factors that are important to business customers, such as quick turnaround times, specialized services, fleet management solutions, extended hours of operation, and mobile services. In contrast, marketing for passenger vehicle service departments may highlight convenience, comfort, and personalized customer service. It's also worth noting that commercial vehicle customers aren't focused on coupons like many passenger vehicle customers - rather, their main concern is getting their vehicles back on the road and earning money, so be sure to keep this in mind.
- ▶ **Channels:** For commercial service departments, consider using industry-specific publications, trade shows, online forums, and professional networks to reach potential customers. Traditional channels like local radio and social media can also be effective in reaching businesses, like it is for individual consumers.

- ▶ **Content marketing:** Leveraging content marketing to showcase your expertise and provide valuable information to potential customers can be very effective with business owners. This can include creating blog posts, case studies, and whitepapers on topics relevant to commercial vehicle maintenance and fleet management.
- ▶ **Lead generation and nurturing:** Implementing a targeted lead generation strategy to identify and engage potential business customers should be a focus for commercial service operations. This can involve using tools like LinkedIn Sales Navigator, trade show attendee lists, or industry-specific databases. Once leads are identified, nurturing strategies, such as email marketing campaigns and personalized follow-ups, can help convert them into service customers.

By understanding and addressing these differences, marketing for a commercial vehicle service center can effectively reach and engage a target audience, ultimately driving business growth and customer loyalty.

5. BUILD PARTNERSHIPS:

Establish partnerships with commercial vehicle manufacturers and suppliers to ensure access to the latest products, parts, and support. Commercial vehicle service centers can benefit from forming partnerships with manufacturers, suppliers, and industry organizations to enhance their credibility and expand their reach. These partnerships can also provide access to training, resources, and potential customer referrals.

5

CONCLUSION

Adding a commercial vehicle service center to your dealership, or expanding the footprint of your existing commercial service operation, can provide significant benefits, including increased revenue streams, a competitive advantage, and improved customer retention. By carefully considering market demand, facility requirements, staffing needs, and marketing strategies, dealerships can successfully expand their operations and capitalize on the growing demand for commercial vehicle repair and maintenance services.



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