

Kyle Clarke - Class N333 – Fixed Ops 2 homework

Advertising

We are currently advertising using email blasts and mainly on the internet. We are located in downtown Calgary and have been here at this location for 30 years but have been serving Calgary for almost 85 years.

Our marketing has just sort of taken off because we have extended our service hours by 1 hour during the week and 2 hours on Saturdays. We now have complimentary tire rotations and we have really pushed Chryslers new half price oil changes and we have pushed that out to the city heavily. We also offer free wiper blades as a seasonal promotion.

FREE Wiper Blades

Included with Windshield Replacement

Offer eligible May 1- June 30, 2018

Offer available at Renfrew Chrysler only. Not valid with any other offers. Expires 06/30/18.

Send this coupon to your email



Toneau Covers

5.5 Box

Was \$1,543

NOW \$820

Installation not included. See dealer for additional details.

Offer available at Renfrew Chrysler only. Not valid with any other offers. Expires 06/30/18.

Send this coupon to your email



FACILITY - it clearly shows that we need to extend our hours to mirror sales. There are plenty of bays to perform more recons and PDI's. We have sent all of these calculations to our Fixed department and it should open their eyes. I'm sure we can hire techs to do split shifts or may 4/10's.

FACILITY POTENTIAL	
Number of Bays	20
	x
Number of Days	22
	x
Number of Hours	10
	x
Effective Labor Rate	85
	<i>equals</i>
FACILITY POTENTIAL	\$ 374,000

FACILITY UTILIZATION	
Total Labor Sales	\$ 148,895
	+
Facility Potential	\$ 374,000
	<i>equals</i>
FACILITY UTILIZATION	39.81%

Productivity – our tech proficiency is actually very good considering the rest of the numbers. I think that our techs are paid for too much on a flat rate but the average tech pay is \$33.00 CAD and that's only because we pay our apprentice techs roughly \$25/hour and our senior techs make roughly \$45/h.

Performance			
	Labor Sales / Month	Hourly Labor Rate	Hours Billed
Customer Car*	\$ 135,184	+ 154.00	= 877.8
Customer Truck*	\$ 15,869	+ 154.00	= 103.0
Customer Other*	\$ 13,356	+ 154.00	= 86.7
Warranty	\$ 50,567	+ 154.00	= 328.4
Internal	\$ 46,345	+ 154.00	= 300.9
New Vehicle Prep	\$ 13,356	+ 154.00	= 86.7
Total	\$ 304,473		1783.6

POTENTIAL

\$ 304,473	+	3576.00	=	\$ 85.14
Total labor sales for month		Total hours billed		Effective Labor Rate
18.00	x	8	x	22
# Service mechanical technicians		Working Days/Month		Clock Hour Avail
3,168.0	x	\$ 85.14	=	\$ 269,734
Clock Hours Available		Effective Labor Rate		Labor sales potential

How proficient are your technicians ?

3,576.0	÷	3,168.00	=	112.88%
Hours Produced		Hours Available		Tech Proficiency

Production Method – They are all paid flat rate and from what I was told they have no bonuses currently. We have mentioned that we need to bonus or parts counter gents on labor hours so that they get the parts to the bays much faster which will help everyone.

Analyze cost of labor – Gross retention was 67.45% which is low, and our labor cost was much lower but we strive to keep it around 20%

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 135,184	\$ 91,187	67.45%	55.08%
Customer Truck			0%	0.00%
Customer Other			0%	0.00%
Warranty	\$ 44,316	\$ 28,621	64.58%	18.05%
Warranty Other	\$ 6,251	\$ 3,901	62.41%	2.55%
Internal	\$ 46,345	\$ 22,008	47.49%	18.88%
NVI / Road Ready	\$ 13,356	\$ 9,158	68.57%	5.44%
Adj. Cost Of Labor		\$ 138	0%	0.00%
Total	\$ 245,452	\$ 155,013	63.15%	100.00%

Changes in Expense Structure –

We typically try and run a 60/40 (expense to net profit)

- We've also recently opened up a stand alone recon center for pre-owned which may have added expenses – will need to monitor to keep in line with guide (67%)

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 91,187		
Variable Expense		0.00%	
Selling Expense	\$ 136,404	149.59%	
Personnel Expense		0.00%	
Semi-Fixed Expense		0.00%	
Fixed Expense	\$ 303,105	332.40%	
Unallocated Expense		0.00%	
Dealer's Salary	\$ 9,999	10.97%	
Total Expenses	\$ 449,508	492.95%	
Net Profit	\$ (358,321)	-392.95%	

Pay plans – Unfortunately we haven't really been given a breakdown on the tech pay because the fixed ops manager is very territorial. A basic break down as said before is that we have

12 Senior techs averaging \$43.56 per hour and we have 5 Apprentice's making an average of \$26.54.

The reason everyone is highly over paid is because we had a previous Fixed Ops manager that was let go 2.5 years ago and he must have really liked the way the techs performed and gave them all raises.

Service advisor pay plan has somewhat of a structure

They have base pay based on customer pay

Cust Pay 0-\$40,000 – 6.5%

Cust Pay \$40,000 - \$50,000 - 7.0%

Cust pay \$50,000 - \$60,000 – 7.5%

Above that is 8.0%

Bonus Structure:

Combined labor average anywhere from \$8,000-\$11,000 per day can get you up to \$5,000 bonus.

Detail Performance programs-

We hold weekly meetings with all the managers and when it comes to the service department its all pats on the back and we look at total gross compared to the target and if it's a bit low we laugh and say don't worry we will be at target by the end of the month.

Training:

Our Dealership has a variety of different training programs – the manufacture training is mandatory (in class and online) – Every employee must complete 100% (manufacture requires 75% from each dept)

Special tools – • Special tools are kept in the service shop and assigned to technicians by as necessary. This is managed by our Shop Forman whose office is within the room. As you can see... its very tidy.



100 R.O Analysis:

Our ELR rate is a bit of a concern for that this month at \$85. Our previous Fixed Ops manager didn't really pay attention to this, but our new Service Manager has had some training

Our one-line item is a concern as well, so we have mandated more training from FCA to all of the advisors. Our goal is to reduce the one-line item to under **20%** from our current which is **36%**.

Repair Order Analysis Summary Report							
	Sales in Dollars		FRH's on RO's		Averages	Analysis	
Competitive	\$ 2,378	+	43.40	=	54.78	FRH Average	
Maintenance	\$ 20,502	+	173.50	=	118.17	FRH Average	
Repair	\$ 33,551	+	220.70	=	152.02	FRH Average	
Totals	\$ 56,431	+	437.60	=	128.95	Customer ELR	
		Target Labor Rate			133.99	Per FRH	
Total Ro's in Sample	22	Difference			-5.04	Per FRH	
Cost of Labor							
Total Cost of Labor	18000.24	+	Total Sales	=	31.90%	Percent Cost of Sales	
Total Cost of Labor	18000.24	+	Total FRHs	=	41.13	Cost per FRH	
Repair Order Measurements							
Total Labor Sales	56,430.51	+	Total ROs	=	2565.02	Avg Labor per RO	
Total FRHs	437.60	+	Total ROs	=	19.89	Avg FRH's per RO	
Menu Sales		+	Total ROs	=		Percent Menu Sales	
Competitive FRHs	43.40	+	Total FRHs	=	9.92%	Percent Competitive	
Maintenance FRHs	173.50	+	Total FRHs	=	39.65%	Percent Maintenance	
Repair FRH	220.70	+	Total FRHs	=	50.43%	Percent Repair	
One item ROs	36	+	Total ROs	=	163.64%	Percent One Item RO	
Model Year Analysis							
2019	2018	2017	2016	2015	2014	Older	Total
0	6	12	4	3	30	45	100
0.00%	6.00%	12.00%	4.00%	3.00%	30.00%	45.00%	

Swot Analysis:

Strengths

- New Service Manager on board with years of experience from both parts/service
- 3 and adding a 4th senior service advisors – all with over 3 years' experience
- Growing the recon dept to a separate location to maximize capacity
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Weaknesses

- High turnover of support staff makes customer washes inconsistent
- Very long wait times to book an appointment

Opportunities

- Adding a 5th shuttle to decrease wait times for clients
- Looking at expanding our service loaner fleet
- Fully interactive customer lounge displaying status of vehicles in service
- Offer specials monthly/quarterly based on seasonality to draw in business from competing markets

Threats

- Aftermarket service centers with discounted rates
- Advisors not educating clients on benefits to coming back to Renfrew
- Low supply of loaner vehicles resulting in long wait times for appointment bookings
- Employees not willing to work the extra hours during busy season

Objectives

- Increase CP hours .2 per RO
- Reduce one-line items
- Considering a junior advisor to manager express lanes and assign tech (ext hours)

Strategies

- Increase marketing budget
- Manage our internal training programs more effectively
- Service hours to mirror sales hours including shuttle

Tactics

- At time of delivery, sales reps booking 1st service with an advisor outlining our loaner program, ext hours etc
- Position weaker advisors next to stronger ones as part of training
- Social media ads targeting our clients with monthly/weekly specials
- Full time service drive through employee to receive all clients and direct to appropriate area

Action Plan :

Most important! – We need to extend the service hours to mirror sales. Our facility utilization is a serious concern

Second order of business is to train our advisors to let people know why their best experience will come from a franchise dealer rather than a 3rd party.

We need to watch our 1 ticket items on our RO's as proven on the 100 RO analysis. We need to stop the ticket discounting as its killing our net/gross.

All of this will be in place by July 1st.

Synopsis:

Renfrew Chrysler service team is committed to ensure consistent growth year over year while addressing areas of opportunity. The addition of our shuttle vehicles and hours increasing slowly but surely, we are heading in the right direction. The implementation of service advisor training should help with the tickets not being discounted and increasing line items per ticket.

Our main concern as stated many times is the service hours. We need to open that valve so that we can push through more work orders and increase labor hours which will reflect in effective labor rate etc.

We have already hired a separate service advisor that is strictly there for internal service which will obviously increase pre-owned recon therefore increasing our customer pay money.