

# Pellegrino Chevrolet

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Service Analysis – September 2023 (Based on 1 month)

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N426-21

# Marketing

## Current Practices

- Specials and menu options from the factory
- Pellegrino Lube for Life Program – Offered to every customer who purchases a new or used vehicle at any of our dealerships (Prices range from \$399 to \$899 depending on vehicle, oil type, lease/finance term)
- Email marketing to all customers regarding vehicle maintenance, seasonal care, adding parts/accessories, GM My Rewards program
- Introduction to service department at the time of new/pre-owned vehicle purchase (when they are open)

## Goals for Improvement

- Marketing our value (certifications, OEM technicians and parts, etc.)
- Increase effective labor rate
- Increase volume and customer base by offering a referral program for service department
- Increase hours per RO, reduce number of one item ROs
- Increase first service retention by scheduling at time of vehicle sale

## Plans to Achieve your Goals

- Meet with service manager & advisors on a monthly basis to determine specials for the month
- “Pellegrino Packages” for competitive and maintenance services to increase hours per RO and parts sales per RO
- “Dare to Compare” marketing on website/social media - comparison of our value and prices versus independent service shops
- Set up Customer Referral Program for Service Department
- Change Bonus Structure for Advisors for upselling based on hours per RO rather than pay on gross
- Change Bonus Structure for technicians by using proficiency instead of productivity

## Plans to Evaluate your Changes

- Weekly meetings with service and parts department
- Use a coupon or operation code in DMS to track referral program on monthly basis
- Monitor month over month hours per RO sales to track advisor progress on upselling
- Use Labor to Parts Ratio to track that the maintenance packages are being sold as full package and to ensure advisors are upselling both parts and hours

# Analyze Cost of Labor

- Current practices
  - Technicians: bonus paid on hours productivity
- Goals for improvement
  - Shop Scheduling and Loading per technician, make sure the right work is going to the right technicians
  - Upselling through MPVI
- Plans to achieve your goals
  - Adjust pay plan to reflect proficiency, not productivity
  - Dedicated express technician to keep cost of labor low on menu items with fixed pricing/specials from factory
  - Use videos to get technicians to communicate issues and recommendations more clearly to advisors and customers
- Plans to evaluate your changes
  - Track proficiency of each technician on a weekly basis
  - Schedule quick service ROs specifically to hourly technicians
  - Service Manager review each RO to track if advisors are upselling and if so, how often

**Service Department Sales And Gross (Labor Only)**

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Pay	\$ 53,752	\$ 41,729	77.63%	48.32%
Customer - SC	\$ 3,835	\$ 2,907	75.80%	3.45%
Customer - QS	\$ 7,937	\$ 6,049	76.21%	7.13%
Warranty	\$ 23,471	\$ 18,174	77.43%	21.10%
Warranty Other			0%	0%
Internal	\$ 16,678	\$ 13,155	78.88%	14.99%
NVI / Road Ready	\$ 5,570	\$ 4,819	86.52%	5.01%
Adj. Cost Of Labor		\$ (3,186)	0%	0.00%
<b>Total</b>	<b>\$ 111,243</b>	<b>\$ 83,647</b>	<b>75.19%</b>	<b>100.00%</b>

# Changes in Expense Structure

- Current practices
  - Advisors: bonus paid on gross
  - Manager: bonus paid on department gross
- Goals for improvement
  - Sell more hours per RO
  - Raise Effective Labor Rate
- Plans to achieve your goals
  - Change bonus structure for advisors to focus on hours sold per RO and/or hours billed vs hours available per week
- Plans to evaluate your changes
  - On a weekly basis, track hours available versus hours billed

Service Department Profit Centering		
Expense Category	Dollar Amount	% of Gross
Department Gross	\$ 83,647	
Variable Expense		0.00%
Selling Expense		0.00%
Personnel Expense	\$ 45,214	54.05%
Semi-Fixed Expense	\$ 18,972	22.68%
Fixed Expense	\$ 12,261	14.66%
Unallocated Expense		0.00%
Dealer's Salary		0.00%
Total Expenses	\$ 76,447	91.39%
Net Profit	\$ 7,200	8.61%

# Productivity

- Current practices
  - Advisors are order takers not salespeople
  - Technician's recommendations are going through advisors then to customers
  - On technician weekly pay sheets, we currently track productivity and efficiency
- Goals for improvement
  - Get customers to understand recommended services and maintenance
  - Improve transparency and communication within service department
  - Increase appointments and hours sold for Customer Pay ROs
- Plans to achieve your goals
  - Utilize video for MPVIs to help customers understand issues and recommendations, as well as to give the technicians a direct line to customers
  - Market competitive and maintenance labor to new and existing customers to create a better mix of Customer Pay ROs and bring more business in the door
- Plans to evaluate your changes
  - Track month over month labor sales
  - Add Proficiency per technician to the weekly pay sheet to monitor and use as baseline for bonus scale

NADA ACTUAL SERVICE ANALYSIS				
Performance				
	<i>Labor Sales / Month</i>		<i>Effective Labor Rate</i>	<i>Hours Billed</i>
Customer Pay*	\$ 53,752	÷	166.00	= 323.8
Customer - SC *	\$ 3,835	÷	130.00	= 29.5
Customer - QS*	\$ 7,937	÷	166.00	= 47.8
Warranty	\$ 23,471	÷	150.53	= 155.9
Internal	\$ 16,678	÷	166.00	= 100.5
New Vehicle Prep	\$ 5,570	÷	166.00	= 33.6
<b>Total</b>	<b>\$ 111,243</b>			<b>691.1</b>
POTENTIAL				
	\$ 111,243	÷	691.07	= \$ 160.97
	Total labor sales for month		Total hours billed	Effective Labor Rate
	7.00	x	8	x 22 = 1,232.0
	# Service mechanical technicians		# Hours per day for one tech	Working Days/Month
	1,232.0	x	\$ 160.97	= \$ 198,319
	Clock Hours Available		Effective Labor Rate	Labor sales potential @100%
				247898.1
				Labor sales potential @ 125%
How proficient are your technicians ?				
	691.1	÷	1,232.00	= 56.09%
	Hours Billed		Hours Available	Tech Proficiency

# Facility

- Current practices
  - 1 technician to 2 bays

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- Open Monday to Friday 7:30AM – 5:30PM, Saturday 8:00AM - 5:00PM
- Goals for improvement
  - Change hours of operation to match sales department
  - 1 technician to 1 bay
  - Maximize technician hours each day
- Plans to achieve your goals
  - Hire additional technicians and an additional service advisor
  - Increasing hours of operation will allow for more available hours per day, and will open a new customer base
  - Advisors fill bays with overflow work from previous day to ensure technicians can work as soon as they come into work
- Plans to evaluate your changes
  - Track appointments made for the extended hours, plus the sales made during those times
  - After increasing hours and preparing bays with vehicles, track the increase in ROs and total labor sales on a monthly basis, as well as technician proficiency on a weekly basis to monitor for increases

FACILITY POTENTIAL	
Number of Bays	15
	x
Number of Days	22
	x
Number of Hours	1232
	x
Effective Labor Rate	\$ 160.97
<b>FACILITY POTENTIAL</b>	<b>\$ 65,445,109</b>

  

FACILITY UTILIZATION	
Total Labor Sales	\$ 111,243
	÷
Facility Potential	\$ 65,445,109
	<i>equals</i>
<b>FACILITY UTILIZATION</b>	<b>0.17%</b>

# Repair order analysis

- From our 25 RO analysis to now a 100 RO analysis, we discovered that we are lacking in our advisors selling additional work per RO. In addition, we need to ensure that our technicians are more involved in the sales process by communicated directly with customers.

- In this analysis, we noticed that we also need an increase in competitive and maintenance repairs. This requires marketing our value and building the customers trust within our service department for coming to us for all of their service needs.

- We also found it interesting that our effective labor rate for this analysis was so far off from our target labor rate. With this in mind, we are looking into the discounting offered by advisors to track why our labor rate for competitive service is so low compared to our maintenance and repairs. This also made us realize we should offer our own monthly service specials to better reflect our door rate, increase our effective labor rate, and increase our gross profit in those ROs.

- Although we have a high first service retention rate, this analysis showed us that most of our customers (during this time frame) appear to come to us when their vehicles are out of warranty. We currently offer a lube for life program for any new customer that purchases a vehicle with us, so to gain more loyalty with service customers only, we have decided to implement a service-based customer referral program as well. We hope that this will increase customer loyalty as well as bring in new business.

Repair Order Analysis Summary Report							
	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 5,360	÷ 50.00	= 107.20	FRH Average			
Maintenance	\$ 8,010	÷ 53.40	= 150.01	FRH Average			
Repair	\$ 14,983	÷ 91.77	= 163.26	FRH Average			
Totals	\$ 28,353	÷ 195.17	= 145.27	Customer ELR			
			Target Labor Rate	169.00	Per FRH		
Total Ro's in Sample	100	Difference		-23.73	Per FRH		
Cost of Labor							
Total Cost of Labor	7015.57	÷ Total Sales	= 24.74%	Percent Cost of Sales			
Total Cost of Labor	7015.57	÷ Total FRHs	= 35.95	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	28,353.42	÷ Total ROs	= 283.53	Avg Labor per RO			
Total FRHs	195.17	÷ Total ROs	= 1.95	Avg FRH's per RO			
Menu Sales		÷ Total ROs	=	Percent Menu Sales			
Competitive FRHs	50.00	÷ Total FRHs	= 25.62%	Percent Competitive			
Maintenance FRHs	53.40	÷ Total FRHs	= 27.36%	Percent Maintenance			
Repair FRH	91.77	÷ Total FRHs	= 47.02%	Percent Repair			
One item ROs	86	÷ Total ROs	= 86.00%	Percent One Item RO			
Model Year Analysis							
2024	2023	2022	2021	2020	2019	Older	Total
1	6	9	10	8	14	52	100
1.00%	6.00%	9.00%	10.00%	8.00%	14.00%	52.00%	

# SWOT Analysis

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- Strengths
  - Teamwork throughout the service department
  - Technicians that care about the quality of their work
  - Knowledgeable Technicians, Advisors, and Manager
  - Reputation in our market
  - Sense of loyalty from ownership and team members across the dealership, as well as within customer base
  - Training opportunities and ability to grow within department

# SWOT Analysis

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- Weaknesses
  - Communication between technicians and service advisors for relaying proper diagnosis information and recommended services
  - Delays from diagnosis time to when advisor receives customer approval
  - Advisors scheduling the right work to the right technicians based on training, knowledge and skill level
  - Communication between advisors, technicians and parts department - FTFR, ordering the correct parts, notifying technicians when SOP are in stock.

# SWOT Analysis

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- Opportunities
  - Marketing the value of the service department against non-dealer service shops
  - Marketing the value of maintenance service on night drop envelopes, ROs, and social media
  - Extending service department hours of operation to be more flexible and available for customers
  - Offer vehicle pickup and drop off service for recalls and quick service appointments
  - Utilize shuttle service or Uber/Lyft to keep customers busy and reduce complaints of wait time for walk-ins
  - Increase hours per RO by upselling using MPVIs

# SWOT Analysis

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- Threats

- Loss of staff to other dealerships or shops
- The strike causing significant delays for parts and therefore delaying necessary repairs on vehicles in the shop
- Pressure on customers financial ability to pay for repairs, especially with EV repairs, as labor and parts are both increasing in price

# SWOT Analysis

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- Objectives
  - Change pay plans for advisors based on hours sold instead of gross
  - Track technician proficiency to create a scale for bonus structure
  - Increase labor sales and gross on Customer Pay ROs by assigning the right work to the right technicians
  - Create customer referral program to expand customer base
  - Hire additional technicians and one more advisor

# SWOT Analysis

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- Strategies
  - Dedicated technician for express, oil changes, etc. to reduce cost of labor on competitive service
  - Repair work should be given to most qualified technicians to reduce comebacks, increase FTFR (first time fix rate), turn more hours per RO, increase labor sales and gross opportunities
  - Create Competitive and Maintenance Service packages to balance labor to parts ratio and increase hours per RO
  - Open communication between technicians, advisors and parts department

# SWOT Analysis

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- Tactics
  - Increase hours of operation to match sales department
  - Schedule weekly meetings for technicians, advisors, manager and parts department to ensure an open line of communication
  - Marketing our value by posting “Dare to Compare” in our service department and on our website
  - Incorporate our service advisors in sales meetings to train on how to be salespeople and not order takers
  - Technicians utilize videos to communicate suggested repairs and maintenance to customers
  - Change pay plans for advisors and parts counterperson to be based on hours sold to increase labor to parts ratio and increase technician proficiency

# SWOT Analysis

- Action Plan

TASK	Position responsible	Check in/completion schedule
Dare to Compare Marketing Materials	Marketing Manager	December 1
Change Service Department Hours	Dealer Principal/Service Manager	January 1
Service & Parts Meeting (Scheduling, Parts Updates/Delays, SOP)	Service & Parts Managers/Service Advisors, Parts Counterpeople	Weekly
Update pay plans for advisors	Dealer Principal/Service Manager	January 1
Create Dealer Competitive and Maintenance Specials	Marketing Manager & Service Manager	Monthly
Track Advisor Upselling	Service Advisors & Service Manager	Daily
Sign up with company for MPVIs, Train technicians	Service Manager, Service Technicians	January 1

# Homework Synopsis

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- After reviewing the analysis for the month of September, it is clear to me that our main issue is that we are not selling enough hours in labor compared to what we have available. Our service advisors are making plenty of appointments each day, but it appears that we are not upselling enough time per RO. In addition, since we do not utilize video for MPVIs, our technicians' recommendations may not be getting communicated to the customers, or the customers are not fully understanding what is being recommended to them.
- The lack of labor sales is causing our technician proficiency to be around 56%, and therefore resulting in an extremely low percentage of facility utilization. In order to increase our labor sales per month and keep our technicians happy and busy, we have to set more defined processes and procedures in place to sell more hours per RO, sell more parts per RO. In addition, we need to set clearly defined express/quick service technicians to make sure that the right work is going to the right technicians. In doing this, we would keep our cost of labor low on the lower priced ticket items and ensure that the highly trained technicians are receiving the repair work to increase proficiency and labor sales.
- In doing the 100 RO analysis, I noticed that a lot of our customer pay work was repairs and/or competitive services. Repair work did bring up our labor sales and effective labor rate, but the competitive services bring down our effective labor rate due to the pre-set pricing from the factory and/or coupons available on those offers. In order to raise our effective labor rate to where we want it to be, we need to create our own dealer specials for competitive and maintenance labor to increase labor sales and increase our effective labor rate. As long as we properly market the value we have to offer as an OEM dealership, we can capture those customers and increase our percent of competitive and maintenance services.
- We have strong grosses across the board in our service department, but making these changes would help us be even more profitable and help keep our customers and employees confident, trusting, and happy with our dealership.