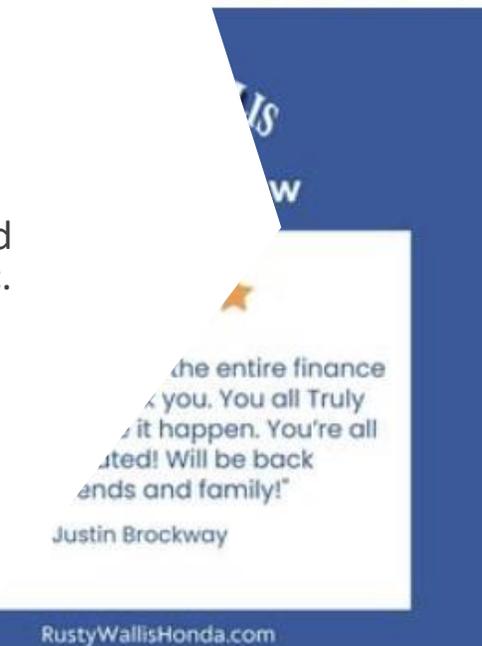


# NADA Service Homework

Jessica Wallis - N431

# Marketing

- ▶ We currently market for Service company called Solera
  - ▶ Service Customer Journey program: email reminders for upcoming required services, missed service reminders, declined work reminders, etc. throughout the life of their vehicle
  - ▶ Targeted Facebook ads and internet browser pop up ads
  - ▶ Direct mail and more aggressive discounting for customers who haven't visited in over a year
- ▶ We post on Instagram, Facebook, YouTube, and Twitter regularly
  - ▶ I create video content for all platforms based on any current specials, seasonal events, etc.
- ▶ Some areas of opportunity are to create a TikTok account and increase our radio presence
- ▶ Measure improvement by tracking sales volume, gross profit, and RO count month to month and year over year



# Analyze Cost of Labor

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Labor	\$ 134,638	\$ 105,172	78.11%	34.27%
Express Service Labor	\$ 80,477	\$ 61,084	75.90%	20.48%
Customer Other			0%	0.00%
Warranty Labor	\$ 45,281	\$ 36,738	81.13%	11.53%
Warranty Other			0%	0.00%
Internal Labor + Internal Acces.	\$ 132,477	\$ 94,394	71.25%	33.72%
NVI / Road Ready / PDI			0%	0.00%
Adj. Cost Of Labor			0%	0.00%
<b>Total</b>	<b>\$ 392,873</b>	<b>\$ 297,388</b>	<b>75.70%</b>	<b>100.00%</b>

## The Picture

Customer Pay Gross Profit %

77.29%

Total Service Dept. G.P. %

76%

- ▶ We are right at NADA minimum for gross profit retention at 76%
  - ▶ We are heavy on warranty and internal work (45%) and low on CP (55%)
- ▶ My goal is to increase GP % to 80%
- ▶ Another goal is to meet NADA guide of 60% CP work and 40% warranty and internal
- ▶ To achieve this, we need to significantly decrease the percentage of one-line ROs
- ▶ Keep discounting to a minimum
- ▶ Make sure we have the right job assigned to the right tech and make sure all techs are working at maximum proficiency
- ▶ I will continue to monitor GP %, one line ROs, and discounting on a weekly and monthly basis to measure improvement

# Changes in Expense Structure

- ▶ We are currently slightly above NADA guide for total expenses
- ▶ The first step to improving profit centering is to increase gross!
  - ▶ Decrease one line ROs and reduce discounting
  - ▶ Ask current customers if they have other vehicles or referrals
  - ▶ Follow up with customers on declined work and inform them of any open recalls
- ▶ I believe we are heavy on certain in the service department such as outside services
  - ▶ In my position, I will be able to go through expenses and cut anything unnecessary
- ▶ I monitor gross profit pace daily throughout the month
- ▶ I will work with my office manager to eliminate unnecessary expenses

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 297,388		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	\$ 143,503	48.25%	45-50%
Semi-Fixed Expense	\$ 59,370	19.96%	25-30%
Fixed Expense	\$ 36,208	12.18%	25-30%
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 239,081	80.39%	less than 80%
Net Profit	\$ 58,307	19.61%	

# Productivity

- ▶ Currently, we are operating with only 18 technicians for 43 bays
- ▶ This exercise proved to me that we are very short-handed when it comes to technicians, as it shows our techs to be working at 129% proficiency
- ▶ I am currently working with a technician recruiting company to hire 3 to 4 A and B level technicians to prepare for Spring and Summer
- ▶ I believe our labor sales potential would be much higher if we had more available technicians
- ▶ We will evaluate the new and existing technicians based on proficiency

## SERVICE INVENTORY ANALYSIS

	<i>Labor Sales / Month</i>	<i>Effective Labor Rates</i>	<i>Hours Billed</i>
Customer Pay	\$ 134,638	÷ 101.32	= 1328.8
Express Service Labor	\$ 80,477	÷ 82.50	= 975.5
Customer Other	\$ -	÷	= 0.00
Warranty	\$ 45,281	÷ 130.46	= 347.1
Internal	\$ 132,477	÷ 105.92	= 1250.7
New Vehicle Prep	\$ -	÷	= 0.00
<b>Total</b>	<b>\$ 392,873</b>		<b>3902.1</b>

### POTENTIAL

$$\frac{\$ 392,873}{3902.13} = \$ 100.68$$

Total labor sales for month      Total hours billed      Effective Labor Rate

$$18.00 \times 8 \times 21.0 = 3,024.0$$

# Service mechanical technicians      # Hours/Day      Working Days/Month      Hours Available to Sell

$$3,024.0 \times \$ 100.68 = \$ 304,461 \quad \$ 380,576.52$$

Hours Available to Sell      Effective Labor Rate      Labor sales potential @100%      Labor sales potential @ 125%

How proficient are your technicians ?

$$\frac{3,902.1}{3,024.00} = 129.04\%$$

Total Hours Billed      Hours Available to Sell      Tech Proficiency

# Facility

- ▶ Currently, we do not do a good job of utilizing our facility
  - ▶ We remodeled about 4 years ago and have not been able to properly utilize the new space
- ▶ I would like to increase facility utilization to 40% over the next 6 months
- ▶ In order to do this, we will need to hire more technicians and create a proper schedule to maximize proficiency
- ▶ We also may need to hire more advisors to keep up with an increase in work

FACILITY POTENTIAL	
Number of Bays	43
	x
Number of Days	24.75
	x
Number of Hours	12
	x
Effective Labor Rate	\$ 100.68
	<i>equals</i>
FACILITY POTENTIAL	\$ 1,285,805

FACILITY UTILIZATION	
Total Labor Sales	\$ 392,873
	÷
Facility Potential	\$ 1,285,805
	<i>equals</i>
FACILITY UTILIZATION	30.55%

# Repair Order Analysis

- ▶ The main takeaway I found from the RO analysis is that we need to work to increase our Customer ELR
  - ▶ We will not be successful in getting a warranty rate increase until we reduce discounting and increase CP ELR
- ▶ Avg. hours per RO are on target at 2.34 (guide 2.2-2.5)
- ▶ We need decrease the percentage of one line ROs (currently at 44%, target 10-15%)
  - ▶ Many of these came from main shop tickets where we completed a diagnosis but no repair

Repair Order Analysis Summary Report							
	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 3,111	÷ 43.10	= 72.18	FRH Average			
Maintenance	\$ 9,577	÷ 82.92	= 115.49	FRH Average			
Repair	\$ 16,548	÷ 108.20	= 152.94	FRH Average			
Totals	\$ 29,235	÷ 234.22	= 124.82	Customer ELR			
			Target Labor Rate	144.16	Per FRH		
Total ROs	100	Difference		-19.34	Per FRH		
Cost of Labor							
Total Cost of Labor	5369.00	÷ Total Sales	= 18.36%	Percent Cost of Sales			
Total Cost of Labor	5369.00	÷ Total FRHs	= 22.92	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	29,235.26	÷ Total ROs	= 292.35	Avg Labor per RO			
Total FRHs	234.22	÷ Total ROs	= 2.34	Avg FRH's per RO			
Menu Sales		÷ Total ROs	=	Percent Menu Sales			
Competitive FRHs	43.10	÷ Total FRHs	= 18.40%	Percent Competitive			
Maintenance FRHs	82.92	÷ Total FRHs	= 35.40%	Percent Maintenance			
Repair FRH	108.20	÷ Total FRHs	= 46.20%	Percent Repair			
One item ROs	44	÷ Total ROs	= 44.00%	Percent One Item RO			
Model Year Analysis							
2025	2024	2023	2022	2021	2020	Older	Total
0	3	3	8	8	3	75	100
0.00%	3.00%	3.00%	8.00%	8.00%	3.00%	75.00%	

# SWOT Analysis - Strengths

- ▶ Several Honda certified Master Technicians who are very skilled and knowledgeable
- ▶ Many loyal employees who have been with us 5+ years, especially technicians
- ▶ Competitive pricing within the local area
- ▶ Parts inventory availability to allow same day availability most of the time
- ▶ Recently renovated service department and waiting areas
- ▶ Strong communication within the team, everyone gets along well
- ▶ Dedicated system for quality control checks to reduce comebacks
- ▶ Efficiency in the services we provide



# SWOT Analysis - Weaknesses

- ▶ Decreased radio marketing post COVID – employees want us to bring our old jingle back to radio
- ▶ Some broken or run-down shop equipment/tools
- ▶ Turnover rate of new employees
- ▶ Shop flow and dispatching
- ▶ Rushing through interactions and not making our customers feel valued every time
- ▶ Lack of technicians
- ▶ Lack of alternative transport, all we offer is shuttle rides
- ▶ Time wasting in between jobs
- ▶ Attendance
- ▶ Comebacks that slip through QC checks
- ▶ Upsetting customers by leaving cars wet after the car wash

# SWOT Analysis - Opportunities

- ▶ Increased radio advertising
- ▶ Increase marketing to loyal customers
- ▶ Customer appreciation events
- ▶ Upgrade equipment and tools
- ▶ More used vehicles on the roads that need service
- ▶ Offer sign on bonuses to recruit top talent
- ▶ Utilize collegiate automotive programs in the area

# SWOT Analysis - Threats

- ▶ Decreased dealership visibility due to heavy construction
- ▶ Lack of new and used car inventory
- ▶ Large number of small independent shops in the area
- ▶ Back ordered parts
- ▶ Increase in electric vehicles on the road
- ▶ Bad weather conditions can slow down business especially in the winter

# SWOT Analysis - Objectives

- ▶ Improve customer pay ELR
- ▶ Reduce one line ROs
- ▶ Increase number of technicians
- ▶ Upgrade shop equipment
- ▶ Create an effective onboarding process to minimize turnover
- ▶ Improve shop flow
- ▶ Improve employee motivation to be productive all throughout the day
- ▶ Improve customer experience
- ▶ Offer more transportation options
- ▶ Provide adequate training for quality checking, including drying vehicles after the car wash (leave it better than we found it!)

# SWOT Analysis - Strategies

- ▶ Eliminate advisor discounting access
- ▶ Create a process to improve shop work flow and ensure the right tech gets the right job
- ▶ Post the non-dealer competitive pricing chart throughout the dealership
- ▶ Tailor technician pay plans to increase proficiency
- ▶ Have daily reviews with advisors and technicians over what their numbers are and what they are pacing for the month

# SWOT Analysis - Tactics

- ▶ Service manager must authorize all discounting or policy write offs
- ▶ Create a process for regularly checking shop equipment to make sure it does not get run down over time
- ▶ Start reimbursing customers for Rideshare apps in addition to shuttle rides
- ▶ Provide ongoing training to improve profitability (ELR, hours per RO, and overall gross profit)
- ▶ Increase advertising to help with public awareness due to decreased visibility and construction

# SWOT Analysis

TASK	Position responsible	Check in/completion schedule
Remove discounting access from advisors	Service Manager	Completed EOM December
Order new computers and tire machine	Owner	Completed EOM December
Daily meetings with techs and advisors	Service Manager	Daily
Implement ride share reimbursement	Service Manager	Jan. 31 <sup>st</sup>
Display non dealer competitive pricing	Service Manager / GM	Jan. 31 <sup>st</sup>
Implement sign on bonuses to recruit technicians	GM / Owner	Feb. 1 <sup>st</sup>
Build relationships with students in local automotive programs	Service Manager	Ongoing

# Homework Synopsis

- ▶ Overall, we have many areas for improvement to make our service department more efficient and more profitable
- ▶ We have already ordered new shop equipment and computers to help increase shop morale and effectiveness
- ▶ I feel confident that we can grow our shop from an average labor gross of \$300,000 per month to \$400,000-\$450,000 per month over the next year with the right processes and leadership in place
- ▶ I will strive to help create an environment where employees love coming to work to reduce turnover and increase the level of customer service we provide
- ▶ If service is successful, the whole dealership will be successful, so I plan to make the changes mentioned in this presentation my top priority in the upcoming year