

Fixed Operations 2 Service Homework

Work for Month of October 2023

Marketing

During the month of October 2023 we had the following marketing strategy.

We spent \$8,000 on a mailer that had a \$25 dollar discount on any RO over \$100 dollars. We spent \$4974 though Just Drive for paid search and another \$1500 for social media. We spent \$1000 to drive people to our accessories page. We had 9,550 emails go out from our Care Connect system to remind people of service due and Trade Up position. XTime invite is last but not least. We capture all declined work and an email offering a 10% discount goes out the following week to perform the work if they come during non-peak hours. This increases to 15% the week after.

After looking at the numbers and our proficiency, I found the money spent did very little to increase business. Most was focused on the customers we already have.

To improve we will stop the mailers and put the \$8,000 toward paid search and Social Media equally.

Working with the sales department, service will start having a new owners clinic the second Tuesday of each month. I have given a budget of \$2500 for food and give away including one big item each month to be raffled. The first clinic will be a Subaru bike.

William James (GM) Arvin Nano (Service Manager) and Adam Portzel (Advertising Company) will meet bi-weekly to review the ROI and discuss changes at that time.

Analyze Cost of Labor:

After reviewing our cost of labor and our labor rates will not be making any changes at this time. The review did uncover a large discounting problem. On the RO analysis I found that we were doing a large amount of discounts through advertising and it was costing us %19.2 of our gross each month. We have stopped all the discounts that go out by mailer and email and now only have one coupon each month.

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car			0%	0%
Customer	\$ 170,702	\$ 130,080	76.20%	72.77%
Customer Other			0%	0%
Warranty	\$ 31,980	\$ 25,410	79.46%	13.63%
Warranty Other			0%	0%
Internal	\$ 31,896	\$ 23,508	73.70%	13.60%
NVI / Road Ready			0%	0%
Adj. Cost Of Labor			0%	0.00%
Total	\$ 234,578	\$ 178,998	76.31%	100.00%

Changes in Expense Structure

We found that the main cost in our expense structure is Personnel. The reason for the high expense is to many bonuses were being handed out. Also to many coupons were being used by customers. This has caused a major issue in expenses. We have stopped all discounts except for one coupon per month.

Our current goal is to increase gross using the tools we already have. We have Video MPI through XTime and it is only being used at a rate of %19 percent. By using the tool to increase hours turned and not adding more expenses we will see our overall Gross increase.

Our plan has been to change the pay plans of all techs, service writers and service manager. There is now a tired pay plan and to reach the top level they need to be at %80 video MPI.

We are running a report every morning that is being passed out to the entire service department showing where they are with Video MPI and hours increased.

Expense Category	Dollar Amount	% of Gross
Department Gross	\$ 178,998	
Variable Expense		0.00%
Selling Expense		0.00%
Personnel Expense	\$ 101,104	56.48%
Semi-Fixed Expense	\$ 45,762	25.57%
Fixed Expense	\$ 35,263	19.70%
Unallocated Expense		0.00%
Dealer's Salary		0.00%
Total Expenses	\$ 182,129	101.75%
Net Profit	\$ (3,131)	-1.75%

Productivity

I hate to be blunt on this one but our current practices are a joke. We have been allowing way too many coupons and no use of the tools we have in place to sell hours. On the 100 RO worksheet we had 47 one line RO's. We are not using the Video MPI tool and we are also deciding for the customer instead of asking what they want fixed. We are not going after warranty work and our appointment system is not being used the right way. All of these issues lead to low tech proficiency!

We have made changes to the pay plan to make sure we are getting the most out of the tools we have now. We have appointed a service writer to call all ILM leads that come through the system. When a Subaru gets sick it send an email to the selling dealer that set up their Starlink and lets us know that there is an issue. We will start calling those customers to get them in to have the car fixed. We have also implemented pickup and delivery for our local customers. We have 5 service porters. This is more than enough to make this work without adding more. We will use out loaner fleet to drop off a car when we pick theirs up. Our appointment system has been changed to open up all spots available and we have changed the hours of operation. Someone set the hours to show us closing 2 hours each day before we actually close. That has been fixed.

During our Bi-weekly Expense Structure meeting we will go over this as well. I will use the equations learned in class at each meeting and reports from out DMS to show the improvement or lack thereof.

NADA ACTUAL SERVICE ANALYSIS

Performance

	<i>Labor Sales / Month</i>	<i>Effective Labor Rate</i>	<i>Hours Billed</i>
Customer Car*		÷	=
Customer Truck*	\$ 170,702	÷	172.00
Customer Other*		÷	=
Warranty	\$ 31,980	÷	147.48
Internal	\$ 31,896	÷	172.00
New Vehicle Prep		÷	=
Total	\$ 234,578		1394.7

POTENTIAL

\$ 234,578	÷	1394.74	=	\$ 168.19
Total labor sales for month		Total hours billed		Effective Labor Rate
18.00	x	8	x	27
# Service mechanical technicians		# Hours per day for one tech		Working Days/Month
				Clock Hour Avail
3,888.0	x	\$ 168.19	=	\$ 653,914
Clock Hours Available		Effective Labor Rate		Labor sales potential @100%
				Labor sales potential @ 125%

How proficient are your technicians ?			
1,901.0	÷	3,287.00	=
Hours Billed		Hours Available	57.83%
			Tech Proficiency

Facility

We have a brand new facility that was just built 7 years ago. We added a second building with 3 more lifts and a total of 6 stalls and three lifts just 3 years ago. One of the stalls is our emissions bay and 2 are for our clean up department. We also have a full car wash in the building so every service customer gets a car wash before leaving.

That gives us a total of 19 lifts and 20 stalls not including clean up. We have 18 Techs of those 5 are express techs working out of bays with lifts. We have more than enough room and do not need any changes made. The issue is the hours sold.

I have no plans at this time to make any changes or improvements.

Our goal is to reach %100 utilization and our potential of \$949,084

We will achieve this goal by again using the tools we have to sell more hours. I will explain my ultimate goal in the SWOT.

We will discuss this during our bi-weekly meeting.

FACILITY POTENTIAL	
Number of Bays	19
	x
Number of Days	27
	x
Number of Hours	11
	x
Effective Labor Rate	\$ 168.19
FACILITY POTENTIAL	\$ 949,084

FACILITY UTILIZATION	
Total Labor Sales	\$ 234,578
	÷
Facility Potential	\$ 949,084
	<i>equals</i>
FACILITY UTILIZATION	24.72%

Repair Order Analysis

I had a meeting with my service manager Arvin Nano. We found a number of serious issues that needed to be addressed immediately.

The first issue is the amount of coupons and discounts being used. We have been giving away %19.2 of our gross each month. I also found that 1 service writer is responsible for over half of those discounts.

The second issue is there were 45 one line RO's. We are not trying to upsell anything. I found that we are doing exactly what the customer asks for and no more.

The last issue is we are not sending Video MPI to any of our customers.

It has become evident that Arvin is an ineffective service manager and is allowing the service writers and techs to do whatever they want. I know we are missing our goal because of leadership and it is time for a change.

I have made major changes to the service writers pay plans and they can start using the tools they have and become sales people or I will replace them as well.

I have spent over \$20,000 in training last year and they use nothing they have learned. I think a big part of this is the fact that I have a very young writer staff. Money is not their motivator. I need to get some seasoned writers that want to make money.

Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis
Competitive	\$ 3,304 ÷	33.70 =	98.03	FRH Average
Maintenance	\$ 7,702 ÷	64.10 =	120.15	FRH Average
Repair	\$ 10,209 ÷	66.10 =	154.45	FRH Average
Totals	\$ 21,214 ÷	163.90 =	129.43	Customer ELR
Target Labor Rate			168.00	Per FRH
Total Ro's in Sample	100	Difference	-38.57	Per FRH

Cost of Labor

Total Cost of Labor	4589.40 ÷	Total Sales	=	21.63%	Percent Cost of Sales
Total Cost of Labor	4589.40 ÷	Total FRHs	=	28.00	Cost per FRH

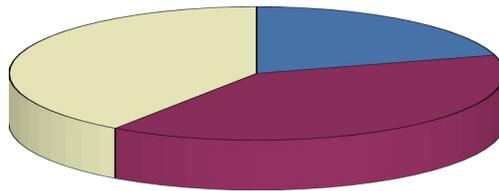
Repair Order Measurements

Total Labor Sales	21,214.32 ÷	Total ROs	=	212.14	Avg Labor per RO
Total FRHs	163.90 ÷	Total ROs	=	1.64	Avg FRH's per RO
Menu Sales		Total ROs	=		Percent Menu Sales
Competitive FRHs	33.70 ÷	Total FRHs	=	20.56%	Percent Competitive
Maintenance FRHs	64.10 ÷	Total FRHs	=	39.11%	Percent Maintenance
Repair FRH	66.10 ÷	Total FRHs	=	40.33%	Percent Repair
One item ROs	45 ÷	Total ROs	=	45.00%	Percent One Item RO

Model Year Analysis

2024	2023	2022	2021	2020	2019	Older	Total
0	3	7	15	10	19	46	100
0.00%	3.00%	7.00%	15.00%	10.00%	19.00%	46.00%	

Labor Mix



■ Percent Competitive
 ■ Percent Maintenance
 ■ Percent Repair

SWOT Analysis

Strengths

Stohlman has been servicing the DC are for over 80 years.

We have a good tech team. The older techs are working with the younger techs to help them learn. Very good morale.

Our Shop Forman is helpful, knowledgeable, a good trainer, diagnostician and has the trust of the shop staff.

We have a new facility with plenty of room for growth.

We have all the tools needed to be successful. Both digital and physical.

We have a large advertising budget!

We have a great supply of young new techs coming in all the time. We have decided to start hiring lot porters and roll them into express service. We found it is a lot easier to get techs and train them than fight for the ones that want to be paid way above standard.

Subaru is very supportive or training and support. Our DM and PM come in every quarter for a meeting to make sure we are on track with our training goals. Our DSQM (Dan Rockholt) lives local and is in the shop about once a week helping the Shop Forman and working with new techs. Dan comes to help with any issue whenever we call him. Our DM is also very helpful and meets with me twice a month.

We have very supportive owners that want the department to succeed and have supplied all the tools needed for success. I am never questioned when I spend money on anything the shop needs. They also send a food truck and ice cream truck every other month to feed the techs and sales.

Weaknesses

80% of our service writers are not driven by money. This is an issue with younger people in general. They are hard to motivate with money and learning what does motivate them is difficult at best.

2 Service writers produce 80% of the shop gross. This goes back to motivation.

The service writers are not using the tools provided to them. We use XTime for service and have all 4 pillars. Only 2 of the pillars are used on a regular basis.

The techs are not using the tools they have for success. The video MPI is below 20%. The average Subaru store that uses video MPI is above 80%. We are leaving money on the table.

When the Xtime system is not used as designed it cuts out the invite step and does not allow the customer to get the discount email for declined work.

To many techs are on hourly rate instead of flat rate.

Our Facility Potential is \$949,084 and we are at 24% of that number.

No strong leadership at the top.

Service hours do not match sales hours. This has caused issues when new cars is trying to deliver a car with a dead battery or used cars is trying to sell a car that is making noise. It also causes an issue when a customer comes to pick their car up and the finance department needs to take payment and a salesman needs to get the customers car. What is the customer has questions about the work that was done. Subaru also requires the customer to be walked to their car by the service writer and the question is asked on the NPS survey.

Opportunities

Hire service writers that are motivated by money.

Install a digital service board to update waiters on status.

Change advertising from mailers to TV, Radio and Digital.

Start servicing all makes and models. We have used car techs in place already.

Change service hours to match sales hours.

Add a TV above the service drive that displays accessories in a slide show.

Decrease the number of 1 line RO's

Increase Gross Profit by using Video MPI and XTime the right way.

Move three techs off of hourly to flat rate.

Add pickup and delivery.

Add Mobil Service.

Threats

A whole generation of people that are not motivated by money. I feel they think a job is a place to hang out all day.

We have 8 Subaru dealerships within a 30 min drive.

Almost 50% 1 line RO's

We have a service manager that is not able to do his job. He is friends with his employees and cannot get them to do what is required of them. There is no punishment for refusing a job or leaving early without permission. We are at 24% facility utilization and he thinks that is a good job.

We have had Video MPI in place for two years and it is still being used at a 20% rate even though it is required by Subaru and is on the NPS survey.

The service writers do not care about the customers. We just started a new year and have a 66.7% NPS on only 8 surveys. If we do not take care of our customers someone else will.

We are not matching service hours to sale hours. Customers are trying to pick up the car after service closes and they have payment issues and questions that cannot be answered. Subaru requires the service writer to take payment and to walk the customer to their car. This is on the NPS survey.

We finished the year with a 79% fixed right the first time.

We missed our Love Promise Award because of Service NPS.

Service gave away 195 in discounts per month for 11 months of the year. One service writer was responsible for 47% of those discounts.

There is favoritism by the service manager for one service writer and it has caused a number of people to quit.

The service manager and parts manager argue every day because service blames everything on parts.

Objectives

All of the following objectives are to be achieved by June 2024!

Replace the service manager with a seasoned professional.

Change all service writers and techs pay to reflect video MPI and digital quote percentage.

Reduce 1 line RO's to 10% of RO's per month.

Increase Video MPI to 80%

Increase facility utilization to 40% by June and 60% by December.

Decrease discounts to 1%

Change the service hours to match sales hours.

Hire new seasoned service writers that are motivated by money.

Start pickup and delivery.

Increase loaner fleet to support pickup and delivery, from 28 to 40 units.

Start mobile service unit.

Strategies

We are going to run an advertisement on Hierology looking for a service manager with Subaru experience. We will also use YellowDig to see if anyone has any suggestions.

All pay plans will include a new tier system as follows. Video MPI above 60% tier 1 = \$1, 70% tier 2 = \$2, 80% tier 3 = \$3, 90% tier 4 = \$4. The digital quotes percentage must be above 80% to receive any bumps.

We will run an add to hire new express service writers that are more motivated by money.

We will put a menu in place with packages to reduce the amount of 1 line RO's.

We have restricted all coupons to one per month and have locked the DMS so no service write can apply a discount. The discount can only be applied by the service manager. Any discounts outside of the one coupon must have approval from the GM.

I have scheduled a meeting with the owner and the parts and service VP to change the hours of the service department.

We are adding 10 cars from the new car fleet to loaner service and have assigned a porter to do pickup and delivery. We have set a boundary of 10 miles for this service.

During the meeting with the owner and the VP of parts and service we will discuss adding mobile service. We will buy a van at auction to make the mobile service van. We will then assign a tech schedule and rotate techs each day. We will call customers that have recalls needed and offer to do the work remotely.

Tactics

Lock the DMS to stop discounts.

Change pay plans.

Add MPI video bonus for techs and writers.

Have weekly individual meetings with the writers and techs to go over their numbers.

Add mobile service to increase warranty work.

Hire a videographer to do the MPI Videos and pay them if techs and writers do not do it.

Bi weekly meeting with parts and service VP and service manager to go over the numbers.

Daily report of video MPI percentage to be emailed to all techs and service writers.

Add a Video MPI training bonus to the shop Foreman's pay plan.

Track loaner car usage each week and adjust accordingly.

Action Plan

Task	By Whom	Completion Date
Lock DMS	Accounting	January 8 th
New pay Plans	GM	February 1 st
Weekly Meeting Schedule	GM	February 1 st
Mobile Service	Service Manager	April 1 st
Videographer	Service Manager	March 1st
Report Distribution	GM	January 8 TH
Loaner Car Usage	Service Manager	Start 1/8 - Ongoing

Synopsis

It is evident by the numbers that the service manager is in over his head and the shop is failing due to this issue. We have many tools in place that are not being used and that has led to a 24% shop utilization. Along with a high number of discounts and a high number of one line RO's the gross is at an all-time low.

The fact that we have the tools in place to fix this issue means that no extra money needs to be spent. We just need to put the right people in place that will use the tools and increase our gross profit for the dealership. At the end of the day it all comes down to FRH sold and we are not selling any.

I expect an immediate 100% increase as soon as Video MPI and Digital Quotes are used. By changing the shop hours to match the sales hours we will see an increase in NPS. We are first place in our district for First Maintenance Complete and then are losing those customers to other stores for a number of reasons that all surround the issues above. I have even received emails from customers saying they are leaving because they did not get a digital quote.

Once the right manager is in place, adding mobile service will only increase our warranty hours and have us ahead of the game for when Subaru requires it. That is coming next year. Starting pickup and delivery now will also help us gain and keep some customers.

Unfortunately it all starts with a new service manager. We also need to replace the writers that are not driven by money and think this is a place to hang out for 8 hours a day.

The good side of this is that we have everything in place and this should be an easy fix.

I am looking forward to a very large change in the very near future.