

# Service Department Analysis For Toyota Of Warsaw

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N334-21



# INTRODUCTION



- Going into service week I had a good idea of the deficiencies and opportunities our service department had. I did not know how to go about correcting and improving the performance of the department. At the end of service week and I had a clear vision as to what needed to be done. After conducting this analysis I have outlined the different areas within the dealership and service department to which changes need to be made.
- The figures used in the Toyota of Warsaw Service Department Analysis are based on June 2018 MTD & YTD results



**ServiceCenters**  
Keep Your Toyota a Toyota



# ADVERTISING / MERCHANDISING



- Toyota of Warsaw advertising currently includes mailers and or email blasts targeted to those customers who are either due for service or customers that deferred work at their most recent service visit. Our mailers and email blast also target inactive and lost service customers within our PMA.
- In June we launched Toyota SimplePart which is our online parts store which is a part our in dealership merchandising. In the first month we have seen promising activity.
- Along with parts we have launched our online tire store which will build out a quote, provide all rebates and discounts available and set an appointment for the customer online.
- We are advertising heavily on social media as well search engine marketing to promote all the different ways a customer can do business with us at any time of the day.

By Vehicle

Year Make Model Trim Option SHOP NOW

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**BFGoodrich** **BRIDGESTONE** **DUNLOP** **GOODYEAR** **MICHELIN** **YOKOHAMA**

### Take Advantage of these Limited-Time Offers

TIRE MANUFACTURER	PROMOTION PERIOD	KEY REBATE DETAILS
GOODYEAR/DUNLOP	07.01.18 - 09.30.18	<a href="#">\$40-\$100 Rebate</a>
MICHELIN	07.01.18 - 08.04.18	<a href="#">\$70 Rebate</a>
PIRELLI	06.29.18 - 07.23.18	<a href="#">\$70 Rebate</a>

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### Toyota Tire Price Match Guarantee

Found a better tire price? We'll match it! Simply bring in a printed quote from a local competitor within 30 days, and we'll refund you the difference.

Conditions and exclusions apply. Contact us for details.

**Toyota of Warsaw**  
parts@toyotawarsaw.com

Select Vehicle ▾ Parts ▾ Accessories ▾ Dealer Home ▾

448 W. 250 North, Warsaw, IN 46582 (574) 267-4636

2017 Toyota Highlander LIMITED 3.5L V6 4WD AT CHANGE 0

Home / Toyota / Highlander / LIMITED / 3.5L V6 4WD AT / 2017 / Maintenance / Filters and Fluids

### Keep going places with Genuine Toyota Parts.

Shop Toyota of Warsaw for parts & accessories especially for your Toyota, from Toyota.

These genuine parts fit your 2017 Toyota Highlander LIMITED 3.5L V6 4WD AT

Air Intake Filter

Cabin Filter

Drain Plug

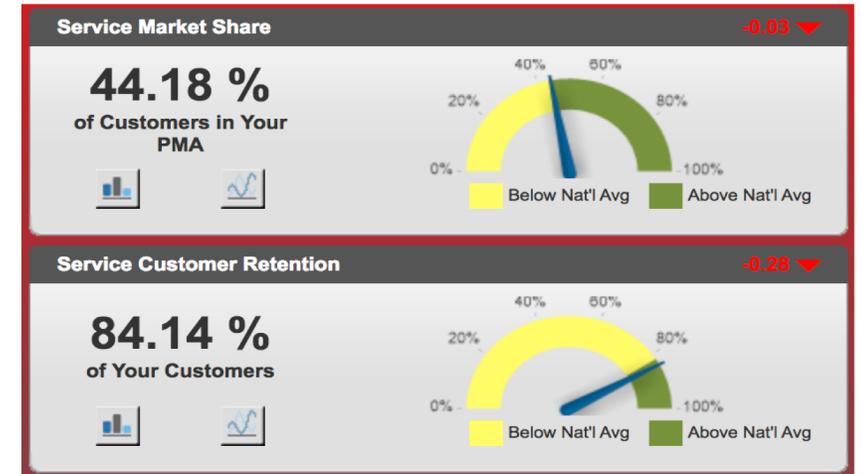
Drain Plug Gasket

# MARKETING



- Toyota of Warsaw Market Share is **44.18%** & Service Customer Retention is **84.14%** as of May 2018
  - 22.64%** are servicing at another dealership
  - 33.18%** are servicing with a aftermarket shop
- One item noted in our retention reports is the customer perception of Toyota of Warsaw being more expensive when compared to the aftermarket.
  - We are working on a Good / Better / Best menu to showcase that we are NOT more expensive and if we are we have a value story to back it. The Good / Better / Best menu will be given to customer at time of new or used car delivery, we will have on our website, social media pages as well in the service department.
  - Along with the Good / Better / Best menu we are spending \$500 a month in service and parts SEM. Before we seriously invested in SEM the aftermarket shops dominated the online service space.
    - As of June, 2018 reporting we have doubled the industry average of 2.5-3% leads conversation rate aka driving service and parts Google searches to our website.

Campaign SEM	Search Impr. share	Clicks	Impressions
Toyota Of Warsaw- Service	51.14%	65	1,529
Toyota Of Warsaw - Parts	39.50%	29	329
Toyota Of Warsaw - Brand	100.00%	13	31



## Service Intent (VSS)

Response Date: Year To Date (As of Previous Month June) Compare To: Nation

Tire Replacement	Total	Compare To
Number of Responses	83	777157
<b>Dealer</b>	<b>45.78</b>	<b>51.74</b>
Another Dealer	0	2.08
National Service Chain	19.28	22.73
Independent Facility	33.73	20.03
Do It Yourself	1.2	3.42
Why Would Not Return for Service (VSS)	Total	Compare To
Number of Responses	3	30320
Too much time to service vehicle	0	21.94
Inconvenient hours	0	2.2
<b>High price/costs</b>	<b>66.67</b>	<b>24.39</b>
Poor customer treatment	0	24.53
Inconvenient location	0	11.64
Difficult to make appointment	0	3.73

# MARKETING



- Non Dealer Survey
  - Important items I have noted when looking at the non dealer competitive survey are as follows:
    - Our parts pricing are for Genuine Toyota OEM parts vs. aftermarket parts used by the shops in survey.
    - Our 3 factory trained ASE certified technicians have 70 + years of cumulative automotive technical experience vs the non ASE certified technicians at the aftermarket shops.
  - We have an opportunity to better communicate and market Toyota of Warsaw as a service center that not only works on all makes and models but is very competitive when compared to 20 other dealerships and aftermarket shops in the local area.



Competitor Name	Lube, Oil & Filter	Rotate Tires	Balance Tires	Align Front End	Service A/C	Replace Front Disc Pads
Smith Tire	\$26.75	\$15.00	\$30.00	\$50.00	\$90.00	L \$35.00 P \$65.00 (1 pad)
Monteith Best One Tire & Auto Care	L \$15.00 P \$43.30	\$15.00	\$33.00	\$69.95	\$139.00	L \$127 + Parts
Monro Muffler Brake & Service	L only \$14.99	Included w/ oil change	\$49.95	\$59.95	L only \$63.25	L \$99.95
Jiffy Lube	\$35.00	\$24.99	N/A	N/A	N/A	N/A
Midwest Tire & Auto	L \$19.95 P \$12.50	\$14.00	\$30.00	L \$70.00	N/A	\$62.00 & \$55.00
Walmart Auto Center	\$19.88	\$2.50 per tire \$10.00	\$40.00	N/A	L only \$60.00	N/A
<b>My Dealership</b>	\$34.95	\$29.95	\$49.95	\$89.95	\$145.00	L \$129.95 P \$69.99 (2 sets)

# FACILITY



## Capacity, Utilization, Limitations:

- For the month of June 2018 we utilized **32.64%** of our facility vs NADA guide of **75%**.
- In June we had the potential to achieve \$177,294 in labor sales but sold only 32% of that potential.
- Our poor facility utilization is a direct result of our lack of dispatch process and understanding of shop loading and scheduling.
  - We need to address our appointment , scheduling and shop loading procedures to maximize our inventory and facility.
    - How many hours do we have available to sell for the day ? Based on 3 techs with 8 hours available in the day and shop proficiency of 176% we have 42.42 hours available to sell a day
  - What do I load ? Based on hours to sell of 42.24 multiplied by the NADA loading percentage of 80% our shop loading figure is 33.79
- We need to be selling more hours each day. We will need to make changes to
  - The technicians work schedule. Currently all go to lunch at 12pm and don't schedule for that hour.
  - Tech that works at 7:30am leaves at 4:30pm and tech that comes in at 8:30pm leaves at 5:30pm.
  - At all hours we are open there will be techs working.

FACILITY UTILIZATION	
Total Labor Sales	\$ 57,866
	÷
Facility Potential	\$ 177,294
	<i>equals</i>
FACILITY UTILIZATION	32.64%

FACILITY POTENTIAL	
Number of Bays	13
	x
Number of Days	20
	x
Number of Hours	10
	x
Effective Labor Rate	68.19
	<i>equals</i>
FACILITY POTENTIAL	\$ 177,294



# PRODUCTIVITY ORGANIZATION & PRODUCTION METHODS

- Our tech proficiency is **176.79%** vs. NADA Guide of 120%
- The strong proficiency is a result of having only 3 techs allowing for plenty of work to go around. With that being said we do have tremendous growth potential when it comes the service departments profitability.
- Service Department Organization and Production Method:
  - Service Manager
  - Assistant Service Manager (ASM)
  - 3 Master Techs
- Our service department is a conventional shop however, we do not have a shop forman or dispatcher. The work is dispatched based on availability at time of write-up.
- Our biggest road blocks are our:
  - Lack of processes and management
  - We are not scheduling and loading our shop effectively
  - Managing our tech schedule
  - Limited service department hours

## NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	\$ 39,732	÷	64.15	=	619.4
Customer Truck*	\$ 4,251	÷	64.15	=	66.3
Customer Other*	\$ 1,894	÷	64.15	=	29.5
Warranty	\$ 10,044	÷	87.00	=	115.4
Internal	\$ 1,945	÷	108.00	=	18.0
New Vehicle Prep		÷	87.00	=	0.00
<b>Total</b>	<b>\$ 57,866</b>				<b>848.6</b>

POTENTIAL

$$\begin{array}{l}
 \$ 57,866 \div 848.61 = \$ 68.19 \\
 \text{Total labor sales for month} \quad \text{Total hours billed} \quad \text{Effective Labor Rate} \\
 \\
 3.00 \times 8 \times 20 = 480.0 \\
 \text{\# Service mechanical technicians} \quad \text{\# Hours/Day} \quad \text{Working Days/Month} \quad \text{Clock Hour Avail} \\
 \\
 480.0 \times \$ 68.19 = \$ 32,731 \\
 \text{Clock Hours Available} \quad \text{Effective Labor Rate} \quad \text{Labor sales potential}
 \end{array}$$

How proficient are your technicians ?

$$848.6 \div 480.00 = 176.79\% \\
 \text{Hours Produced} \quad \text{Hours Available} \quad \text{Tech Proficiency}$$

Customer labor divide by the Customer Effective Labor rate from the R. O. Analysis

# COST OF LABOR & GROSS PROFIT STRUCTURE



- YTD June 2018 Cost of Labor was \$148,423 which made up 42% of sales.
- Service department gross profit as a % of sales is **60.02%** vs NADA Guide of 73%
  - Customer pay labor makes up 68% of our total sales however only holds 59% of gross . Customer pay gross is lower because of discounting
  - Warranty makes up 17% of sales however holds 68% of gross
- Our gross profit is low because our labor rate is too low.
- In order to hold 73% gross we need to increase our E.L.R at \$100.74 vs. \$64.10
- Additionally our cost of labor is 40.6% vs. NADA Guide of 30% or less
- In order to gross 73% we cannot pay our techs more than 27%

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Labor Toyota	\$ 39,732	\$ 23,787	59.87%	68.66%
ToyotaCare	\$ 4,251	\$ 2,116	49.78%	7.35%
Customer Other	\$ 1,894	\$ 957	50.53%	3.27%
Warranty	\$ 10,044	\$ 6,838	68.08%	17.36%
Warranty Other			0%	0.00%
Internal	\$ 1,945	\$ 1,032	53.06%	3.36%
NVI / Road Ready			0%	0%
Adj. Cost Of Labor			0%	0.00%
<b>Total</b>	<b>\$ 57,866</b>	<b>\$ 34,730</b>	<b>60.02%</b>	<b>100.00%</b>

# EXPENSE STRUCTURE



- June 2018 our Service Absorption was at 17.92% vs. NADA Guide of 35% .
- Our net profit is 45% however our all expenses is submitted under the new vehicle department on the state therefore this is not a true representation of the service department net profit.
- I would like to see a service absorption increase from 17% to 35% by the end of October. Once 35% is achieved, continues towards hitting 45% absorption by the end of 2018.
- To do this we need the ASM and techs to achieve the additional \$2,448 CP dollars per day.
- Due to service absorption being so low we had \$20,378 of unabsorbed expense in June.

Expense Category	Dollar Amount		Profile
Department Gross	\$ 34,730	% of Gross	
Variable Expense		0.00%	
Selling Expense	\$ 16,421	47.28%	
Personnel Expense		0.00%	
Semi-Fixed Expense		0.00%	
Fixed Expense	\$ 2,608	7.51%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 19,029	54.79%	80%
Net Profit	\$ 15,701	45.21%	20%-25%

Total Dealership Expense per Month	184,464
Absorption % Goal for the Service Dept	35.00%
<b>Absorption % Goal x Total Dealership Expense</b>	<b>64,562</b>
Current Service Absorption	17.92%
Current Service Gross per Month	33,061
<b>Additional Service Gross per Month Needed</b>	<b>31,501</b>
Service Customer Labor Gross % Sales	58.50%
<b>Additional Service Customer Sales per Month Needed</b>	<b>53,848</b>
# of Working Days (22 is default)	22
<b>Additional Service Customer Sales per Day Needed</b>	<b>2,448</b>
Service Customer Effective Labor Rate	108.00
<b>Additional Service Customer Hours per Day Needed</b>	<b>22.66</b>
# of Service Writers	1.0
<b>Add'l Service Customer Hours per Writer per Day Needed</b>	<b>22.66</b>
# of Service Techs	3.0
<b>Add'l Service Customer Hours per Tech per Day Needed</b>	<b>7.55</b>
# of Customer Repair Orders per Month	342
<b>Add'l Service Customer Sales per R.O.</b>	<b>157.45</b>
<b>Add'l Service Customer Hours per R.O.</b>	<b>1.46</b>

# PAY PLANS, ENHANCEMENT PROGRAMS & TRAINING



## ■ Pay Plans & Enhancements

- Our current pay plans for the Service Manager and ASM are salary plus bonus which does not motivate or push our team to the performance metrics we need to meet in order to be profitable.
- Starting in July dealership executive management will set the goals along with the department manager.
- The performance goals will guide our team to meet daily and weekly objectives such as hours sold per day per advisor.
- All the individual and department goals will have spiffs that will be paid out weekly for that pay period objectives met.

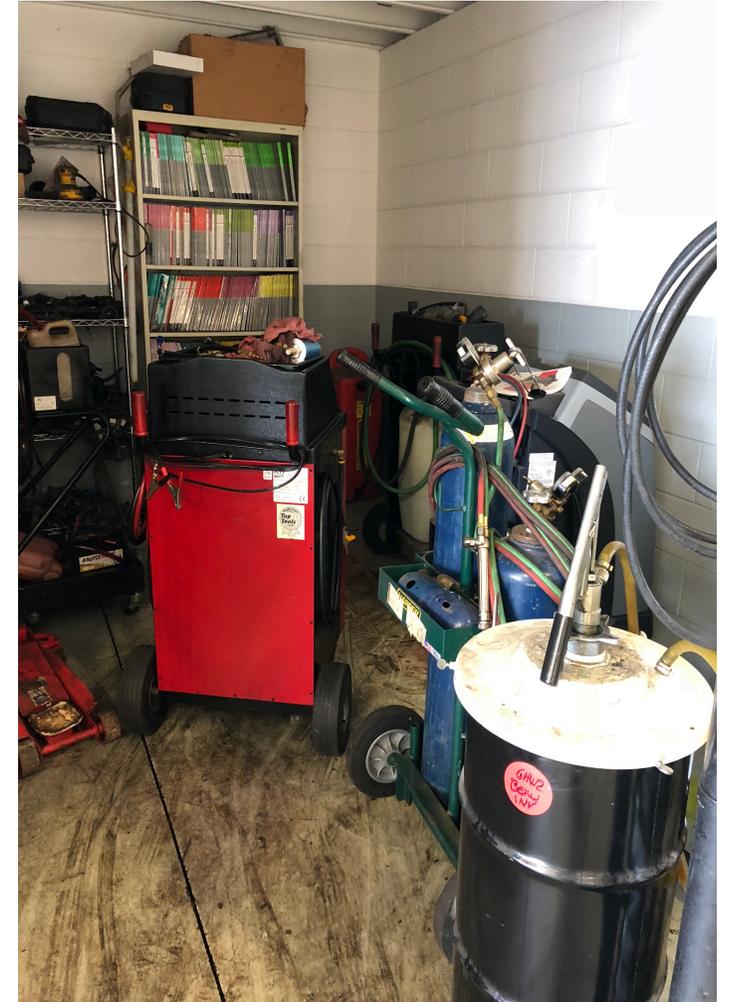
## ■ Training

- In conjunction with the enhancements and spiffs we will have weekly "sales meeting" that will focus heavily on phone training.
- We will continue all of the Toyota training for service advisors and service manager.
- Techs will go to the Toyota boot camp trainings at the regional office to learn the latest in the changing technologies.
- Our teams will be given the appropriate amount of time to allow for eLearning's to be completed .



# CONDITION OF SPECIAL TOOLS

- Special tools and testing equipment are in good condition and organized.
- All hybrid tools are locked in orange tool case and working as designed.
- Recently had special tool audit completed by Toyota and all tools and equipment accounted for and in the correct location.



# 100 R.O. ANALYSIS

- **56%** of RO's in study were "One Line Item RO" vs. NADA guide of 10%-15%
- Competitive and Maintenance work made up 71% of work mix Guide 60% and Repair made up only 28% Guide 40%
- Maintenance FRH average is **\$49.00** and vs Guide +\$2 from warranty rate of \$87.00
- Customer Effective Labor Rate is **\$64.15** which is a **\$24.85** difference per flat rate hour.
- Average hours per RO is **1.70** vs NADA Guide 2.2
- Total Cost of Labor per flat rate hour is **\$26.09** meaning we are paying our techs 41% of the labor sales
- We need to see 100% competition of MPI's on every vehicle in service as well the results reviewed with customer at every visit.
- Our Techs need to take responsibility for one line repair orders with consistent MPI and vehicle inspections.
- Increase our customer labor rates as they are lower than all the dealers in auto park.
- Create and publish new service menu and pricing guides.

Repair Order Analysis Summary Report						
	Sales in Dollars		FRH's on RO's		Averages	Analysis
Competitive	\$	408	÷	13.50	=	30.22 FRH Average
Maintenance	\$	5,307	÷	108.30	=	49.00 FRH Average
Repair	\$	5,185	÷	48.10	=	107.79 FRH Average
Totals	\$	10,900	÷	169.90	=	64.15 Customer ELR
					Target Labor Rate	89.00 Per FRH
Total Ro's in Sample		100		Difference		-24.85 Per FRH
Cost of Labor						
Total Cost of Labor		4432.50	÷	Total Sales	=	40.67% Percent Cost of Sales
Total Cost of Labor		4432.50	÷	Total FRH's	=	26.09 Cost per FRH
Repair Order Measurements						
Total Labor Sales		10,899.79	÷	Total RO's	=	109.00 Avg Labor per RO
Total FRH's		169.90	÷	Total RO's	=	1.70 Avg FRH's per RO
Menu Sales			÷	Total RO's	=	Percent Menu Sales
Competitive FRH's		13.50	÷	Total FRH's	=	7.95% Percent Competitive
Maintenance FRH's		108.30	÷	Total FRH's	=	63.74% Percent Maintenance
Repair FRH's		48.10	÷	Total FRH's	=	28.31% Percent Repair
One item RO's		56	÷	Total RO's	=	56.00% Percent One Item RO
Model Year Analysis						
2019	2018	2017	2016	2015	2014	Older
0	2	9	12	8	5	64
0.00%	2.00%	9.00%	12.00%	8.00%	5.00%	64.00%

# QUALITATIVE S.W.O.T ANALYSIS

*Based on 20 completed surveys*

## ■ **STRENGTHS**

- Loyal customer base
- Team working environment
- Family owned and operated
- Owners in store and make decisions quickly
- Peers have experience and are team players
- Facility new and clean
- Customers like waiting at dealership for work to be done

- Master techs
- Apprentice tech program
- Growth opportunities
- Active in community and giving back to the community
- Strong unemployment and good economy in Warsaw

## ■ **WEAKNESS**

- Dealership new point - opened only 9 years ago
- Service hours are not convenient to our customers only convent for service employees
- Need C grade tech so we can avoid paying master techs to do oil changes
- Not completing 100% of MPI
- Customers unable to make appointment for desired time and date

- No loaner cars
- Not big enough to justify BDC
- ASM have to take calls along with helping customers in front of them and miss business for customers on hold
- Used care recon time
- Service department is all paper / takes techs away from bays and ASM away from service counter

# QUALITATIVE S.W.O.T ANALYSIS

## ■ OPPORTUNITIES

- Competitive service pricing menu
- Tire display in service drive
- Used car recon times / missing potential work because they are not getting MPI and recommendations to used car manager within reasonable time frame
- MPI on every vehicle to increase gross in both parts and service
- Processes to better handle special order parts and recall parts installed
- Hours per RO and dollars per RO
- Extended service hours for used car recon, PDI and customers who work

## ■ THREATS

- Low unemployment (2.2% 2nd lowest in state of Indiana) hard to find good people wanting to work
- Scheduling people out so far in advance that they defect and go somewhere else
- Scheduling and loading incorrectly causing longer wait times and customer defection
- Discounting RO's and do not qualify for future warranty rate increases
- Nearest Toyota dealer to Toyota of Warsaw is 30 miles away in what's considered metro city with mail and COSCTO

# QUALITATIVE S.W.O.T ANALYSIS



## Objectives

- Maintain customer stratification scores at or above the regional office.
- Increase E.L.R by closely monitoring discount by implementing service manager approval on any discount given.
- Increase service absorption from 17% to 35%.
- Increase gross profit retention from 60% to 75%.
- 100% MPI completion on every vehicle gets service.
- Create new menu including good / better / best
- Consistent and regular marketing of Toyota of Warsaw Service
- Increase customer pay labor rates

## Strategies & Tactics

- Weekly service shop meetings to discuss goals, progress and any issues
- GM check 20 RO's from the week for 100% completion of MPI'S
- Change pay plans for service manager and ASM that support growth in areas we are deficient
- Sign team up for training and plan shop schedule accordingly
- Work with other Toyota dealer on scheduling process to help create the our new process that will work for our dealership
- Create good /better / best menu with service and parts managers

# ACTION PLAN

<b>Tasks</b>	<b>By Whom</b>	<b>Completion Date</b>
Hold weekly shop meetings	GM / SM	August 1, 2018
Set monthly & weekly objectives for increased gross profit	GM/ SM	August 1, 2018
Stop discounting ability	GM/SM	August 1, 2018
Create process for scheduling	GM/ SM	September 1, 2018
Create and implement new pay plans (Service Manager, Advisor and Techs)	GM/ SM	September 1, 2018
Launch and advertise new service & parts department hours (match sales)	GM	October 1, 2018
Hold weekly managers meeting	GM	Weekly

## SYNOPSIS



- In consultation, Toyota of Warsaw service department needs to address the results of the RO analysis. The service team will need to meet the objectives set by management in order to achieve improved dollars per RO, decreased one line RO's and 100% completion of MPI's with active service walk around delivery.
- Our Service manager will need to address and implement processes and training to correct our scheduling and loading deficiencies to ensure we are maximizing our inventory (time).
- Implementing all the items outlined and discussed in this analysis will lead to profitably and growth not only in fixed ops but variable ops as well.