

The background features a vibrant, abstract design with overlapping geometric shapes in shades of green and yellow. The shapes are layered, creating a sense of depth and movement. The colors transition from a bright yellow-green at the top to a deeper green at the bottom.

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Service Homework

Marketing

- ▶ **Current practices:** Our current marketing strategy for the service department relies heavily on Google and our social media channels. With that being said, very little actual advertising dollars go to the service department.
- ▶ **Goals for improvement:** My goal is to increase service advertising expense to ten percent of gross next month. As a new store without a great location for the time being, an increase in marketing will go a long way to get our facility utilization where it could be.
- ▶ **Plans to achieve your goals:** I will allocate a percentage of advertising expense to the service department based off its expected gross profit.
- ▶ **Plans to evaluate your changes:** I will have an end-of-month review in early March to evaluate the effectiveness of the increase in dedicated service department advertising.

Analyze Cost of Labor

- ▶ **Current practices:** We have six technicians, all on flat rate. In the time frame that I've used for the data, we did not have an hourly oil change technician, and instead had flat rate technicians doing maintenance.
- ▶ **Goals for improvement:** To increase our gross profit percentage for quick service, we need an inexpensive dedicated lube tech. For more gross in warranty, we need a warranty rate increase from General Motors.
- ▶ **Plans to achieve your goals:** Hire a lube tech and apply for a warranty rate increase.
- ▶ **Plans to evaluate your changes:** I will do the same calculation following making the above changes.

Service Department Sales And Gross (Labor Only)					
Category	Sales	Gross	Gross as % of Sales	%Sales Contribution	
Customer Car	\$ 42,134	\$ 33,892	80.44%	42.36%	
Customer	\$ - 0	\$ - 0	0%	0.00%	
Customer Other	\$ 8,173	\$ 5,979	73.16%	8.22%	
Warranty	\$ 25,753	\$ 16,697	64.84%	25.89%	
Warranty Other	\$ - 0	\$ - 0	0%	0.00%	
Internal	\$ 23,405	\$ 18,079	77.24%	23.53%	
NVI / Road Ready	\$ - 0	\$ - 0	0%	0.00%	
Adj. Cost Of Labor		\$ (2,835)	0%	0.00%	
Total	\$ 99,465	\$ 71,812	72.20%	100.00%	

Changes in Expense Structure

- ▶ **Current practices:** Before looking at anything with expenses, I should always LOOK AT THE GROSS (Thanks, Bob!). And we are severely underperforming. We aren't coming close to selling all available hours or anything close to 100% facility utilization.
- ▶ **Goals for improvement:** Achieve 70% facility utilization in the next 90 days. Increase tech proficiency to 90 percent in the next 90 days.
- ▶ **Plans to achieve your goals:** We need to increase service department marketing to reach more of our target customers. With an increase in traffic, we will hire more technicians to meet the increased demand. We can do a better job of holding our shop foreman accountable for tech proficiency.
- ▶ **Plans to evaluate your changes:** Review service department profit centering calculation in 90 days.

Service Department Profit Centering		
Expense Category	Dollar Amount	
Department Gross	\$ 71,812	% of Gross
Variable Expense	\$ - 0	0.00%
Selling Expense	\$ - 0	0.00%
Personnel Expense	\$ 54,996	76.58%
Semi-Fixed Expense	\$ 24,010	33.43%
Fixed Expense	\$ 18,300	25.48%
Unallocated Expense	\$ - 0	0.00%
Dealer's Salary	\$ - 0	0.00%
Total Expenses	\$ 97,306	135.50%
Net Profit	\$ (25,494)	-35.50%

Productivity

- ▶ **Current practices:** As a store, we do not regularly track tech proficiency or hold technicians, foremen, or service managers accountable.
- ▶ **Goals for improvement:** Achieve 100 percent technician proficiency in six months.
- ▶ **Plans to achieve your goals:** Hold monthly reviews of overall proficiency and proficiency by technician. Hold my shop foreman and service manager accountable.
- ▶ **Plans to evaluate your changes:** Review technician proficiency bi-weekly and track changes.

NADA ACTUAL SERVICE ANALYSIS					
Performance					
	Labor Sales / Month		Effective Labor Rate		Hours Billed
Customer Car*	\$ 42,134	÷	134.94	=	312.2
Customer Truck*	\$ - 0	÷		=	0.00
Customer Other*		÷	47.89	=	0.0
Warranty	\$ 25,753	÷	92.33	=	278.9
Internal	\$ 23,405	÷	143.45	=	163.2
New Vehicle Prep	\$ - 0	÷	0.00	=	0.00
Total	\$ 91,292				754.3
POTENTIAL					
	\$ 91,292	÷	754.32	=	\$ 121.02
	Total labor sales for month		Total hours billed		Effective Labor Rate
	6.00	x	8	x	22
	# Service mechanical technicians		# Hours per day for one technician		Working Days/Month
	1,056.0	x	\$ 121.02	=	\$127,802
	Clock Hours Available		Effective Labor Rate		Labor sales potential @100%
					Labor sales potential @ 125%
How proficient are your technicians ?					
	725.2	÷	1,056.00	=	68.67%
	Hours Billed		Hours Available		Tech Proficiency

Facility

- ▶ **Current practices:** Our facility is hugely underutilized. We have so much potential and are failing to utilize even half of it.
- ▶ **Goals for improvement:** First and foremost, we need to increase technician proficiency. Next, we need to market to get more customers in the door. Then we need to hire technicians to meet the increase in demand.
- ▶ **Plans to achieve your goals:** The plans to achieve 100 percent facility utilization will be a culmination of the cost of labor, expense structure, and productivity goals.
- ▶ **Plans to evaluate your changes:** Will implement the plans for cost of labor, expense structure, and productivity. Then, will review facility utilization in 90 days.

FACILITY POTENTIAL	
Number of Bays	15
	x
Number of Days	22
	x
Number of Hours	8
	x
Effective Labor Rate	\$ 121.02
FACILITY POTENTIAL	\$ 319,506

FACILITY UTILIZATION	
Total Labor Sales	\$ 91,292
	÷
Facility Potential	\$ 319,506
	<i>equals</i>
FACILITY UTILIZATION	28.57%

Repair order analysis

- Speaking with my service manager, the main takeaway we had from our conversation was that we need to have a better labor mix in the shop, and that we need to do much better job with multi-point inspections to convert our competitive work into maintenance and repair work.

Repair Order Analysis Summary Report							
	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 2,003	+ 1046.38	= 1.91460996	FRH Average			
Maintenance	\$ 6,341	+ 63.20	= 100.326424	FRH Average			
Repair	\$ 19,564	+ 126.60	= 154.531200	FRH Average			
Totals	\$ 27,908	+ 1,236.18	= 22.5758327	Customer ELR			
		Target Labor Rate	99.00	Per FRH			
Total Ro's in Sample	100	Difference	-76.424167	Per FRH			
Cost of Labor							
Total Cost of Labor	5967.40	+ Total Sales	= .213826444	Percent Cost of Sales			
Total Cost of Labor	5967.40	+ Total FRHs	= 4.827310049	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	27,907.68	+ Total ROs	= 279.0768	Avg Labor per RO			
Total FRHs	1,236.18	+ Total ROs	= 12.36175	Avg FRH's per RO			
Menu Sales	0	+ Total ROs	= 0	Percent Menu Sales			
Competitive FRHs	1046.38	+ Total FRHs	= 0.84646186	Percent Competitive			
Maintenance FRHs	63.20	+ Total FRHs	= 0.05112544	Percent Maintenance			
Repair FRH	126.60	+ Total FRHs	= 0.10241268	Percent Repair			
One item ROs	53	+ Total ROs	= 0.53	Percent One Item RO			
Model Year Analysis							
2025	2024	2023	2022	2021	2020	Older	Total
0	0	5	11	12	14	-42	0

SWOT Analysis

▶ Strengths:

- ▶ *Potential:* This service department has tremendous potential. Since the buy-sell August of this year, service gross profit has already increased exponentially. But there is still a huge amount of room for improvement.
- ▶ *Sales ability:* We are blessed to have a service writer with bonafide sales skills, posting over four hours per R.O. and a fantastic ELR.
- ▶ *Skill:* While we don't have a ton of experienced technicians in the service department, the recent promotion of our senior service technician with 40 years of experience has enabled us to have a master technician actively coaching our younger techs.

SWOT Analysis

▶ Weaknesses:

- ▶ *Marketing*: We are ineffectively marketing our service department.
- ▶ *Warranty rate*: We are leaving money on the table with General Motors with our current warranty labor rate. As our service department scales up, this will only become more of a glaring problem.
- ▶ *Technician proficiency*: Even with the lack of work coming into our service department, our technicians are severely under-proficient.
- ▶ *Facility utilization*: With fifteen service bays available, we aren't maximizing our resources to create a profitable service department.

SWOT Analysis

- ▶ **Opportunities:**

- ▶ *Increase marketing to increase service department profit opportunity*
- ▶ *Hire technicians to increase service utilization*
- ▶ *Increase technician proficiency*

SWOT Analysis

▶ Threats:

- ▶ *Competition:* There is a very successful independent service center within two miles of the dealership. The state of the service department before the recent buy-sell only helped the independent service center. There are also two very aggressive Chevrolet dealers within twenty miles of our service center competing for our customers.
- ▶ *Complacency:* One of our greatest threats is the complacency of the left over technicians from before the buy-sell. Some of our techs are not accustomed to production and proficiency.

SWOT Analysis

- ▶ **Objectives:**

- ▶ *Increase technician proficiency to 100 percent within six months*
- ▶ *Achieve 100 percent facility utilization this year*
- ▶ *Get a warranty rate increase this year*
- ▶ *Provide more opportunities to technicians and service writers through marketing*

SWOT Analysis

- ▶ **Strategies:**

- ▶ *Giving the service department the respect it deserves from a marketing standpoint:* The service department is contributing to our store's gross as much as our new and used vehicle departments, but receives less than ten percent of the advertising budget.
- ▶ *Focusing on technician proficiency as opposed to just hours*
- ▶

SWOT Analysis

- ▶ **Tactics:**

- ▶ *Advertise aggressively*

- ▶ *Make tech proficiency and facility utilization a focus by having bi-weekly tracking meetings*

- ▶ *Hire a dedicated lube tech to increase gross profit percentage on competitive maintenance*

- ▶

SWOT Analysis

▶ Action Plan

TASK	Position responsible	Check in/completion schedule
Advertise aggressively	GM/Fixed Ops Director	Start: 2/1. Check in every two weeks to 8/31
Make tech proficiency a priority	Shop Foreman	Start: 2/1. Check in every month to 8/31
Hire a dedicated lube tech	Fixed Ops Director	Start: 2/1. Check in weekly until 2/29.

Homework Synopsis

- ▶ In summary, as a recent buy-sell at a previously underperforming store, we have a service department with tremendous potential. Looking at our proficiency numbers, current service department advertising dollars, and our facility utilization, we are primed for success with only a few changes. By first energizing our service department with aggressive marketing, we can increase throughput in our service department. By tracking and holding our shop foreman accountable, we can increase our technician proficiency and maximize the potential of what we have.