

Service Homework

Using Year to Date data

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Marketing

- ▶ Current practices – Offer every 5th oil change for free (punch card). As well as CRM automatic service reminders.
- ▶ Goals for improvement – Create value in what we do for current customers, improve our communication, make it more convenient for new (and previous) customers, extended hours, weekends, pick up and delivery service.
- ▶ Plans to achieve your goals – Mandatory advisor training on ABC (Advantages, Benefits, Consequences), as well as being able to earn Trust, Build Value and make it Convenient for our customers. Hire a service porter to assist in pick up and delivery service.
- ▶ Plans to evaluate your changes – Service comparison board to review previous month versus current month Gross Profit, Hours per R.O, Customer satisfaction scores, and tech proficiency.

Analyze Cost of Labor

- ▶ Current practices – Techs are paid hourly so we are experiencing unapplied time.
- ▶ Goals for improvement – Transition into flat rate and proficiency bonus structure.
- ▶ Plans to achieve your goals – Communication with our technicians and advisors to make sure we are loading the shop appropriately, recommending services. We are going to go over proficiency in a weekly meeting with our technicians.
- ▶ Plans to evaluate your changes – Run the report to analyze the cost of labor monthly as we transition into the new process.

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Pay	\$ 187,759	\$ 149,449	79.60%	25.04%
Customer	\$ 135,960	\$ 71,400	52.52%	18.13%
Customer Other			0%	0.00%
Warranty	\$ 145,471	\$ 95,011	65.31%	19.40%
Warranty Other			0%	0.00%
Internal	\$ 280,760	\$ 226,446	80.65%	37.44%
NVI / Road Ready/ PDI			0%	0.00%
Adj. Cost Of Labor		\$ (34,066)	0%	0.00%
Total	\$ 749,950	\$ 508,240	67.77%	100.00%

Changes in Expense Structure

- ▶ Current practices – Salaried Advisors and Technicians
- ▶ Goals for improvement – Move into a commission based pay plan as well as flat rate and bonuses for technicians.
- ▶ Plans to achieve your goals – Restructure compensation
- ▶ Plans to evaluate your changes – Look at profit centering weekly to analyze performance based on increasing gross profit as we move into performance based comp.

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 508,240		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	\$ 253,949	49.97%	
Semi-Fixed Expense	\$ 178,991	35.22%	
Fixed Expense	\$ 129,452	25.47%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 562,392	110.65%	
Net Profit	\$ (54,152)	-10.65%	

Facility

- ▶ Current practices – 4 techs and 5 bays
- ▶ Goals for improvement – Getting the utilization to 100% by menu selling, tracking proficiency and adding another tech.
- ▶ Plans to achieve your goals – implement a fail safe process so we are ensuring the highest chances of success with the new procedures.
- ▶ Plans to evaluate your changes – Run a facility potential report monthly in our monthly dealership meetings.

FACILITY POTENTIAL	
Number of Bays	5
	x
Number of Days	22
	x
Number of Hours	8
	x
Effective Labor Rate	\$ 146.41
	<i>equals</i>
FACILITY POTENTIAL	\$ 128,841

FACILITY UTILIZATION	
Total Labor Sales	\$ 65,487
	÷
Facility Potential	\$ 128,841
	<i>equals</i>
FACILITY UTILIZATION	50.83%

Productivity

- ▶ Current practices – walk around with customers. No process for maintenance selling or a real technician walk around.
- ▶ Goals for improvement – Implement video walk arounds as well as maintenance menu selling.
- ▶ Plans to achieve your goals – Create a process and follow it by auditing the RO's once closed out to make sure there is declines signed on maintenances offered.
- ▶ Plans to evaluate your changes – Tech proficiency board in the service center.

SERVICE INVENTORY ANALYSIS

	Labor Sales / Month		Effective Labor Rates		Hours Billed
Customer Pay	\$ 11,671	÷	145.18	=	80.4
Customer	\$ 9,763	÷	145.18	=	67.2
Customer Other	\$ -	÷		=	0.00
Warranty	\$ 8,083	÷	103.53	=	78.1
Internal	\$ 35,970	÷	162.34	=	221.6
New Vehicle Prep	\$ -	÷		=	0.00
Total	\$ 65,487				447.3

POTENTIAL

\$ 65,487	÷	447.28	=	\$ 146.41
Total labor sales for month		Total hours billed		Effective Labor Rate
	x	4.00	x	8
# Service mechanical technicians		# Hours/Day		Working Days/Month
	x	22.0	=	704.0
Hours Available to Sell		Effective Labor Rate		Labor sales potential @ 100%
704.0	x	\$ 146.41	=	\$ 103,073
				Labor sales potential @ 125%
				\$ 128,841.26

How proficient are your technicians ?

447.3	÷	704.00	=	63.53%
Total Hours Billed		Hours Available to Sell		Tech Proficiency

Repair order analysis

- ▶ We need to add maintenance sales, by providing the advisors with menus, and proper training we will be able to improve the maintenance sales, as well as refine the process to make sure the service department is comfortable with the menus. We feel our advisors are under trained to meet the expectations we have of them. There will be mandatory weekly training to get up to speed and have the whole team on the same page with goals and objectives.

Repair Order Analysis Summary Report						
	Sales in Dollars		FRH's on RO's		Averages	Analysis
Competitive	\$ 5,489	÷	31.50	=	174.26	FRH Average
Maintenance	\$ 2,014	÷	12.30	=	163.74	FRH Average
Repair	\$ 7,526	÷	44.30	=	169.90	FRH Average
Totals	\$ 15,030	÷	88.10	=	170.60	Customer ELR
			Target Labor Rate			Per FRH
Total ROs	0		Difference		170.60	Per FRH
Cost of Labor						
Total Cost of Labor	2447.20	÷	Total Sales	=	16.28%	Percent Cost of Sales
Total Cost of Labor	2447.20	÷	Total FRHs	=	27.78	Cost per FRH
Repair Order Measurements						
Total Labor Sales	15,029.66	÷	Total ROs	=		Avg Labor per RO
Total FRHs	88.10	÷	Total ROs	=		Avg FRH's per RO
Menu Sales		÷	Total ROs	=		Percent Menu Sales
Competitive FRHs	31.50	÷	Total FRHs	=	35.75%	Percent Competitive
Maintenance FRHs	12.30	÷	Total FRHs	=	13.96%	Percent Maintenance
Repair FRH	44.30	÷	Total FRHs	=	50.28%	Percent Repair
One item ROs	0	÷	Total ROs	=		Percent One Item RO
Model Year Analysis						
2025	2024	2023	2022	2021	2020	Older
0	2	7	11	2	4	74
0.00%	2.00%	7.00%	11.00%	2.00%	4.00%	74.00%

SWOT Analysis

- ▶ Strengths
- ▶ We have recently filled the shop and are now operating with 5 technicians.
- ▶ Experienced service team, 25 year service manager, 20 year parts manager.
- ▶ Ability to have a full schedule on a daily basis, large customer base.
- ▶ Shop foreman with 20 years experience
- ▶ High Customer Satisfaction
- ▶ Very open minded fixed operation to adapt with changes

SWOT Analysis

- ▶ Weaknesses
- ▶ New technicians learning how to find recommends in an MPI
- ▶ New advisor, currently training to capitalize on the Mpis and selling maintenance / recommended services.
- ▶ Communication from Advisor / Parts / Techs

SWOT Analysis

- ▶ Opportunities
- ▶ Video mpis
- ▶ Hours of operation
- ▶ Huge upside potential in maintenance and finding more work.
- ▶ Menus to display non franchise competitors to overcome objections

SWOT Analysis

- ▶ Threats
- ▶ Losing our shop foreman and not having a replacement
- ▶ Finding safety issues and not offering the fix or replacement to customers leading them to taking their vehicles and potentially being unsafe
- ▶ Extremely low warranty labour rate
- ▶ Cost of labour - paying techs hourly and operating with a low proficiency rate

SWOT Analysis

- ▶ Objectives
- ▶ Improve our sales per R.O, making sure what is found is being offered
- ▶ Creating a proficiency bonus as well as weekly tracking with the technicians on a service board - Get to 100% proficiency
- ▶ Increase the amount of R.O's per day with adding the 5th technician

SWOT Analysis

- ▶ Strategies
- ▶ Advisor training, weekly sales and product knowledge courses.
- ▶ Social media advertising, we have added a small budget into the fixed ops for targeted advertising.
- ▶ Mpi videos and pictures to show our customers what their worn out part looks like compared to a new part in a side by side photo.

SWOT Analysis

- ▶ Tactics
- ▶ Weekly fixed ops meeting with technicians included to go over proficiencies and opportunities
- ▶ Adding a service porter to offer pick up and drop off service as well as getting vehicles prepared to be in the shop and not have technicians finding vehicles on the lot wasting time while they should be working on the vehicles.
- ▶ Added monthly advertising spend to attract organic business.

SWOT Analysis

► Action Plan

TASK	Position responsible	Check in/completion schedule
Advisor Training	Service Manager	Friday Mornings, Ongoing
Hire service porter	Myself (G.M)	Immediately, until the right candidate is found
Tech meetings	Service Manager	Weekly, Ongoing to track bonus' payable and proficiency
Monitor W.Os	Service Manager	July 1, make sure everything is signed including the declines, recommends etc.
Advertising for Fixed ops	Myself	March 1 - ads running

Homework Synopsis

- ▶ After reviewing the overall service operation it is eye opening to see the opportunities we have to increase our departmental profits.
- ▶ Starting with our marketing approach and offering our sales customers their first oil change for free. This will now give us a shot at earning them as a lifelong customer before losing them to a competitor. Puts the ball in our court!
- ▶ Our cost of labour is ultimately a threat seeing as we are operating at 63.5% proficiency but paying our technicians an hourly wage. By tracking this and changing the structure of compensation we are going to see an uptick in proficiency and a reduction in unapplied time.
- ▶ Weekly training with our advisors is going to help increase the hours per R.O, it us our job to make sure the advisor is confident and structured, we will implement a menu sales process to provide our customers a list of recommendations based on year and mileage.
- ▶ Technicians doing MPI videos and photos. Videos for walkarounds, as well as a new vs old part comparison photo. We want our customers to have a precise indication of what we are recommending. Side by side photo will give them a great comparison as well as having a knowledgeable, trained service advisor to explain the risks of declining the repairs / maintenance.
- ▶ We have a large loyal customer base that we have earned the trust of over the years. With a few minor adjustments we should see a massive improvement in both ends of the spectrum, hours per R.O as well as tech proficiency to lower our cost of labour and fully eliminate unapplied time. Our store is in a very unique position with a ton of experienced managers but very new technicians and advisors, we have the right mix of knowledge as well as young professionals wanting to learn the ropes. We will be able to turn the fixed operations from a losing department into a thriving profit center for 2024 with the changes we have made.