

NADA Service After Class Homework, John Adams, class 335

Advertising: Limited service advertising, mainly service interval reminders

Marketing: Pricing compared to non-dealers is within approximately 10% of our pricing

Facility Utilization:

FACILITY POTENTIAL	
Number of Bays	28
	x
Number of Days	29
	x
Number of Hours	10
	x
Effective Labor Rate	133.94
	<i>equals</i>
FACILITY POTENTIAL	\$ 1,087,593

FACILITY UTILIZATION	
Total Labor Sales	\$ 405,955
	÷
Facility Potential	\$ 1,087,593
	<i>equals</i>
FACILITY UTILIZATION	37.33%

Productivity:

Performance					
	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	\$ 202,837	÷	149.99	=	1352.3
Customer Truck*	\$ -	÷		=	0.00
Customer Other*		÷		=	0.00
Warranty	\$ 147,539	÷	112.80	=	1308.0
Internal	\$ 55,579	÷	149.99	=	370.6
New Vehicle Prep		÷		=	0.00
Total	\$ 405,955				3030.9

POTENTIAL					
	\$ 405,955	÷	3030.86	=	\$ 133.94
	Total labor sales for month		Total hours billed		Effective Labor Rate
	28.00	x	11	x	29 = 8,932.0
	# Service mechanical technicians		# Hours/Day		Working Days/Month
	8,932.0	x	\$ 133.94	=	\$ 1,196,358
	Clock Hours Available		Effective Labor Rate		Labor sales potential

How proficient are your technicians ?			
	3,032.0	÷	8,932.00 = 33.95%
	Hours Produced		Hours Available
			Tech Proficiency

Production Method: 4 Teams of technicians with 1.5 advisors per team. Team lead dispatches to team members based on skill level.

Cost of Labor Analysis:

Service Department Sales And Gross (Labor Only)					page A-3
Category	Sales	Gross	Gross as % of Sales	%Sales Contribution	
Customer Car	\$ 202,837	\$ 152,733	75.30%	49.95%	
Customer Truck			0%	0.00%	
Customer Other			0%	0.00%	
Warranty	\$ 147,639	\$ 112,678	76.32%	36.36%	
Warranty Other			0%	0.00%	
Internal	\$ 55,579	\$ 36,198	65.13%	13.69%	
NVI / Road Ready			0%	0.00%	
Adj. Cost Of Labor			0%	0.00%	
Total	\$ 406,055	\$ 301,609	74.28%	100.00%	

Clear Form

The Picture	
Customer Pay Gross Profit %	75.30%
Total Service Dept. G.P. %	74.28%

Changes in expense structure:

Expense Category	Dollar Amount	% of Gross
Department Gross	\$ 345,952	
Variable Expense		0.00%
Selling Expense		0.00%
Personnel Expense	\$ 327,411	94.64%
Semi-Fixed Expense	\$ 91,337	26.40%
Fixed Expense	\$ 38,821	11.22%
Unallocated Expense		0.00%
Dealer's Salary		0.00%
Total Expenses	\$ 457,569	132.26%
Net Profit	\$ (111,617)	-32.26%

The Picture	
Customer Pay Gross Profit %	75.30%
Total Service Dept. G.P. %	74.28%
Parts / Labor Ratio (Cust. Pay Only)	0.00
Total Service Dept. Expenses	\$ 457,569

Pay Plans: Express Advisors are hourly, full line advisor pay plan is a % of sales (labor and parts) with the percentage being based on owner loyalty score (CSI/OLP) below/at/above the Denver region score, technicians are flat rate, express technicians are hourly, management is salary.

Performance Programs: We have no performance programs, objectives or tracking in place. Weekly meetings are held with technician team leads, warranty clerks, and advisors.

Current Training: All advisors and management are at Subaru training certification standards. Technicians are at Subaru training certification standards (or scheduled for upcoming classes as well as ASE certified (or working on advancement with ASE if not already at master level).

Special Tools:



Strengths:

- UIO and customer base around 27,000 vehicles
- Loyal and long term highly trained technician staff
- Express service process and lane since 2000
- Business has a great reputation
- High RO Volume (30,000 as of MTD July)
- Employee's are happy and feel valued
- Recent service and parts expansion (11 service bays added)
- Computer and IT infrastructure is current
- Weekly technician team lead, warranty, and advisor meetings
- Denver training center with Subaru of America makes training accessible
- Strong apprenticeship program

Weaknesses:

- Operating at times on volume only vs. concern for customers
- Low OLP/CSI scores show lack of empathy by advisors
- Service management team constantly juggling vs. effectively managing the department
- Very few written processes or procedures for advisors leading to low accountability
- High RO volume equating to managing with a fire extinguisher
- 9 Service bays located ¼ mile away with very little boots on ground by management

Opportunities:

Ever growing owner and UIO base

Re-establish relationship with tech schools for additional labor market opportunities

Improving OLP/CSI scores will help re-attract lost customers

Advisor training with outside consultants to improve ownership experience for customers

Warranty at retail rates starting October 1st

Threats:

Manufacturer could install another dealership if OLP/CSI stays low

Many dealership in local area offering high pay (but not high volume of work)

Large amount of independent repair facilities

Advisors taking the volume of business approach and not focusing on the individual needs of each customer

Marijuana legalities make it difficult to find, keep, and grow entry level service employees

Objectives, strategies, tactics:

Improve OLP scores: Management team to work with advisors via. Pay plan change and training to improve not just the score but the actual customer experience. New pay plan effective 8/1/18, training ongoing weekly, no end date.

Warranty rate increase: For warranty at retail law change. Working with outside vendor to have everything ready to submit to Subaru of America. General Manager and Service manager to complete 9/1/18

Increase hours per RO: Improve hours per RO with new pay plan bonus structure. Management team to structure and have in place 8/1/18

Improve management team effectiveness: In order to stop the problems from bogging down the management team, the employees need guidance, coaching, and training. Scheduling management staff time blocks to work on the drive with the advisors done with service manager and general manager, 9/1/18

Reduce personnel expense: This expense is ridiculously high, and we are currently restructuring hours and staff to reduce the number of employees and make the remaining employees more efficient. Too many non productive employees such as valet, shuttle drivers, cashiers, phone operators, etc. Service management team, general manager, NADA consultant, owner 9/15/18

Synopsis:

Where to begin

The entire service department is being revamped and reworked. We've made many improvements in 2018 that have really helped, and it looked like we were profitable. Unfortunately, our controller/CFO wasn't reporting labor correctly and when he was

terminated and this reporting error corrected, it shows we are losing a lot of money each month. This is something we are working on diligently because we are too big of an operation, with too many loyal customers, to lose money.

For years the management staff has either been unwilling, or unable, to enact the change necessary to correct the issues. We have a service management team in place that wants to change and has been empowered to get these changes in place. From the owner on down, everyone is on board with what needs to be done to decrease expenses and increase profit.

Those employees not on board with changes in behavior, structure, treating each other and customers with empathy, understand, and compassion are finding themselves in the unemployment line.

It's very overwhelming, so we focus on each specific strategy until it's implemented and then move onto the next. The management team for service is just now finally able to manage instead of extinguishing fires all day, every day. The opportunities are endless, it's just a matter of not drowning.