

Fixed Operations 2 Service
Homework

Greg Zeigler

NADA Class #: N335

A...Advertising:

Our Service Department does a nice job keeping our name out there with consistent marketing and advertising via email, direct mail, social media, etc. You will see our monthly tire special which is emailed to our entire database of 50,000+ and also promoted on social media. Also, we typically advertise for specific holidays like the 4th of July to help drive service traffic for holidays which typically have slower traffic. Attached, is our specific 4th of July advertisement he had this year which promoted LOF, 4-wheel Alignment and \$50 off any service exceeding \$100. We're typically successful with these types of campaigns. We also send direct mail to try and reach those customers who haven't visited our service department within the past 18-24 months. Attached is an example of a direct mail piece we mail.

Although we have some limitations on what and how we advertise (Lexus Plus, One Price), we can do a better job with consistency in our marketing and advertising to generate more traffic in the service drive. Also marketing to our customer base that purchased other make pre-owned vehicles from us will help drive additional traffic.

JM LEXUS
< Year > Model Year Special Event

< Endorse >
< Name >
< Address >
< City >, < ST > < Zip >

LEXUS
THE PURSUIT OF PERFECTION

At JM LEXUS, We Are Your Automotive Service Specialists

Dear < First > ,

As you are a loyal Lexus owner, I would like to give you these exclusive discount checks. These checks are yours to use in our Service Department on your < Year > Lexus < Model > until 5/31/18. They are fully personalized with your name and current address and are only valid for your < Year > Lexus.

Your exclusive Lexus discounts include:

- Free Tire Installation (Reg. \$113.00 for 4 Tires Installed)
- \$31.95 Synthetic OR Synthetic Blend Oil & Filter Change
- \$50 off \$100.00 Purchase

We are extending these generous offers on your < Year > Lexus < Model > as an invitation to come in and experience our unbeatable customer service and vehicle expertise.

Sincerely,
Mike Burrell
Service Director

JM LEXUS
5350 W Sample Rd • Margate, FL 33073 • (954) 969-3245
Service Hours: Mon-Fri: 7:30 am - 7:00 pm • Sat: 8:00 am - 5:00 pm • Sun: 9:00 am - 3:00 pm
www.jmlexus.com

Free Tire Installation (Reg. \$113.00 for 4 Tires Installed) FREE

\$31.95 Synthetic OR Synthetic Blend Oil & Filter Change \$31.95

\$50 off \$100.00 Purchase \$50 OFF

B...Marketing...Non-Dealer Survey:

The Non-Dealer Survey exercise was eye-opening for me and our service department as it allowed us to see how competitive we are with our pricing compared to some of our Non-Dealer competitors in the market. Our service department was the same or lower than the average Non-Dealer competitor in 5 or the 8 services we shopped. The most surprising to our team was how competitive we are with LOF, Synthetic LOF, 4 Wheel Alignment, Batteries and Tires.

LOF...Avg Competitor = \$59.98, JM Lexus = \$59.95

Synthetic LOF...Avg Competitor = \$98.75, JM Lexus = \$99.95

4 Wheel Alignment...Avg Competitor = \$97.50, JM Lexus = \$99.99

Batteries...Avg Competitor = \$124.12, JM Lexus = \$99.95

Tires, Same Size and Speed Rating...Avg Competitor = \$147.11, JM Lexus = \$79.48

By putting up a compare board in our Service Department, we will give more confidence to our Service Advisors and Customers which will result in more Hours Per RO.

C...Facility...Capacity, Utilization (4th Calculation):

Our Service Department currently has 91 total bays which have the potential to generate revenue. There are 22 working days in the month, per technician and each technician is currently scheduled to work 8 hour shifts. With our effective labor rate of \$139.25, our facility potential is \$2,230,228 in labor sales. For the month of June, we only generated \$1,072,965 in labor sales which translates into our service department having a 48.11% utilization rate. NADA guide for facility utilization is 75%. This leaves us with some significant opportunity for improvement. For us to improve on utilization, we must take a multi-pronged approach by working with our technicians to become more proficient, we're currently at 68.40% and NADA guide is 120%. This will include changing pay-plans and a higher expectation of accountability. We must also drive additional traffic to the service department with more consistent and better advertising. By increasing our technician proficiency to 105% we will increase our facility utilization to 74% which is only 1% below guide. We must also hold our Service Writers accountable for hours per RO and one item repair orders.

FACILITY POTENTIAL	
Number of Bays	91
	x
Number of Days	22
	x
Number of Hours	8
	x
Effective Labor Rate	135.11
	<i>equals</i>
FACILITY POTENTIAL	\$2,163,922
FACILITY UTILIZATION	
Total Labor Sales	\$1,072,965
	÷
Facility Potential	\$2,163,922
	<i>equals</i>
FACILITY UTILIZATION	49.58%

D...Productivity...Tech Proficiency (3rd Calculation):

For the month of June 2018, the Service Department billed 7705.2 hours which resulted in \$1,072,930 labor hours. We currently have 64 service technicians that worked 22 days and 8 hours per day in June. This resulted in 11,264 clock hours available. By producing 7705.2 hours to an available 11,264, our Tech Proficiency resulted in 68.4% and NADA guide is 120%. This translated into 27.2 FRH per technician, however, because the summer months are our slowest months (located in South Florida), June - August are the months our technicians typically take vacation. As a result, the tech proficiency can be somewhat skewed. We are setting a goal of 100% Proficiency for the entire Technician team and once achieved, we will generate an additional \$488,866 in Labor Sales Per month.

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	\$581,116	÷	135.10	=	4301.4
Customer Truck*	\$-	÷		=	0.00
Customer Other*		÷		=	0.00
Warranty	\$248,661	÷	143.40	=	1734.0
Internal	\$141,508	÷	118.20	=	1197.2
New Vehicle Prep	\$101,680	÷	143.40	=	709.1
Total	\$1,072,965				7941.7

POTENTIAL

\$1,072,965	÷	7941.67	=	\$135.11	
Total labor sales for month		Total hours billed		Effective Labor Rate	
64.00	x	8	x	22	= 11,264.0
# Service mechanical technicians		# Hours/Day		Working Days/Month	Clock Hour Aval
11,264.0	x	\$135.11	=	\$1,521,831	
Clock Hours Available		Effective Labor Rate		Labor sales potential	

How proficient are your technicians ?

7,705.0	÷	11,264.00	=	68.40%
Hours Produced		Hours Available		Tech Proficiency

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

E...Production Method:

Our production method is a Central Dispatch with Lateral Support. Our Central Dispatch system pulls every RO from all Service Advisors and then dispatches the work to the technicians based on highest priority and skill level. The highest skilled technicians will be dispatched the most challenging jobs as they're the most qualified to handle them. Every technician is part of a team which has one Group Leader assigned to it. Every Group Leader typically has 6-8 technicians on their team. Group Leaders are working Group Leaders where 60% of their pay is their own production and 40% is their team's production.

We feel this is a very effective production method as the jobs are evening dispersed. It also helps minimize any cherry picking of jobs and insures all jobs are getting with the right trained technician to properly complete the work.

F...Analyze Cost of Labor (1st Calculation):

For the month of June 2018, our Service Department produced \$581,116 in Customer Labor Sales (\$407,704 in Gross), \$248,661 in Warranty Labor Sales (\$183,957 in Gross), \$141,508 in Internal Labor Sales (\$99,238 in Gross) and \$101,680 in PDI Labor Sales (\$93,188 in Gross). Totalling, \$1,072,965 in Total Labor Sales and \$784,087 in Gross which translated into 73.08% Gross to Sales which is right at NADA Guide (73%). Our Cost of Labor for the month of June 2018 was \$288,878 or 26.92% of Gross which is right at NADA Guide.

We do have opportunity with Customer Pay (70.16%) and Internal (70.13%) to improve on our gross as a percent of sales. By increasing our internal labor rate and customer pay ELR, we will increase our gross as a percent of sales for both areas with a goal to be at NADA guide of 73% for both.

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$581,116	\$407,704	70.16%	54.16%
Customer Truck			0%	0.00%
Customer Other			0%	0%
Warranty	\$248,661	\$183,957	73.98%	23.18%
Warranty Other			0%	0.00%
Internal	\$141,508	\$99,238	70.13%	13.19%
NVI / Road Ready	\$101,680	\$93,188	91.65%	9.48%
Adj. Cost Of Labor		\$-	0%	0.00%
Total	\$1,072,965	\$784,087	73.08%	100.00%

G...Changes in Expense Structure (2nd Calculation):

In the month of June 2018, the Service Department generated \$946,760 in Gross profit. Our Variable Expense totaled \$257,664 or 27.22% of Gross. Our Semi-Fixed Expense was \$239,019 or 25.25% of gross. Our Fixed Expense totaled \$714,465 or 75.46% of gross which is certainly our biggest concern. Our Expenses totaled \$1,211,148 which resulted in a net loss of -\$264,388. We are doing a good job with Variable and Semi-Fixed Expense as a percent of Gross. However, we have opportunity with our Fixed Expense as a percent of Gross. Although we have very little control over our fixed expenses, we must be better at generating more labor sales which includes driving traffic, improving technician proficiency and accountability around effective labor rate and hours per RO.

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$946,760		
Variable Expense	\$257,664	27.22%	
Selling Expense		0.00%	
Personnel Expense		0.00%	
Semi-Fixed Expense	\$239,019	25.25%	
Fixed Expense	\$714,465	75.46%	
Unallocated Expense	\$-	0.00%	
Dealer's Salary	\$-	0.00%	
Total Expenses	\$1,211,148	127.93%	
Net Profit	\$(264,388)	-27.93%	

H...Pay Plans:

Our Service Advisor pay-plans consist of 4 components and 2 bonus opportunities.

The four components are:

1. RO Count which makes up 35% of their monthly target pay.
2. Dollars Per RO (Customer Pay Only) which makes up 35% of their monthly target pay.
3. Cashiering % of RO's (Customer Pay Only) which makes up 15% of their monthly target pay. We are a "one price" and "single point of contact" dealership which extends to every department. As a result, our Service Advisors are also "single point of contact" so they are now responsible to cashiering their own customers.
4. Greets in the Service Drive which makes up the final 15% of their monthly target pay. Again, because we are single point of contact, we require our Service Advisors to greet guests in the drive.

Their bonus opportunities are controlling loaner vehicle expense and Lexus Plus Customer Awareness (One Price and Single point of contact).

Our Service Technicians pay-plans are structured around a base pay per FRH, ASE Certifications and Tenure. There are also bonus opportunities based on FRH billed on a bi-weekly basis. The more FRH they bill, the higher their bonus which is paid on per FRH basis.

Our Group Leaders also have a Team component based on their team's efficiency.

We are working on adding an ELR component to our Service Advisor pay-plans and a Proficiency component to our Service Technician's pay-plans. Additionally, we will be adding both ELR and Tech Proficiency to the Service Manager Pay-plan so it aligns with the Technician and Service Advisor pay-plans.

Express Service Consultant.pdf - Adobe Acrobat Reader DC

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Associate: _____
 Associate ID: _____
 Effective Date: _____

Manager: _____
 Department: _____

Position: Express Service Consultant
 Job Code: _____

Component	Allocation	Amount	Objective
RD Count	8%	\$1,400	\$10
\$ Per RD (Customer Pay)	30%	\$1,400	\$10
Carrying % of RD's Customer	5%	\$600	9%
System Incentive	8%	\$600	\$25.00
Monthly Target	100%	\$4,000.00	
Annual Target		\$48,000.00	

Component	Allocation	Amount	Objective
Lower Expense	< 1.7%	\$100.00	
Lower Customer Award %	> 7%	\$100.00	
Monthly Bonus at Objective		\$500.00	
Annual Bonus at Objective		\$7,000.00	

Bi-weekly Pay: \$2400.00 \$12 per hour
 Annual Pay at Objective (Core Plan Bonus): \$10,000.00

Payroll Scales			
	RD Count	RD's	Payroll \$
465	150.00%	175.00%	\$2,450.00
485	134.29%	158.29%	\$2,008.06
510	119.29%	143.00%	\$1,808.45
535	104.29%	127.71%	\$1,704.84
560	100.00%	114.52%	\$1,610.23
585	104.29%	101.23%	\$1,523.63
610	100.00%	88.04%	\$1,440.00
635	76.19%	69.76%	\$1,264.52
660	60.32%	60.48%	\$1,120.00
685	44.45%	50.20%	\$980.00
710	40.68%	41.29%	\$884.06

\$ Per RD (Customer Pay)			
	RD Count	RD's	Payroll \$
\$208	125.00%	150.00%	\$2,100.00
\$228	121.00%	147.00%	\$2,081.16
\$248	118.42%	136.40%	\$1,914.79
\$268	116.85%	128.30%	\$1,798.42
\$288	109.28%	110.50%	\$1,647.37
\$308	107.71%	105.00%	\$1,475.88
\$328	100.00%	100.00%	\$1,450.00
\$348	97.43%	94.91%	\$1,318.37
\$368	94.86%	89.47%	\$1,253.43
\$388	92.29%	84.21%	\$1,178.90
\$408	89.72%	78.95%	\$1,104.26

The payroll \$ is based on the % of objective achieved and is interpolated between levels.
 The associate will earn the 100% plus +1.5% for each +1% variance from 100% of objective.
 The associate will earn the 100% plus +2% for each +2% variance from 100% of objective.
 The payroll scale has a cap of 250% payment.
 Payroll above 100% require a minimum of 100 RD Count
 RD's must have a minimum of 25.00 RD's.

Carrying % of RD's (Customer Pay)			
	RD Count	RD's	Payroll \$
208.00%	114.47%	124.00%	\$760
210.00%	111.11%	114.47%	\$710
92.50%	108.33%	113.80%	\$675
90.00%	105.56%	108.33%	\$640
87.50%	102.78%	104.17%	\$605
85.00%	100.00%	100.00%	\$570
82.50%	97.22%	95.83%	\$535
80.00%	94.44%	91.67%	\$500
77.50%	91.67%	87.50%	\$465
75.00%	88.89%	83.33%	\$430
72.50%	86.11%	79.17%	\$395
70.00%	83.33%	75.00%	\$360
67.50%	80.56%	70.83%	\$325
65.00%	77.78%	66.67%	\$290
+0%	0.00%	0.00%	\$0

The payroll \$ is based on the % of objective achieved and is interpolated between levels.
 The associate will earn the 100% plus +1.5% for each +1% variance from 100% of objective.
 The payroll scale has a cap of 125% payment.
 Payroll above 100% require a minimum of 100 RD Count
 Any result of or below 100% on this scale will have a 10.00 Payroll.

Spells to Spells			
	RD Count	RD's	Payroll \$
260.00%	200.00%	200.00%	\$1,500
240.00%	180.00%	180.00%	\$1,400
220.00%	160.00%	160.00%	\$1,300
200.00%	140.00%	140.00%	\$1,200
180.00%	120.00%	120.00%	\$1,100
160.00%	100.00%	100.00%	\$1,000
140.00%	80.00%	80.00%	\$900
120.00%	60.00%	60.00%	\$800
100.00%	40.00%	40.00%	\$700
80.00%	20.00%	20.00%	\$600
60.00%	0.00%	0.00%	\$500
40.00%	0.00%	0.00%	\$400
20.00%	0.00%	0.00%	\$300
+0%	0.00%	0.00%	\$0

The payroll \$ is based on the % of objective achieved and is interpolated between levels.
 The associate will earn the 100% plus +1.5% for each +1% variance from 100% of objective.
 The associate will earn the 100% plus +2% for each +2% variance from 100% of objective.
 The payroll scale has a cap of 250% payment.
 Payroll above 100% require a minimum of 100 RD Count
 Any result of or below 100% on this scale will have a 10.00 Payroll.

Objectives: See RD Count and Avg \$ per RD writings. All other objectives will not change monthly unless the associate is provided a new pay plan document.

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Zeigler, Gregory

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Pay plan 308 v3

Associate Name: _____ Associate ID: _____ worksheet changes:

Title: Group Leader Technician

Effective Date: _____
 (if monetary change date must align with payroll cut-off dates)

Reports To: _____

Core Compensation:

Adjusted Rate	Associate	Max
Technician base pay	\$ 20.50	\$ 20.50
*ASE certifications (A1-A8)	\$ -	\$ 4.50
**Temur	\$ -	\$ 2.25
Adjusted Rate	\$ 20.50	\$ 26.25

Per FRH (NEW)
 \$0.50 per certification per FRH (A1 - A8 including L1) L1 is NEW
 \$0.25 per year per FRH (Max 5 yrs)

Bi-Weekly Team Productivity Bonus

Team Flag Hours Divided by Team Clock Hours = Team Productivity (excluding any personal FRH and Tech time adjustments)

Productivity	Bonus
0% to 75%:	\$0.00
75% to 89.99%:	\$250.00
90% to 100%:	\$500.00
100%+:	\$800.00

Bi-Weekly Production Bonus***

Bi-Weekly FRH	Bonus	Bi-Weekly FRH	Bonus	Bi-Weekly FRH	Bonus
80-83.9	\$ 6.00	120-123.9	\$ 14.00	162-167.9	\$ 21.00
84-89.9	\$ 8.50	124-131.9	\$ 16.00	168-173.9	\$ 22.00
90-95.9	\$ 9.00	132-137.9	\$ 18.00	174-179.9	\$ 23.00
96-101.9	\$ 10.00	138-143.9	\$ 17.00	180+*	\$ 24.00
102-107.9	\$ 11.00	144-149.9	\$ 18.00		
108-115.9	\$ 12.00	150-155.9	\$ 19.00		

308v3 Pay Plan Sim 308v3 Ind.Prod.Bonus Pay Plan Sim_Ind.Prod.Bonus

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I...Detail performance programs:

All Service Technicians are required to attain and maintain ASE Certification along with any and all Lexus required certification standards. All Service Technicians are also required to maintain a minimum of 40 FRH per 40 hour work week, 100% proficiency. The Service Technicians are performance managed on a monthly basis to hold them accountable for this performance. Their performance is tracked by their Group Leader and are coached on a monthly basis. That being said, we clearly have some opportunity to be more consistent on an individual basis.

All Service Advisors are held to a minimum standard for Customer Pay ELR, RO Count, FRH/RO and CP LBR/PTS AVG/RO to maintain employment and are performance managed on a monthly basis. The Benchmark for these 4 categories are: CP ELR = \$103.00, CP RO Count = 140, CP FRH/RO = 2.3 hours and CP LBR/PTS Avg/RO = \$480. Every Service Advisor is coached and performance managed by their Manager on a monthly basis to maintain accountability.

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Parker

ASM MONTHLY PERFORMANCE REVIEW

Review for Month of **March-15**

Stacy Parker

4/21/2018

	Current MTD	Previous MTD	Benchmark	Minimum	Score Avg
CP ELR	\$ 101.52	\$ 93.37	\$ 103.00	\$ 82.40	\$ 107.16
CP RO COUNT	126	95	140	112	123
CP FRH/RO	1.89	2.09	2.3	2.0	2.38
CP LBR/PTS AVG/RO	\$ 440.43	\$ 409.33	\$ 480.00	\$390.00	\$ 487.00
LBR/PTS AVG/RO RANK	8	7	N/A	N/A	

CSI SCORES				
	Current MTD	Previous MTD	Medium Score	YTD
Overall Satisfaction	98.3	95.8	94.4	96.7
Follow Up	95.2	100.0	95.4	

ASM Goals for this month: CP FRH To 2.5

How are you getting there? up sell ASR Pro

Goal Attainment - Were the goals you set last month reached? Yes

Manager Assessment: keep CSI focus bring up FRH 2.5

Review Acknowledgement: [Signature]

Stacy Parker Service Manager

Prepared by Shanna Mejias 4/2015 Page 7

J...Level of current training:

All Technicians are required to attend Lexus training typically 2 or more times per year. This training is either virtual, or at the Lexus Training center in Miramar, FL. Technicians in leadership roles (Group Leaders) are provided inhouse leadership training by our inhouse trainer Bill Abraham and L&OD from our parent company, JM Family Enterprises. Service Advisors receive monthly training from JM&A which also includes all customer facing positions in Service. They are trained on word tracks, process, selling, inspections, conflict resolution and overcoming objections. Senior leadership within the Service Department also provides weekly training.

We do feel we offer consistent training, however, we're currently working on upsell training and overcoming objections for our Service Advisors to help them improve in Hours per RO, Dollars per RO and ELR.



K...Special tools area:

Our special tools area is very neat and organized. The team certainly takes pride in keeping that area very tidy. They have a process where each Technician has a Special Tool Card which is kept in a rack. When they checkout a tool, they are required to put their card in the place where they found the Special Tool. This helps to identify who is using the tool in the event another Technician comes looking for it. It also helps them remember where to put the Special tool back once they're finished with it. This process has been very effective and as a result, this area is very organized.





L...100 repair order analysis:

Our FRH Average ELR for competitive is \$108.11, for Maintenance is \$112.55 and for Repair is \$143.45. Our total Customer ELR is \$135.02 which is \$9.48 per FRH away from our target ELR of \$144.50. Our Total Cost of Labor compared to our Total Sales is 25.66% which means we're retaining 74.34% gross to sales, NADA Guide is 73%. Our Cost per FRH is \$34.65. We're averaging \$463.67 Labor per RO and 3.43 FRH's per RO. Our Competitive Percentage is 17.41%, Maintenance is 7.37% and Repair makes up the remaining 75.22%. Out of the 100 ROs, we had 34 One Item ROs which is too many.

By adding a Proficiency component to the Technician and Service Manager pay-plans at 100%, we will be able to generate 3,322.3 FRHs per month which translates into \$480,077 of additional Labor Sales at our target ELR of \$144.50. Additionally, by adding ELR to the Service Advisor and Service Manager pay-plans, we will make up the difference of \$9.48 per FRH which will generate an additional \$75,287 in Labor Sales. Training will also play a critical role in ensuring we're able to accomplish these goals. It is also essential we become more aggressive with marketing and accountability around Service Advisors upsell and overcoming objections in order to achieve these goals.

RO Analysis by Tech.xlsx - Excel

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Repair Order Analysis Summary Report							
	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 6,465	59.80	108.11	FRH Average			
Maintenance	\$ 2,848	25.30	112.56	FRH Average			
Repair	\$ 37,054	258.30	143.45	FRH Average			
Totals	\$ 46,367	343.40	135.02	Customer ELR			
Target Labor Rate		144.50		Per FRH			
Total Ro's in Sample	100	Difference		-9.48 Per FRH			
Cost of Labor							
Total Cost of Labor	11897.33	Total Sales	25.66%	Percent Cost of Sales			
Total Cost of Labor	11897.33	Total FRH's	34.65	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	46,366.52	Total RO's	463.67	Avg Labor per RO			
Total FRH's	343.40	Total RO's	3.43	Avg FRH's per RO			
Menu Sales		Total RO's		Percent Menu Sales			
Competitive FRH's	59.90	Total FRH's	17.41%	Percent Competitive			
Maintenance FRH's	25.30	Total FRH's	7.37%	Percent Maintenance			
Repair FRH	258.30	Total FRH's	75.22%	Percent Repair			
One item RO's	34	Total RO's	34.00%	Percent One item RO			
Model Year Analysis							
2019	2018	2017	2016	2015	2014	Older	Total
0	0	5	8	10	7	70	100
0.00%	0.00%	5.00%	8.00%	10.00%	7.00%	70.00%	

Title Tech Pay Input Sheet RO Report 1-50 RO Report 51-100 Summary Report

Strengths:

Overall teamwork amongst Technicians. They do a great job working together and helping each other.

Overall quality of repairs by our second-floor technicians. They have very few come backs.

Retail Service processes are strong in terms of setting appts, our key track, customer arrival in the drive and expediting the customer picking up their vehicle.

Inhouse Apprenticeship Program which helps develop our future technicians.

Company core values of Cooperation, Consideration, Communication, Accountability and innovation are strong.

Quality and experienced ASMs

Teamwork amongst ASMs

AutoLoop Technology is a great technology which helps streamline the entire process of servicing a customer vehicle

Business Development center does a great job with setting appointments and bringing customer into the service department

Support of Management Team is strong as they've instilled the concept of teamwork into the culture

Steady work flow as everyone works together to get cars in and out, especially in express service.

We have a very solid reputation within our community because of our parent company JM Family Enterprises which is very philanthropic. Also, because we were #1 in new car volume sales for 25 consecutive years.

Weaknesses:

Attention to Detail with checking service history (Techs & Service Advisors): Recalls, Upsells, Prior repairs for same concern, etc. We can do a much better job here as we're missing opportunity to generate more labor sales by not inspecting.

Service Advisors struggle with upselling at time of write-up.

Lacking in support staff which is a result of Lexus Plus as all service advisors are single point of contact.

Our Carwash is inconsistent and we no longer do free carwashes on property unless the customer is servicing their car. We partnered with two carwashes within in our market and customers can bring their vehicles there to have them washed for free.

Some of our Second floor Technicians lack a sense of urgency which is mostly driven by them wanting to make sure they fix it right the first time.

Fix it right the first time is an issue with our newly promoted second floor technicians and sometimes express.

Communication between parts and service can at times be poor, especially when it comes to special order parts and tires arriving in the parts department for installation on a customer's vehicle.

Inconsistent warm greet on service drive is an issue where some Service Advisors perform very well where others struggle with time management and efficiency

Inconsistent loaner department where the loaners aren't evenly distributed amongst all Service Advisors

Appointment setting has been a challenge. Getting our customers to make appointments, instead of walking in has been a major focus of ours. As of April 1st, 2018, we were at 40% appointment and 60% walk-in. We're currently at 60% apt and 40% walk-in.

Marketing has been spotty and not consistent.

Vehicle detailing is inconsistent because of a lack of accountability with Ocean Detail (sub-contracted detail company).

Opportunities:

Servicing other make used vehicles is something we can do a better job with.

Missed recalls while customers are in for service. Lexus just announced that we can now market to our open recall customers.

Marketing to guests who haven't visited the Service Department in the past 18+ months. This is challenging with Lexus Plus as anything we offer these customers, must be offered to every customer that comes into the dealership.

A customer loyalty program. It has been challenging making our most loyal customers feel special when we can't discount the price of service as we are "One Price".

Parking has been a challenge and will continue to be a challenge as we consolidate from two locations to one location.

A Covered service drive. Not having a covered service drive is challenging in South Florida as we have many afternoon shower and thunder storms.

Threats:

Technician injuries have created issues in the past and has made it challenging to maximize the service department capacity as a result.

A couple bad apples (Associates)

Lexus Plus process has limited some of the traditional operation processes

The economy is strong now, but there will be challenges in the future, hopefully sooner than later

Hurricanes are an annual concern.

Good talent leaving the industry and sometimes for other dealers

Recall business has been a staple for Lexus Service and parts for years, however, we're currently feeling the impact of no significant campaigns

Associate transferring to other companies within our organization, i.e. Southeast Toyota, World Omni Finance and JM&A.

Objectives:

1. Maximize recall opportunities
2. Increase hours and dollars per RO
3. Improve on Technician sense of urgency
4. 100% warm greet of guests in the Service drive
5. Improve to 80% appointment and 20% walk-in
6. Service more other make vehicles

7. Create a customer loyalty program
8. Install a covered service drive
9. Install generators for Hurricane Season

Strategies:

1. Require all Service Advisors to check service history on every vehicle at time of write-up
2. Train Service Advisors on overcoming objections and upselling
3. Add Proficiency to the Technicians pay-plan
4. Require Service Advisors to greet every guest in the Service Drive
5. Work with marketing to devise and more consistent and aggressive marketing and advertising plan
6. Market directly to all our customer that purchased other make vehicles from our Pre-owned lot
7. Provide training for technicians to help them with minimizing injuries

8. Leverage the team work amongst Technicians to maximize proficiency
9. Work with additional offsite carwash locations to accommodate more of our guests
10. Create process to improve on communication between Parts and Service

Tactics:

1. The Service Manager must inspect Service History was checked on every vehicle in the drive
2. The Service Manager must setup specific upsell and overcoming objections training for Advisors
3. Adjust shop foreman's pay-plan for come backs and Tech Proficiency

4. Adjust BDC associates pay-plans to be more heavily weighted to appointment setting
5. Have weekly meeting with Service Manager to review ELR, hours per RO and dollars per RO
6. Work with the marketing department to develop and customer loyalty program
7. Improve on accountability for all productive roles in the Service Department

Action Plan

<u>Task</u>	<u>By Whom</u>	<u>Completion</u>
Create policy for SAs checking Service History September 1 st , 2018	Service Manger	
Setup upsell training for SAs 2018	Service Manager	September 1 st ,
Add Proficiency to Tech's pay-plan 1 st , 2018	Service Director	September
Create policy for 100% greet in drive	Service Manager	October 1 st , 2018

Adjust apts on BDC Associate pay-plan 1 st , 2018	BDC Manager	September
Create Marketing campaign for other make 2018	Marketing Director	November 1 st ,
Develop Customer Loyalty Program	GM/GSM/MD/SD	January 1 st , 2019
Purchase and install generators 2018	Facilities Manager	September 1 st ,
Install covered Service Drive	Facilities Manager	January 1 st , 2020
Create aggressive advertising campaign 2018	Marketing Director	October 1 st ,
Train Techs to minimize injuries 2018	Training Manager	November 1 st ,
Write comm process for parts & service December 1 st , 2018	Parts & Service Mngr	
Sign with additional offsite carwashes 2019	Parts Director	January 1 st ,
Add Tech Proficiency to Foreman's PP 1 st , 2018	Service Director	December
Weekly service manager meeting	General Manager	Weekly
Accountability for all service roles	Service Director	Daily
Add ELR to Advisors pay-plan 1 st , 2018	Service Director	September

Synopsis:

It is clear the lack of formal upsell and overcoming objections training are having an impact on our Service Advisors to be more successful with dollars per RO and percent of Once Item ROs. We are struggling with Tech Proficiency and overall facility utilization which is resulting in the Service Department struggling to turn a profit on a monthly basis. Our expense structure is high in terms of fixed expense which is also impacting our profitability.

By providing the Service Advisors with specific training on upsell and overcoming objections, along with adding ELR to their pay-plan and Proficiency to the Technicians pay-plan we should start to see an increase in hours per RO, dollars per RO, ELR and technician proficiency. This along with increased accountability by inspecting what we expect on a daily basis will help improve sales and gross profit which will in turn improve profitability.

Holding the Service Advisors accountable for inspecting service history on every vehicle in the drive will help increase our warranty in terms of recalls.

By creating a more aggressive marketing campaign and also marketing directly to all our customers who purchased other make pre-owned vehicles will also help drive additional traffic through the service drive.

One challenge we've had since transitioning to a "one price" philosophy has been making our most loyal customers feel special. This makes developing the customer loyalty program so important. By developing this program, we will be able to retain our most loyal customers which is critical to our success.

Hurricane season for us can be challenging at times where we've had to shut down for as many as 10 days after a bad storm. This can be crippling to our operation when this occurs. By installing the generators, this will allow us to operate and generate sales when most of our competitors are shut down.

I'm truly looking forward to seeing how we've progressed 6 months and even a year from now. I know we have a great product, team and location. By making all these changes, I know we can and will maximize our potential.