Marketing

YTD ANALYSIS

In a perfect world the hope is to always retain every customer that walks through our doors. The motto we have lived by and instilled in our culture since day one is “And then some”. Making sure we approach every interaction with this mentality puts us in the right place to succeed. I believe that word of mouth is the strongest and best form of marketing we can receive. I truly think the actions we instill with “and then some” is what differentiates us from the rest.

In today's world you can walk into just about any dealership in your area and get the same price on a vehicle with relatively the same features, and most offer the same services which tend to all be aggressively priced. With that being said, focusing on things in our control becomes ever so important. The only thing that makes a lasting impression and keeps people wanting to come back are the interactions and relationships they form while doing business with us. Our frontline team focuses on retaining and creating amazing experiences while our marketing team drives further growth and aids retention as well.

Our current practices in marketing are and have always been to spend the money and get our name out there as much as possible. From billboards that get updated monthly with specials , to commercials and radio spots in different languages (Spanish and English). Too google ads, paid search , paid social and much much more. In 2023 we spent a little over 1,000,000 on marketing between our Nissan, Infiniti, and Mazda stores in Elk grove. We have a marketing team consisting of 3 wonderful individuals that devote all their time into growing and retaining our customer pipeline.

I don’t have any interest in making changes to a department that has brought us great success. The only thing we have slightly adjusted this year is the budget allotted, which is being tracked monthly and reviewed by multiple individuals.

Analyze Cost of Labor

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car			0%	0%
Customer	$ 1,483,942	$ 1,067,564	71.94%	73.84%
Customer Other			0%	0%
Warranty	$ 380,043	$ 300,877	79.17%	18.91%
Warranty Other			0%	0%
Internal	$ 145,721	$ 87,031	59.72%	7.25%
NVI / Road Ready			0%	0%
Adj. Cost Of Labor			0%	0.00%
Total	$ 2,009,706	$ 1,455,472	72.42%	100.00%

As far as our current practices involving analyzing cost of labor we do things a little differently than most. We believe the more informed our ENTIRE team is the more we can make necessary changes and push continuous growth. With that being said we hold a mandatory financial meeting with all the department heads. The meeting entails us going over the financial statement with everyone in a group setting discussing a number of things. Including market trends, forecast numbers - end of month numbers, departmental successes positive or negative. Ending with goals / a plan of action moving forward and a shared calendar for the following month with important dates, tasks, and evaluation meetings.

Our gross as a percentage of sales is within NADA guide so we just have to continue doing what we know how to do.

(Internal numbers do not include used car / pdi / recon that is all at our bodyshop)

Changes in Expense Structure

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross
Department Gross	$ 1,455,472	
Variable Expense	$ 244,774	16.82%
Selling Expense		0.00%
Personnel Expense	$ 607,701	41.75%
Semi-Fixed Expense	$ 221,332	15.21%
Fixed Expense	$ 197,679	13.58%
Unallocated Expense		0.00%
Dealer's Salary	$ 11,827	0.81%
Total Expenses	$ 1,283,313	88.17%
Net Profit	$ 172,159	11.83%

Throughout this year, as business challenges escalate for dealers nationwide, it becomes increasingly crucial to monitor this category. Significant changes were implemented at the end of April and May, particularly in areas such as personnel and semi-fixed costs. After careful consideration and reflecting on our business performance in recent years compared to 2024, we made tough but necessary decisions. Specifically, we opted to eliminate our Service Director and Controller positions without replacement, confident that we can maintain our performance levels without them. Additionally, we chose to discontinue certain external services, including our BDC, which cost nearly $100,000 annually. We replaced it with NUMA, a more effective service costing only $12,000 per year. These recent changes should show significant improvements in eliminating some of our expenses. In addition to all of this we adjusted our service advisor pay plan to be more in line with the market. We were on the heavy side in pay and even with our adjustments made we are one of the strongest pay plans in the area.

Our current practices that aided in the discovery of needing to adjust the expense structure is our monthly financial meeting and comparing year over year trends. Seeing a downward trend in business and the wage laws not moving in correspondence with this caused some tough but needed decisions to be made. These numbers will be something we will be continually monitoring each month and making adjustments as needed.

Productivity

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Effective Labor Rate		Hours Billed
Customer Car*	$ 1,483,942	÷	182.65	=	8124.5
Customer Truck*		÷		=	0.00
Customer Other*		÷		=	0.00
Warranty	$ 380,043	÷	182.65	=	2080.7
Internal	$ 145,721	÷	182.65	=	797.8
New Vehicle Prep		÷		=	0.00
Total	$ 2,009,706				11003.0

POTENTIAL

$ 2,009,706	÷	11003.11	=	$ 182.65			
Total labor sales for month		Total hours billed		Effective Labor Rate			
16.00	x	8	x	109	=	13,584.0	
# Service mechanical technicians		# Hours per day for one tech		Working Days/Month		Clock Hour Aval	
13,584.0	x	$ 182.65	=	$ 2,481,100		3101375.	
Clock Hours Available		Effective Labor Rate		Labor sales potential @100%		Labor sales potential @ 125%	

How proficient are your technicians ?

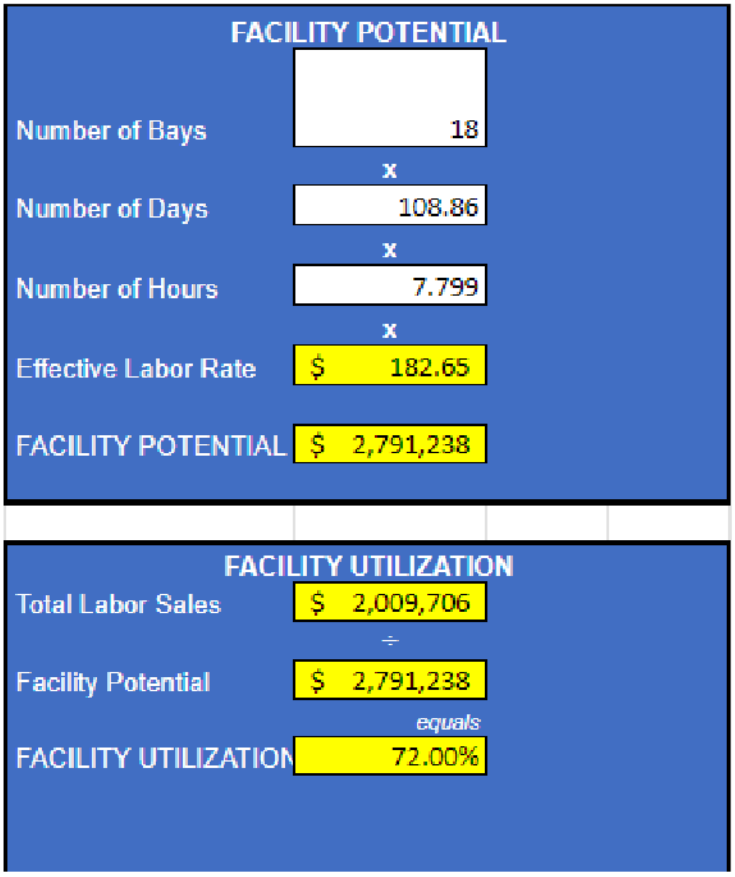
11,000.1	÷	13,584.00	=	80.98%
Hours Billed		Hours Available		Tech Proficiency

A few things to take note of before I dive into how I will increase tech proficiency. For these calculations I decided to do a YTD analysis Jan - May. We also have our technicians on a rotating team schedule in line with the advisors. There is not a set amount of days they work a month or hours a month. It's constantly changing depending on what part of the rotation they are in when the month ends. Hence some of the odd numbers on this formula page. I manually calculated my available hours for the techs and then imputed a random number on working days/month to achieve the clock hours available I needed. Also keep in mind these numbers are not including any pdi and recon, we have a separate facility at our bodyshop that we use.

Since May we have already made some great strides in implementing better processes, and like I stated above some changes that have positively impacted the team's morale and shop culture. The last few months have been somewhat of a rollercoaster from me leaving the service team, to letting go of our service director and just onboarding our second assistant manager last week. I truly believe big changes can have an effect on the team as a whole. Since staffing is now out of the way the focus is now on increasing tech proficiency. The first place we looked was our processes, on paper and in discussion we have stellar methods to do things. But without constant reinforcement on process things start to fall off. I saw our biggest inconsistency in dispatching. When I moved and was no longer in charge of shop flow some chaos began. We had a number of different people dispatching depending on the day. This caused improper work distribution, increased wait times, comebacks, csi, and lower tech proficiency which means unhappy techs. With so much inconsistency we moved back to team dispatching. Since we already had the techs and advisors grouped into teams for scheduling purposes it made things easy. A pair of advisors is in charge of their group of 4/6 techs. This has been working wonderfully for us the last two months and we have seen a huge improvement in productivity and morale.

I also made some tweaks with our labor pricing, labor times and services. With us predominantly being a menu / package based store I decided to dive into our menus and make some needed adjustments. We made some changes on repetitive items that were on the 5k intervals that were not necessary. The idea behind this is with an adjustment to pricing we can sell more menus and in turn increase shop proficiency. I also went through and adjusted some of the times we pay on certain jobs to be in line with ALLDATA. For some reason a number of items were paying higher than guide times. In theory adjusting times will motivate the guys to work quicker and more efficiently. All these changes will continue to be monitored monthly in our financial meetings, since May they have proven to be a positive change.

Facility



Facility potential was a big eye opener to me after reviewing it in class. Some of our current practices that led to the numbers above got changed immediately when I was back. We have always had a handful of techs who felt they needed two stalls or who left cars torn apart or beached on a rack for multiple hours sometimes even days. This is a big NO. We are now closely monitoring when using a second stall is necessary. I truly believe after leaving class that they don't deserve a second rack unless they are flagging over 200%. After a month of doing this I noticed some slight improvements in even our 140% and higher techs. Only in approved and necessary situations are they able to occupy two stalls. Typically big tear down and repair work or EV work. Other than that focus on the vehicle in YOUR rack and finish that job and you will be rewarded with more work. There is little to no reason we should have techs with multiple ROS going back and forth from stalls wasting time. This all comes full circle back to not monitoring shop flow and bad dispatching. I also think all the other goals we discussed in marketing, cost of labor analysis, and productivity will aid in a positive gain for facility utilization. I think a high 80% is possible for us by the end of the year. So far the last two months have proven to be positive, I will continue to monitor it closely each month with my service manager.

100 Repair Order Analysis

Repair Order Analysis Summary Report

	Sales in Dollars		FRH's on RO's		Averages	Analysis
Competitive	$ 266	÷	2.10	=	126.67	FRH Average
Maintenance	$ 16,980	÷	105.00	=	161.71	FRH Average
Repair	$ 30,910	÷	150.00	=	206.07	FRH Average
Totals	$ 48,156	÷	257.10	=	187.30	Customer ELR
			Target Labor Rate		217.23	Per FRH
Total Ro's in Sample	100		Difference		-29.93	Per FRH

Cost of Labor

Total Cost of Labor	10225.10	÷	Total Sales	=	21.23%	Percent Cost of Sales
Total Cost of Labor	10225.10	÷	Total FRHs	=	39.77	Cost per FRH

Repair Order Measurements

Total Labor Sales	48,156.00	÷	Total ROs	=	481.56	Avg Labor per RO
Total FRHs	257.10	÷	Total ROs	=	2.57	Avg FRH's per RO
Menu Sales		÷	Total ROs	=		Percent Menu Sales
Competitive FRHs	2.10	÷	Total FRHs	=	0.82%	Percent Competitive
Maintenance FRHs	105.00	÷	Total FRHs	=	40.84%	Percent Maintenance
Repair FRH	150.00	÷	Total FRHs	=	58.34%	Percent Repair
One item ROs	26	÷	Total ROs	=	26.00%	Percent One Item RO

Model Year Analysis

2025	2024	2023	2022	2021	2020	Older	Total
0	0	5	3	5	14	73	100
0.00%	0.00%	5.00%	3.00%	5.00%	14.00%	73.00%	

I ended up doing this repair order analysis myself since our service manager was swapped with the issues involving the CDK outage. All and all we got some time to review and found some areas for improvement. As we start to dissect the analysis I believe we have too few in competitive to gauge that accurately, but it is within our market price for the handful of items in that category. As you can see we are a high maintenance and repair driven shop. Our service advisors are trained to present prebuilt menus EVERY TIME. We have built the mentality to our service advisors that we do not solely do oil changes. Instilling the belief that the work we are recommending is in the best interest of the client and their vehicles safety and longevity is our top priority. There are numerous independent shops that can change oil, but none of them have factory trained technicians who can keep their vehicle in tip top condition. One of the only concerning factors in this analysis to me is the target labor rate of 217.23 and actual total of 187.30. After some review a big portion of that delta is due to matrix pricing and utilizing a menu system. In my eyes this means it's time to update our matrix. This will involve doing a much larger analysis and figuring out where our sweet spot is. We have on our agenda to schedule a much larger analysis sample with Dynatron so we can make the proper adjustments in aiding the increase in the labor rate. Looking at the next item on our breakdown we are within guidelines for FRHS per RO. Next our repair percentage is a bit high due to being an import shop with a very high percentage of our traffic being older vehicles. In my opinion I expect guide to change for this in the near future with the lifespan of vehicles increasing.

SWOT ANALYSIS

STRENGTHS

1. 4.6 starts / over 2k google reviews
2. 4.9 DealerRater 5k reviews
3. 25 years serving the Elk Grove community. Large customer base that is continually growing.
4. Tenured Advisors and Parts team
5. We are far ahead of the competition with the newest tools and technologies to improve our customer service experience and the employee experience.
6. Hands on Owner and COO which creates a great culture and morale for the team. Without employees who feel happy and valued you will NEVER have a satisfied client base.
7. Young highly educated and experienced service Manager and a 30 year seasoned vet as our assistant manager, they contrast very well. The 30 year vet decided he wanted less on his plate but still wanted to make an impact where he could.
8. Incredibly educated and precise warranty admin
9. Rotating schedule for techs and advisors – They are extremely happy with this
10. Longest hours in our Automall
11. Open on Sat

WEAKNESSES

1. We tend to have great ideas on paper when implementing changes to better our department but at times deviate from the process. We tend to see the most short cuts with our extremely seasoned advisors who write over 100k a month. With that being said by no means do they do “bad” but they have immense opportunities to continue growing.
2. Location - we are the last store in the automall which I believe can cause some loss in traffic.
3. Lower income clientele which causes some objections the team must overcome when presenting menus.
4. Too many master techs
5. Regulations and laws being located in CA. (No shop supplies, CC fees) Our margins to net $ become much higher.
6. Two huge WN rate increases recently (which is good) but we will not be seeing another one for quite some time.
7. Consistency overall – In all aspects (but this is starting to move in the right direction

OPPORTUNITIES

1. HUGE growth in Elk grove lately. Numerous housing developments, shopping centers, a massive casino down the street that just got put in. All these things are driving more people into our community and increasing the value of things.
2. Do not deviate from the processes we have set in place - constantly reminding the team we have these things so they can better succeed
3. Staffing adjustment with our number of master techs - which will aid expense structure and overall productivity.

4. We have some huge opportunities in shop load and dispatching. Things have already been set in place to make changes in these areas but if we fully capitalize on them the sky's the limit
5. Advisor follow up

THREATS

1. Attracting techs
2. Staying competitive in our market in what we pay entry level employees and techs. These individuals if treated and trained right can be the future of our business
3. Lost our 10+ year Quick lube manager who had an amazing rapport with every client that went to that facility. I fear we face some threats being able to retain those people and insure they feel the same with our new manager there.
4. Drop in market share as an overall for the Nissan company

Objectives

1. Follow the process no if ands or buts. Everyone is held to the same standard from new employees to 20 year vets.
2. Bi annually adjustments on matrix pricing in comparison to our dynatron analysis.
3. Stick with one way to dispatch and create a feeling of consistency with our team
4. Proper dispatching to the right level techs
5. Customer retention

Strategies / Tactics

1. Have bi weekly meetings with each advisor individually to discuss strengths and weaknesses and review monthly goals to see if they are tracking correctly
2. Monthly meetings with techs to review hours flagged, proficiency, ASE, training and employee road map.
3. Increase mix of repair work
4. Focus on direct marketing to our sweet spot clientele 2019 and older for major service coupons ect
5. Create a dealer - non dealer pricing board to spread knowledge on services and pricing
6. Weekly meetings with the entire staff which will include updates on our progress and goals for the month.

Action Plan

TASK	BY WHOM	DATE
Send out direct marketing coupons to specific groups	Service Manager / Marketing team	Every month during financial meeting this task will be reviewed
Adjust matrix pricing	Service Manager / COO / Dynatron team	Bi annually
Tech meetings	Service Manager / ASM	Monthly (scheduled on google calendar , weeks in advance)
Advisor meetings	ASM	Weekly (schedule on google calendar in advance)
Full service staff meetings	Service Manager / COO	Weekly to track progress and goals
Install non dealer pricing board	Service Manager / Marketing team / Dynatron	8/31/24
Constant Job posting for techs	Service Manager / Marketing team	AD UP AT ALL TIMES

Synopsis

The dealership excels with impressive ratings: 4.6 stars from over 2,000 Google reviews and 4.9 stars from 5,000 DealerRater reviews. With 25 years of service in Elk Grove, it has built a large and growing customer base. The team, which includes both experienced and newer staff, benefits from modern tools and technology. A hands-on Owner and COO create a positive work environment, leading to high morale and customer satisfaction. The dealership also has the longest hours in the automall and flexible schedules for its techs and advisors.

Despite these strengths, there are challenges. Sometimes, the dealership does not stick to its planned processes, especially with long-time advisors, leading to inconsistency. Its location at the end of the automall may reduce traffic, and serving lower-income customers can make it harder to present service options. Regulatory issues and recent warranty rate increases also affect profits, and maintaining overall consistency is still a work in progress.

Opportunities for growth are strong due to Elk Grove's recent expansion and increased local activity. By sticking to processes and adjusting staffing, especially the number of master techs, the dealership can boost productivity. Improving shop load and dispatching and focusing on targeted marketing for services are also key opportunities.

Threats include difficulties in attracting and keeping skilled technicians and staying competitive with pay. The loss of a long-time Quick Lube manager might impact customer relationships, and there is concern about losing market share for the Nissan brand.

To improve, the dealership needs to focus on several key areas. First, sticking to established processes is essential for consistency and efficiency. This means holding regular bi-weekly meetings with advisors to review their work and set goals, and monthly meetings with

technicians to discuss their progress and performance. Adjusting pricing every six months based on market trends will help stay competitive. Boosting marketing efforts with targeted promotions and direct coupons will attract more customers. Also, improving how work is assigned and managed, and installing a non-dealer pricing board will make service options and prices clearer. Keeping job ads up-to-date will help find and keep skilled technicians. These actions will enhance the dealership's operations, customer satisfaction, and overall growth.