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NADA Class 335
Hutcheson Ford Sales

Hutcheson Ford Fixed Operations 2

Advertising

Hutcheson Ford's Service advertising consist primarily of factory related material. We rely heavily on what Ford recommends we distribute to the customer. Mail pieces are dropped to customers when recommended service intervals are expected to be due. Generic email blast go out to service customers if and when we have obtained their email address. We do offer a 5 oil change package for \$100 that we promote with SEM on occasion. Other than those items mentioned above we rely heavily on word of mouth and our reputation for advertising in the service department.

Marketing

Completing the non-dealer survey opened my eyes to the opportunity, as a franchise store, we have. We have factory trained technicians using OEM parts that at times we are the same price, and if we are higher it's not by much. The non dealer survey made me realize that we have to make the experience easier for the customer. We also have to make the public aware of services we offer, and why it is better to us our factory trained technicians and OEM parts as opposed to their cousin John working down at Speedy Lube.

Facility

I believe that the table below speaks for itself. The only thing that we need to ask ourselves is why have we let this happen. We have to get away from the old school 9-5 and be there when its convenient for our customers and profitable for us.

FACILITY POTENTIAL	
Number of Bays	24
	x
Number of Days	23
	x
Number of Hours	11
	x
Effective Labor Rate	97.41
	<i>equals</i>
FACILITY POTENTIAL	\$ 591,474

FACILITY UTILIZATION	
Total Labor Sales	\$ 146,135
	÷
Facility Potential	\$ 591,474
	<i>equals</i>
FACILITY UTILIZATION	24.71%

Productivity

I don't like the fact that we didn't use Saturdays in this calculation. The Service Manager says he doesn't count Saturdays so I didn't either. From the sales side Saturdays are profitable and I believe they can be for service as well. We have to change our mindset because Saturday's could add to the bottom line.

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	\$ 88,717	÷	98.00	=	905.3
Customer Truck*	\$ -	÷		=	0.00
Customer Other*	\$ 5,746	÷	98.00	=	58.6
Warranty	\$ 24,493	÷	94.57	=	259.0
Internal	\$ 27,179	÷	98.00	=	277.3
New Vehicle Prep	\$ -	÷		=	0.00
Total	\$ 146,135				1500.2

POTENTIAL

$$\frac{\$ 146,135}{\text{Total labor sales for month}} \div \frac{1500.24}{\text{Total hours billed}} = \frac{\$ 97.41}{\text{Effective Labor Rate}}$$

$$13.00 \times 8 \times 21 = 2,184.0$$

Service mechanical technicians # Hours/Day Working Days/Month Clock Hour Avail

$$\frac{2,184.0}{\text{Clock Hours Available}} \times \frac{\$ 97.41}{\text{Effective Labor Rate}} = \frac{\$ 212,739}{\text{Labor sales potential}}$$

How proficient are your technicians ?

$$\frac{1,500.2}{\text{Hours Produced}} \div \frac{2,184.00}{\text{Hours Available}} = \frac{68.69\%}{\text{Tech Proficiency}}$$

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

Production Method

We currently operate with two teams, and a quick lane. We don't actually call it a quick lane however, they have three techs and their own advisor. Current structure of our teams consist of 5 techs and each team having an advisor. Both teams start at 8am and work till 5pm. They alternate lunch shifts so there is always coverage during the day. Saturday's consist of three technicians in the shop usually two lube techs and a Master Certified technician.

Cost of labor

To me this emphasizes the importance of the service department. 72.53% of sales going to gross is significant as opposed to my variable background. The more RO's we can write the healthier the dealership will be.

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 88,717	\$ 65,841	74.21%	60.53%
Customer Truck			0%	0.00%
Customer Other	\$ 5,746	\$ 1,938	33.73%	3.92%
Warranty	\$ 24,493	\$ 18,283	74.65%	16.71%
Warranty Other	\$ 444	\$ 317	71.40%	0.30%
Internal	\$ 27,179	\$ 19,934	73.34%	18.54%
NVI / Road Ready			0%	0.00%
Adj. Cost Of Labor			0%	0.00%
Total	\$ 146,579	\$ 106,313	72.53%	100.00%

Expense Structure

I don't know if I did this correctly. Showing a negative as net profit and the financial statement shows a positive? I assume this is because of parts gross transfer, the one we did in class had the same outcome. I also believe that a lot of our admin personnel are billed to the service department. Looking at our composite our admin expenses are high compared to guide.

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 111,963		
Variable Expense	\$ 51,656	46.14%	
Selling Expense	\$ 59,961	53.55%	
Personnel Expense		0.00%	
Semi-Fixed Expense		0.00%	
Fixed Expense		0.00%	
Unallocated Expense		0.00%	
Dealer's Salary	\$ 1,073	0.96%	
Total Expenses	\$ 112,690	100.65%	
Net Profit	\$ (727)	-0.65%	

Pay Plans

The Service Manager is paid annual salary of 70k per year, and then 10% of parts and service operating profit. The three service advisors are on different pay plans. The most senior advisor is paid a salary of 45k per year, and a 15% of service operating profit. The second service advisor is paid a salary of 36k per year and monthly bonus based off service department gross. The quick lane advisor is paid a salary of 35k per year and a \$500 bonus if the department hits their monthly goal.

Performance Programs

Currently our Service Manager sets goals for the parts and service department based off year over year percentage increases. These goals are tracked on a monthly basis to determine how each department is performing. There are currently no goals per advisor or technician on their individual performance. They are all under the same umbrella goal. Communication about tracking is held once a week with Service Manager GM and all advisors.

Current Training

Our current training programs for technicians, who are not on the lube racks, consist of Fords training to become Senior Master certified. We currently have three Senior Master Technicians with two more very close to becoming Master Technicians. On the lube rack their first level of training is the state inspection license. Once they have attained their state inspection license the Service Manager will decide when to start them on Fords training. Other than state inspection and Ford's training there is no other training in the service department.

Special Tools Room

Our special tools room is neat and organized. It is located in our parts department with its own door leading into the shop. All of the tools are cataloged in our DMS making them easy to find and distribute when needed.

100 Repair Order Analysis

When completing this task I noticed a couple things that really stood out to me. We started our 5 oil changes for \$100 with the anticipation that it would increase sales

off the lube rack. What I noticed going through the 100 RO's is that the majority of them were from the lube rack, and the bulk were also one item RO's. I spoke with the advisor that was on the lube racks and asked him why he thought this was the situation. We schedule as many oil changes in a day as possible with our 8-5 schedule, and probably not going through a quality process with each customer. I also noticed that we sell very little maintenance hours. The majority of our hours come from repair.

Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis
Competitive	\$ 1,406 ÷	35.10 =	40.06	FRH Average
Maintenance	\$ 917 ÷	12.10 =	75.81	FRH Average
Repair	\$ 10,348 ÷	109.50 =	94.51	FRH Average
Totals	\$ 12,672 ÷	156.70 =	80.87	Customer ELR
		Target Labor Rate	93.90	Per FRH
Total Ro's in Sample	100	Difference	-13.03	Per FRH

Cost of Labor

Total Cost of Labor	3085.30 ÷	Total Sales =	24.35%	Percent Cost of Sales
Total Cost of Labor	3085.30 ÷	Total FRH's =	19.69	Cost per FRH

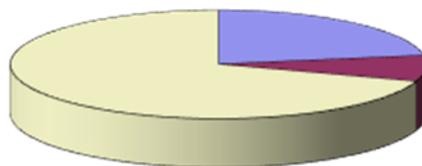
Repair Order Measurements

Total Labor Sales	12,671.67 ÷	Total RO's =	126.72	Avg Labor per RO
Total FRH's	156.70 ÷	Total RO's =	1.57	Avg FRH's per RO
Menu Sales		Total RO's =		Percent Menu Sales
Competitive FRH's	35.10 ÷	Total FRH's =	22.40%	Percent Competitive
Maintenance FRH's	12.10 ÷	Total FRH's =	7.72%	Percent Maintenance
Repair FRH'	109.50 ÷	Total FRH's =	69.88%	Percent Repair
One item RO's	67 ÷	Total RO's =	67.00%	Percent One Item RO

Model Year Analysis

2019	2018	2017	2016	2015	2014	Older	Total
0	1	5	10	16	13	55	100
0.00%	1.00%	5.00%	10.00%	16.00%	13.00%	55.00%	

Labor Mix



■ Percent Competitive
 ■ Percent Maintenance
 ■ Percent Repair

Qualitative SWOT Analysis

Strengths

1. Family owned and operated. Loyal large customer base in the surrounding area
2. Experience, two techs have been with the store for over 20 years one tech 10 years and three other techs 5 plus years. Service Manager and two Advisors all over 10 years with the store
3. Facility, we have the largest shop in 50 mile radius. Not only is our shop large it is clean as an operating room.
4. Location, we are located right off a major interstate that makes us easily accessible for highway traffic.
5. Free pickup and delivery within in a 15 mile radius of the store
6. 5 oil changes for \$100
7. High CSI scores and high online reputation

Weaknesses

1. Our DMS for service is outdated, tracks vehicles and not customers. Would like to be able to pull up one customer and see all the vehicles they own instead of one specific VIN.
2. Ways we communicate with our customers. Right now we primarily use the phone, rarely do we text or email the customers.
3. Follow up on declined sales
4. Pay structure for advisors
5. Shop is open but techs are not here.
6. Rely heavily on OEM for marketing

Opportunities

1. Neighboring Ford dealer poor facility and poor customer service
2. Have techs turning wrenches every hour the doors are open
3. Customize our marketing to look like it is coming from Hutcheson Ford as opposed to Ford Motor Company

4. Training our advisors how to sell
5. Install a CRM that allows advisors to follow up with customers on declined services

Threats

1. Small store same make was just purchase by large dealer group that has been successful at other locations
2. Other dealerships in the area are in desperate need of technicians and they have and will continue to try and lure our techs away.
3. Competing stores offering wash and vacs to all of their service customers. We do not have the facility to accommodate that type of operation
4. Service Managers and Advisors old school way of doing things and not adapting with technology and the younger generation could leave us behind our competitors

Objectives

1. Increase the amount of RO's written
2. Decrease the % of one item RO's
3. Be the leader in customer communication, and services provided in our area
4. Provide service advisors with sales training they talk to more customers in a day than our sales people do in a week
5. Follow up with customers who declined services
6. Sell more maintenance and competitive hours

Strategies

1. Split shifts in service with the two teams, one team 7-4 the other team 9-6. Have lube techs here whenever the shop is open.
2. Daily sales training for all service advisors. We currently have programs in place on the sales side that has service sales training available at no additional cost.
3. Communicate with customers with technology that everyone already has video walk arounds and text messaging.

4. Install CRM so Advisors can follow up on declined service
5. Increase range of pickup and delivery to block large volume group from

taking our service opportunities

6. Hire another lube tech and second lube tech advisor to create two teams.

Pay lube tech advisors bonus based off net profit in their bays as opposed two department goals

Tactics

1. Service Manager holds advisors accountable for daily sales training
2. Marketing department and Service Manager devise marketing plan that is custom to Hutcheson Ford
3. Lube Tech Advisors train lube techs on how to do a proper multi point inspection
4. Post recommended service intervals behind Lube Tech Advisors
5. Pay bonuses to lube techs based off competitive and maintenance hours sold

Action Plan

<u>Task</u>	<u>By Whom</u>	<u>Date</u>
Start sales training for advisors	Service Manager	10-1
Split shifts in service	Service Manager	10-1
Lube Techs multipoint inspection 10-1	Lube Advisors	
Hire Lube Tech and Advisor	Service Manager	9-1
Install CRM for Service	GM	10-1

Change Lube Advisor Bonus	Service Manager	10-1
Custom Marketing Plan 10-1	Marketing GM Service Manager	
Expand pickup and delivery range	GM	11-1
Post Maintenance Interval Board Lube Advisors		10-1
Get bids for automatic car wash	GM	12-1

Synopsis

We have the right people in place in the right place. We have the facility to handle more traffic. What we now have to do is think outside the box to fully utilize every opportunity we have available. When we have our technicians here at 7 in the morning they can start working on customers vehicles that parts came in the night before. This will open lifts sooner to be utilized for that day's business. This will also be a customer service. If we have a business or fleet vehicle back on the road

quicker, that company is going to be able to put it to work faster and not affect their daily operations.

By hiring another lube technician and an advisor this will allow us to create two teams. Again, having one team working the early shift and one team working the late shift. This will minimize the need for pickup and delivery with our customers. Opening at 7 and doing a 30 minute oil change customers can still make it to work by 8. Our customer lounge has snacks, coffee, and other beverages for them to enjoy along with WiFi. The same goes for the evenings when the majority of our customer base gets off work at 5. We will have the ability to service more customers the same day.

The extended hours will also allow ample time for the advisors to perform a quality presentation of services needed for each customer. By not having to rush each oil change just to start another, the lube technicians will have more time to do a proper multipoint inspection. This process the customers will not leave without knowing everything their vehicle needs. This will decrease the amount of one item RO's that we are currently seeing from the lube technicians.

Sales training for the advisors will teach them how to overcome objections from the customers. The majority of customers do want to have their vehicle in proper working order they just might be apprehensive. The reasons for being apprehensive: thinking they can get it done cheaper somewhere else, wanting to

check it themselves, not having the funds to perform the services needed, or needing to talk to third party just to name a few. The sales training will show the advisors how to overcome these obstacles, all while still providing the customer service that got us where we are today.

Having a CRM will allow all advisors to follow up with customers who declined service when they were in the store. This is a huge opportunity to find out real objections to declined service and see how we can work with the customer to insure they are driving a safe vehicle.

Hutcheson Ford Service is doing a respectable job at this point in time. What we can't do is become stagnant. We always need to be improving our processes to better serve our customers. If we stop improving someone else will pass us by and while doing so take our customers with them.