

NADA Service Homework

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Marketing

We currently have no active marketing tactics or marketing budget for our service department. We are in a good location and have always had a steady or even excessive workload, so we have never invested in marketing to acquire more employees and to service more vehicles.

Our goals for improvement include ways to get more local work into our shop through advertising. We can do this in two main ways. First, Advertising that we service all makes and models. Secondly, by creating and posting a pricing board comparing us to local independent shops, showing our customers that we are priced more affordably for most services, which will drive more traffic to our store for competitive and maintenance labor.

We will achieve this goal by creating a pricing board for our lounge and a commercial. The commercial will show our local customers that we are priced affordably compared to the local competitors, and that no matter what kind of car they own, we can service it.

We will easily be able to quantify how much business this drives by monitoring the increase in the number of other make vehicles coming in for service, and an increase in traffic for our quick lube, and maintenance repair work.

Analyze Cost of Labor

- ▶ Our current labor cost is intentionally spread out depending on skill level by our dispatcher. He does this to maintain a healthy cost of labor. We have a healthy mix of warranty to customer pay, but we have a dwindling GP% in our internal work.
- ▶ We will improve our internal GP% by hiring a specific recon/ accessories tech at a set cost of labor per sold hour.

Once we have the recon tech in place we will pay him exactly 24% of internal labor sales on his RO's, leading to a GP% of 76, which is at guide. This will also lead to less discounting for the sales department by the advisors.

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car			0%	0%
Customer	\$76,386	\$55,856	73.12%	50.50%
Customer Other			0%	0%
Warranty	\$38,313	\$29,048	75.82%	25.33%
Warranty Other			0%	0%
Internal	\$28,983	\$20,408	70.41%	19.16%
NVI / Road Ready	\$7,586	\$6,311	83.19%	5.01%
Adj. Cost Of Labor		\$(14,953)	0%	0.00%
Total	\$151,268	\$96,670	63.91%	100.00%

Changes in Expense Structure

- ▶ Our current expense structure is only broken up on our statement by variable and fixed expenses. Our cost of labor is very close to guide, but our overstaffing problem has our salaries expense too high.
- ▶ We will improve our expense ratio by trimming some fat in our service office. Also, we do not have a strict process for shop supplies, and our supplies expense has increased faster than we are collecting shop supplies.
- ▶ Shop supplies will be non-negotiable and can only be overridden by the service manager.
- ▶ We will be able to evaluate this change by monitoring the size of the shop ticket, and monitoring how much more money is coming in every month from shop supplies compared to previous months.

Expense Category		Dollar Amount	
	Department Gross	\$96,670	% of Gross
	Variable Expense	\$79,332	82.06%
	Selling Expense		0.00%
	Personnel Expense		0.00%
	Semi-Fixed Expense		0.00%
	Fixed Expense	\$52,745	54.56%
	Unallocated Expense		0.00%
	Dealer's Salary		0.00%
	Total Expenses	\$132,077	136.63%
	Net Profit	\$(35,407)	-36.63%

Productivity

▶ We currently have no proficiency bonuses available. We recently pulled all guarantees to help with unapplied time, but proficiency remains low without an incentivized pay plan.

▶ We will improve proficiency by creating a pay plan that will incentivize techs to hit their goals of 100% and 125%.

▶ By offering technicians a \$1-5 increase per hour based on proficiency percentage monthly will encourage technicians to sell 100-125% of all the available hours every month. The increased sales from this proficiency hike will completely offset the decreased GP% from the increased cost of labor.

We will evaluate the changes by checking the technician punch sheets and sold hour report biweekly- to ensure that technicians are working all the available hours of the day and are selling every hour available.

▶ If we can get our current techs to turn 100% of the hours, our service department would easily be making money again.

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Effective Labor Rate		Hours Billed
Customer Car*		÷		=	0.00
Customer Truck*	\$76,386	÷	119.96	=	636.8
Customer Other*		÷		=	0.00
Warranty	\$38,313	÷	119.96	=	319.4
Internal	\$28,983	÷	119.96	=	241.6
New Vehicle Prep	\$7,586	÷	119.96	=	63.2
Total	\$151,268				1261.0

POTENTIAL

$$\frac{\$151,268}{1261.00} = \$119.96$$

Total labor sales for month Total hours billed Effective Labor Rate

$$11.00 \times 9 \times 22 = 2,057.0$$

Service mechanical technicians # Hours per day for one tech Working Days/Month Clock Hour Avail

$$2,057.0 \times \$119.96 = \$246,755 \quad 308443.9691$$

Clock Hours Available Effective Labor Rate Labor sales potential @100% Labor sales potential @ 125%

How proficient are your technicians ?

$$\frac{1,261.0}{2,057.00} = 61.30\%$$

Hours Billed Hours Available Tech Proficiency

Facility

- ▶ In our department, the average technician is currently controlling on average, 2 lifts and one flat. And they are only turning 61.3% of the hours and utilizing 21% of the facility.
- ▶ We will need to improve our department by hiring more technicians, which will effectively decrease our lifts per tech to closer to 2. While we are capable of increasing proficiency to resolve our problems, we will never be able to get to NADA guide of 75% facility utilization without more technicians. Our facility gives us the potential to be the largest service center in our area, of any brand.

We will not only advertise that we are hiring technicians, but we will reach out to former techs, have a discussion with them, and try to create a future career path with us, where we will focus on retaining them as employees.

- ▶ We will use these formulas and excel sheets monthly to track our increases in proficiency and facility utilization. Our main goal should be to get our store to 75% service department absorption, which is possible at ~60% facility utilization.

FACILITY POTENTIAL	
Number of Bays	32
	x
Number of Days	22
	x
Number of Hours	8.5
	x
Effective Labor Rate	\$119.96
FACILITY POTENTIAL	\$717,833

FACILITY UTILIZATION	
Total Labor Sales	\$151,268
	÷
Facility Potential	\$717,833
	<i>equals</i>
FACILITY UTILIZATION	21.07%

Repair Order Analysis Summary Report								
		Sales in Dollars		FRH's on RO's		Averages	Analysis	
Competitive		\$820	÷	10.30	=	79.62	FRH Average	
Maintenance		\$3,095	÷	45.50	=	68.03	FRH Average	
Repair		\$9,289	÷	66.50	=	139.68	FRH Average	
Totals		\$13,204	÷	122.30	=	107.96	Customer ELR	
				Target Labor Rate		140.00	Per FRH	
Total Ro's in Sample	100			Difference		-32.04	Per FRH	
Cost of Labor								
Total Cost of Labor		3469.20	÷	Total Sales	=	26.27%	Percent Cost of Sales	
Total Cost of Labor		3469.20	÷	Total FRHs	=	28.37	Cost per FRH	
Repair Order Measurements								
Total Labor Sales		13,204.07	÷	Total ROs	=	132.04	Avg Labor per RO	
Total FRHs		122.30	÷	Total ROs	=	1.22	Avg FRH's per RO	
Menu Sales			÷	Total ROs	=		Percent Menu Sales	
Competitive FRHs		10.30	÷	Total FRHs	=	8.42%	Percent Competitive	
Maintenance FRHs		45.50	÷	Total FRHs	=	37.20%	Percent Maintenance	
Repair FRH		66.50	÷	Total FRHs	=	54.37%	Percent Repair	
One item ROs		62	÷	Total ROs	=	62.00%	Percent One Item RO	
Model Year Analysis								
2025	2024	2023		2022	2021	2020	Older	Total
0	4	13		16	11	16	40	100
0.00%	4.00%	13.00%		16.00%	11.00%	16.00%	40.00%	

Repair order analysis

Our discussion focused on the importance of decreasing one line repair orders. We can sell a ridiculous amount of work off our lube rack, especially due to the age of the vehicles that we are servicing, and we are not recommending all the necessary services to our customers.

Decreasing one line repair orders to 10-15% will help us increase our hours per RO drastically and make us profitable again.

We also noticed an abnormally low ELR on repair work and discovered that we had a weak advisor who was covering mistakes by discounting labor amounts. So we are cracking down on overriding shop supplies and CSA command.

SWOT Analysis- Strengths

- One very strong advisor that will soon be expected to lead the advisors
- Great location near a busy interstate
- Shop Foreman is motivated- highly knowledgeable
- Higher door rates allow us to afford to pay more than local competitors
- Young average age of technicians- ability to be trained by our veterans
- General manager has independent service, parts, and sales directors with many years of experience, allowing him to focus on growth of the store.

SWOT Analysis- Weaknesses

- ▶ Facility is aging- lack of climate control in shop
- ▶ High turnover- techs and advisors
- ▶ Low Off the Shelf Fill rate
- ▶ Most DCJR techs in our area have probably worked for us at some point(harder to recruit if there is a bad taste in their mouth from our previous managers)
- ▶ Declining CSI scores
- ▶ Lack of training and strict processes for advisors
- ▶ Scheduling appointments 4 weeks out.

SWOT Analysis- Opportunities

- ▶ There is massive facility potential
- ▶ Because of our great location, it should be easy to maintain work and retain techs after onboarding
- ▶ We are priced very affordably for maintenance and competitive work, so we have an opportunity to advertise and pick up market share in our area.
We can employ twice the number of techs that we have right now.
- ▶ Our area is growing- building large DC's for amazon.
- ▶ Parts should implement a strict lost sale tracking policy to increase our off the shelf fill to sell more work quicker.

SWOT Analysis- Threats

- ▶ Competing point being moved from nearby small town; competing new store and facility less than 9 miles from us.
- ▶ Increasing market share being taken by independents in our area.
- ▶ Our reputation
 - ▶ Former techs poaching current techs
 - ▶ Poorly trained advisors
- ▶ Stellantis losing virtually all their market share
- ▶ Independent shops and other dealers are open on Saturdays for service.
- ▶ Labor times decreasing- harder to keep techs in franchise shops

SWOT Analysis- Objectives

- ▶ Implement strong processes and training manuals for every position in service- teaching employees the right way to do our job.
- ▶ Increase our sold hours back to where we were by the end of the year
- ▶ Increase CSI average from 880 to 950
- ▶ Decrease one-line RO's to 10-15%
- ▶ Increase hours per RO by selling all necessary work on the vehicle, instead of only focusing on main concern.
- ▶ Hire a person specifically to handle work that will be lost if it cannot be sold that day.

SWOT Analysis-Strategies

- ▶ We will strictly implement our employment policies by assigning a head advisor, who will ensure that the other less trained advisors are following processes.
 - ▶ We will advertise our service department, specifically to the area of our region that is just outside of an 18-minute drive from our location, to try to capture business that is usually going to another dealer.
- Consider implementing a dispatching strategy that sends work by OP code to the most efficient technicians for that specific lop code.

SWOT Analysis-Tactics

- ▶ Our tactics moving forward will be to focus on being process oriented and ensuring that every customer is treated properly.
- ▶ We will give the dispatching to our shop foreman, who has built trust with the technicians. He will be able to manage our cost of labor and decrease comebacks by dispatching the work himself, instead of a person behind the scenes who isn't working with that tech all day.
- ▶ Trim the current fat and ensure proper training during rebuilding phase.
- ▶ Implement strict shop supplies fee on all repair orders to help offset increasing supplies and laundry expense.
- ▶ All shop supplies overrides, and labor discounts must be performed by the service manager.

SWOT Analysis- Action Plan

- ▶ We will increase our average sold hours from 1250- 1500+, and increase proficiency to 82% by the end of November.

TASK	Position responsible	Check in/completion schedule
Hire 4 quality technicians with experience in our brand	Myself	9.31.24
Build training books for each position in service	Myself, Service Manager, GM	8.31.24
Review all op codes in CDK, and ensure totals, and fees are correct	Service Manager	8.15.24
Delete all obsolete op codes	Service Manager	8.10.24
Implement proficiency based pay plan to incentivize techs to sell all of the available hours	Service Manager, Myself	11.31.24
No longer allow service advisor override on shop	Service Manager	Today

Homework Synopsis

- ▶ Overall, the results to these equations further solidifies my belief that we can be the largest service center in our area, if we can implement good processes and create a good team of strong hard-working employees.
- ▶ We have a good base, and massive facility potential, but we have forgotten how to follow a process, and how to train employees, and it has costed us by creating high turnover.
- ▶ Our people rely on their money, we must find ways to incentivize higher production from advisors and technicians alike by making stair stepping pay plans.
- ▶ With the changes we plan to make from completing this homework, I am confident that we will increase our overall proficiency and sold hours, which will help us achieve our SMART goals.