

Fixed Operations 2 Service Homework

Advertising:

We are currently using a third-party company, Epsilon, that does our service ads. They create email blasts and reoccurring emails based on closed RO dates. We also use them to do target-based mailers a couple of times a quarter. The mailers often offer an extra 10% discount on maintenance and/or a specific sale (tires, alignments, etc). We have looked to make sure that all pricing is current, all contact information (including store hours) is current, and that the links are directing the customer back to the correct place to schedule online.

Marketing:

From a local area we are well within the price of the competition. We are 30+ minutes away from the closest Toyota dealership so we looked into the local quick lube places. What appears to be the biggest competition is a non-franchised place called "Ray's Automotive Center". When called they answered quickly with pricing, seemed knowledgeable, and were just below us in pricing for many of the regular maintenance items. This was taken into consideration a lot. A lot of the conversation from this was focused on how we handle phone calls to the dealership. We test called ourselves in parts and we couldn't even get through. This is a work in progress!

Facility:

After getting back from class last month the first thing we did was locate the "special tool room" and it was decided immediately that this needed to change. A spare "office" that was just off of the parts counter was cleared out, painted, and designated for this room. The area where the tools had been before is now where we keep flush machines. The techs were then asked to clean up their bays and get things organized. We were able to recycle about 3 truck loads of metal stuff and make the entire shop more organized. There is still plenty of work to do in this area, but it is a beginning. We are fortunate to have plenty of space (currently we are able to utilize two full shops for the one dealership with plenty of parking) so often the techs are able to leave cars in bays while waiting on parts. Our utilization is around 53%, but we understand why. The biggest explanation from the techs is blaming parts (we have implemented MANY new processes there too that will help increase the flow in this area as well).

Productivity:

Our technician's proficiency is 81%. This number was not exciting to us at all and we have discussed it extensively. Processes between service advisors and parts have been put into place that should decrease the number of errors on parts AND it should shorten the time needed to wait for parts. The processes were implemented immediately, but the effects will take time to see. We are currently discussing a plan for internal vehicles and how to keep the guys busy on these as well. The mix

of techs that we have seems to be part of the problem, but there are some differing ideas as to how to fix it. Hiring more might not be the answer, but some believe it is. Splitting up the internal tickets based on yr/miles of vehicle between the techs more effectively should help alleviate the time to lot AND keep the techs busier. That is one area that we are focusing on to increase the proficiency and effect the other areas of the dealership as well.

Production Method:

Our service employees are only on teams in the Quick Lube department. We have three teams that work together on differing schedules to try and accommodate the customers the best. The technicians are not on teams. The advisors do not have a specific rotation nor a dispatcher that they utilize. The dealership has used a "dispatcher" in the past and it didn't seem to work, but it is something we are currently considering. The majority of our business is express and we are often in situations where customers are waiting WAY too long for an oil change OR the customer wants to schedule an appointment for a Saturday and we tell them 'no'. We have talked a lot about how to handle calls for days that are "booked". We have not established a good way to do this yet, but the discussions are happening now with GM, Service Manager, techs, and all involved. Our goal is to increase the productivity and decrease customer wait time.

Cost of Labor:

Our cost of labor runs between \$18 and \$19 per hour depending on which month you look at.

Changes in Expense Structure:

Our total expenses was \$116K for the month we looked at. Many of our expenses are fixed and we are aware that the rent is high because of the two buildings. The one expense that we have taken steps to ensure is more in line is personnel. Looking at the staff that we have and where they can be placed to be more productive. We currently have a couple positions within the Service Department that do not have clear job descriptions. One of the employees has been given the new responsibility of claiming all ToyotaCare ROs. This has opened up our warranty clerk to help with billing corrections and other things to get caught up on (both are hourly employees so this change cost us nothing).

Pay Plans:

Currently our techs are divided between flat rate and hourly. We talked about the idea of a Percentage of total labor sales (suggested in class) but realized that this drastic change is not something that we can do quickly, or potentially at all, without a revolt. The advisors pay plan AND the service managers pay plan have been looked at and the GM will be changing both. Currently the SM is getting paid too high of a salary without much compensation on the results of the department. Most changes we make to the bottom line are currently not effecting his pay positively. The advisors are also paid on a pool of the total sales. The plan is to adjust the GM pay to be much more reflective on the success/failure of the department and the

Advisors are going to be paid more directly on their individual results. These changes have not happened yet.

Detail Performances Guidelines:

Since class we have established a strong communication plan between the Parts manager and the service manager. Both “teams” are holding meetings with their teams to discuss any necessary things. Hours of operation are a HUGE topic of discussion since class, but no changes have been made yet. The service manager is not interested in doing much on Saturdays. He is not the final word, but there are many techs that agree with that thought. We are going to discuss options for doing internal and PDIs in the evenings and/or weekends with some of the techs looking to do extra work. This will help with both freeing up customer time AND getting the used cars onto the lot quicker.

Special Tools:

Toyota is currently conducting a Special Tool Audit, so immediately upon getting back from class we did our own Audit AND remodel of our Special Tool structure. A room was painted and made into a special tool room. Originally we were missing 87 tools (at an average of \$166 cost per) and after our own internal audit we were at 28 missing. The tools are now organized, counted, and monitored!



BEFORE ^^^^

AFTER....CLEAN, ORGANIZED (entire new room)



100 RO analysis:

	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 1,444 +	21.20 =	68.12	FRH Average			
Maintenance	\$ 2,130 +	38.70 =	55.05	FRH Average			
Repair	\$ 4,705 +	48.10 =	97.82	FRH Average			
Totals	\$ 8,279 +	108.00 =	76.66	Customer ELR			
		Target Labor Rate	90.00	Per FRH			
Total Ro's in Sample	100	Difference	-13.34	Per FRH			
Cost of Labor							
Total Cost of Labor	1984.90 +	Total Sales =	23.97%	Percent Cost of Sales			
Total Cost of Labor	1984.90 +	Total FRH's =	18.38	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	8,279.30 +	Total RO's =	82.79	Avg Labor per RO			
Total FRH's	108.00 +	Total RO's =	1.08	Avg FRH's per RO			
Menu Sales		Total RO's =		Percent Menu Sales			
Competitive FRH's	21.20 +	Total FRH's =	19.63%	Percent Competitive			
Maintenance FRH's	38.70 +	Total FRH's =	35.83%	Percent Maintenance			
Repair FRH'	48.10 +	Total FRH's =	44.54%	Percent Repair			
One item RO's	72 +	Total RO's =	72.00%	Percent One Item RO			
Model Year Analysis							
2019	2018	2017	2016	2015	2014	Older	Total
0	1	6	12	11	16	54	100
0.00%	1.00%	6.00%	12.00%	11.00%	16.00%	54.00%	

The service manager is aware that our one-line Ros is WAY out of whack. I studied each RO to see if we had done MPIs and what was recommended. If something was recommended was it sold by advisor? Of the 100, 19 had NO MPI. Of the MPIs that were done I found about 30 with recommendations that had products and services not sold. This was brought to the attention of the advisors. It was discussed that MPIs are to be done on ALL vehicles (unless the vehicle was in less than 30 days ago). We created a new Op Code in Reynolds for "Deferred Services" that we can then run a report for BDC to call on. Our ELR is 76.66 with a door rate of \$110!!! OUCH. This is not so much in discounting, but in doing mostly ONLY advertised oil change packages. We have a current \$39.99 conventional and a \$59.99 synthetic. Immediately after seeing this we implemented an upcharge on ANY vehicle with over 5 qts of oil. This will help in our parts department, but it won't affect labor. We did put a process into place to check 100% of the cars for alignment when in the shop. We run a 40% fail rate on the machine with about a 50% closing ratio. This will add approximately 100 alignments per month. We talked about a plan to distinguish the vehicles better between quick lube and techs. We currently have ALL vehicles going through quick lube and getting MPIs done there. Anything over 100K miles now will go to a tech.

SWOT

Strengths: 1. A strong BDC employee 2. Ample Space to fix vehicles 3. Some long-term techs with great experience 4. An excellent volume of used cars for internal processes 5. A working process to setting appointments 6. Updated tools and equipment

Weaknesses: 1. Weak processes for assigning vehicles to techs 2. No accountability to having advisors do consistent walk arounds and up selling 3. Hours of operation 4. Some "old school" thought on working weekends. 5. Staff without job descriptions

Opportunities: 1. External training 2. Maintaining the Toyota Employee Vehicles 3. Location right off of the interstate 4. 30 mins from nearest Toyota dealership

Threats: 1. Cummins plant in our town (CDJR) 2. Minimal recommended service for Toyotas 3. Local competition running LOW oil change rates