

Service Department Analysis for Tyler Automotive

By Trevor Strefling 01, N451

Strengths

1. Family atmosphere. The dealership is owned by family and values each and every employee. This includes valuing the families of the employees, their time off and personal lives as well as helping them out in times of need.
2. Team environment. Most of the department works very well together and there is a diverse group with different ages and skill levels.
3. Minimal turnover. When people come to work for Tyler Automotive, they stay. Having a core group and not dealing with constant turnover and training is a huge benefit.
4. Commitment to doing the right thing. We are very honest and straight forward with our customers. We own our mistakes and try to make every negative situation as right as we can while being fair.
5. Location. We are centrally located in a high traffic area near the Indiana and Michigan state line. We are able to grab a lot of business from all directions with our accessible location.
6. Longevity in the community. Tyler Automotive is a staple of Niles, MI and has been a family run dealership for years. We have a ton of repeat and referral business because of this. We do a lot of work in the community and support the surrounding areas.

Weaknesses

1. Dispatching. Sometimes the dispatching of work is less than ideal. Parts department isn't always easy to deal with and work doesn't get spread out as even as it could be. No real organization to the dispatching.
2. Lack of professionalism at times. A lot of times there is too much joking around and not enough of getting straight to business.
3. Leadership. One service manager covers a lot of ground between Kia and GM. Kia has somewhat of a shop foreman but GM does not. Sometimes there is a lack of direction.
4. Communication. Lack of communication between the departments is problematic. This includes service to parts as well as service to sales. Need more processes and structure.
5. Attitudes. Too often, there is a lot of negativity and it can really bring the shop down. With us being a smaller store, all it takes is 1 bad attitude to negatively impact others.
6. Lack of training. A lot of the techs could use plenty of training that they don't currently get. Only a couple techs leave for manufacturer training, and there isn't enough on premise training through day to day jobs as there should be to help elevate the skill levels of everyone.

Opportunities

1. Business hours. We are open M-F 7:30-5:30. While this is appreciated by the service department employees, longer business hours and opening on Saturday would certainly be an opportunity.
2. Young, up and coming technicians. We have a handful of younger guys that could be long term assets with the right training and attitude.
3. Renovations/additions. We are currently in the process of moving forward with making our Kia service drive more functional which would increase productivity and efficiency.
4. Surrounding shops and dealerships having worse CSI than us. We typically have great CSI and treat customers well. Gaining customers that are frustrated and angry with our competitors is always an opportunity.
5. Cross training. We don't do any cross training between GM and Kia.

Threats

1. Our competition. There are dozens of competitors within 10 miles of us. Customers have so many options when servicing their vehicle. We need to own our backyard.
2. EV's. If the EV market continues to grow, it will result in less work over time as ICE vehicles decrease.
3. Construction. For the last several months, there has been major construction surrounding our dealership. This has made it tough for customers to access us and forcing people to avoid the area and go elsewhere.
4. Lead time. With our shop being backed up more than we would like, customers are likely to go elsewhere when faced with a delay in their appointments and service work getting done.
5. Other manufacturers. If GM and Kia lose market share to other manufacturers, it will ultimately result in less business for us over time.

Objectives

1. Increase our ELR on customer pay work.
2. Increase our ELR on internal work.
3. Increase the training levels of all technicians.
4. Lower our policy expense.
5. Increase our FRH/RO by decreasing our one line RO percentage

Strategies

1. Hire at least 2 technicians that can do more than a lube tech
2. Make sure our matrix is in line and eliminate the discounting.
3. Emphasize the idea of taking your time to complete the work right the first time and without careless mistakes that cost money.
4. Making sure the technician who acts as the shop foreman who is on salary trains technicians throughout the day.
5. Making sure the communication between technicians and advisors is clear so that the advisors can sell more hours.
6. Make sure the communication between service and sales is clear so that there isn't any discounting internal work. Sales can price the vehicles accordingly depending on the work done rather than asking for discounts to price a certain way.

Tactics

1. Have weekly meetings in the service department to discuss what training has been accomplished in the last week to hold everyone accountable.
2. Enforce a penalty program for comebacks and for damaging customers' vehicle on the job.
3. Come up with a spiff program for advisors that motivates them to sell more hours on the drive.
4. Implement video MPIs to better relay to the customer the shape their vehicle is in and show them the work that needs to be done.
5. Come up with a spiff program that incentivizes technicians to do the testing needed to complete various levels of training. Too many techs are complacent and don't wish to complete the testing/training.
6. Meet weekly with the sales managers and service managers to go over the internal Ros to keep them in line.

Action Plan

<u>Task</u>	<u>By</u>	<u>Completion Date</u>
<u>Whom</u>		
Weekly service meeting (training) Weekly	Service Manager	
Weekly service and sales meeting Weekly	Service/Sales Manager	
Enforce pay penalty for comebacks/damage 12/1/2024	Service Manager	
Adjust matrix	Service Manager/GM	12/1/2024
Implement spiff for service advisors 12/1/2024	Service Manager	
Implement video MPIs 2/1/2025	Service Manager/GM	
Hire 2 technicians B level and above 2/1/2025	Service Manager/GM	
2 lube techs upgrade to C level 4/1/2025	Techs (training) and Manager	
Roll out coupon program for 1 st time customers 1/1/2025	GM	
Have techs stay until 5:30 rather than 4 1/1/2025	Ownership	

Synopsis

After digging into the financial statement from September 2024 and having numerous conversations with each and every employee in our service department, we have come to a few conclusions that we believe should be at the top of mind when trying to improve our service department and make more money. We understand this is a long term goal and something we would like to achieve and sustain, but there are at least some short term solutions and ideas to work towards in achieving the goal.

Training is clearly the biggest factor in our lack of utilization and proficiency in our service department. Not only could we use a couple more technicians, but we need to do a much better job of training our current staff and maximizing their potential every day. We often have a backlog of work because we don't have enough qualified techs to get the work done in a timely manner. This equates to money being left on the table every single month. We believe with the right programs in place and emphasis on constantly getting training completed and learning how to grow and increase the amount of jobs each tech can do, we will see our department grow and turn the hours we know it is capable of turning.

The other clear obstacles for us are much easier to hurdle in the short term as opposed to the training that is a long term project. Our work mix and ELR on that mix, along with our FRH/RO will be a point of emphasis for us. These are things that we can work on right away, and we can measure weekly to improve overall. Money is a motivator for everyone, at least it should be in our positions at the dealership, considering everyone involved is in sales. By implementing spiff programs to the advisors on selling hours, we believe we will see an uptick in FRH/RO. As long as we constantly have meetings to focus on this and hold everyone accountable, there is no doubt in my mind

that we will improve. To go along with this, we feel we can easily increase our ELR by holding our managers accountable each and every day. This includes far less discounting and holding strong on our internal rates. These are relatively simple things that will lead to more money in everyone's pocket.

We have a lot of work to do to get to where we want to be, there is no doubt about that. We need to be great motivators and we need to stay focused and hold everyone accountable. It starts at the top and trickles down. We are excited to see where we can take this service department and how much we can elevate everyone.

Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis
Competitive	\$ 3,819	40.40	94.54	FRH Average
Maintenance	\$ 2,990	26.60	112.40	FRH Average
Repair	\$ 7,963	51.20	155.53	FRH Average
Totals	\$ 14,772	118.20	124.98	Customer ELR
Target Labor Rate			164.98	Per FRH
Total ROs	100	Difference	-40.00	Per FRH

Cost of Labor

Total Cost of Labor	3471.75	Total Sales	23.50%	Percent Cost of Sales
Total Cost of Labor	3471.75	Total FRHs	29.37	Cost per FRH

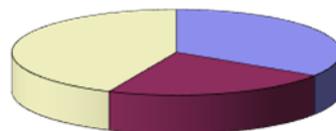
Repair Order Measurements

Total Labor Sales	14,772.12	Total ROs	147.72	Avg Labor per RO
Total FRHs	118.20	Total ROs	1.18	Avg FRH's per RO
Menu Sales		Total ROs		Percent Menu Sales
Competitive FRHs	40.40	Total FRHs	34.18%	Percent Competitive
Maintenance FRHs	26.60	Total FRHs	22.50%	Percent Maintenance
Repair FRH	51.20	Total FRHs	43.32%	Percent Repair
One item ROs	74	Total ROs	74.00%	Percent One Item RO

Model Year Analysis

2025	2024	2023	2022	2021	2020	Older	Total
1	14	13	11	7	11	43	100
1.00%	14.00%	13.00%	11.00%	7.00%	11.00%	43.00%	

Labor Mix



■ Percent Competitive
 ■ Percent Maintenance
 ■ Percent Repair

Our labor rate is lower than our door rate of \$155. Clearly, the competitive mix is what is hurting us the most. I think our free oil change program contributes to this. We give each customer 2 free oil changes with the purchase of a vehicle. Half gets charged to sales, half charged to service. We get a reimbursement from our provider, Assurant. I do believe there is some discounting going on at times. I would like to see the hours per RO to be higher than 1.18. More selling on the drive will be the main focus. Way too many 1 line Ros. I think if we focus on increasing the maintenance work, we will sell more service and increase our lines per RO.

Marketing

One of the main ways we can market our service department is to keep our CSI high. By doing this, we will obtain new customers by word of mouth through our current satisfied customers. I am a strong believer that in this day and age with so much competition, customers are going to go where they are comfortable and have good experiences.

Another way we can market our service department would be through coupons. Throwing some aggressive coupons out into the market in hopes of bringing in new customers would be a great way to market ourselves. The kicker here is that we need to impress them in that first visit so that they want to come back when they are charged full price. All we can hope for is a shot at earning someone's business.

We have tried radio advertising before and it did not seem to work out very well. The cost of doing so never really produced the results we wanted, so it was an expense that we felt was unnecessary.

Analyzing Cost of Labor

Our techs are mostly paid by flat rate. Steve Jones, tech A70, is the one exception. He is essentially our shop foreman on the Kia side of our operation. He is paid a salary. I broke down his salary into an hourly figure which comes out to a higher figure than any of our flat rate technicians. As

our techs go through training (we need more training out of essentially all of our techs) we end up giving them bumps in pay. We don't love the fact that Steve Jones gets paid salary, but he is a good employee and he is responsible for training some of the younger guys (he could do a much better job of this). Sometimes I wonder what his work ethic would be like if he was flat rate as opposed to salary. At this time, we are not going to make any changes.

Changes in Expense Structure

We are not selling all the available hours. I would say the biggest contributor to this is the lack of training. The lack of training creates a backlog of work because we don't have enough trained technicians to handle the work load we get. Whether it's hiring trained technicians or doing a better job of training them in house, we need to get better so that we can handle more work.

Our controllable expenses for the most part are in line. The biggest expense that is out of line is our policy expense. Lack of training yet again contributes a lot to this. Work not being done right the first time attributes to our high policy expense. Carelessness from the technicians has also hurt us lately. We have had a number of incidents resulting in damaging customers' vehicles simply by not paying enough attention or using caution.

Productivity

Again I think what this ultimately comes down to is the overall training of the entire staff. If we had more A level techs that were able to do all the jobs necessary, we would be able to turn out the work we want and increase the proficiency of the team. If 1 tech has to go help another tech and step away from his own job, proficiency is going to go down.

Facility

To increase our utilization means we need to increase our gross. There are a few ways we plan to increase our gross. The first way is to hire a couple trained technicians. If we do this, we can get caught back up on our workload and not have a backlog. These technicians can also help train our younger guys in the process, raising the overall level of our shop over time. Another thing we will do to attempt to increase our gross will be to cut our policy expense.