

**PETERBIT PACIFIC – FIXED OPERATIONS 2**

**SERVICE HOMEWORK**

***CECILE PEYRET***

**WEEK 3**

**ATD039**

## SWOT ANALYSIS

### STRENGTH

- Absorption rate for the branch was 196.65 in July 2018 (YTD 169.06)
- Service Absorption rate was 107.61 in July 2018 (YTD: 87.37)
- Sales have increased by 15% compared to July 2017
- Gross profit also increased by 15% compared to July 2017 (for the same numbers of bays and technicians)
- Service manager is great at scheduling work and calling fleet customers during low hours.
- Peterbilt Pacific Inc. scores at the very top in training in all the Peterbilt (ranking is number 1)
- Peterbilt Pacific is pretty good with special tools
- Great service technician team
- Dedicated Service Manager
- 14 bays
- Long tenured employees: 33 non-unionized technicians

### WEAKNESSES

- Lag time is quite high, due mostly to lack of right parts inventory mix
- High WIP
- Service writers reluctant to use Decisive as it is not well integrated with DSI
- First time fill rate significantly low (65%)
- Idle time is not monitored on a daily basis
- Effective Labour Rate could be improved
- Proficiency is quite low
- Service Technician pay plan: No bonus on proficiency

### OPPORTUNITIES

- Excellent reputation for service and expertise
- Hire a training company to train our service advisers on how to upsell
- Incentivize outside parts sales to bring service repairs to the shop
- More marketing initiative with the Jim Pattison group
- Use of Social Media to attract customers and technicians
- Change DMS
- Use of Digital coupons
- Investigate the implementation of Standardized Repair Time
- Hire a KEA service advisor to go over the processes and procedures in all our shops

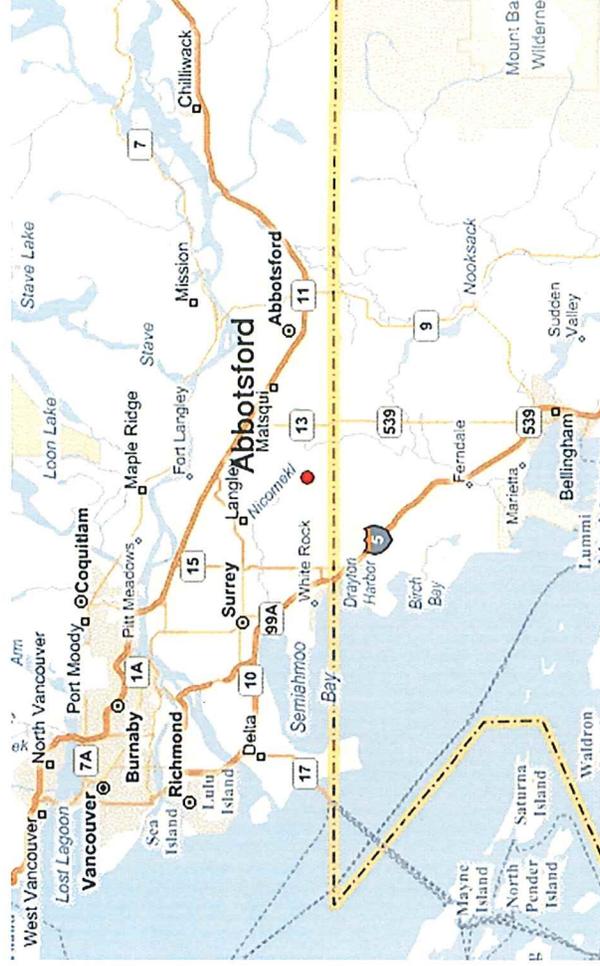
### THREATS

- Dependent on one major fleet
- Kenworth is opening a new branch in Chilliwack (30 kms radius)
- Freightliner has just opened a new facility 2 blocks away from the branch
- Peterbilt has a huge lag time in manufacturing certain parts, increasing lag time

## CURRENT SITUATION – ANALYSIS OF STRENGTH

Peterbilt Pacific Inc. is in British Columbia, Canada. With 8 locations, Peterbilt Pacific is one of Canada's largest Peterbilt dealers and as such, it is well positioned to serve its customers in its AOR. For the purpose of the Nada program, I have decided to focus my attention on the Abbotsford branch.

Abbotsford is located on the outskirts of the Greater Vancouver Area. It is the fifth largest municipality of British Columbia, and the southern boundary is Sumas, Washington. Its main industries are agriculture, transportation, manufacturing and retail.



## CURRENT SITUATION – ANALYSIS OF STRENGTH

Abbotsford has consistently been the more profitable branch of Peterbilt Pacific, with an absorption rate averaging 180 (yes, it is correct and not a typo).

Located near Highway 1, and a few blocks away from the US border, Peterbilt Abbotsford offers two service shops with a total of 14 bays. The branch counts 33 technicians, 23 of them certified journeymen. Abbotsford has currently 10 apprentices, going through the journeymen levels. Most of the employees are long-tenured, offering stability for our customers, as well as a great expertise. This branch, which was already at capacity, has increased both its sales and gross profit by 15% in 2018, compared to 2017, due to impeccable scheduling from the Service Manager, who schedules fleet customers during down time.

As a result, in July 2018, the absorption rate for the Service Department was 107.61, covering the overhead expenses in its entirety and them some. The future also looks bright as Abbotsford sold 30% more trucks in 2018, ensuring that the service department will be busy service these new trucks in the coming years. There is a great atmosphere in the non-union service team, due to a great leadership from the service manager. Though we do not offer pay plans for our service technicians, we do give a yearly bonus to share the good results at the end of the year. Peterbilt Pacific has been consistently at the top of all the dealerships in North America in terms of training, which has helped boost our service reputation.

## CURRENT SITUATION – ANALYSIS OF WEAKNESSES

Despite its envious financial results, the Service departments needs to solve its weaknesses:

- Lag time is quite high, with an average of first to last punch of 1.5 days. Analysis of ROs showed that the lag time is mostly due to incorrect mix of parts. This is substantiated by 11 turns in the July inventory. After discussing this with the Parts Manager, it has been decided to work on Lost Sales (not posted properly so far) and to involve service technicians in the process. Each time a part is not available, techs will fill out a short form with the missing parts and give it to the Service Manager for discussion with the Parts Manager. This should ensure that parts counter guys are including all Lost Sales. To improve this particular situation further, we are considering hiring a dedicated back counter technician, who would be located directly in the Service department. This back-counter guy would have a runner to help him and both new part techs would be incentivized on a scale based on proficiency level in the shop.
- WIP is quite significant. As of July, it represented 8 days compared to the 2 days recommended per guide. We are in the midst of implementing a service advisor plan based on targeted gross profit and number of days to close ROs. We have just implemented Decisive, but this tool is not very well integrated with our DMS, DSI, and therefore our service advisers have shown great reluctance to use it. One bigger project next year will be to look for another DMS, which will give us more data relevant to the service department and which should be more compatible with Decisive.
- Due to downtime to lack of proper mix of parts in inventory, the facility is not used to its maximum capacity:

**FACILITY POTENTIAL**

Bays	14
Days Available in a month	25
Number of hours available - see calculation below	14.38 <b>A</b>
Effective Labour Rate - see calculation below	131.55 <b>B</b>
Facility Potential for a month	662,091.15
Number of months (January to July)	7.00
Facility potential annualized YTD	<b>4,634,638.05</b>
Actual Service Sales per financial statements	3,140,455.00
Potential revenue	<b>1,494,183.05</b>

**NUMBER OF HOURS AVAILABLE - CALCULATION**

**DETAIL**

Saturdays 8.5  
# of Saturdays in July 4  
34

Monday to Friday 15.5  
# of work days 21  
325.5

Total number of hours 359.5  
Averaged by 25 days 25

**NUMBER OF HOURS AVAILABLE 14.38 A**

**EFFECTIVE LABOUR RATE**

Customer labour \$ amount sold YTD (July) 2,154,335.00  
Customer hours sold YTD 16,376.00

**EFFECTIVE LABOUR RATE 131.55 B**

- We also have ways to go to improve proficiency:

Hours Billed 16,376.00  
Hours available 31,388.00  
**Proficiency 52.17%**

By increasing productivity 15 minutes per day per technician, there is an annual dealership opportunity to increase revenue by \$488,417

# of Techs		33
Increase (hours)		0.25
Work Days Per Month		25
Rate	\$	143.00
Monthly Sales	\$	29,493.75
Annual Sales	\$	353,925.00
Annual Profit	\$	353,925.00
+ Additional Parts Sales	\$	353,925.00
+ Additional Parts Gross	\$	134,491.50

Enter number of technicians in shop

Enter estimate time converted per day per technician

Annual dealership opportunity cost

\$	488,416.50
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- The two hours of diagnostic, Rapid Check, are not billed to the customers. In turn, we are missing some sales opportunities here. This could be argued easily with the customer in terms of Peterbilt paying the license fees for the diagnostic software.
- Idle time is not reviewed daily and we have found some instances where we had to write off time as the labour was coded to the wrong RO.

## CURRENT SITUATION – ANALYSIS OF OPPORTUNITIES

- It is easy to forget that service advisors are not only the brand ambassadors but also the salespeople for the Service Department. Hiring a company specialized in Sales Training could be bring lots of opportunities as none of our service advisors are versed in upselling. It is simply not on their radar.
- We are currently hiring an additional outside sales person in the Parts Department. We are considering giving an incentive for any additional job brought to the Service Department.
- As part of one of the largest private groups in Canada, the Jim Pattison group, we have access to a sophisticated digital team who could boost our marketing. We have not necessarily used this to our advantage.
- We are considering hiring some external advisors, like the Kea advisors, to go over the inefficiencies in our shops as well as help us implement some Standardized Repair Time metrics.
- The excellent reputation of our service technicians and our service manager have us well positioned in the market, compared to our competition.

## CURRENT SITUATION – ANALYSIS OF THREATS

- Abbotsford has a limited customer portfolio and is dependent on a big fleet
- Freightliner has just opened a new facility 2 blocks away from ours
- There is a possibility that Kenworth adds a second facility in a 30 kms radius of our dealership
- Paccar has a huge lag time manufacturing certain parts.

## IN CONCLUSION

As well as the objectives mentioned above, we are considering amending our business plan to have it calculated per guide. We do have budgets, which are evaluated on a quarterly basis, and with variable compensation plans based on these objectives.

The Abbotsford branch is in an enviable position: with a YTD absorption rate of 169, it has the possibilities to improve its performance even further.

Jim Schroeder



SEP 18, 2018

## NADA ACTUAL SERVICE ANALYSIS

Performance	Labour Sales / Month	Hourly Labour Rate	Hours Billed
Customer Car*	\$ -	=	0.00
Customer Truck*	\$ 264,897	=	1852.4
Customer Other*	\$ -	=	0.00
Warranty	\$ 103,031	=	700.9
Internal	\$ 39,080	=	273.3
New Vehicle Prep	\$ -	=	0.00
<b>Total</b>	<b>\$ 407,008</b>		<b>2826.6</b>

### POTENTIAL

<b>\$ 407,008</b>	÷	<b>2826.60</b>	=	<b>\$ 143.99</b>	
Total labour sales for month					
33.00	x	8	x	25	=
# Service mechanical technicians					
Total hours billed					
Effective Labour Rate					
Clock Hour Avail					
6,600.0	x	\$ 143.99	=	\$ 950,346	
Clock Hours Available					
Effective Labour Rate					
Labour sales potential					

How proficient are your technicians?

16,376.0	÷	31,388.00	=	52.17%	
Hours Produced					
Hours Available					
Tech Proficiency					

Customer labour divide by the Customer Effective Labour rate from the R. O. Analysis

FACILITY POTENTIAL	
Number of Bays	14
	x
Number of Days	25
	x
Number of Hours	14.38
	x
Effective Labor Rate	131.55
	<i>equals</i>
FACILITY POTENTIAL	\$ 662,091

FACILITY UTILIZATION	
Total Labor Sales	\$ 462,345
	÷
Facility Potential	\$ 662,091
	<i>equals</i>
FACILITY UTILIZATION	69.83%