

- A. Advertising - We have 2 primary forms of advertising in the service department.
- The first is our \$12.95 oil change. This “special” is a huge factor in our service retention numbers. As of July 2018 we were 91.73 percent above the average for Honda dealers nationally.
  - The second is the Honda SRS and SPS programs. SRS mails service reminders to Honda customers based on a time and mileage estimate. SPS mails quarterly coupons to Lapsed and Inactive customers.
- B. Marketing – Our competition consists primarily of local, independent shops. They primarily focus on the lower end of the market that is more price sensitive. They market their business mostly in direct mail and newspaper/coupon booklets.
- C. Our facilities capacity is large. We currently have 54 bays that we can sell work into. However, our utilization of that space leaves a lot to be desired. Our facility utilization for September 2018 was just 38%.
- D. Our technician productivity is significantly below guide at 86%.
- E. Our production method Teams. This is working well and has eliminated the need for a dispatcher.
- F. Analyze Cost of Labor – Our cost of labor is in good shape. We have a good balance of highly skilled, high cost and lower skilled, lower cost technicians. Our current gross as a percentage of sales is 81%.
- G. Our expense structure is in good shape. Our current number is right at guide of 80%. Our overall number is right in line but our personnel is a little high of the recommended 45-50% at 56% while our other expenses is a little low of the guide of 25-30% at 23%.
- H. Pay Plans – Our current pay plans are incentivizing the behavior we want. We have flat rate for the techs. Commission and CSE bonus for Advisors and commission and performance objectives for the managers.
- I. Our performance programs are as follows: Daily and monthly sales goals that are discussed at morning meeting with advisors daily. Monthly CSE bonus program for advisor where numbers are reviewed daily.
- J. Current training – Honda requires manager and staff training to be at 72% or higher. Our current training levels are: 92% for managers and 89% for staff.
- K. Our special tools storage is neat and organized.



## L. 100 Repair Order Analysis

## Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis
Competitive	\$ 447 ÷	24.00 =	18.62	FRH Average
Maintenance	\$ 6,773 ÷	64.20 =	105.50	FRH Average
Repair	\$ 1,840 ÷	15.80 =	116.47	FRH Average
Totals	\$ 9,060 ÷	104.00 =	87.12	Customer ELR
Target Labor Rate			110.85	Per FRH
Total Ro's in Sample	100	Difference	-23.73	Per FRH

### Cost of Labor

Total Cost of Labor	1640.20 ÷	Total Sales =	18.10%	Percent Cost of Sales
Total Cost of Labor	1640.20 ÷	Total FRH's =	15.77	Cost per FRH

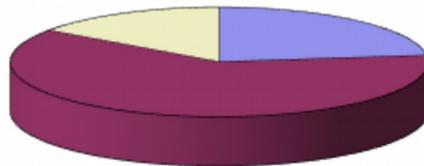
### Repair Order Measurements

Total Labor Sales	9,060.02 ÷	Total RO's =	90.60	Avg Labor per RO
Total FRH's	104.00 ÷	Total RO's =	1.04	Avg FRH's per RO
Menu Sales	÷	Total RO's =		Percent Menu Sales
Competitive FRH's	24.00 ÷	Total FRH's =	23.08%	Percent Competitive
Maintenance FRH's	64.20 ÷	Total FRH's =	61.73%	Percent Maintenance
Repair FRH'	15.80 ÷	Total FRH's =	15.19%	Percent Repair
One item RO's	50 ÷	Total RO's =	50.00%	Percent One Item RO

### Model Year Analysis

2019	2018	2017	2016	2015	2014	Older	Total
0	9	13	12	12	11	43	100
0.00%	9.00%	13.00%	12.00%	12.00%	11.00%	43.00%	

**Labor Mix**



■ Percent Competitive   
 ■ Percent Maintenance   
 ■ Percent Repair

### M. Qualitative Analysis

Strengths

1. Quality of people working in the service department. Experienced, knowledgeable, honest, kind, loyal, passionate are some of the words that our employees use to describe our team.
2. Reputation in the market. Great brand, nearly 50 years in business, great reputation and name recognition, friends with our customers, putting customers first, high quality, are some of the words that employees use to describe our reputation.
3. Large growth-oriented sales departments provide significant customer base and business opportunity for the service department.
4. Service manager has nearly 30 years of experience but it still learning and growing every day. He has created a positive environment and a team that is focused on continuous improvement.
5. Large facility with a lot of room for growth if we are willing to expand our business hours.
6. Being the only Honda dealer in the market is a huge advantage. It allows us to have very high customer retention and allows us to ask a premium price as long as we can deliver premium service.

### Weaknesses

1. Not enough capacity for our \$12.95 oil change customers. We are consistently scheduling out at least 1 week and customers regularly express frustration.
2. Dated facility needs updating. Lighting, restrooms, equipment are all showing their age.
3. No rental cars and only one shuttle often create frustration with customers.
4. Lack of qualified applicants for service positions are a risk to future growth.
5. Waiting lounge lacks amenities commonly found in other dealerships around town.

### Opportunities

1. Continued growth of our sales departments creates opportunity for future growth provided we can deliver reconditioning service in a timely manner.
2. Create career path and training programs to attract new employees and retain current employees.
3. Expand the service department, particularly the reconditioning operations and express service to provide better service and ensure continued growth and increased profitability.
4. Bringing more technology into the department to increase productivity and improve customer service.

### Threats

1. A second Honda store coming into our market is the single biggest threat we face. It would require us to completely revamp our business plan.
2. Continued improvement in the quality of the competition's product makes it more important than ever that we deliver world-class service.
3. Independent shops that offer better hours, cheaper prices and more convenient locations.

### Objectives

1. Reduced the reconditioning turn time to 4 days or less.
2. Reduce the “days out” to schedule an oil change to 3 days or less.
3. Increase hours per RO.
4. Become number one in the nation in CSE.
5. Increase Gross Profit to \$500,000 per month.

## Strategies

1. Develop tactics to achieve reconditioning turn time goal.
2. Create an Express Service team to reduce the wait time for oil changes.
3. Develop sales training program for service advisors.
4. Adjust pay plan to incentivize CSE goals.

## Tactics

1. Move reconditioning department into extra space in body shop.
2. Hire additional reconditioning staff to facilitate 4-day goal.
3. Adjust pricing and time paid on low ELR items.
4. Add 1 additional lube tech to each advisor team.

## Action Plan

1. Move reconditioning dept. into extra space in body shop  
General Mgr/Service Mgr - December 31, 2018
2. Add 1 additional lube tech to each advisor team  
Service Mgr/HR Coordinator  
November 30, 2018
3. Adjust pricing on low ELR items  
Service Mgr - October 31, 2018
4. Add 1 additional reconditioning staff  
Service Mgr/HR Coordinator - November 30, 2018

## Synopsis

We have a well-run service department with a lot of things going well. There are a number of opportunities to improve the customer experience and a number of challenges to continue the recent growth the department has experienced.

Increasing our reconditioning capacity and turn time is an important opportunity for customer service and profitability. If we want our sales departments to continue to grow and remain profitable, we must be equipped to deliver the high level of service that our number one customer should expect.

Expanding the space available by moving into the extra space in the body shop and hiring additional staff members for that department is a priority for the rest of 2018.

The other big challenge we face is the result of our sales success and the \$12.95 oil change. Our customers love the low price of the oil change but expect to be able to get one at their convenience. Even at \$12.95, they will go elsewhere if it is not convenient for them.

Ownership is committed to the \$12.95 oil change, so we must expand our capacity to deliver them. Two options that we will try are adding a second lube tech to each advisor team and adding a traditional express team that will handle walk in traffic.

If we can handle these two challenges and continue to deliver on everything else that we are doing well, we will be poised to continue the growth that we have experience over the last 5 years and will keep the factory from feeling that they need to add an additional point to our market.