SERVICE DEPARTMENT ANALYSIS

FOR

INDEPENDENCE TOYOTA

CHRISTOPHER STASH

N336

QUALITATIVE ANALYSIS

STRENGTHS

1. The service staff exhibits teamwork.
2. We have a very large customer base.
3. We have master-certified technicians that have over 40+ years of combined experience at our store.
4. We are consistently ranked in the Top 10 in our region for Customer Satisfaction.
5. The service advisors are friendly and helpful.
6. The dealership facility utilization is at 102%.
7. We are currently building a new service center

QUALITATIVE ANALYSIS

WEAKNESSES

1. As of right now, we do not have evening hours for our service department.
2. We are not fully staffed on Saturdays.
3. The morale of the service department is very low.
4. There are too many one line ROs.
5. The amount of hours exhibited on each RO is very low.
6. We have a lot of customer pay work being discounted.
7. Currently, we have a 4 week waiting period to book an appointment for service.
8. We do not stock many parts in stock to complete one day repairs.
9. We are overwhelmed with recalls limiting our time on customer pay.
10. Our Reynolds dms is not being used properly.

QUALITATIVE ANALYSIS

OPPORTUNITIES

1. We recently hired a technician to strictly work on the Used Cars in order to free up the other technicians to do more customer pay work.
2. We are currently building a new service facility.
3. We can do a better job at marketing for the service department.
4. Just recently hung competitive price boards around dealership
5. Working better with other departments
6. We are getting a new dms with more user friendly controls. (I think)

QUALITATIVE ANALYSIS

THREATS

1. The ability to hire service technicians is becoming harder.
2. The length of the wait time for an appointment is causing loss of customers for the service department.
3. We have some very aggressive advertising being done in our market by local tire shops
4. A four car store across the street offers a set for life program offering free oil changes and free state inspections
5. A huge threat right now is our whole facility is under construction and a lot of our customers are starting to complain about parking on the surveys
6. Losing employees to other dealers

OBJECTIVES/STRATEGIES/TACTICS

OBJECTIVES

1. Up-sell on more customer work in order to improve labor times on an RO.
2. Try to schedule our master techs on more customer pay and less recalls and warranty work
3. Change the manager pay in order to motivate them to sell more customer work.
4. Cut down on the length of time we are booked out for.
5. Improve customer pay gross.
6. Hire more technicians

OBJECTIVES/STRATEGIES/TACTICS

STRATEGIES

1. Have A & B technicians do MPIs for all regular maintenances on older vehicles that come in scheduled with oil change technicians.
2. Focus the pay plans around customer pay labor for asms and managers
3. Devise scheduling to meet the current customer demand by adding hours or creating a second shift.
4. Having all parts and labor discounts signed by a manager in order to eliminate the amount of discounts the service advisors can provide.
5. Continue to hold weekly meetings with all department personnel
6. We are currently working with multiple schools and colleges to recruit technicians

OBJECTIVES/STRATEGIES/TACTICS

TACTICS

1. Create a bonus program for technicians to MPIs
2. Service Manager must sign off all discounts
3. Possibly switch to a double shift schedule
4. Advertise accordingly to retain our service customers
5. Monitor all progress daily with service manager to stay on track

Action Plan

Adjust asm/service manager pay plans to focus on customer pay work
GM Jan. 1st 2019

Get new service department up and running Everyone
Jan. 1st 2019

Improve employee morale service manager
Immediately

Stop allowing asms to discount parts and service Service Manager
Immediately

Work with parts department to stock right parts Serv Manager Parts Manager Daily

Have evening hours 2 times per week and have more staff on saturdays
Service Manager immediately

Continue to Send Mailers to our customers inviting them in for coupon service work

Restart New owner Events
Jan 1st 2019

Comeup with better strategies for hiring Techs Service Manager
Immediately

Synopsis

We are currently building a new a service facility. I don’t want to act like building a new shop is going to fix all of our problems but it will certainly help. One of our biggest problems is the Reynolds system not being used for scheduling. That then creates a problem in our parts department because they don’t know what they should have. The parts department is still not entering parts orders and counts the right way because of a lack of knowledge on using it. Apparently years ago the then current staff was trained properly and as people come and go so did the knowledge of the system. After speaking with Reynolds on training and setting up dates and times it was determined we were switching dms systems. So along with building a new facility and hiring a double amount of staff we are going to switch dms.

In order to continue to maintain our customer base we are currently having techs stay extra hours on nights during the week and offering extra time on Saturdays. However even with the expansion we are also exploring the idea of 10 hour shifts and creating teams of two to get all this work done.

I believe our prices are very competitive on a lot of our work so I’m currently working with the asms to stop discounting work, and parts. More parts are being discounted than actual service work but that number seems to change month to month by asm. Hanging the competitive price board in the service

area has had a positive effect on our customers and asms. They now believe we aren’t the most expensive.

The current way of scheduling is 35% customer pay, 40% warranty, and 25% recall. A lot of our customer pay is coming from recall frame jobs that a lot of parts and labor are being sold on because work cannot be completed with out it. These numbers were clearly skewed by someone filtering a high number of customer pay jobs. So 65% of our work is being paid to us by the oem at warranty rate. Changing our pay plans and our scheduling to focus on customer pay will certainly create more gross profit, but doing so without affecting csi will be very challenging.

As I am typing this out more recalls are being announced by Toyota.

It is going to be a very interesting next few months with all these changes.

Repair Order Analysis Summary Report

	Sales in Dollars		FRH's on RO's		Averages	Analysis
Competitive	$ 1,810	÷	40.30	=	44.90	FRH Average
Maintenance	$ 1,294	÷	40.60	=	31.87	FRH Average
Repair	$ 8,156	÷	89.60	=	91.02	FRH Average
Totals	$ 11,259	÷	170.50	=	66.04	Customer ELR
			Target Labor Rate		92.00	Per FRH
Total Ro's in Sample	100		Difference		-25.96	Per FRH

Cost of Labor

Total Cost of Labor	3348.40	÷	Total Sales	=	29.74%	Percent Cost of Sales
Total Cost of Labor	3348.40	÷	Total FRH's	=	19.64	Cost per FRH

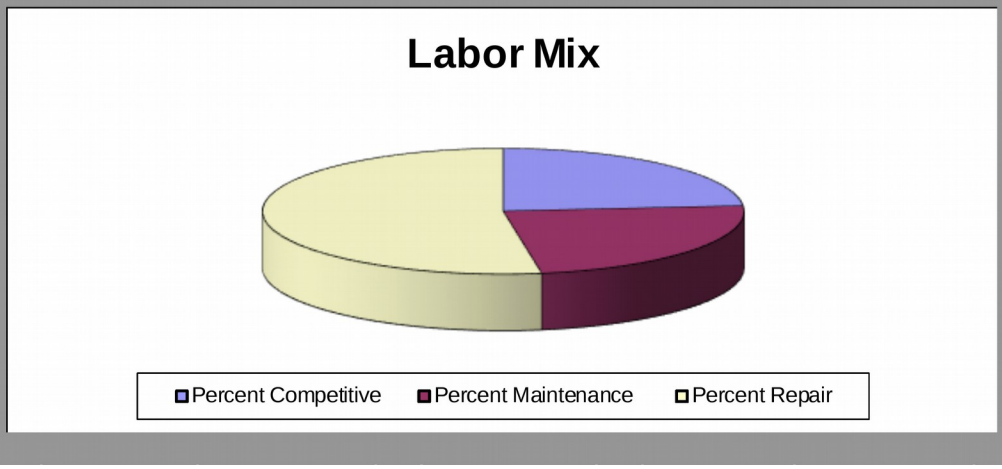
Repair Order Measurements

Total Labor Sales	11,258.98	÷	Total RO's	=	112.59	Avg Labor per RO
Total FRH's	170.50	÷	Total RO's	=	1.71	Avg FRH's per RO
Menu Sales		÷	Total RO's	=		Percent Menu Sales
Competitive FRH's	40.30	÷	Total FRH's	=	23.64%	Percent Competitive
Maintenance FRH's	40.60	÷	Total FRH's	=	23.81%	Percent Maintenance
Repair FRH'	89.60	÷	Total FRH's	=	52.55%	Percent Repair
One item RO's	24	÷	Total RO's	=	24.00%	Percent One Item RO

Model Year Analysis

2019	2018	2017	2016	2015	2014	Older	Total
0	6	7	21	8	11	47	100
0.00%	6.00%	7.00%	21.00%	8.00%	11.00%	47.00%	

0.00%	6.00%	7.00%	21.00%	8.00%	11.00%	47.00%



So our repair labor is very close to where it should be.

There appears to be very little discounting at times or by asms. Some discount more than others. However they are discounting parts more than they are discounting labor. Again I feel like these numbers are skewed. The exceptions reports show more discounting than the ro analysis shows.

Our labor hours per r.o. is very low at 1.7. it should be at least 3.2 compared to other Toyota dealers our size.

One line r.o. is high at 24%.

Our tool room is very disorganized. We counted over $5000.00 in missing tools. The boxes have locks, however no one knows where the keys are. Again, we are building a new service facility with a new tool room. As of now the missing tools are ordered and new keys are ordered for the boxes. Whenever a special tool is needed for a job it will be attached to the ro with a sign in and out sheet with the service manager.

Out tech proficiency is very close to guide however I have found we do not bill hours the correct way on ros for non flat rate techs. Again with the new system coming this will all be addressed. Our effective labor rate is 74.91 and our door prices are 95.00 an hour. These prices did change October 1 2018 to $105 per hour.

We currently have six technicians. 3 are master certified through Toyota. 2 are oil change technicians and 1 used car technician who is master certified ase technician. Most if not all of our techs continue training and online tests as I made it mandatory on Jan 1 2018.

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	$ 32,318	$ 16,688	51.64%	34.21%
Customer Truck	$ -	$ -	0.00%	0.00%
Customer Other	$ -	$ -	0%	0.00%
Warranty	$ 28,611	$ 20,795	72.68%	30.28%
Warranty Other	$ 6,696	$ 6,642	99.19%	7.09%
Internal	$ 26,857	$ 13,216	49.21%	28.43%
NVI / Road Ready	$ -	$ -	0%	0.00%
Adj. Cost Of Labor			0%	0.00%
Total	$ 94,482	$ 57,341	60.69%	100.00 %

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 61,046		
Variable Expense	$ 21,092	34.55%	
Selling Expense	$ 8,685	14.23%	
Personnel Expense		0.00%	
Semi-Fixed Expense		0.00%	
Fixed Expense	$ 27,581	45.18%	
Unallocated Expense		0.00%	
Dealer's Salary	$ -	0.00%	
Total Expenses	$ 57,358	93.96%	
Net Profit	$	6.04%	

		3,688		

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	$ 32,318	÷	68.09	=	474.6
Customer Truck*	$ -	÷		=	0.00
Customer Other*	$ -	÷		=	0.00
Warranty	$ 35,839	÷	90.00	=	398.2
Internal	$ 26,857	÷	66.34	=	404.8
New Vehicle Prep	$ 4,149	÷	90.00	=	46.1
Total	$ 99,163				1323.8

POTENTIAL

$ 99,163	÷	1323.79	=	$ 74.91		
Total labor sales for month		Total hours billed		Effective Labor Rate		
6.00	x	8	x	23	=	
# Service mechanical technicians		# Hours/Day		Working Days/Month		
1,104.0	x	$ 74.91	=	$ 82,699		
Clock Hours Available		Effective Labor Rate		Labor sales potential		

How proficient are your technicians ?

1,323.8	÷	1,104.00	=	119.91%
Hours Produced		Hours Available		Tech Proficiency

Customer labor divide by the Customer Effevtive Labor rate from the R. O. Analysis

FACILITY POTENTIAL

Number of Bays	7
x	
Number of Days	23
x	
Number of Hours	8
x	
Effective Labor Rate	74.91
equals	
FACILITY POTENTIAL	$ 96,484

FACILITY UTILIZATION

Total Labor Sales	$ 99,163
÷	
Facility Potential	$ 96,484
equals	
FACILITY UTILIZATION	102.78%