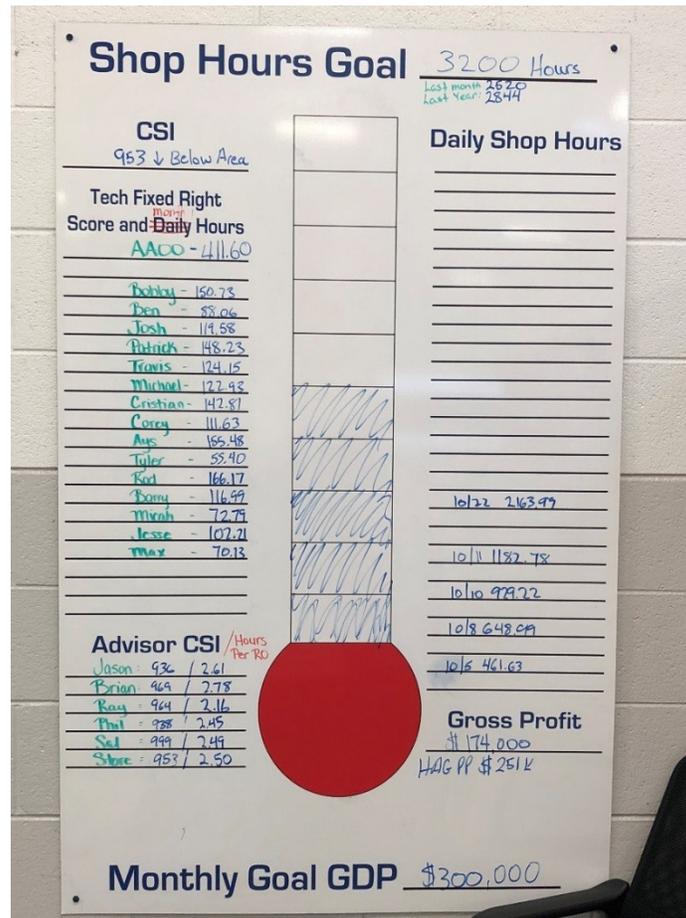


## **FIXED OPERATIONS 2 SERVICE HOMEWORK - KRISTEN BOWEN**

### **MTD - AUGUST 2018**

1. **Advertising** – I found we only had a few ads listed under Service Specials on our site but they were never changed or rotated. We did create an ad highlighting our recently added Executive Service Team for minimal wait on services such as oil changes, battery replacement, alignment, etc. We did decide to increase our email blasts to our owner base just for service specials and seemed to get some traction during September we were slow. I would change our desktop and digital home page to add something more substantial to direct people to our service page for specials and scheduling.
2. **Marketing** – Our client's should know that we are competitive and why they get the best service from us as an authorized Audi dealer. Our marketing mailers for service coupons are approved by Audi corporate as we work with our MOC to stay within guidelines. With our highline brand we have to be aware of our marketing and how it looks to our highline clientele.
3. **Facility** – Although it may look as if we are at capacity or fully utilizing our shop by just looking inside the shop I found we are truly only at 63.49% utilization when looking at August. We might have all stalls full on a daily basis but we have a great opportunity to get to our true potential. Our executive service team does a great job with 4 bays and 6 technicians. They are able to team together in 4 bays to have multiples technicians on 1 car. We have the capacity in the future to incorporate a night crew or weekend crew once we correctly load our shop and increase technician proficiency.
4. **Productivity** – Looking at 2018 YTD, our technicians are only 71.86% proficient. Our store is only a few years old and we have gone through some major changes in our shop with employees and with structure but going forward with the right team I think we are headed in the right direction. We have a very young team and most are new to our Audi brand and are going through yearlong training. With an established shop foreman we should be holding each technician accountable for their daily work habits and to increase our proficiency we need to make it a daily habit to review the previous day's work with each technician. Something as simple as a print out of their daily time sheets. I did find that we don't need more technicians, we just need to work on how they use their hours in the day.
5. **Production Method** – Our service team in the shop is set up with a shop foreman, executive service (quick lube) team with 6 technicians and our main shop technicians. We are no longer working with a team set up. Our shop foreman dispatches work to our main shop and executive service team. Establishing this executive service team has had a great impact because they can complete almost all of our maintenance work quickly without large wait times and the expense of loaners. Because we are with Hendrick Automotive Group and have our own inspection guidelines for used cars, we have 3 Hendrick Certified technicians that can work on used cars.
6. **Analyze Cost of Labor** – From class and the RO analysis I found that our executive team (our entry level techs) is completing most of our maintenance work. This is a good thing because they are the cheaper technicians and we have the opportunity to hold the most gross here. Our door rate was recently increased to \$140 up from \$132 which is more in line with the market.

7. **Changes in Expense Structure** – Looking at August 2018 although we had net of \$519 at 0.22% of gross its well below the profile of 20%. We are a new store less than 5 years old with a growing brand and we know our expense will eventually even out. Our personnel expense is above guide currently at 55.32% but we are now up to 18 technicians and have spent the investment to send them to school and training. Our semi-fixed and fixed expense are at a combined 41.09% but looking year over year we are down as a percent of gross in most expense line items. We continue to grow and gross is up year over year and we will eventually get to the point where our expenses even out and we have a better picture of where we truly stand. Our fixed absorption was only 68.52% so we have the opportunity in the near future to get within NADA guide of 75%.
8. **Pay Plans** – Our pay plans for our technicians and service advisors are effective right now. FRH's works well for our shop especially with our executive service team where we can hold gross by pooling their hours together. We do have to keep an eye on our techs in the main shop as Audi becomes more complex and the manufacturer reduces the hours per job. Not right now, but potentially there could be a time when there might be some sort of a draw set up in pay plans against their hours. The parts counter advisors are no longer paid on hours at this time but it's something that is consistently being monitored to potentially make that change again in the future if it's needed to increase production. There was the discussion to potentially incentivize a parts counter person for having a low average of vehicle down by days. It would create an incentive for a parts advisor to get the parts in quickly and help increase the turn in the shop.
9. **Detail Performance Programs** – Right now our service team meets every Friday morning with the technicians and every Tuesday morning with the service advisors. There is a "Shop Hours Goal" tracker at the entrance of the shop which is update daily with the technicians MTD produced hours. There is an incentive at the end of each month for the tech with the most hours. It creates competition among the group and lets them see where they stand compared to their teammates but I still feel like a daily review for the previous days hours will help push them for more hours. Going forward I would like for their board to also include their monthly shop hours goal. They need to see it individually to keep them on track. We have to incentivize based on what goals we want to achieve as a store. I think we need to increase our service/parts contests (ex. Spiff for who sells the most batteries). Things like this help the parts department, the technician and the service advisor and each department wins.



10. **Level of Current Training** – Every technician in our shop must go to Audi training (FastTrack) set by the manufacturer. There are 5 levels. At the very minimum they must be at the first level of “specialist.” As they continue to grow and move up the pay scale they could go all the way to Audi Master Guild. We have had success with our local automotive schools such as NIT or UTI to obtain new technicians. They come in and train and mentor with our executive service team and it has been a great tool for us and for them as new technicians. Our technicians and parts and service advisors continue to train quarterly with manufacturer mandated online training courses. Although it’s very expensive to send our technicians to training it is something we have to stay committed to in order maintain the success of our shop.
11. **Special Tools** – A quick first look will make you think our special tools room is tidy and clean. It is actually fairly clean and least tools have to be put back in drawers but as you can see it’s headed towards the direction of becoming a catch all up top for anything and everything that doesn’t belong. On days where work runs light for our technicians they have committed to each taking time to help fix this room and keep it clean. It’s one of Mr. Hendrick’s most important rules after all!



12. **50 RO Analysis** - From reviewing the RO analysis with our shop foreman and service manager it is very close to being in line with what they see on a daily basis. Their goal is 3 FRH's per RO and they both knew we were heavy on maintenance repairs. This seems to be where we can pick up our gross and decrease wait times with our cheaper technicians and the executive service team. In class our FRH's per RO were at 3.51 and reviewing August we fell to 2.57 FRH's. However, our customer ELR increased from \$113.98 to \$117.62. We do very well with not having a large amount of 1 line RO's. Most importantly from our analysis we need to stop the discounting on our labor rates. We might have a young shop but we have experienced service writers who can hold onto their ELR. We might still be a new store with few older models in operation but we can maximize every opportunity we get.

## Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis
Competitive	\$ 2,919	÷ 32.10	= 90.92	FRH Average
Maintenance	\$ 7,595	÷ 57.40	= 132.31	FRH Average
Repair	\$ 4,628	÷ 39.23	= 117.98	FRH Average
Totals	\$ 15,142	÷ 128.73	= 117.62	Customer ELR
Target Labor Rate			125.00	Per FRH
Total Ro's in Sample	50	Difference	-7.38	Per FRH

### Cost of Labor

Total Cost of Labor	2374.87	÷ Total Sales	= 15.68%	Percent Cost of Sales
Total Cost of Labor	2374.87	÷ Total FRHs	= 18.45	Cost per FRH

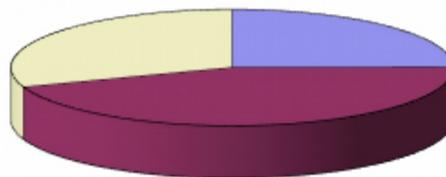
### Repair Order Measurements

Total Labor Sales	15,141.68	÷ Total ROs	= 302.83	Avg Labor per RO
Total FRHs	128.73	÷ Total ROs	= 2.57	Avg FRH's per RO
Menu Sales		÷ Total ROs	=	Percent Menu Sales
Competitive FRHs	32.10	÷ Total FRHs	= 24.94%	Percent Competitive
Maintenance FRHs	57.40	÷ Total FRHs	= 44.59%	Percent Maintenance
Repair FRH	39.23	÷ Total FRHs	= 30.47%	Percent Repair
One item ROs	0	÷ Total ROs	= 0.00%	Percent One Item RO

### Model Year Analysis

2019	2018	2017	2016	2015	2014	Older	Total
0	4	5	12	4	6	19	50
0.00%	8.00%	10.00%	24.00%	8.00%	12.00%	38.00%	

### Labor Mix



■ Percent Competitive   
 ■ Percent Maintenance   
 ■ Percent Repair