

Michael Horne

339B-10

Horne Mazda Action Plan

I chose to look at the year date time frame from January 2018 to October 2018 for Horne Mazda Service Department, the store was purchased by Horne Auto Group in August 2016. It was a seriously run-down store with a semi-solid service department that had loyal customer base because of the service practices they had in place. The previous store, More Mazda, essentially had loyal customers because they offered FREE oil changes to them. When the takeover happened, it was a true learning curve for us. We knew it was going to be difficult for us to transition this customer base to structure to where you paid for the services provide to you. We lost customers, had months of honoring free oil changes, and adding in extra services to entice customers to stay loyal to a new store. While it saw some growing pains, we essentially lost customer we did necessary want anyways, now the store has a good baring and is established with a solid customer base that knows how we operate and appreciates the service we provide. While thinking how to improve our service department I must inform you that since August 2018 we have been under construction, it was a planned and much need face lift for the store. It is currently in its second phase with a completion date set for April 2019. Service has been physically untouched until mid-December. Even with mostly everything staying the same for them, the outside of the store looks like a construction site, there are chain-link fences, backhoes, dumpsters, 15 construction truck parking in front of the store. We have taken every precaution we can think of to make sure people know we are still open for business. There are great signage leading customers to our now meager parking area, and service drive. Just keep in mind that this store, in a metro area, is currently trying to muddle through a long construction job.

Advertising: Currently Horne Mazda is using mailer and emails from our Mazda Factory. They coincide with holiday and offer the same price that is already established at the store, so as not to find us quoting different prices for the same product or service. Most emails are sent using our DMS system. To provide specials going on our service reminders. Currently I would like to send out a flyer and/or informing our customers that from mid-December to April 2019 the service drive will be located on the opposite side of the building they are accustom to (provide a map as a visual) to make way for our ALL NEW Service department opening in the spring of 2019! Share with our customers, while we may look closed, we are in fact open and ready to provide the service they need, because you are at home with Horne.

Marketing: The Non-dealer survey shows that Horne Mazda is right in line with our stiffest competition, we have lower prices in some areas than our main Mazda competitors. Horne Auto Group has employed Bob Cawley, a fixed Ops Director, who recently spoke at NACE Automechanica in Atlanta, Georgia on August 9, 2018 (Link: <https://youtu.be/6TahkD-5-aY>) He

speaks about the training that is done within our group and how it has set us apart from the competition.

Facility: Horne Mazda's facility capacity potential is \$5,491,658.00, that is \$4,219,673 more than they sold thus far for the year, that is 80% of sales not happening. Our facility utilization is 22.79% which is a very poor number indeed. We are not living up to the potential that we have and really utilize our service department much better. There is obviously room for major improvement, I think that there should be two shifts established instead of just have two teams. I think if we expand the work hours and schedules we could utilize the department better.

Productivity: currently tech proficiency sits as a measly 66.67% that means our techs combined are only 2/3 productive. It needs to be majorly improved from my point of view.

Production Method: Horne Mazda current production method is team base, with a team lead with two teams working adjusted hours each day. I would like to make it a two-shift system with switching hours weekly with the morning shift working Saturday. I feel if we can be more technicians in the shop and only allow them so much time in the day that they will be more productive, because they need to be to make a life sustain paycheck.

Analyze Cost of Labor: We have a gross percentage compared to sales at Horne Mazda, with our total being \$74.31%.

Changes in Expense Structure: Personnel expense makes up 53.96% of our gross that is a major expense structure, while semi-fixed is 18.74% and Fixed is 13.71%. I know the company has a high compensation expense and I have worked to lower it and it has seen improvements. Something we learned in class is that if profit is out of line we need to look at gross profit.

Pay Plans: We try not to pay people to come to work, we want to pay people to work and be productive and proficient in their work. All our Fix Op pay plans go through Bob Cawley. He is the mastermind a brainchild of how to best go about the structure of these plans. Bob will sit down and talk with our CFO for changes to our managers plans and will talk to our managers for changes to service and parts department pay plans. Parts pay plans contain a percentage of gross of the department to make sure they are aware of their expenses and try and keep as much gross as they can with their wholesale department.

Detail performance programs: Horne Mazda has set up monthly objectives for tech and service advisors. Each must complete a required number of RO's and service advisors are paid off of their CSI. We are always tracking numbers and looking for trends and places to improve. Recently we noticed our grease, oil was too high and we found an office accounting error. There are open lines of communication within the store. Service has a weekly PIG meeting and the parts manager is now being invited thanks to that idea from Brian at NADA.

Level of current training: Each employee is required to have both manufacturer website from Mazda, and Horne Auto Group training, on what is expected of employee of ours.

Special tools: is neat and organized and doesn't provide a major obstacle to the production of the service department.

100 Repair Order Analysis: completed by my service manager, Erich Bloodworth, flat rate hours (FRH) on repair orders (RO) averages for competitive are 82.57, for maintenance are 57.24, for repair are 137.37. Total FRH cost is 16.28. RO were 40% one item. The labor mix is close to one half being maintenance and a quarter repair and a quarter competitive, a good mix if I do say so myself.

Complete Qualitative SWOT Analysis

Strengths

1. Loyal customer base and a growing customer retention based on the fixed ops department atmosphere and environment where people are comfortable and don't feel pushed an any way to buy products or service not necessary to the maintain and improving the function and dependability of the vehicles.
2. The Fixed Operations Director, Bob Cawley, is a highly trained and seasoned veteran of car business. His training alone has greatly increase our fix op departments numbers. He is a big advocate for the parts and service department and will stick up for his managers when they need him. He has the
3. Strong and younger leadership staff. Both our Parts and Service managers have only been with the company for 2 years. They have proven themselves to major assets in the rebuilding up of the Mazda brand in this area. They are not set in their ways and have used a lot of forward thinking to help the business grow (our parts department took it upon themselves to spearhead a wholesale department) and are always open to new ideas.
4. Moral of service staff is strong thanks to a diligent and hard work service manager that perfectly balance the roll of boss and friend to keep his employees both happy and hard working. I have never heard an employee bad mouth him for any reason, and his provide them the greatest holiday work party you could ask for.
5. non-dealer competitive pricing board in service that show us and the surround competition

Weaknesses

1. Service hours of operation do not mirror those of the sales department, and tech are still not productive as is.
- 2 Unproductive carryovers. Tech are ready to leave when it hits 6:00pm. There needs to be a process in place where all carryovers are set up the night before and are being worked on before business hours are open, so we can get customers back in their vehicles asap.
3. Service Advisors can discount work, and consistently discount \$3,000 of combined profit per month.

4. Current pay structure for technicians does not motivate the technicians to be productive, it is a shop of friends who like to work/play together.

5 The General Manager cannot concentrate all his efforts on the advancement of the dealership, he let go of our GSM has taken the task on himself, it has caused chaos in the tower and managers are not feeling respected do to the lack of communication happening.

Opportunities

1. Growing population in Arizona with new apartments always being built within the area.
2. Construction is in progress to make a new facility early next year.
3. Start working on all makes and models and advertise that we can fix any car and will gladly look at it without a fee.
4. Install a parts display board in the service drive, this will give the customers the opportunity to see correct prices and make it, so the parts department doesn't quote parts at different prices all the time.
5. Provide a more knowledgeable staff. Currently we only have one master tech, we need to educate all service employee to be more knowledgeable and better prepared for any problem that may arise.

Threats

1. Open Shop, objects have been stolen from the shop and anymore can enter the shop without the permission. There are gates but if someone wanted to mess with or still something from the shop they could.
2. Not collecting 3rd party warranty from customer and getting the run around from the 3rd party. We need to be better at always collecting money, don't even decline a customer who wants to prepay for a service or a part.
3. Many independent repair shops in our market close later than we do, Monday through Saturday, and have hours on Sunday.
4. Hard time attracting people to come to work in the dealership as a tech since it is an outside shop in Arizona, with and Arizona summer!
5. Too many exceptions are being made with in the DMS system. With a daily run of the exceptions report we will be able to cut done on them, because if employees know they are being tracked they will not provide so many unnecessary discounts.

Objectives

1. Improve technician productivity, efficiency, and, proficiency make them work and pay them handsomely for it.

2. Improve gross on customer pay repair order parts sales and labor sales
3. Increase number of daily RO's written and lower the time per RO
4. Bolster a service and parts department and works on the same level and that can help each other improve. I want the two departments to work in synergy and not attach one another.
5. Provide more meaningful service to customers and treat them with the upmost respect.

Strategies

1. Restructure how tech is paid and follow them closely by putting the lowest proficient tech on the top of a tech chart, so they will want to improve.
2. Have service advisor be gross minded and not do unnecessary discounts, we can also increase the amount of work in the shop by working on all makes and models. Parts need to be consistent with their quotes. Discuss lost sales tracking with Parts Managers and implement a system if we need to stock additional parts at different times of the year.
3. Have service advisors set appointments like the dentist, and follow up calls on no shows to reschedule
4. Have group meeting where whole department can discuss what is need from the other department. Make open communication a key part in the work place and make a gossip train an obsolete form of transportation.
5. The golden rule is key, treat other how you would like to be treated.

Tactics

1. Make a game/competition of productivity, efficiency, and, proficiency. Each week the top earners get a complementary meal provide by the Service manager.
2. The service manager must authorize all parts and labor discounts, have the parts manager set up a parts matrix to maximize profits.
3. Include scheduling as part of their job description, and incentives them to make more appointment through a stair step bonus program.
4. Create a designated time and place for group meets and stick to it.
5. Show forth a kindness and it will create more kindness.

Action Plan

Task	By Whom	Completion Date
Monthly Managers meeting	General Manager	1 st Friday of every month

Review Tech/Service Advisor's pay plans	GM/Service Manager	Dec 31, 2018
Adj training pay program	Service Manager	Dec 31, 2018
Fix spotty DMS/Internet	GM/IT Director/COX	Dec 31, 2018
Adj carryover problem	Service Manager	Nov 30, 2018
Create Parts Matrix	Parts Manager	Nov 30, 2018

Synopsis

Horne Mazda is on the move, with its current situation of construction creating a mess of things. I would say it still has an effective and productive workforce with major room for improvement. I see the need to change the tech structure to a weekly rotating morning/afternoon shift department with the morning shift working Saturday hours. This will provide the store with more tech to work, which will us the opportunity to increase our facility utilization, which is solely lacking. I would also like to shift the idea of why people show up for work. Is it just to get the Benjamins? I want people who want to provide a service to other, who find joy in seeing the satisfaction of a happy customer.

Additional training for the service advisors, techs, and parts staff is always a good measure to take. An educated staff can provide correct answers, diagnostics, parts without creating an inconsistence up sale. I need Horne Mazda to be the place where people want to work and where people want to purchase their car and service their car and it can be with the right checks and balances in place it will flourish and once construction is over and plan on seeing leaps and bounds of improvement from every department.