

Bergstrom Chevrolet Buick Cadillac Inc. Neenah, WI

- a. Advertising-----Emails, Mailers: keeping your dealership name in front of your customer.

We are effective in keeping our brand name (Bergstrom) in front of our guest through emails, mailers, radio, community involvement, TV advertisements and local billboards. Given we have 23 stores in a small radius, our dealership is well known, and this location is our flagship store. Most of our advertising is focused on vehicle sales. Specific to service advertising, there is more we can do to market our services and communicate both externally and in the store about why we have great service. For example, using “Ten Reasons Why You Get the Best Service from Your Authorized Dealer” with our guests.

- b. Marketing-----Non-dealer survey

We are competitive, but we are not the cheapest on competitive or maintenance service. This reinforces the need to use the “Ten Reasons Why You Get the Best Service from Your Authorized Dealer”, or something similar to demonstrate the additional value a guest will receive at our store. The experience of calling for quotes also underscored the need to have responsive, articulate, well-trained service staff answering the phone and speaking with guests. First impressions are important, and I would not visit certain stores based on how some of my calls were handled. It is a huge opportunity to differentiate ourselves.

- c. Facility-----Capacity, Utilization (“B” Tab---second calculation)

We have a very nice, clean, well-maintained facility with 63 stalls and easy access from the main highway. Our utilization is very low at 23.4%. We have an opportunity for additional advertising and to increase hours of operation to better serve our guests at convenient times. We are currently open late only one night a week. With additional technicians (which is a challenge), we could utilize more of the available bays.

- d. Productivity-----Tech Proficiency (“B” Tab---first calculation)

Technician proficiency is 81% against a benchmark of 120%, so we have significant opportunity to improve in this area. We need to look at productivity and efficiency metrics. We do measure proficiency, but we can improve in setting targets for individual technicians based on skill, tenure, type of work performed, etc. and clearly communicate actual performance versus individual targets. We also need to have our managers act as coaches to identify ways to improve technician proficiency.

e. Production Method----Conventional, Work Group, or Team

We have a conventional production method for our technicians. Each technician has his or her own bay, and many of our tenured A-techs have multiple individual bays. There is opportunity to improve our bay usage and efficiency by moving to a different production method. There would likely be significant push back from the A-techs on this, as they are somewhat territorial with their bays, but it is worth having a discussion to see how we might improve performance.

f. Analyze Cost of Labor—(“A” Tab—first calculation)

Gross profit percentage is healthy in our service department. The customer pay gross profit percentage is 73.16% against a guideline of 73%, and the total service department gross profit percentage is 74.58%.

g. Changes in Expense Structure—(“A” Tab---third calculation)

The service department expense structure is not adequate. Our total expenses are 104.81% of gross profit, resulting in a loss. Expenses need to be reduced by almost 25% to meet the guideline of 80%. Personnel expenses are currently 60.74% of gross, against a guideline of 45-50%, and semi-fixed and fixed expenses are 24.36% and 19.71% respectively, for a combined total of 44.07% against a guideline of 25-30%. Expenses as a percent of gross can be managed by increasing sales and gross, eliminating unnecessary costs, and also watching discounts and policy closely.

h. Pay Plans

Technician pay plans have all been reviewed and updated within the last two month to make sure we are competitively paying all technicians. We recognize the shortage of technicians in the market and have made any necessary adjustment to keep our technicians competitively paid. Our service advisor pay plans are heavy on salary, so we should consider possibly implementing a more commission-based pay plan to drive improved sales and gross performance.

i. Detail performance programs—objectives, tracking, communication

Every department in the store, including the service department, has clearly identified Top 5 goals. The goals are tracked in monthly operational excellence meetings. Opportunity exists to improve the daily measures and metrics to drive improved performance. We are working on improving our action plans so they are SMART (specific, measurable, achievable, relevant and

time-bound) to drive daily focus. There is always opportunity to improve communication, and SMART action plans will clarify expectations. We are also working on efficient and focused daily team huddles and one-on-one meetings to improve communication and remove barriers and challenges for the team.

j. Level of current training—Manufacturer website, minimum training standard

All service team members are current with manufacturer training. We have also recently conducted full-day sales service training with a third-party trainer (Steven Shaw) for our service advisors. The goal is to both improve CSI and also improve our process for walk-arounds and thorough multi-point inspections with every guest. Improved guest experience and increased sales are significant opportunities in the service lane, so we are providing training for our team to help them be successful.

k. Special tools---neat and organized, or a rats nest

Definitely not a rats nest, and our technicians are generally very good about replacing what they use and timely putting it back where it belongs. But there is opportunity to improve the area to ensure there is a place for everything and everything is in its place, or that a special tool is checked out with a clearly identified team member name and date.

## Strengths

- Established dealership
- Clean work environment
- Large loyal customer base; strong retention
- Good team member pay and benefits, including health care clinic, 401(k)
- High quality equipment
- New Service Manager with greater focus on team and execution
- Great capacity – 63 stalls
- Strong General Manager with regular walk-arounds and presence in Service Dept.
- High functioning Parts Dept.
- Efficient detail crew.
- Recent market study to get all technician pay market competitive.
- Partner with local community college and high school to sponsor classes for technicians (both potential and current team members).
- Tool allowance and tuition reimbursement programs available to new and existing team members
- Strong community involvement and support from dealer owner.
- Work on all makes and models.
- Strong local penetration and loyalty; 23 stores in NE Wisconsin representing 35 brands

## Weaknesses

- New Service Manager who is getting to know team and store
- Need more technicians to be fully staffed
- Low capacity utilization in service bays (only at 23%)
- Lack of strong communication and collaboration between fixed and variable departments
- Percent of one-line ROs at 56% based on sample for class (should be 10-15%)
- Overall technician proficiency at 81% (should be 120%)
- Ineffective scheduling system
- Service advisors need to be better trained in sales (effective walk arounds, MPI presentation)
- RO sample in class reflects 5% of customer pay ROs were repair (should be 40%)
- Hours of operation do not match sales hours (service closes 5 pm; sales closes at 8 pm)
- Do not offer loaner vehicle; shuttle service ends at 5 pm
- We do not stock tires.
- CSI scores not consistent at benchmark.

## Opportunities

- Centrally located in a larger Wisconsin market.
- Located near state University, 2 technical colleges, and 3 large hospitals
- Chevy sponsored NFL team in region; local support for Packers
- Store is known as well-established dealership; 36+ years in market
- Dealer-owner known for significant community involvement and significant annual charitable donations.
- Dealer-owner visibility at this store. His main office is located at this dealership.
- Residential population growing in the area.
- Dealer-owner and community leaders' focus on attracting commercial businesses.
- Stronger marketing message on service department offerings
- Stronger recruiting and retention message to potential team member on tool allowance and tuition reimbursement programs

## Threats

- Strong local competitors, also with well-established stores.
- Large regional competitors with strong digital presence
- Tight market for used vehicle acquisition for dealer can impact internal work and guest service work flow
- Non-dealer express service and repair shops with prices at very competitive rates with expanded hours
- GM surcharge for parts and labor in Wisconsin
- Not enough technicians; technician recruiting and retention challenging with low unemployment rate, competitive offers from third parties, and not enough technicians in the market

## Objectives

1. Increase our business to fully utilize all of our bays and increase number of customer pay repair orders daily.
2. Increase technician proficiency.
3. Ensure service advisors are trained in sales.
4. Increase percentage of customer pay repair orders that are more than one line.
5. Increase percentage of customer pay repair orders for maintenance and repair work.
6. Increase marketing of “authorized dealer” advantages and added value.
7. Attract and retain more skilled technicians.
8. Increase service hours to meet the guests needs
9. Get CSI consistently above benchmark.
10. Effectively manage expenses, discount and policy to hold gross.
11. Ensure pay plans attract and retain talent and incent improved department performance.

## Strategies

1. Utilized “authorized dealer” marketing materials in our service drive and train sales advisors to communicate the value to our guests. Increase our focus on service-specific marketing and advertising in flying and in our on-line presence to drive more guests to our store.
2. Clearly track and communicate current and targeted proficiency for each technician. Coach technicians on how to improve productivity and efficiency.
3. Provide service sales training to advisors and make sure pay plans are aligned with driving increased customer pay sales and technician proficiency.
4. Make sure each guest’s vehicle is fully inspected and reviewed for recommended service.
5. Ensure service advisors are trained and committed to performing thorough walk arounds and multi point inspections.
6. Communicate and advertise “authorized dealer” advantages and added value with every guest. Advertise that we service all makes and models.
7. Ensure technician pay plans and other benefits are highly competitive in the market. Identify areas to differentiate our store as a desired place to work.
8. Increase service hours to match sales hours and have late night service hours more than one night per week. Improve scheduling system for most efficient guest service.
9. Ensure each guest every day has an outstanding experience.
10. Identify where expenses are above bench and brainstorm with team about opportunities to reduce expenses. Review discounts and policy to keep at a minimum impact on gross.

## Tactics

1. Work with marketing department to create a Brand specific version of the “authorized dealer” marketing materials. Post in service drive and have available flyers for guests. Incorporate in service-specific marketing materials monthly. Train service advisors to incorporate the added value concepts in discussions with guests.
2. Develop a daily report tracking proficiency for each technician. Identify improvement targets and coach opportunities to improve during daily 1:1s and team huddles.
3. Develop a monthly training calendar that continues sales service training concepts. Review and revise pay plans for service advisors that have a larger commission percentage to incent improved sales and gross.
4. Train and role play on effective walk arounds and thorough MPIs. Include the guest on the walk around and MPI and clearly explain each item being reviewed and the result.
5. Revise marketing materials to ensure they include a statement that we are fully equipped and trained to service all makes and models.
6. Continue reviewing technician pay and increase where necessary to stay at market-competitive rates. Use our tool allowance and tuition reimbursement programs as key recruiting tools for new technicians. Expand relationships with local high schools technical college to support technician training and development.
7. Develop career paths for all technicians.
8. Increase service hours to match sales hours and have late night service hours three nights per week.
9. Finalize move from DealerSocket scheduling tool to XTime to provide more effective and efficient scheduling for our guests, as well as our advisors and technicians.
10. Ask every guest whether there is more we can do to ensure they have a great experience. Address any guest concerns immediately/same day, whenever possible.
11. Complete detailed review of controllable expenses and develop plan to reduce or eliminate costs. No discounts without service manager approval. Review any comebacks with technicians and discuss ways to avoid future comebacks.

## Action Plans

Develop/Revise marketing materials with focus on “authorized dealer” value and “we service all makes and models.”

Marketing Team/Linda            Completed by: January 31, 2019

Train service advisors and other team members on communicating “authorized dealer” value.

Service Manager/Mark            Completed by: February 15, 2019

Develop daily report tracking proficiency for each technician.

Fixed Ops Director/Chris            Completed by: January 15, 2019

Utilize daily proficiency (productivity/efficiency) results to coach for improvement

Service Manager/Mark            Completed by: Begin January 15, 2019 and ongoing

Create monthly training schedule to continue Steve Shaw training concepts to improve walk arounds and multi point inspections.

Service Manager/Mark            Completed by: January 31, 2019

Review and revise pay plans for service advisors, incentivizing improved sales, gross, net.

Service Manager/Mark and HR Director/Kevin            Completed by: March 31, 2019

Role play with service advisors and coach on effective walk arounds and MPis.

Service Manager/Mark            Completed by: Ongoing

Continue reviewing technician pay and increase where necessary to stay at market-competitive rates.

Service Manager/Mark and HR Director/Kevin            Completed by: Quarterly and ongoing

Recruit technicians using our tool allowance and tuition reimbursement programs.

HR Recruiter/Kate            Completed by: January 31, 2019 and ongoing.

Schedule appointment with local high schools technical college to look at opportunities to further collaborate with supporting technician training and development.

HR/Robyn            Completed by: June 30, 2019

Develop career paths for all technicians.

Service Manager/Mark and HR Director/Kevin            Completed by: May 1, 2019

Increase service hours to match sales hours and have late night service hours three nights per week.

Service manager/Mark and GM/Rich                      Completed by: January 1, 2019

Finalize move from DealerSocket scheduling tool to XTime to provide more effective and efficient scheduling for our guests, as well as our advisors and technicians.

Dealer Owner/Tim    Completed by: January 15, 2019

Ask every guest whether there is more we can do to ensure they have a great experience.

Address any guest concerns immediately/same day, whenever possible.

Everyone owns guest CSI                                      Completed by: Immediately and daily

Complete detailed review of controllable expenses and develop plan to reduce or eliminate costs.

Service Manager/Mark and Accounting office/Alex      Completed by: January 31, 2019

Implement policy of no discounts without service manager approval.

Service Manager/Mark                                      Completed by: Immediate and ongoing

Review any comebacks with technicians and discuss ways to avoid future comebacks. Use "comeback" sheet as a basis for analysis and discussion.

Service Manager/Mark and technician                      Completed by: Immediate and ongoing

## Synopsis

We have an incredible amount of opportunity to make our service department grow and become profitable. We have a great location with a well-established brand in the area. We have high quality equipment, and our facilities are clean and well-maintained. We also have a new service department manager who is focused on improvement. Our gross profit is at benchmark, but we need to focus on sales growth and improving net profit.

To improve our sales, we can fill our underutilized bay capacity by being more convenient for the guest, marketing our services and value with a more focused approach, providing sales training and incentives to our advisors, and attracting and retaining skilled technicians with our pay and benefits programs. We need to expand our hours of operation and offer shuttle services during all service hours. Moving to a new scheduling tool is expected to improve the service experience for the guest and our team members. We can expand our marketing outreach by targeted service advertising, highlighting the value of working with an authorized dealer and our ability to service all makes and models. We need to continue our service sales training program, utilizing it to drive more effective walk arounds and multipoint inspections, ultimately leading to more multi-line repair orders and more maintenance and repair services. Although we recently did a market analysis of our technician pay and made necessary adjustments, we need to continue to do a regular review of market pay to attract and retain skilled technicians. We can also more broadly communicate our tool allowance, tuition reimbursement and technical school partnerships as recruiting tools.

To improve net profit, we need to continue technician training and coaching technicians on productivity and efficiency opportunities. As our sales increase, we must closely monitor expenses to ensure they are not increasing at a similar rate. We also need to look for specific opportunities to reduce or eliminate controllable expenses. Timely review of any comebacks with technicians will be important to avoid additional comebacks and reduce policy. Finally, our service advisor will review and approve any service discounts.

		Sales in Dollars		FRH's on RO's		Averages	Analysis	
Competitive		\$ 1,636	÷	45.00	=	36.35	FRH Average	
Maintenance		\$ 4,254	÷	60.80	=	69.97	FRH Average	
Repair		\$ 1,692	÷	13.80	=	122.61	FRH Average	
Totals		\$ 7,581	÷	119.60	=	63.39	Customer ELR	
		Target Labor Rate					Per FRH	
Total Ro's in Sample	0	Difference				63.39	Per FRH	

### Cost of Labor

Total Cost of Labor	2046.25	÷	Total Sales	=	26.99%	Percent Cost of Sales
Total Cost of Labor	2046.25	÷	Total FRHs	=	17.11	Cost per FRH

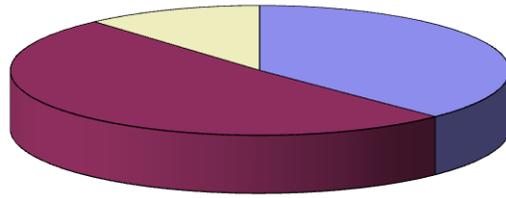
### Repair Order Measurements

Total Labor Sales	7,581.45	÷	Total ROs	=		Avg Labor per RO
Total FRHs	119.60	÷	Total ROs	=		Avg FRH's per RO
Menu Sales		÷	Total ROs	=		Percent Menu Sales
Competitive FRHs	45.00	÷	Total FRHs	=	37.63%	Percent Competitive
Maintenance FRHs	60.80	÷	Total FRHs	=	50.84%	Percent Maintenance
Repair FRH	13.80	÷	Total FRHs	=	11.54%	Percent Repair
One item ROs	0	÷	Total ROs	=		Percent One Item RO

### Model Year Analysis

2019	2018	2017	2016	2015	2014	Older
1	4	7	13	11	11	53
1.00%	4.00%	7.00%	13.00%	11.00%	11.00%	53.00%

## Labor Mix



■ Percent Competitive   ■ Percent Maintenance   ■ Percent Repair

### Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 136,191	\$ 98,634	72.42%	40.54%
Customer Truck			0%	0.00%
Customer Other	\$ 15,292	\$ 12,189	79.71%	4.55%
Warranty	\$ 71,693	\$ 52,609	73.38%	21.34%
Warranty Other			0%	0.00%
Internal	\$ 94,192	\$ 71,939	76.37%	28.04%
NVI / Road Ready	\$ 18,572	\$ 15,309	82.43%	5.53%
Adj. Cost Of Labor		\$ (141)	0%	0.00%
<b>Total</b>	<b>\$ 335,940</b>	<b>\$ 250,539</b>	<b>74.58%</b>	<b>100.00%</b>

<b>The Picture</b>	
Customer Pay Gross Profit %	73.16%
Total Service Dept. G.P. %	74.58%

### Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 250,539		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	\$ 152,170	60.74%	
Semi-Fixed Expense	\$ 61,025	24.36%	
Fixed Expense	\$ 49,391	19.71%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
<b>Total Expenses</b>	<b>\$ 262,586</b>	<b>104.81%</b>	
<b>Net Profit</b>	<b>\$ (12,047)</b>	<b>-4.81%</b>	

#### The Picture

Customer Pay Gross Profit %	73.16%
Total Service Dept. G.P. %	74.58%
Parts / Labor Ratio (Cust. Pay Only)	0.94
Total Service Dept. Expenses	\$ 262,586

## NADA ACTUAL SERVICE ANALYSIS

Performance

	<i>Labor Sales / Month</i>		<i>Hourly Labor Rate</i>		<i>Hours Billed</i>
Customer Car*	\$ 136,191	÷	85.64	=	1590.3
Customer Truck*	\$ -	÷		=	0.00
Customer Other*	\$ 15,292	÷	85.64	=	178.6
Warranty	\$ 71,693	÷	105.17	=	681.7
Internal	\$ 94,192	÷	70.31	=	1339.7
New Vehicle Prep	\$ 18,572	÷	70.31	=	264.1
<b>Total</b>	<b>\$ 335,940</b>				<b>4054.3</b>

### POTENTIAL

\$ 335,940	÷	4054.33	=	\$ 82.86
Total labor sales for month		Total hours billed		Effective Labor Rate

31.00	x	8	x	21	=	5,208.0
# Service mechanical technicians		# Hours/Day		Working Days/Month		Clock Hour Aval

5,208.0	x	\$ 82.86	=	\$ 431,532
Clock Hours Available		Effective Labor Rate		Labor sales potential

How proficient are your technicians ?

4,240.0	÷	5,208.00	=	81.41%
Hours Produced		Hours Available		Tech Proficiency

Clear Form

Hours Per RO (Recap Sheet) 0.9

Percent of One Item R.O.'s (Recap Sheet) 56.00%

Customer Pay Effective Labor Rate (Recap Sheet) \$ 85.64

Warranty Labor Rate (Recap Sheet) \$ 109.00

Total Overall Effective Labor Rate \$ 82.86

Overall Technician Proficiency

81.41%

FACILITY POTENTIAL	
Number of Bays	63
	x
Number of Days	25
	x
Number of Hours	11
	x
Effective Labor Rate	82.86
	<i>equals</i>
FACILITY POTENTIAL	\$ 1,435,550

FACILITY UTILIZATION	
Total Labor Sales	\$ 335,940
	÷
Facility Potential	\$ 1,435,550
	<i>equals</i>
FACILITY UTILIZATION	23.40%

Clear Form