

Service Department Excel Calculations, RO Analysis, and SWOT Analysis

For: Lone Star Toyota of Lewisville

By: Ellis H. Johnson, N341 - 07

Post Class Service Department Excel Calculations: Data from December 2019 Financial

Discussion of results...

We determined we need more competitive coupons to compete w/ independents in area.

The technician with the high hourly rate is doing low level work, we have to find a way to change this without losing him. He's the most tenured technician in the shop and also the recon technician.

We have a problem with technician proficiency and this will require much more consideration and planning to resolve accordingly. Quite honestly the current GM is wanting to stabilize the management where we have had significant turnover. This very seasoned staff of technicians are basically ruling the roost. We won't be able to solve it here but we recognize this is massive issue that we have to fix.

1 item ROs are 55% of the sample AND over 50% of vehicles are 2015 and older. While Toyota builds a great vehicle there should A LOT lines more sold on these. Big opportunity.

Discounting is big problem. We made a change take this ability away from the service advisors and require service manager approval/override.

ELR is well above target of \$2 over warranty rate.

Technicians are not punching time in on tickets consistently (only on Warranty).

Bottom line: we don't sell enough time! It's there we just have to hold the advisors and technicians more accountable the process and effectively use the tools we have at our disposal.

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Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	% Sales Contribution
Customer Car	\$ 264,623	\$ 184,496	69.72%	0%
Customer Truck			0%	0%
Customer Other			0%	0%
Warranty	\$ 56,112	\$ 42,688	76.08%	0%
Warranty Other	\$ 24,071	\$ 19,837	82.41%	0%
Internal	\$ 91,112	\$ 61,357	67.34%	0%
NM / Road Ready	\$ 18,383	\$ 18,383	100.00%	0%
Adj. Cost Of Labor		\$ (12,857)	0%	0%
Total	\$ 454,301	\$ 313,904	69.10%	0.00%

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 313,904		
Variable Expense		0.00%	
Selling Expense	\$ 95,832	0.00%	
Personnel Expense		0.00%	
Semi-Fixed Expense	\$ 56,223	0.00%	
Fixed Expense	\$ 163,780	0.00%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 315,835	0.00%	
Net Profit	\$ (1,931)	0.00%	

NOTE for some reason the excel template provided DOES NOT calculate the %Sales Contribution or the % of Gross as it should. Formulas are there but something isn't working correctly.

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	\$ 264,623	÷	129.95	=	2036.3
Customer Truck*	\$ -	÷		=	0.00
Customer Other*	\$ -	÷		=	0.00
Warranty	\$ 56,112	÷	99.85	=	562.0
Internal	\$ 91,112	÷	129.95	=	701.1
New Vehicle Prep	\$ 18,383	÷	99.85	=	184.1
Total	\$ 430,230				3483.5

POTENTIAL

\$ 430,230	÷	3483.55	=	\$ 123.50
Total labor sales for month		Total hours billed		Effective Labor Rate
32.00	x	8	x	21 = 5,376.0
# Service mechanical technicians		# Hours/Day		Working Days/Month
5,376.0	x	\$ 123.50	=	\$ 663,955
Clock Hours Available		Effective Labor Rate		Labor sales potential

How proficient are your technicians?

3,483.6	÷	5,632.00	=	61.85%
Hours Produced		Hours Available		Tech Proficiency

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

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Post Class Service Department Excel Calculations Continued:

FACILITY POTENTIAL		
Number of Bays		38
	x	
Number of Days		21
	x	
Number of Hours		8
	x	
Effective Labor Rate		123.08
		<i>equals</i>
FACILITY POTENTIAL	\$	785,743

FACILITY UTILIZATION		
Total Labor Sales	\$	430,230
	÷	
Facility Potential	\$	785,743
		<i>equals</i>
FACILITY UTILIZATION		54.75%

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Repair Order Analysis Summary Tab

Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis
Competitive	\$ 3,630	÷ 51.60	= 70.35	FRH Average
Maintenance	\$ 7,340	÷ 65.40	= 112.24	FRH Average
Repair	\$ 6,274	÷ 44.50	= 140.98	FRH Average
Totals	\$ 17,244	÷ 161.50	= 106.78	Customer ELR
		Target Labor Rate	101.85	Per FRH
Total Ro's in Sample	100	Difference	4.93	Per FRH

Cost of Labor

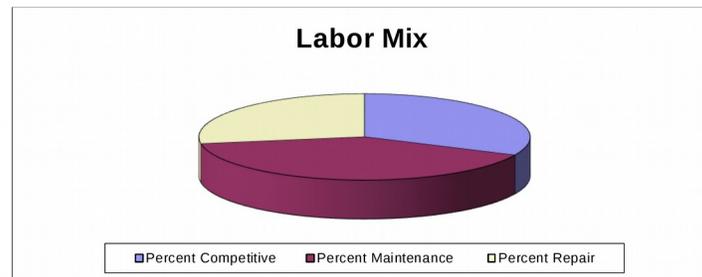
Total Cost of Labor	3411.80	÷ Total Sales	= 19.79%	Percent Cost of Sales
Total Cost of Labor	3411.80	÷ Total FRHs	= 21.13	Cost per FRH

Repair Order Measurements

Total Labor Sales	17,244.20	÷ Total ROs	= 172.44	Avg Labor per RO
Total FRHs	161.50	÷ Total ROs	= 1.62	Avg FRH's per RO
Menu Sales		÷ Total ROs	=	Percent Menu Sales
Competitive FRHs	51.60	÷ Total FRHs	= 31.95%	Percent Competitive
Maintenance FRHs	65.40	÷ Total FRHs	= 40.50%	Percent Maintenance
Repair FRH	44.50	÷ Total FRHs	= 27.55%	Percent Repair
One item ROs	55	÷ Total ROs	= 55.00%	Percent One Item RO

Model Year Analysis

2020	2019	2018	2017	2016	2015	Older	Total
0	1	1	16	15	15	52	100
0.00%	1.00%	1.00%	16.00%	15.00%	15.00%	52.00%	



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Service Department Analysis For: Lone Star Toyota

By:

Ellis H. Johnson

N341 - 07

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Strengths

- o Strong Brand
- o Good CSI
- o Good Location
- o Great Facility
- o Good retention
- o Strong group of experienced Certified Technicians
- o Seasoned / Tenured "Customer First" Service Advisors
- o Continuity between upper management & sales/service/parts
- o Knowledgeable warranty clerk
- o Advertisement
- o Express Service
- o Quality of work
- o Speed / efficient work turnaround
- o Team oriented
- o On site Cafe for customers and employees

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Weaknesses

- o Weak management, staff, processes, marketing
- o Weak utilization of electronic MPI inspection by techs and advisors
- o Young, childish, lazy porters/valets that do not listen
- o Quickly and properly greet customers
- o Lack of service department handoff / introduction by sales department at time of sale
- o Small loaner fleet
- o Lack of rental fleet
- o Diminished value of BDC department
- o Poor scheduling
 - o Customers that drop off between 11a-1p tend to have long wait times
- o Lack of leadership & accountability for Valets
- o Lack of entry level techs to perform fast/easy work (patches, tires, batteries, rotate & balance, etc.
- o Lifetime Oil Change program still causes heat and ill will with customers
- o Not enough tools
- o Lack of good ASR process
- o Takes too long to get parts pricing in ASR process
- o Understaffed on service drive and express
- o Carwash process and equipment needs improvement
- o Tuesday - Thursday traffic is slow or not enough scheduled properly
- o Exit lane not used properly to stage cars for pick up

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Opportunities

- o Reduce discounts
- o Increased staff training
- o Improved marketing / traffic builders
- o Increase loaner fleet
- o Fix or replace car wash
- o Improved traffic / volume
- o Improve usage of ASR Pro
- o Major companies moving to North Texas
- o Would be great to have on site body shop
- o Greatly improve vehicle sales
- o Greet customers faster
- o Labor Rate Increase - apply
- o Grow from within - less hiring from outside
- o Stop gouging customers so we can keep them
- o Become more competitive on tires
- o Improve customer transfer (introduction) from sales

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Threats

- o Newest GM and some managers don't know the market
- o Employee turnover (mostly in sales and sales management still affects service greatly)
- o New Toyota of Plano location and facility
- o New Longo Toyota of Prosper location opened
- o Toyota of Grapevine stealing customers from our backyard
- o Hyper competitive market / too many Toyota dealers / we're surrounded
- o Social media (threatens reputation)
- o Surrounding dealers have better reputations
- o Surround independent / mom & pop shops
- o Pricing competitiveness

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Objectives

- o Improve CP gross
- o Improve number daily CP repair orders written
- o Protect our own backyard and retain our customer base
- o Improve technician productivity, efficiency, proficiency
 - o Create and display tracking board
- o Dramatically reduce discounts
- o Greatly improve Sales to Service Department introductions
- o Setup a budget and accrual to pay for car wash repairs / replacement
- o Review overall training by skill type and plan how to improve going forward

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Strategies

- o Remove Service Advisors ability to discount
- o Learn full capabilities of scheduling system to better spread more service appointments across the mid portion of the week
- o Complete new surveys and perform RO analysis for warranty rate increase request
- o One on one productivity reviews

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Tactics

- o Require service manager to approve discounts
- o Fine tune advisor and technician breaks and lunch schedules to better accommodate the busiest times of the day between 11 - 1
- o Consider bonus plans for technicians and advisors to drive ASR requests and improved customer approval (sales)
- o Adjust specials to better compete with surrounding independent shops
- o Find and implement extensive service/parts department phone training provider, require for all advisors, service BDC, and parts counter personnel
- o Make productivity board very visible and up to date

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Action Plan

<u>Task</u>	<u>By Whom</u>	<u>Completion Date</u>
Remove Advisors ability to discount and end of Feb 2019 require Service Manager approval	GM & Service Manager	By
Apply for Warrant Rate Increase (DONE) By end of Jan 2019	GM & Service Manager	
Require consistent punch times on tickets Jan 2019	Service Manager	By end of
Request and review all tech & advisor training 14, 2019	Service Manager	Jan
Set and new training calendar for all techs Jan 2019 & advisors	Service Manager	By end of
Adjust Specials to drive traffic more Tue-Thu end of Jan 2019	GM & Service Manager	By

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Synopsis

This is a very tenured staff in general however the Service director is fairly green and settling into his role. As he learns to more effectively drive production in the shop the margins are in place.

A warranty rate increase has been requested. At the current 76% GP margin the contribution to department profitability will be substantial.

In the essence to improved customer service and to make sure the clients get greeted promptly we are considering creating an entry position as service drive manager. This person would manage all service drive activities from the time the client reaches the drive until the vehicle is checked in to the shop. This person will also manage the valet/porters activities, schedules, and training.

We recently signed on with ASR pro as tool help us with communication from the advisors to the parts counter to the technician. This will improve on the time it takes to get correct parts to the tech the 1st time. ASR pro also many other features and tools that assist with the MPI process as well integrates with the sales department.