

A. Advertising

We already do quite a bit of advertising in our service department. Through one of our ad companies, we have a lot of Facebook and Instagram advertising. This advertising is based on manufacturer ads and ads we make ourselves for specials. Through SEM, we also do protection, remarketing and GEO, as well as buying words like oil change, parts, tires, dealership name, and maintenance. We also do recapturing campaigns, that send out discounts every 2 months between 6 and 30 months, aimed at getting people back in who have not returned to our store. We do sales and service mailers usually every quarter to mirror Toyota's sales as well. On our website, we normally run a few specials. For more of the branding side we keep our Facebook and Instagram running with more personal stories, photos, etc.

To better our advertising and keep the dealership name in front of our customers, we are going to be buying more competitive maintenance words in SEM to drive more business. Buying variations of "oil change" was performing pretty well, so hopefully other competitive maintenance items do too. Regarding Toyota ad campaigns like tires, wipers, batteries, etc we haven't done the best job of utilizing resources from the adplanner so we are going to add those into the mix of our campaigns as well. That way we are falling in line with advertising done by the region. We also just bought six billboards in neighboring towns and along the I5 corridor for name branding.

B. Marketing

To obtain new customers we are doing social and SEM to obtain new customers, as stated above. We are also focusing on the redemption of first appointments after purchase and next appointments for existing customers. After doing the dealer survey we have also placed more of an emphasis on the value of competitive maintenance and getting people in the door and upselling from there.

Beyond marketing to new customers, we have also started marketing to new employees. Our shop foreman is involved at the local high school and college. Auburn High School actually has an automotive program as well as an engines program. We have a tour day scheduled where all the students will be able to come through our store and check out what a real running shop looks like as well as speaking with our shop foreman, lead technicians, and HR. We are also putting up a banner in the shop of the high school that will be along the lines of "Doxon Supports Auburn Automotive" and "Check out your Future at Doxon Toyota". With the college we are getting more involved with offering apprentice positions to people with interest in the college, whether that's a technician or not, so that they can get a taste of the auto industry. Hopefully we can gain some employment from those.

C. Facility

FACILITY POTENTIAL	
Number of Bays	32
	x
Number of Days	31
	x
Number of Hours	10
	x
Effective Labor Rate	\$ 109.77
	<i>equals</i>
FACILITY POTENTIAL	\$ 1,088,885

FACILITY UTILIZATION	
Total Labor Sales	\$ 482,899
	÷
Facility Potential	\$ 1,088,885
	<i>equals</i>
FACILITY UTILIZATION	44.35%

We have been looking at adding a 4th team to utilize the shop more. We have 2 teams here on Mondays, 1 team here on Saturday, and no teams on Sunday, while having 3 times on all other days. We are hoping to allow for 3 teams on Monday (instead of 2), 1 team on Sunday (instead of being closed), and 2 teams on Sunday (instead of 1). Right now, we are slightly heavy on advisors, but understaffed in techs, so we are trying to get enough techs to move to the 4th team. Once we get to a point where a transition is possible, we will look more into scheduling and how the stalls might work.

We are also looking at doing some night shifts and be open til 10pm so that we can expand our service schedule. The main purpose would be to get used car technicians working at night as well as some customer pay techs, thus opening up more stalls during the day for customer pay.

D. Productivity

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	\$ 274,371	÷	112.68	=	2435.0
ToyotaCare	\$ 31,697	÷	118.65	=	267.1
ToyotaCare Plus	\$ 8,291	÷	118.65	=	69.9
Warranty	\$ 73,414	÷	118.07	=	621.8
Internal	\$ 76,391	÷	90.12	=	847.7
New Vehicle Prep	\$ 18,735	÷	118.65	=	157.9
Total	\$ 482,899				4399.3

\$ 482,899	÷	4399.33	=	\$ 109.77	
Total labor sales for month		Total hours billed		Effective Labor Rate	
29.00	x	8	x	22	= 5,104.0
# Service mechanical technicians		# Hours/Day		Working Days/Month	Clock Hour Aval
5,104.0	x	\$ 109.77	=	\$ 560,249	
Clock Hours Available		Effective Labor Rate		Labor sales potential	
4,399.3	÷	5,104.00	=	86.19%	
Hours Produced		Hours Available		Tech Proficiency	

Our tech proficiency was only 86%, however I do not feel this number correctly reflects the set up of our technicians. This is calculated with detail included in our internal labor rate, which we are separating. Also includes 6 or 7 hourly express maintenance kids in our 0-25k express shop. Regardless, there is still room for a lot improvement. We have two teams that are very proficient and one team who is lacking so we have moved some people around to hopefully create better team environments based on skill sets and attitudes. We also changed up the shop

loading zones to be more efficient for finding cars. With the advisors, we are working with them on providing better stories on diag (they have questionnaires for each diag in their new playbook binder).

Net Difference Potential

	\$
Labor Sales Potential @ 100% proficiency	560,249
Overall Service Department Gross Profit %	82.00%
	\$
Labor Gross Potential @ 100% proficiency	459,404.18
Total Service Department	\$
Expenses	299,417
	\$
Net Profit @ 100% Proficiency	159,987.18
	\$
Actual	83,045
	\$
Net Difference	76,942.18

Looking at the net difference if we were at 100% proficiency... ouch!!!

E. Production Method

Our main focuses in the service department right now are the training, tracking, and accountability of the service BDC and advisors. We need the BDC to be making more appointments and creating more business through outbound activities and we need the advisors to be selling more on those opportunities to provide for our technicians.

For our service BDC we have implemented Car Wars (which is a call tracking company that we use in our sales department). This helps us track any time a customer seems offended by the tone of their voice. It also tracks the number of calls, number of times they ask for appointments, and the number of times they get an appointment (soft or hard). This has helped a lot already. We also implemented vinsolutions for outbound service activities like appointment reminders, recalls, declined services, etc. However, vinsolutions did not provide the service we expected so we are moving to Xtime. Xtime should be able to do all the outbound activities we are looking for and have an accurate tracker so that we can create a performance-based pay plan for the service BDC girls and get them motivated.

For the advisors we have been doing training on basically everything from dress and appearance, attitude, write up process, R&R, menu and recommendations word tracks, maintenance knowledge, and more. To track them, we now track RO's, \$/RO, Hours/RO, ELR, Discounting, Total \$, Labor \$, CP Labor \$ and what they need to sell each day to get to 30k/40/50k CP labor dollars (the main part of their pay plan). This is shared with them every morning at the meeting. We are also tracking and spiffing them on 8 maintenance items where we have built in ELR. The main part is keeping them accountable. As I will mention later in the training section, we have had issues with a service manager who is stuck in his office. I stepped in for the time being and am working with the advisor's day to day and monitoring what is being said and what is being done or not done to provide some accountability.

There are also some other things that we have started doing that we did not previously do:

- Advisor walkarounds with customers when time permits
- Advisor group CSI bonus
- Treadspek machine

- Spiffing greeters and porters on license plate frames
- Selling wipers in drive
- Open RO report
- Exemption report
- Overrides report
- Technician career path
- Car wash coupons

F. Analyze Cost of Labor

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 274,371	\$ 223,191	81.35 %	56.82%
ToyotaCare	\$ 31,697	\$ 27,683	87.34 %	6.56%
ToyotaCare Plus	\$ 8,291	\$ 6,297	75.95 %	1.72%
Warranty	\$ 73,414	\$ 56,771	77.33 %	15.20%
Warranty Other			0%	0.00%
Internal	\$ 76,391	\$ 57,915	75.81 %	15.82%
NVI / Road Ready	\$ 18,735	\$ 15,437	82.40 %	3.88%
Adj. Cost Of Labor		\$ (10,062)	0%	0.00%
Total	\$ 482,899	\$ 377,232	78.12 %	100.00%

We have created a technician career path payment structure through excel that basically looks at all the technician's certifications, experience, education, attendance, FIRFT work quality, attitude, etc and other store credentials in assigning points to technicians that add up into an hourly wage. This has been hugely beneficial in providing a framework for what each technician should be making and tells us whether we are underpaying or overpaying them. It has created uniformness in the shop and transparency to what exactly technicians need to do to

get to the next level of pay. It also is a great career path tool for incoming technicians or aspiring technicians in our express maintenance area.

We have adjusted pricing in customer pay as well to increase gross %. Mainly in maintenance items and some diag dependent on technician needed to work on it.

Our cost of labor is over pretty good.

G. Changes in Expense Structure

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 382,462		
Variable Expense		0.00%	
Selling Expense	\$ 75,338	19.70%	45-50%
Personnel Expense		0.00%	
Semi-Fixed Expense	\$ 99,592	26.04%	25-30%
Fixed Expense	\$ 124,487	32.55%	25-30%
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 299,417	78.29%	80%
Net Profit	\$ 83,045	21.71%	20%

****Note: calculations were done with numbers from financial statement not numbers from previous calculation additions, thus showing a difference in total gross.***

Our expense structure looks to be very good. All expenses are in line, or close to in line with guide. We run a little bit high in fixed expenses compared to NADA guide and compared to our 20 group data, usually because of rent and taxes and benefits because of living in Washington and the state's policies.

I will continue to dig into the operating expenses and see where we can make headway.

H. Pay Plans

Our service manager is in more of a temporary at this point in time, so his pay is lower than what a normal service manager would probably be. His current pay plan is as follows:

- 1. Base salary of \$3000/month.**
- 2. 3.2% service department operating profit.**
- 3. 1.6% parts department operating profit**
- 4. \$1500 SPSI Bonus (at region average or above)**

We recently changed our pay plan with service advisors to push more labor sales and maintenance. The advisor pay plan is as follows:

- 1. Total Parts and Labor Sales less discounts: 3.0% of combined Customer Pay, Warranty, and Internal (calculated from Reynolds advisor report).**

Another change was in the process of giving job descriptions and responsibilities to our greeters and porters, we also offered them a \$1 spiff per license plate frame changed.

(Already brought up earlier but also important for pay plans) We have created a technician career path payment structure through excel that basically looks at all the technician's certifications, experience, education, attendance, FIRFT work quality, attitude, etc and other store credentials in assigning points to technicians that add up into an hourly wage. This has been hugely beneficial in providing a framework for what each technician should be making and tells us whether we are underpaying or overpaying them. It has created uniformness in the shop and transparency to what exactly technicians need to do to get to the next level of pay. It also is a great career path tool for incoming technicians or aspiring technicians in our express maintenance area.

I. Detail Performance Programs

With the additions of training, tracking, and accountability for our service BDC and our service advisors, I believe we now have performance based programs for every section of the service department.

For each area of the department, whether it be BDC, advisor, greeter/porter, express technician, or shop technician, we now have a daily meeting, educational opportunities and training, tracking of performance based on the relevant metrics to each job, and we have daily goal setting for what we are looking to get out of everyone. This is something that the service department has previously lacked, and we hadn't put the attention to it. We have already seen huge upticks because of it, making over 80k in service alone last month. However, there is still a ton of potential and we are still pushing for better performance.

J. Level of Current Training

Our current level of training was not good. Starting from the top down, the processes we have had in place training wise needed help. We lost our service manager about eight months ago because he was not buying into departmental changes we were making. Our assistant service manager, who used to be a technician, took over and was in over his head. He didn't have the experience and we really didn't have anyone that had the knowledge to train him. He is overwhelmed and gets stuck in his office instead of going out and training and working with our front-end service personnel. We are currently in the process of interviewing for a service manager who can manage mainly the front end of our service department, as our shop foreman does a great job on the tech side.

Because of our service manager situation, our service advisors had been neglected. We have brought on three new advisors, totaling eleven now, and I do not feel the onboarding process was good enough. Normally for onboarding we have a few days of shadowing an advisor and critiquing, however we were so short-handed that we basically just got them running as soon as they were hired. The onboarding process of advisors is definitely something we will be changing. Beyond that, our tenured advisors have not been getting any attention either. Because of the front-end service issues, I was put in to manage the advisors, BDC, express shop, cashier, greeters, and porters. I have put together a playbook binder for each advisor that will serve as an onboarding guide for future advisors. I have also implemented monthly all service meetings and daily advisor, greeter, BDC meetings in the morning. I am tracking sales, labor sales, \$/RO, HRS/RO, ELR, discounting, and CSI, along with setting per day labor sales goals, so that the advisors have all their metrics in front of them constantly and can know where they are at with the monthly commitments we do in 1on1s. To help train, I have taken my sales knowledge and I put together sales training for each month, as well as service maintenance and repair training, with the help of our team leader techs. We are also spiffing on 8 high ELR maintenance items each month and doing training on those each morning. I would like to also do phone training with the advisors at some point.

After analyzing our BDC, I was not happy with the job overall. The first issue was the way they sounded on the phone and the speed of picking up the phone. I made it

clear that they are the first impression of every visit and we are going to be doing fake calls like we did in class week 3. Beyond that, we were not loading the shop as efficiently as we could have been. We had a lot of dead times so that has been our other focus. Beyond that, we are now calling for appointment reminders and for declined services. We have been using vinsolutions for outbound calls which is a process going between that and xtime for every caller, so we are working on doing outbounds through Xtime which we were not doing previously. This should give us the tools we need and the tracking we need to provide a performance-based pay plan for them.

The greeters and porters were another area I looked into the training. While relatively minimal job responsibilities, they have a big impact on the customer's overall experience arriving and leaving the store. We created a job description and responsibilities for them. I met with each of them to go over process, word tracks, and their impression on the customer. We are also spiffing them on license plate frame replacements to get them some more income while benefiting the store.

Our express shop had basically no training (scary, I know), so we put one of our best advanced techs from the main shop down there to get their process down and train them. He is now in charge of hiring, checklists before cars leave, and keeping the shop clean, among many other things. We have seen some turnover there because of it, but now have a good group of technicians which he has hired. It has been much smoother down there and we are starting to be able to open up their schedule more as their times decrease with training.

Our tech training is pretty good in the main shop. The career path will hopefully motivate techs to get to more training events from Toyota and pursue more education.

K. Special Tools

We have all special tools required by the manufacturer. We also have a number of other tools to help the techs be more efficient.

All special tools are in designated tool boxes. We have a general special tools box, hybrid special tools box, recall tools box, and shelving for obsolescent tools. We also have a hybrid charging station.

In our special tools room we also keep wire harnesses, which we do depinning with.

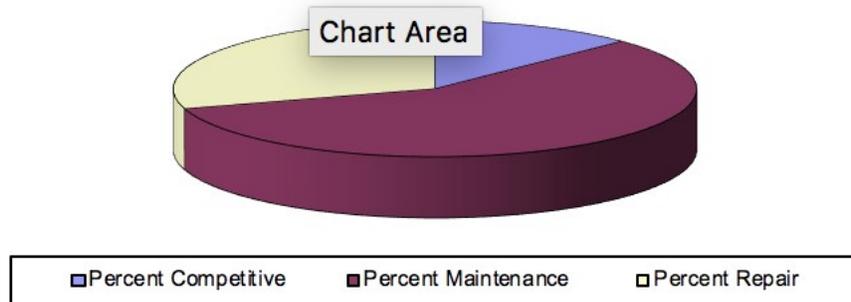
Also have an AC Refrigeration Machine designated for hybrids (recommended by Toyota but not required).

We are looking at getting more tool boxes for some miscellaneous special tools stuff that is put on the shelves with the wire harnesses. Seems you can never have enough tool boxes.

L. 100 Repair Order Analysis

Repair Order Analysis Summary Report							
	Sales in Dollars		FRH's on RO's		Averages	Analysis	
Competitive	\$	1,053	÷	14.80	=	71.15	FRH Average
Maintenance	\$	9,029	÷	67.30	=	134.17	FRH Average
Repair	\$	4,359	÷	34.80	=	125.25	FRH Average
Totals	\$	14,441	÷	116.90	=	123.53	Customer ELR
					Target Labor Rate	120.75	Per FRH
Total Ro's in Sample	100				Difference	2.78	Per FRH
Cost of Labor							
Total Cost of Labor	2128.75		÷	Total Sales	=	14.74%	Percent Cost of Sales
Total Cost of Labor	2128.75		÷	Total FRHs	=	18.21	Cost per FRH
Repair Order Measurements							
Total Labor Sales	14,441.20		÷	Total ROs	=	144.41	Avg Labor per RO
Total FRHs	116.90		÷	Total ROs	=	1.17	Avg FRH's per RO
Menu Sales			÷	Total ROs	=		Percent Menu Sales
Competitive FRHs	14.80		÷	Total FRHs	=	12.66%	Percent Competitive
Maintenance FRHs	67.30		÷	Total FRHs	=	57.57%	Percent Maintenance
Repair FRH	34.80		÷	Total FRHs	=	29.77%	Percent Repair
One item ROs	52		÷	Total ROs	=	52.00%	Percent One Item RO
Model Year Analysis							
2020	2019	2018	2017	2016	2015	Older	Total
0	0	3	4	14	10	69	100
0.00%	0.00%	3.00%	4.00%	14.00%	10.00%	69.00%	

Labor Mix



Doing the 100 RO Analysis was once again eye opening to see the number of flaws you can find in just 100 ROs. I was pleased to see the effective labor rate had gone up to 123.53 for these ROs. In Reynolds and Reynolds our total ELR for the store had gone up from 105 to 115 so this is largely due to the customer pay ROs. These results are from a few different things. First, we reevaluated our pricing in our pricing matrix for all of our maintenance items and increase prices, based on what we learned in the dealer survey. Second, as mentioned before, we started spiffing our advisors on maintenance items with high ELR. This had an extremely positive effect as labor dollars went up and so did our effective labor rate. As you can see our ELR on maintenance was up to 134 so the pricing fixes make a huge difference.

I was also excited about a couple other metrics. The labor dollars per RO was up to \$144.41 without parts which is pretty good, compared to last time doing the analysis. Our percent of maintenance sold vs competitive was also good. We only sold 12% competitive and 57% maintenance which was a big swing and impacted profitability.

We still have work to do on our one item RO's which is at 52%. This should not be acceptable and we need to focus on the smaller things to get extra dollars. We are working on the in drive walkarounds with the advisor when they are able to time wise which will hopefully decrease that number as well as utilizing our treadspek machine and checking wipers. Hopefully this will help us in the long run. We are also having our service manager to random MPI checks so that we are assured that advisors are getting every opportunity to sell from the technician.

Last, the model year analysis is very promising to me. We had 21% of our cars from the last 3 years, but 79% from further than 3 years. This is a huge opportunity for us when we are selling maintenance and repair. We have the customer base coming into the store and we need to capitalize on these customers and sell responsibly. We are lucky to have a faithful following after being in business since 1938, but we have to continue to watch our CSI and retention as we are now offering more and asking for more money.

M. SWOT Analysis

Here is an overview of the SWOT Analysis:

Strengths:

- Advertising and Marketing
- Cost of Labor
- Expense Structure
- Advisor and Tech pay plans
- Performance tracking and accountability
- Special tools
- Loyal customer base
- Experience staff
- Shop foreman and great team leaders

Weaknesses:

- Facility Utilization
- Tech Proficiency
- Current level of training and onboarding (were fixing it already!)
- BDC pay plans
- Trust of some service advisors by technicians
- Hours do not mirror sales
- Service manager
- Working on all makes and models but not much more than oil changes
- No non-dealer competitive pricing board in the service drive
- Pay of technicians vs cost of living
- Detail pay plans and tracking

Opportunities:

- Hiring quality technicians
- Growing population in PMA
- All makes and models

- Non dealer competitive pricing
- Competitive maintenance advertising

Threats:

- Market moving away from heavy repair and towards maintenance
- Losing technicians to other stores
- Customer base not used to buying more than an oil change
- Saturated market
- Independents
- Warranty work decreasing

Our objectives, strategies and tactics for dealing with these things are described in the action plan.

Action Plan (Synopsis)

Overall, we were very pleased with how January turned out for us. Netting \$80k in service and almost \$160k combined service and parts is something to be proud of and it felt as if we were hitting on all cylinders. Most of the metrics looked good, but we see where there is huge opportunity for more business and even more upselling. We are not utilizing our facility to potential and we are not getting the most out of every customer that is already here either. There are a lot of little tweaks and things we need to continue to do to remain successful. Overall happy with the month, but gotta keep it going! Net service potential of \$159k is extremely motivating. Based on the successes of last month, here is our action plan moving forward:

Greeters/Porters

- Job descriptions and responsibilities - everyone needs a refresher
- Monthly and Daily meetings - providing consistent communication
- Spiff on license plate frames - more advertising on the road!
- Words tracks and commonly asked questions - consistent communication to customer throughout service drive
- Utilization of treadspek machine - preselling in drive and helping advisors sell

BDC

- Job descriptions and responsibilities - everyone needs a refresher
- Monthly and Daily meetings - providing consistent communication
- Outbound Activities through Xtime - providing more business for advisors and technicians
- Call tracking through Car Wars - accountability to how we are interacting customers and if we are asking for appointments and getting information on every call
- Performance based pay plan - motivating BDC on what we want them to control
- Spiff for fully loaded schedule days - loading the plane to capacity!
- Appointment reminders - appointment redemption

- Do not allow advisors to control their schedule – it's the stores schedule not the advisors and they should be able to shut down work

Advisors

- Job descriptions and responsibilities – everyone needs a refresher
- Monthly and Daily meetings – providing consistent communication
- Daily pacing, goals for labor dollars, and CSI – keeping numbers in front of them, lack of warranty work means bigger need for warranty work
- Daily schedule expectations, process changes, etc
- Weekly Metrics – where do you stand to the group?
- 3-Month Average and Monthly metrics – to compare to other advisors, compete
- Monthly Advisor Goal Setting – where are we trying to go?
- Opcode spiffs on high ELR maintenance items – huge deal in labor dollars (big reason why we had a great month last month)
- Sales training – advisors aren't traditional salespeople, they need helpful tips and word tracks
- Maintenance and repair advantage, benefits, consequences training – if you don't know the ABCs how are you going to sell it?
- Better promise times – affects CSI and expectations of customer
- Better stories on diags for technicians – saves time for the tech, advisor, and customer and eliminates comebacks

Express Maintenance

- Job descriptions and responsibilities – everyone needs a refresher
- Monthly and Daily meetings – providing consistent communication
- Express manager focused on hiring the team he wants – NO MORE TURNOVER
- Process checklist for every car for new hires to follow and train from – no more comebacks and no more issues!
- Clean building
- Communication of volume available – if we can do more volume we need to be doing it
- Ensuring each express tech knows the career path – how can we get you to the next level, buy into the store, and create less turnover?

Shop

- Job descriptions and responsibilities – everyone needs a refresher
- Monthly and Daily meetings – providing consistent communication
- Motivating with the career path for more training
- Inspection of MPIs – techs lose faith in advisors and take shortcuts, need to give every tech and every advisor and every customer to be sold

Marketing/Advertising

- Emphasis in competitive maintenance via social and SEM
- Attracting new customers/employees