

Qualitative Analysis - Neuville Motors

Student: Lindsay Neuville N321-32

Service Homework - N321-Student 32

Neuville Motors - Lindsay Neuville

Strengths

- Service department, especially technicians and management, have many decades of combined experience. They are extremely knowledgeable and really want to be a better department.
- Reputation within our community is very good – the business has been very successful in the area for 41 years. Aside from the occasional issue, they have a very happy robust customer base.
- All employees are friendly and the department including cashiers create a very “small town” feel (i.e. they know customers by name and ask about kids, etc.)
- In early 2017 we promoted a long time, trusted technician to become a shop foreman, after having issues between technicians and management. Thomas has been a force to be reckoned with and has really jumped in with both feet. Technicians are happier and working more in line. He has really helped to get us back to a point where the technicians no longer run the shop. From my standpoint, my favorite thing Thomas has done is to start standardizing technician processes!
- Dealership has for a long time been heavily involved in the community, especially from a charitable standpoint. After many years of helping people both through community activities and even the occasional free oil change for someone who has come upon hard times, people really have noticed the effort that the dealership has made to help keep the community a great place to live and show we care.

Weaknesses

- We do have a very clear issue with weak management in the service department. After our service manager was out for a significant amount of time with a health issue, we had a fill in and now we have a service manager and service director and it’s extremely clear reading the forms as well as to anyone who runs back to the department that there is no clear divide between the roles and a lot of blame games due to no segregation of job duties.
- This statement came up a few times (which I found interesting because who knew people *wanted* procedures/policies!) but there is a clear frustration with the lack of follow through on policies and procedures from management -and when I say management here I’m referring to the management that is described in the bullet above. Management will insist that things should be done one way and then they will not follow it themselves or will constantly create situations for “extenuating circumstances.” Frustrating!

Qualitative Analysis – Neuville Motors

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- There is a bit of a problem with people constantly talking behind each other's backs. Instead of supporting and helping, there seems to be a lot of gossip.
- The shop really could be cleaner – especially certain people's work spaces. This is inclusive of both our management office and technicians. They need to look more put together!
- Huge issues with answering pages- although we have a Service BDC, sometimes the receptionist gets feisty and "goes rogue" sending all calls back to service when she's angry with them. On top of that, the advisors and management always assume someone else will get the phone. It's frustrating to hear the number of repeat pages for service. It turns out based on the forms I received, technicians find it annoying as well.

Opportunities

- GM's credit card has a lot of fantastic promotions – recently \$100 off any service/parts-it should be a great marketing tool for the service department. The advisors need to do a better job of promoting it to make additional sales.
- Create more time during the day for technicians by pushing PDI's and used car disclosures to after-hours work.
- Get everyone on board using the phone system voicemail systems to get parts to techs and keep people at their stalls/desks.
- Save time filing by eventually switching to an electronic filing system.
- Continue work organizing the storage space we do have -we are close to being done with our special tools organization and soon should be able to have a lot of extra storage to utilize how we see fit.
- Service advisors need a lot more training – their lack of training has really caused them to struggle knowing what their role is with the customers. Provide training using Fred (top salesman) to show them how to "sell" maintenance to customers who are in need and also how to treat people to gain a customer base.
- Improved scheduling – as it stands now, jobs aren't necessarily scheduled by proficiency they are scheduled by what the book says the job pays.
- Create maintenance packages for easy recommendation and selling – 30,000 mile recommended services, etc.
- Currently training 2 young technicians through the ASEP program-they are both going to be great assets to our team. Very young, energetic and thoughtful.
- Getting the BDC for Service on track with pre-selling maintenance before customers arrive, as well as getting them into great loaners that can promote car sales.
- One manager's imminent retirement – Bob continuously tells people in the shop he is retiring in September, and he has lots of memory issues and is

Qualitative Analysis – Neuville Motors

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- very stubborn with a short temper. His retirement provides us a great opportunity for fresh ideas and better leadership.
- Recently received a resume in the mail from a long time service advisor from a larger dealership that has moved to the area and is looking for employment. He could be a great addition and teacher to our current staff.

Threats

- While our technicians and managers still have probably an average of 7 years before retirement, they are not getting younger! We've had some issues with injuries due to improper lifting. This also means we need to keep in the back of our minds contingency planning. One manager is months away from retirement and we need to have a concrete plan before he fully retires so we don't lose steam.
- There is a new independent that just opened down the road with a full repair shop and they are heavily marketing services. Additionally, we sold our Chrysler store and they have been trying to steal our customers as well.
- Poor communication with customers can result in loss of customers due to frustration. Poor communication would also include service advisors to technicians – when information isn't shared with technicians it prevents a proper solution to the customer's issues.
- Certain techs work too fast and can be careless.
- Many of the issues in the department do not get proper resolution and so when they are left to go too long morale can go downhill very quickly.
- GM has changed their position yet again on warranty OLH which could reduce warranty dollars.
- Marketing is pretty much non-existent so we need to ensure that we are sending relevant coupons to customers.

Objectives:

- Increase the customer pay sales in the service lane.
- Increase technician proficiency.
- Increase shop morale.
- Increase customer satisfaction levels with our communications.
- Increase our customer base and retention.

Strategies:

- Decrease the number of one line repair orders (Currently at 64% and we need to be much lower) which will subsequently increase our hours per RO.
- Increase the amount of maintenance work we are selling – currently EXTREMELY low.
- Improve scheduling for technicians to minimize sitting around.

Qualitative Analysis – Neuville Motors

Student: Lindsay Neuville N321-32

- Find/train management that is able to guide the department from being reactive to proactive and increase not only customer satisfaction but departmental satisfaction.
- Clean up the write-ups on our RO's so they are more customer friendly.
- Revamp our marketing so we become the dealership of choice for our customers.

Tactics:

- Track repair orders on a daily basis-looking for on the spot upsells -tracking by advisor to see exactly where the issues are, additionally use this review to analyze the write ups and bring up any necessary issues to advisor so they understand that there is a baseline expectation with these even though they cannot be fundamentally changed.
- Create a better menu with recommended maintenance packages that is more visible to the customer. Educate the service advisors on the importance of maintenance as well as when to recommend so they are able to sell effectively to customers. Set the requirement that they are to print the GM maintenance schedule and present to every customer (or visibly show it on a computer).
- Involve our payroll clerk, requesting weekly technician time reports (he already does this) and create a baseline for expectations and for the first few weeks analyze patterns and skill sets to ensure everyone is being given the correct jobs. Create a guide for our Service BDC and any advisors to maximize scheduling potential. The guide will include both skill sets/levels and proficiency numbers so jobs are not scheduled for too long creating unnecessary sitting around. Also investigate our scheduling system to see if using a dispatching job system would be a better fit for our dealership.
- Begin performance reviews with the service staff and management (including service management with GM and principle) in order to establish open lines of communication and expectations to guide management to profitability.
- Work with our marketing group (Epsilon) to ensure that our coupons are relevant and timely. Additionally, send "last chance" coupons to customers who have not been into the dealership in over a year to try to get them back. Ensure we are tracking to see how these programs are working and analyze the success with the marketing group. Additionally, ensure that our Service BDC is aware of any promotions and making proactive phone calls to people who may have free service or we want to get back into the dealership.
- **MOST IMPORTANTLY:** Continue pushing the idea that we are a "yes" dealership-we service all cars, we can get your car in, we can be your trusted dealership of choice. We absolutely must stop turning business away.

Qualitative Analysis – Neuville Motors

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Task	ACTION PLAN By Whom	Completion Date
Review repair orders and track up-sells by service advisor	Operations Manager (Me)	Daily
Create schedule with salesman to begin training with our SA's	Operations Manager + Salesman	July 1, 2017
Create a maintenance recommendation package and operation code	Service Managers + Shop Foreman	July 1, 2017
Schedule lunch meeting to discuss importance of maintenance	Shop Foreman + GM + Operations Manager	July 1, 2017
Begin monthly shop meetings with lunch and fun informational games (Kahoot)	Shop Foreman	June 15, 2017
Ensure operation codes are properly mapped within the GM system so we are getting full retention credit for bonus programs	Service Manager (Kevin)	July 1, 2017
Finalize the organization of shop storage for special tools	Shop Foreman	July 1, 2017
Review our current marketing with Epsilon and change coupons as necessary to ensure that customers are receiving relevant coupons	Operations Manager	June 15, 2017 (call scheduled for week of June 5)
Finalize the performance review template created in April and schedule first reviews	Shop Foreman + Operations Manager + GM + Dealer	August 1, 2017
Using technician time	Shop Foreman +	August 1, 2017

Qualitative Analysis - Neuville Motors

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report, create a guide for Operations Manager
BDC and SA's for
technician scheduling

Create a set of
procedures for RO
write-ups - Foreman to
work with technician on
proper language and
Service Managers to work
with SA's on taking a few
minutes to review all
paperwork for appropriate
wording/spelling/grammar

Shop Foreman +
Operations Manager +
Service Managers

August 1, 2017

Review pay plans for shop
foreman and service
managers - needs to be
some sort of gain for
performance and pain for
non-performance

Operations Manager +
GM + Dealer

August 1, 2017

Financial Analysis:

A few things jumped out at me while completing the excel template.

While personnel expense was higher than the recommended profile, given that our staff is not paid bonuses or what I would feel is "extra" I think the biggest issue here isn't the expense it's actually the gross. I'm not about to start paying people more money just so we can lose money. We can't sit around and accept these losses any more. I've reviewed expense accounts and everything is in line there, so then we must look to the gross to fix our out of line expenses.

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 54,320		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	\$ 40,581	74.71%	45-50%
Semi-Fixed Expense	\$ 10,619	19.55%	25-30%
Fixed Expense	\$ 9,395	17.30%	25-30%
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 60,595	111.55%	80%
Net Profit	\$ (6,275)	-11.55%	

But gross cannot be the complete story either, because when you take a look at our overall technician proficiency -our shop is very low. I was actually shocked to see it so low because I do see the production levels of some and they're fantastic! It's

Qualitative Analysis - Neuville Motors

Student: Lindsay Neuville N321-32

hard to not argue that this has a lot to do with scheduling, which is why I really wanted to include technician proficiency/scheduling in my action plan. While the customer pay effective labor rate doesn't look fantastic at this point, since removing operation codes and password protecting anything over 10% in discounting rates, I believe this will begin to fix itself as the changes have been made recently and the analysis month didn't give them more than a few weeks in the program. The repair order analysis showed me that our repair ELR is greatly improving, but we do need to focus more on not just doing a one line item oil change, which drives our customer pay total ELR down.

I think as soon as we can get a better handle on where are scheduling issues are occurring and really analyzing individual numbers of technicians, the proficiency issue can be improved rather quickly - and make for happier techs! If we can get the techs up to 100% proficiency, we can expect to see labor sales of \$98,868, potentially more once the ELR sees more improvement.

Hours Per RO (Recap Sheet)	0.8
Percent of One Item R.O.'s (Recap Sheet)	64.00%
Customer Pay Effective Labor Rate (Recap Sheet)	\$ 59.92
Warranty Labor Rate (Recap Sheet)	\$ 100.23
Total Overall Effective Labor Rate	\$ 75.72
Overall Technician Proficiency	67.72%

How proficient are your technicians ?

$$\begin{array}{c} 1,117.3 \\ \hline \text{Hours Produced} \end{array} \div \begin{array}{c} 1,650.00 \\ \hline \text{Hours Available} \end{array} = \begin{array}{c} 67.72\% \\ \hline \text{Tech Proficiency} \end{array}$$

As you can see below, labor sales are currently at on \$82,059, so the increase here would be a plus, but we really can't rely on only tech proficiency. We need to work on our one line RO's - our customer pay labor rate is down due to the heavy number of oil changes we do - cheap, competitive maintenance.

Qualitative Analysis - Neuville Motors

Student: Lindsay Neuville N321-32

Category	Parts Sales	Labor Sales	P/L Ratio
Customer Car	\$ 36,622	\$ 42,662	0.86
Customer Truck		\$ -	0.00
Customer Other		\$ -	0.00
Warranty	\$ 23,023	\$ 22,625	1.02
Warranty Other		\$ -	0.00
Internal	\$ 19,515	\$ 16,772	1.16
Total	\$ 79,160	\$ 82,059	0.96

Finally, my favorite metric, the amount we could make by increasing RO's by only .3 hours per RO-this one really finalized my desire to push one line RO's. Initially the easier thing could be to just push for more hours - but I really felt that sent the wrong message. We don't want to indicate that bills should be artificially inflated in any way. In reviewing our op codes, something as simple as a wiper blade replacement (very cheap and easy) is already 0.2 hours so while 0.3 hours per RO seems huge, when you put it in perspective I think we can easily increase our sales developing a strong maintenance sales program and the hours will begin to increase themselves as soon as we start moving away from only competitive items. \$5,597 per month would be a great start to seeing additional income.

Number of customer R.O.'s for the month		459
	X	
Multiply by .3 hours		0.3 hours
	=	
Additional customer labor hours generated		137.70
	X	
Multiply by Customer Labor Rate		\$ 59.92
	=	
Equals additional Customer Labor Sales Generated		\$ 8,251
	X	
Multiply by customer Labor Gross Profit %		67.83%
	=	
Equals additional Labor Gross Profit \$ generated	(A)	\$ 5,597

Additional metrics are included on the excel template, but these were really the ones that drove my decisions for my action plans. I realize that we are having major issues with our customer pay labor rate, but as I explained previously, we do so many standalone oil changes and we really need to start recommending the require services for those cars and selling them properly to the customer. I recognize that these do not seem like grand increases, but I do believe that we need to start with attainable goals in order to start progress before we move on to anything on a larger scale.

Miscellaneous Additions:

There were a few miscellaneous items we are working on as a result of some of the financials and some internal dealership workings that were not included in the above plan, but I believe are still critical to service department success.

- 1) It probably looks as though our shop foreman is doing a lot more than our managers, and that is intentional. He absolutely is. To say he has been a blessing to the shop is to minimize the work he does, and as such the dealer and I are working on a way to promote him up to run the department as soon as an opportunity provides. The issues here include the fact that he enjoys working on cars so he doesn't know that an office job will be the right fit and we already have to "managers" so we don't want to add a third to the pot right now. We are trying to be as creative as possible to develop a plan to put him in charge while still providing him a job that fits his needs and skillset.
- 2) I am currently working with our controller and foreman to develop a small jobs ticket in order to ensure that the service expenses are allocated properly. What we have so far is a repair order that our lube techs are able to punch in on with a description of what work they have done during that time period. This repair order will then allow us to take that time out of the cost of labor (WIP) and put it into the miscellaneous wages category. If the work was done for new/used vehicles it will be moved out of service entirely. It will also provide us with some sort of accountability to ensure technicians aren't not doing anything while they are punched in. Eventually we would like to expand this to our wash rack guys because we have major issues with them and a significant lack of production.
- 3) Prior to the service class I had deleted thousands of operation codes. They were being misused and they were confusing to the advisors who sometimes picked the wrong ones. The change I saw on our billing based on the repair order analysis was significant from the ones I reviewed in class to the ones I had done for this assignment. It was very reassuring to see the change so things are being billed out more consistently. It's forced people to take time and do things correctly.
- 4) Finally, after our class I also implemented a "10 Oldest RO Review" meeting. It is every Thursday morning at 8:30 with our foreman, controller, managers and me. While there initially was a lot of push back, it has proved to be

Qualitative Analysis – Neuville Motors

Student: Lindsay Neuville N321-32

immensely helpful to have the group of people together weekly brainstorming solutions. Without telling them I was planning to, we've been adding 4 other topics every week so it has turned into a great meeting that has left us with great templates and ideas that are really seeming to help. Ideas have included – template for tech assistance calls that will travel with the RO so information is gathered and included for anyone to see, approval notes for any used car labor reductions (people are a lot less likely to approve reduced labor rates on reconditioning when they know their name will be associated with it!), and now we are working on a better policy surrounding tracking of comebacks (using the templates in the NADA Book).

Synopsis:

Our service management has always been relatively weak. Especially in the last few years, our technicians have been running the shop and our service advisors have been very poorly trained on what their job responsibilities are. This has led to a shop that is pretty chaotic at times and not making money, even when our managers are paid a portion of the profits they still cannot be bothered to fix it. With one manager leaving shortly, we do have a lot of things looking up. We have a staff that truly cares to get better and a shop foreman that I believe has the skillset to take the tools learned from this class and experience to bring us back to profitability.

Our service advisors need training, they need to understand the benefits of selling even small items like maintenance and wiper blades and the numbers indicate we should start by pushing additional line items. Not only is this an easier thing for me to track progress on, I think as far as achievable steps this will seem more manageable to them.

Additionally, we need to get our technicians proficiency levels up. Working with our foreman should give me the insight to see if the issue is wasting time, slow techs, poor job assignments (wrong job to wrong tech) or poor scheduling (scheduling for too long and then they have no job available). Part of this will be analysis from the financial statement and payroll, but part of this is also going to require digging into skill sets. I'm hoping that not only will the analysis with the foreman help our process, but also that our performance reviews will begin to push people to work harder and do a better job.

Finally, we need our marketing in order. We have been marketing \$29.95 oil changes for so long and GM hasn't had a car that doesn't require Dexos oil since 2010 or 2011. This needs to be changed. I've taken over the marketing relationship and have been working to ensure that customers are getting the right coupons that will motivate them to come in, track their success and also ensure that our service BDC is getting the right lists to make phone calls to customers who might be on the cusp of leaving the dealership-offering deals or any of our other dealership perks like shuttles.

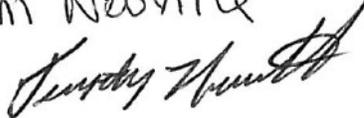
Qualitative Analysis - Neuville Motors

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There is a lot of work to be done, and while we have really been working on this for months already, I think we are on the brink of major breakthroughs. I know showing the dealer the finances behind this has really pushed him into realizing how much money we could be making if we put a little more work and pressure onto the department.

I have read and approved the action plan submitted by Lindsay Neuville.

Name: TIM Neuville

Signature: 

Date: May 30, 2017

Repair Order Analysis Summary Report							
		Sales in Dollars	FRH's on RO's	Averages	Analysis		
Competitive	\$	1,839	÷ 48.80	= 37.68	FRH Average		
Maintenance	\$	584	÷ 10.20	= 57.25	FRH Average		
Repair	\$	2,589	÷ 24.63	= 105.11	FRH Average		
Totals	\$	5,011	÷ 83.63	= 59.92	Customer ELR		
		Target Labor Rate		100.00	Per FRH		
Total RO's in Sample	100	Difference		-40.08	Per FRH		
Cost of Labor							
Total Cost of Labor	1681.37	÷ Total Sales	= 33.55%	Percent Cost of Sales			
Total Cost of Labor	1681.37	÷ Total FRH's	= 20.10	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	5,011.22	÷ Total RO's	= 50.11	Avg Labor per RO			
Total FRH's	83.63	÷ Total RO's	= 0.84	Avg FRH's per RO			
Menu Sales		÷ Total RO's	=	Percent Menu Sales			
Competitive FRH's	48.80	÷ Total FRH's	= 58.35%	Percent Competitive			
Maintenance FRH's	10.20	÷ Total FRH's	= 12.20%	Percent Maintenance			
Repair FRH'	24.63	÷ Total FRH's	= 29.45%	Percent Repair			
One item RO's	64	÷ Total RO's	= 64.00%	Percent One Item RO			
Model Year Analysis							
2018	2017	2016	2015	2014	2013	Older	Total
0	1	5	12	13	11	58	100
0.00%	1.00%	5.00%	12.00%	13.00%	11.00%	58.00%	

