

## Fixed Operations 2 Service Homework

- a. Advertising-----Emails, Mailers: keeping your dealership name in front of your customer.
  - a. **Currently:** - We send sale, birthday, “checking in” emails to current database. Close RO thank you and survey emails. We also pay for Honda’s advertising and service reminders
  - b. **Plans:** - Trying to acquire more emails. Just introduced “Good Neighbor Policy”
  - c. **Evaluate:** I think we do a pretty good job of reminding our customers without being annoying. Because of the high saturation of same make dealers, different make dealers, and non-OEM shops in our area, we are forced to walk a very thin line of being attentive without harassing. We’ve had people simply not come back because they were “annoyed” by mailers/emails
- b. Marketing-----Non-dealer survey
  - a. **Currently:** We have coupons on our website, newspaper and tv ads, military and college discounts, per Honda
  - b. **Plans:** market our car wash by offering free car washes to customers
  - c. **Evaluate:** Similar with the mailers, we don’t want to annoy our customers
- c. Facility-----Capacity, Utilization---(Homework Calculations)
  - a. **Currently:** 19.5% utilization – we have recently built a very large service and parts department but have not filled it with the total amount of technicians and advisors it could fit. We were unable to hire people before moving as we had no place to put them. Our new service department has empty desks for advisors and technicians able to double-up on bays. We also have a car wash we are unable to use due to lack of man power.
  - b. **Plans:** Hire more techs, advisors, and car jockeys
  - c. **Evaluate:** Unfortunately we had to go by the “if you build it, they will come” planning because we simply could not fit any more techs or advisors into our old building. However, even though our new service department is nicer, bigger, better than a lot of our competition in the area, it is not easy to hire techs. Our area is very unionized and it is extremely hard to find someone willing to drive past another dealer to come to you. Most service department employees take jobs close to their homes.
- d. Productivity-----Tech Proficiency----(Homework Calculations)

- a. **Currently:** 106% proficient, which is good, but there is definitely room for improvement. Due to both the fact that we are unionized and don't have enough techs, we really struggle getting our techs to do both self studies training and out of office training. Our tech training scores are extremely low and have not increased/changed in over 3 months.
  - b. **Plans:** We want to hire a parts runner, more techs, more car jockeys, and more advisors – allowing our current techs and advisors to leave the shop and go to training, while still running a full time, fully staffed shop. We also plan to meet with our union reps and alter pay plans to include training incentives in them
  - c. **Evaluate:** Being unionized does inhibit us but it should not prevent us from offering incentives and creating an environment where everyone's goals are the same – to make more money while satisfying customers.
- e. Production Method---Conventional, Work Group, or Team
- a. **Currently:** conventional – 1 tech to 1.5 bays, we have a service manager who works hand-in-hand with a dispatcher/foreman. Our new service department is very large and is compromised of two buildings. Our manager stays primarily at the drop off and oversees the advisors and customers, whereas our dispatcher/foreman stays with the techs and parts department and oversees the work being done.
  - b. **Plans:** No plans to change –works well for our setup
  - c. **Evaluate:** Because we have two separate buildings for our service department, we require a dispatcher/shop foreman who can be the service manager's eyes and ears when he is across the street working with the advisors and customers. Our dispatcher/foreman delegates the work out to the techs as he sees fit, while overseeing the techs' work, and ensuring everyone is working proficiently. We need all techs available to him when he needs them to work.
- f. Analyze Cost of Labor -- (Homework Calculations – how do you plan)
- a. **Currently:** We do significantly more repair and maintenance orders than or competitive. For our area, competitive work is extremely difficult. Maintenance work is also increasingly difficult, across all makes and manufacturers', as cars (particularly Hondas) break down less, require less work, and inform the customer exactly when they need to come in for service
  - b. **Plans:** Must be competitive with area, this is how it must be done
  - c. **Evaluate:** Minimum wage in New York is about \$12/hour, with New York City at \$15/hour. We are also a union shop so we also have to pay union benefits, in addition to minimum wage. Therefore, an oil change guy, barely C-tech, makes \$23/hour – just to change oil. By the time

you take out cost of oil and parts, the cost for oil change is very high and not very cost efficient. On the other hand, non-OEM companies charge \$19.99 for oil change – they have no overhead, no unions, and don't use certified parts. Our oil change is \$34.95. Extremely difficult to stay competitive and still earn money in our area.

- g. Changes in Expense Structure--- (Homework Calculations – are you selling all of the available hours, are your expenses in line?)
- a. **Currently:** Our overhead is extremely high; our entire dealership's overhead alone is about \$900,000/month. We are situation on an acre and a half of land and pay \$150,000 in taxes a year. New York rent, taxes, and insurance are incredibly high so fixed expenses takes out a huge chunk of our gross profit. On the other hand, we have extremely highly proficient techs – 106%. While we had 2688 hours available, we billed 2847.
  - b. **Plans:** We do, ideally, want to open our service department later and hopefully Sundays to help with gross profit and offset fixed expenses
  - c. **Evaluate:** Being in New York a lot of expenses are high and out of our control. While I am happy with our tech proficiency and making the most out of the hours allotted, I would like to be open for more hours to increase gross profit.
- h. Pay Plans
- a. **Currently:** All of our pay plans are based upon union contracts and requirements, which include a pay plan plus payment for union benefits. Most of our techs are paid flat rate, with some being hourly, and all pay plans are based on position and tech level. Two of our PDI workers are also in the union. Our used car techs are paid hourly, not on incentive, but also work on oil changes, PDI, and warranty work. We are allowed, by the union, to use an outside (third party) company for cleaning new cars, as well as reconditioning used.
  - b. **Plans:** While our current pay plays include incentives for proficiency and billing more hours than available, we do not have training included. We plan to have a union meeting with our reps to include training incentives in our pay plans.
  - c. **Evaluate:** Unfortunately, again, we are bound by the union. All pay plans must be set forth by them and any changes must be evaluated, reviewed, and approved by the union as well. Any changes require several meetings over long periods of time consisting of the union rep, the union tech rep, the owners, the comptroller, the service managers, and the owners' lawyers.
- i. Detail performance programs—objectives, tracking, communication

- a. **Currently:** Our main objective is to make more money while keeping customers' satisfied and well-informed.
- b. **Plans:** Track, follow, and follow up on customers' surveys – look into the questions we continuously do poorly on, find out why a customer gave the score they did. We also want to communicate better to the customers (through MPIs) the problems with their cars and the available solutions
- c. **Evaluate:** One of the questions on the survey we do poorly on is “Service Repair and Explanation” (q9c). However, when an MPI is done and shown/explained to the customer, we do almost 20 points better on the overall survey and about 23 points better on question 9c. Previously, in our old service department, we weren't doing MPIs because customers often took that sheet from us and brought it to a non-OEM shop to have the work done for cheaper. However, now that we are in a much larger and nicer service department with a waiting room large enough for everyone, we no longer fear the customer leaving to go somewhere else. Therefore, we have begun conducting MPIs on every car in order to both improve customer satisfaction/awareness as well as GP by upselling.
- j. Level of current training—Manufacturer website, minimum training standard
  - a. **Currently:** Our training numbers are very low; both self studies on the computer and on site physical training. There has also been minimal to no improvement in the past few months.
  - b. **Plans:** We plan to change their pay plans to include incentives for training.
  - c. **Evaluate:** Due to being unionized, we cannot ask techs to take their tests outside of work hours. Due to the fact that we don't have enough or extra techs we, similarly, cannot ask them to not work/not help customers in order to take tests. I cannot have a tech sitting behind a computer taking a test while I have a waiting customer. Without a pay incentive, we just cannot force them to care about their training, even though it would only benefit them in the end. Furthermore, although our manufacturer places great value in the tests and training, our owner does not.
- k. Special tools---neat and organized, or a rats nest
  - a. **Currently:** Extremely neat and clean
  - b. **Plans:** Keep it this way with quarterly clean-ups/outs
  - c. **Evaluate:** Bit unfair as we are currently in a service department that is only 4 months old. Our old one was truly terrifying. However, along with filth, one of our biggest issues was lack of space. That is no longer an issue – we have PLENTY of space. So we are hoping that makes it

easy to keep this clean. We do have a cleaning company that comes nightly and cleans the entire service department.

- l. 100 Repair Order Analysis----evaluate summary (recap) sheet
  - a. **Currently:** High percentage of one-line RO's. Very low competitive RO's, both in terms of dollars as well as amount of RO's. Highest dollars in repair RO's, about \$10,000. Highest amount of maintenance RO's, about 70%
  - b. **Plans:** Decrease percentage of one-line RO's.
  - c. **Evaluate:** Although almost half of the RO's were one-lined, many of the RO's did have up-sell suggestions that were turned down by the customer, which I was happy to see. Furthermore, the extreme imbalance between repair/competitive/maintenance can be explained with the "express service" we offer at a discount. This includes an oil change, oil filter, engine oil, drain washer, and an MPI and therefore becomes a maintenance items, rather than competitive. This deal essentially makes selling individual competitive items obsolete.
- m. Complete Qualitative SWOT Analysis (pages 130 – 139) in class book - The Action Plan in the SWOT takes the place of the previous action plans that had to be signed off by the dealer. Copy the Strengths, Weaknesses, Opportunities, and Threats sheet and hand it to EVERY service employee. Ask for their input. Collect the sheets, tabulate the data and then set Objectives, Strategies, and Tactics. Now it is time to create the Action Plan. Finally, there is the Synopsis
  - a. **Strengths:**
    - i. Beautiful, huge, brand-new, state-of-the-art service department
    - ii. Plenty of room and bays
    - iii. Car was
    - iv. Lots of parking
    - v. Huge customer waiting area with tvs and wifi
    - vi. Experience and loyal service manager, dispatcher/foreman, parts manager, and A-techs
    - vii. Personal touch – mom & pop shop mentality with a big business look
  - b. **Weaknesses:**
    - i. Very low CSI and training
    - ii. Need to increase service hours and days open
    - iii. Current pay plans have no incentives for tech training
    - iv. No parts display (display exists, not filled/used)
    - v. Two separate buildings (car drop off and advisors / techs and parts)
    - vi. Long on-hold (phone) wait times
    - vii. Only working on Hondas
    - viii. Empty bays
    - ix. Too many 1 line ROs – no upsell
  - c. **Opportunities:**
    - i. Doing an MPI on every car will lead to more upselling and less 1 line ROs
    - ii. Updating pay plans will increase incentives

- iii. Have the parts display available – use it! Sell more than just parts
- iv. Hire a parts runner
- v. Work on all makes and models
- vi. Empty bays means more opportunities to hire more techs

d. **Threats:**

- i. Customers, in general, are wary and distrustful of service departments
- ii. Over-saturated market
- iii. Unionized / Non-union shops
- iv. Increasing lack of desire to work as a tech, particularly for a lower-end brand
- v. Cars now tell customers when to come to service- we see them less
- vi. Competitors with better and longer hours and better pricing
- vii. Non-OEM shops with better and longer hours and better pricing
- viii. Convenience – customers may live very close but due to congestion, may take very long to get to us
- ix. New cars are too technological and can be confusing to older customers

e. **Objectives**

- i. Increase gross
- ii. Increase/improve CSI
- iii. Increase competitive work
- iv. Update tech/advisor pay plans to include incentives for tests
- v. Improve communication to customers

f. **Strategies**

- i. MPI on every car
- ii. Include a pricing board
- iii. Overall better communication to customers, also being more friendly

g. **Tactics**

- i. Increase both service hours as well as days open
- ii. Hire a parts runner
- iii. Increase sales marketing and coupons to loyal customers
- iv. Using our new car wash

h. **Action Plan**

- i. Hire more techs
  - 1. Service Manager
  - 2. ASAP / daily basis
- ii. Increase hours and days open
  - 1. GM and Service Manager
  - 2. June 1, 2019
- iii. Install price fairness chart
  - 1. Service Manager
  - 2. ASAP
- iv. Update/use parts display
  - 1. Parts Manager
  - 2. July 1, 2019
- v. Increase tech self studies training
  - 1. Owner, Service Manager, Union rep

- 2. May 1, 2019
- vi. Improving communications between buildings
  - 1. Service manager, dispatcher
  - 2. May 1, 2019
- vii. Start true express service
  - 1. Service manager, dispatcher
  - 2. June 1, 2019

n. **Synopsis**

So much has changed for us and our service department within the last year. With that change we experienced a lot of positive results, however, there are clearly “growing pains” we had not anticipated. For a very long time we had believed our low CSI scores were mostly due to our old, run down service department. We had thought (hoped, assumed) those scores would magically improve once we moved into a larger, newer facility. However, we realized quickly that we had to work very hard to improve those scores. And furthermore, we would have to incentivize our employees in order to get those increased scores.

Having a union shop definitely limits a lot of our capabilities, but we feel there are ways to work around that. Hiring more techs, specifically well-qualified techs, would allow us more freedom to alter schedules in a way that makes everyone happy, including techs, advisors, customers, and owners. I believe having our car wash fully operational plus the transition to an actual express service dealer would be tremendously helpful for us. And I truly believe being open later and on Sundays would have the biggest positive impact and would give us an edge over a lot of our competition.

Increasing customer satisfaction will increase business which will increase tech satisfaction, increase our ability to hire new techs, and increase our owners’ satisfaction. It is all connected and each positive item will have a ripple effect into another area. Now that we are settled into our new location it is finally time to begin looking inward and working on the ways we can improve ourselves to make us the most ideal Honda service department in our area.

Repair Order Analysis Summary Report							
		Sales in Dollars	FRH's on RO's	Averages	Analysis		
Competitive		\$ 100	÷ 2.00	=	49.98	FRH Average	

Maintenance		\$ 5,412	÷	255.31	=	21.20	FRH Average	
Repair		\$ 9,770	÷	102.60	=	95.22	FRH Average	
Totals		\$ 15,282	÷	359.91	=	42.46	Customer ELR	
		Target Labor Rate				127.00	Per FRH	
Total Ro's in Sample	100	Difference				-84.54	Per FRH	

**Cost of Labor**

Total Cost of Labor	8494.60	÷	Total Sales	=	55.59%	Percent Cost of Sales
Total Cost of Labor	8494.60	÷	Total FRHs	=	23.60	Cost per FRH

**Repair Order Measurements**

Total Labor Sales	15,281.62	÷	Total ROs	=	152.82	Avg Labor per RO
Total FRHs	359.91	÷	Total ROs	=	3.60	Avg FRH's per RO
Menu Sales		÷	Total ROs	=		Percent Menu Sales
Competitive FRHs	2.00	÷	Total FRHs	=	0.56%	Percent Competitive
Maintenance FRHs	255.31	÷	Total FRHs	=	70.94%	Percent Maintenance
Repair FRH	102.60	÷	Total FRHs	=	28.51%	Percent Repair
One item ROs	51	÷	Total ROs	=	51.00%	Percent One Item RO

**Model Year Analysis**

2020	2019	2018	2017	2016	2015	Older	Total
0	2	9	11	16	6	56	100
0.00%	2.00%	9.00%	11.00%	16.00%	6.00%	56.00%	

