

Service Department Analysis for Honda North by Paul Desrosier

Strengths

1. We currently have one of the highest customer retention rates for Honda in the country at 74%.
2. Our service and parts managers work in unison with very little tension between departments.
3. The parts department is run extremely efficient with proper stocking, very few S.O.Ps, and minimal obsolescence.
4. Our shop hours mimic our sales hours
5. We are located in a densely populated area with an ever growing customer base.
6. We are an ESOP so every employee has a vested interest in the business and this is shown as we have just received Honda Presidents Award for the 9th year in a row, and express elite service for the past 4 years.
7. Much of our service staff are long term employees that really care about the success of the business.
8. Our CSE is continuously well above zone and national.

Weaknesses

1. Current pay for service advisors is heavily weighted on CSE with a minimal focus on labor sales.
2. Advisors have the ability to discount.
3. We are currently not advertising our service department other than our website.
4. Labor times often called by tech and not verified by writer or manager.
5. Techs have wasted time looking for keys and cars for internal work.
6. No non dealer competitive price board in the dealership.

Opportunities

1. Start advertising and working on all makes and models.
2. Densely populated ever growing market area.
3. Marketing, service mailer's and loyalty coupons.
4. Increase ELR by removing advisor's ability to discount.
5. Correct advisor pay plans to focus on labor sales.

Threats

1. We currently have 5 Honda Dealerships within 15-20 miles of us.
2. Weather as it is winter time we often lose at least a day or two due to snow.
3. Lower priced independent repair shops.
4. Other Honda Stores soliciting current technicians.
5. Mass amount of airbag recalls with limited time paid by manufacturer.
6. Multiple recalls across model lines could cause customers to defect.

Objectives

1. Increase customer pay hours per repair order.
2. Increase express labor sales per repair order.
3. Increase multi point inspection percentage to at least 90%. Currently at 82%.
4. Follow up on declined or deferred services.
5. Reduce discount percentages below 3%.
6. Improve Tech productivity
7. Increase express labor gross percentage. Currently 58% which is a drop from previous 66%.

Strategies/Tactics

1. Advertise all makes and models within our ASA with coupons to attract additional business.
2. All discounting to be at the discretion of the Service manager, Assistant service manager or General Manager.
3. Tier Tech pay Plans to increase \$1- \$2 per hour based on proficiency over 100%.
4. Instill Multi point inspection bonus for Service Advisors if MPIs are over 90%.
5. Work with Parts manager to develop a lost sales strategy.
6. Have weekly service meetings with staff to discuss strategies or road blocks while letting them know what is expected.
7. Continue to seek new technicians where ever possible including trade schools. We will also add a sign on bonus.
8. Devise a scheduling plan to ensure that proper techs are placed on the proper jobs.
9. Post Non Dealer Competitive pricing.
10. Aggressive marketing campaign to attract Honda owners currently servicing elsewhere.

Action Plan

Task	By Whom
<u>Completion Date</u>	
Remove advisors ability to discount. 04.01.19	Service Manager
Weekly service department meetings. Weekly	Service Manager / GM
Create Non Dealer Competitive price board. 05.01.19	Service Manager
Adjust Techs Pay Plans to include proficiency. 05.01.19	General Manager
Add advisor bonus for MPI % over 90%. 04.01.19	GM/ Service Manager

Develop Marketing Strategy to attract all
05.01.19

Service Manager/GM

Makes and models, along with current Honda
Customers who service elsewhere.

Marketing Manager

Track Lost Sales
04.01.19

Parts Manager

Synopsis

The Service Department at Honda North is currently profitable, but we have a lot of room for growth. Much of our team has been here for a long time and truly cares about the company and its business. With that they have the ability and willingness to conform to the ever changing needs of our business. Though getting them to work additional time and split evening shifts has not been an easy task since increasing service hours to mimic sales. This is contributing to our need to aggressively seek new technicians.

Our service retention is among the highest in the country for Honda At 74%. That being said many of these customers are coming through express in which we are only averaging \$32 in labor sales per repair order. If we can increase that to \$40 times 1800 express repair orders a month which would increase labor sales by \$14400 per month with \$8600 being going to the bottom line. In the shop we are currently averaging 1.7 hours per R.O. If we can increase that to 2.2 it would mean an additional \$50K per month in gross profit to the bottom line. So though we are currently profitable, making adjustments and moving towards these targets could increase our GP \$703,200 per year.

We currently have a decent size used car department, selling on average 108 cars per month, many of which are Certified Hondas. Our Internal rate matches our door rate @ 123.95 though the used car manager tends to convince the advisor to discount labor and parts sales. Moving forward there will be no discounting allowed on any internal ticket without the authorization of the General Manager. Also our pre-owned department also has the ability to grow, though our turn-around time on safety checks in the shop is stunting that growth a bit. An increase in pre-owned sales highly benefits service and parts, and is another reason we are actively seeking more technicians.

The service advisor pay plans currently are heavily weighted on CSE. As important as this is, labor sales are almost an afterthought of the pay plan. A new pay plan that focuses on labor sales while still having a CSE component will help to drive quick lube dollars per repair order to the \$40 we are targeting, and hours per R.O. closer to the 2.2 targeted.

With the changes mentioned above, and the implementation of an aggressive service marketing campaign, Honda North has the ability to add a significant increase to the bottom line. We will target all makes and models with competitive pricing to help add to our existing customer base. We will target our current customer base with loyalty coupons and competitive maintenance pricing, while using the MPI to sell repair work and increase ticket hours. We will also develop a campaign to target those customers who are in our ASA but servicing their Hondas elsewhere.

