

ATD 035 Fixed Ops 2 Post Class Assignment

Tim Renkens – Packer City International

Study Month March 2017

Advertising: Packer City has moved fully away from traditional advertising, we are now solely focused on website and social media traffic to drive customers in to our locations, we have done this by creating specific ads/specials for each platform so we can track which medium is giving us the most visibility and traffic. We are also heavily reliant on our entire staff to give a customer a positive experience in our store or at their location, we have done extra training in all departments specific to customer communication, positive word of mouth can have a big impact on our business. We offer referral incentives to parts and service customers in the form of a thank you credit for referring a new customer. We have also developed a pricing menu for common service items which is listed in the accelerated service bay. This lets our customers know that we are competitive on the easy items and will bring them back on the more in depth work because of the feeling that our pricing structure is fair and straight forward. All 5 of our stores are Diamond Edge certified. We have made a point to prominently display this since it is an initiative Navistar has made a priority.

Marketing: We hired a new full time marketing person in January of 2017 with a background in web design and social media. With that we invested in re-vamping the website to be mobile optimized. Part of our go forward marketing strategy is to attempt to keep the customer on our site for as long as possible. We hope to drive traffic to the new site through social media but we also market through many local trade associations including traffic club, timberman's association and highway commissioner's association. These trade groups give us an indirect way to stay in front of our customers and also provide insights in to local industry trends. Finally we focus on internal marketing. Packer City publishes a monthly newsletter which focus on our core values. The marketing team feels that if we promote our brand and message internally on a regular basis it will show through in our customer interactions. A sample of the newsletter is below.

Gratitude-Thankfulness-Appreciation

So, how can you bring more gratitude into your life? One way is by actively practicing. Here's some great ideas...go ahead think it's a little silly, a little gratitude goes a long way. We all have fond memories of those who took/take the time to show their appreciation.

Morning Diet Mountain Dew Gratitude. One of the best ways to start your day off right is to spend a few minutes thinking of all the things that you're grateful for. If you're worried about finding the time to do this, or finding a way to remember to give thanks each morning, tie your morning gratitude session to your morning diet Mountain Dew. Substitute your favorite drink!



Grace before meals. It's a moment to pause and be mindful, as well as feel blessed that you have all of the food and nourishment you need.

Things You Take For Granted. Imagine losing some of the things that you take for granted, such as your home, your ability to see or hear, your ability to walk, or anything that currently gives you comfort. Then imagine getting each of these things back, one by one, and consider how grateful you would be for each and every one.

Put Things in Perspective. After a negative event put things in perspective by remembering that every difficulty carries within it the seeds of an equal or greater benefit. When faced with adversity, ask yourself the following questions

- "What's good about this?"
- "What can I learn from this?"
- "How can I benefit from this?"
- "Is there something about this situation that I can be grateful for?"

Gratitude Journal. Before going to bed each night, write a list of five things about that day for which you're grateful. Some days you'll have exciting things to write down, and some days you'll be writing down simple joys.

Gratitude Thank You Card. Sit down and write a handwritten Thank you card to someone who has exerted a positive influence in your life but whom you have not properly thanked.

Gratitude Visit. Visit someone who is ill or elderly needing a bit of companionship or cheering up! Show them you care!

Gratitude Trigger. Place an object somewhere in your house or workspace which will remind you to feel grateful each time that you look at it. It can be a little sign that says "Thank You" hanging in front of your desk, or a door mat with the word "Welcome" written on it to remind you to be grateful each time that you arrive at home.

Through the Eyes of Another. Sometimes we get so used to the good things in our life that we stop feeling appreciation for them. In that case, find a way to see the things, people, and places that you love through the eyes of another.

Gratitude for Gadgets and Tools. Take a moment to think of all the gadgets and tools which make your life easier and more enjoyable. Include your smart phone, tablet, computer, your coffee maker, your TV, your car, your refrigerator, and so on. Allow yourself to appreciate and feel gratitude toward all those people who made it possible for these gadgets and tools to be in your home, making your life so much more convenient.

Four Questions. A great way to bring things that you're grateful for to the forefront of your mind is by asking yourself questions. At the end of each day, ask yourself the following four questions:

- What touched me today?
- Who or what inspired me today?
- What made me smile today?
- What's the best thing that happened today?

Facility: Packer City's facility potential for service sales is \$629821, per guide 80% of service potential is \$503857. Current utilization is at 65.09% or \$409959. This is an opportunity to improve. We rely heavily on UTI for technician recruiting which leaves us with many techs in the 1-3 year experience range. As these technicians move from trainee status (shadowing a senior tech on more complex jobs) to working on dedicated jobs we will be able to improve utilization due to the fact that we will not be tying up multiple bays for training jobs that could be turned by a more experienced tech. An ancillary benefit will be a higher repair velocity. Additionally a process is being developed to assign the right tech to the right job, too often we are not looking at the strengths of the technician but rather what they worked on most recently when assigning an RO.

FACILITY UTILIZATION		
Total Labor Sales	\$	409,959
		÷
Facility Potential	\$	629,821
		<i>equals</i>
FACILITY UTILIZATION		65.09%

Productivity: Overall tech proficiency is at 78.02%, in a month with 23 working days we have 5704 hours in inventory. At this rate of proficiency we are only selling 4451 hours. This is a huge opportunity for improvement. The service department as a whole can benefit from improved process and accountability. At 100% proficiency to sell 4451 hours we would need 6.8 less technicians than we currently employ.

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Organization and Production: We are limited by age of facility in many cases, our newest store was built in 1997 and has all of the space needed to house specialty tools, work on tractors and trailers and even has a lift, dyno and pit, however the other 4 facilities have challenges including one shop built for cab overs, one shop having only 2 doors with 4 deep bays and one shop being a converted warehouse. With all of that in mind our consistent structure of service manager, foreman, service writer and warranty admin has allowed us to streamline despite facility obstacles. We have also moved toward eliminating the back counter completely by giving the parts person a spot in the service office with an option of working remotely from the center of the shop.

Cost of Labor & Gross: Customer pay labor makes up 77.78% of our total labor sales while warranty makes up 11.82% and internal makes up 10.4%. Our largest opportunity is in warranty with gross as % of sales at 35.23%. The largest contributing factor to this is 2 fold; Navistar has cut back STR times to a minimum making it very difficult to bill all worked warranty hours at our effective warranty rate. Additionally warranty work is not being assigned to the best tech for the job because warranty jobs have

been labeled as “losers”. Many times they are given to inexperienced techs who will further drive down our warranty effective rate. Steps to change this attitude are in process.

Service Department Sales And Gross (Labor Only)

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Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Truck	\$ 318,875	\$ 229,130	71.86%	77.78%
Customer Truck			0%	0.00%
Customer Other			0%	0.00%
Warranty	\$ 48,440	\$ 17,064	35.23%	11.82%
Warranty Other			0%	0.00%
Internal	\$ 42,644	\$ 28,236	66.21%	10.40%
NVI / Road Ready			0%	0.00%
Adj. Cost Of Labor			0%	0.00%
Total	\$ 409,959	\$ 274,430	66.94%	100.00%

Clear Form

The Picture	
Customer Pay Gross Profit %	71.86%
Total Service Dept. G.P. %	66.94%

Changes to expense structure: Currently 68.87% of expenses are taken up by personnel, an opportunity for savings here is workman’s comp which is 18% of the \$189011, this is higher than average but because of multiple events our premiums have gone up substantially. We are in the last year of this cycle and hope to have an adjusted premium for November 2017. Semi fixed expenses could also be adjusted, the bulk of these expenses, 47%, are training which is due to our young technician pool. Policy makes up 20% which needs to be addressed, many times in accurate estimates or lack of customer approvals for additional work get policy since the labor rates are now locked based on job type. Finally data processing expense, or IT expense, is very high for this department. IT is currently sub contracted but an in house solution will be in place by fiscal Q4 2017. There are many opportunities for expense reductions in service, allocations will be reviewed yearly moving forward.

Service Department Profit Centering pageA-7

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 274,430		
Variable Expense	\$ 2,093	0.76%	
Selling Expense		0.00%	
Personnel Expense	\$ 189,011	68.87%	
Semi-Fixed Expense	\$ 44,452	16.20%	
Fixed Expense	\$ 48,202	17.56%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 283,758	103.40%	
Net Profit	\$ (9,328)	-3.40%	

Clear Form

The Picture	
Customer Pay Gross Profit %	71.86%
Total Service Dept. G.P. %	66.94%
Parts / Labor Ratio (Cust. Pay Only)	0.67
Total Service Dept. Expenses	\$ 283,758

Pay plans/performance improvement: currently we are an hourly shop with no tech bonus program. The service managers do have a bonus program but it is very complex which NADA advises against. Below is the current tech pay plan, service manager bonus program and a proposed tech incentive plan. One of the biggest initiatives currently underway is the tech bonus program. The deadline for implementation is 7-1-17. We have lost several techs to competitors due to our lack of an incentive program. Our tech hourly rate is very competitive in the market and we have great benefits, our biggest issue is that our tech pool has a high percentage of 1-3 year experienced employees which don't always value benefit packages and look more to hourly pay rate. These programs are posted internally, there is a monthly email that is sent from our CRM for tracking and it is also printed on the pay stub.

Utility/Apprentice Tech Enrolled in Tech School-----	\$11.00 per hour
New Tech—Tech School Grad no experience no CDL-----	\$12.50
New Tech---Tech School Grad no experience with CDL-----	\$13.00
New Tech---UTI/Navistar Tech School grad with CDL-----	\$15.00
2-3 years experience with CDL-----	\$17.00
2-3 years experience Allison-Eaton-Engine experience with CDL-----	\$19.50
4-5 years experience International-Cummins—CDL-----	\$22.00
4-5 years experience Allison-Eaton-International-Cummins with CDL-----	\$25.00
TOP DOG TECH-----	\$26.50

Keep paying techs with gift cards for any training modules done at home per company established guidelines

Any training schools that techs are sent to and pass the courses pay rate will be adjusted at yearly review as a equity adjustment.

Packer City International Trucks, Inc.

Hourly/Supervisory Service Department Incentive

Effective 11/1/2010

Branch 3

Partipants: Full-time hourly/supervisory service staff.

Eligibility: New employees ~ first full quarter of employment. Eligible employees must be on payroll at quarter end – not terminated, layed off, or on worker’s compensation.

Objective: To promote a true team working environment therefore increasing the departments overall profitability.

Incentive is based on fiscal quarters Nov-Jan, Feb-Apr, May-Jul, Aug-Oct and paid the week after the accounting cycle is closed for the quarter.

In order for the incentive to be paid the following 3 items must first be achieved:

1. Packer City International Trucks, Inc. is profitable fiscal year-to-date.
2. The applicable Packer City location is profitable fiscal year-to-date.
3. The applicable service department is profitable fiscal year-to-date after overhead allocation and achieves plan.

Available Incentive Pool per Fiscal Quarter

The number of active service department employees will equally divide incentive pool earned. Eight supervisory/hourly included in pool.

Net income after overhead allocation:	Level 1	\$20,000 - \$30,000	\$3,120 pool
	Level 2	\$30,001 - \$40,000	\$4,200 pool
	Level 3	\$40,001 - \$50,000	\$5,280 pool
	Level 4	\$50,001 and above	\$7,200 pool

Incentive pool is earned by achieving the following criteria:

65% of incentive pool paid if service department productivity is at a level of 82.5% based on Karmak Legend employee department 1 productivity ~ hours billed versus production hours. In addition, profit center 04 & 05 must meet business plan income after overhead allocation.

5% of incentive pool paid if comebacks/repeat repairs dollars under acceptable level \$1,000 per fiscal quarter.

5% of incentive pool paid if no charge backs for missing warranty parts.

5% of incentive pool paid if service employees completing online or other assigned training programs that have been assigned to them. Training will assigned prior to each quarter. **All** employees' assigned training must complete training in order to receive pool.

5% of serial numbers are logged on all major components.

5% of incentive pool paid if quick lubes inventory variance within acceptable level \$100

Branch manager and Branch department managers will conduct inspection randomly and a check list will be posted after inspection for the following items:

5% Cores returned to correct location for processing. Cores drained and major failures reported to parts department for proper customer billing.

5% Repair location cleaned immediately after repair completed, common shop areas (tool rooms, oil recovery station, and steam bay) addressed daily. Three failed inspections during a quarter will result in a loss of this incentive item.

Additional incentive: An additional incentive to be paid quarterly if service department exceeds business plan profitability by 10%. \$400 divided by # of Supervisory/Hourly staff.

Packer City International Trucks, Inc. management team reserves the right to terminate/amend this program at anytime.

Service incentive

- 1.) Tech must meet 95% efficiency (first trigger)
- 2.) Tech than must meet minimum proficiency of 80% (hours worked does it include vacation and training?)
- 3.) Tech bonused monthly

\$104.00 labor rate

95% efficient equals 57 min billed per hour
80% proficient equals \$83.20 an hour/ net hours \$79.04
85% proficient equals \$88.40 an hour/net hours \$83.98 (\$4.94)
90% proficient equals \$93.60 an hour/net hours \$88.92 (\$5.00)
95% proficient equals \$98.80 an hour /net hours \$93.86 (\$4.94)
100% proficient equals \$104 an hour/ net hours \$98.80 (\$4.94)
105% proficient equals \$109.20 an hour (\$10.40)
(net hours is proficient labor rate divided by 60 X 57)

\$110.00 labor rate

95% efficient equals 57 min billed per hour
80% proficient equals \$88.00 an hour/ net hours \$83.59

85% proficient equals \$93.50 an hour/net hours \$88.83 (\$5.24)

90% proficient equals \$99.00 an hour/net hours \$94.05 (\$5.22)

Training: training is a priority in our stores, we pride ourselves on a high level of tech knowledge and having multiple techs certified on a variety of powertrain components. Additionally training contributes to the Diamond Edge certification process. Below is an example of current training at one of our stores, this store has a young workforce and we have changed engine platforms more than usual in the past 5 years. We do lack some knowledge on the mid-range & discontinued product but those are currently being cycled out of use and the training is becoming less frequent. Finally we do offer a training bonus program with gift cards above and beyond tech hourly pay, this is a great way to incentivize techs to keep up on the latest training without having to assign training days.

Tech	MF7	MFDT	MF9/10	MF13	N9/10	N13	ISB	ISL	ISX	Eaton	Allison	Meritor	AC	Propane
Kelly	Yellow	Green	Green	Yellow	Green	Green	Green	Red	Green	Green	Yellow	Green	Green	Green
Glenn	Green	Green	Green	Green	Green	Green	Green	Red	Green	Green	Green	Yellow	Green	Red
Dustin	Yellow	Green	Green	Yellow	Green	Green	Green	Red	Green	Green	Yellow	Green	Green	Red
Skip	Green	Green	Green	Green	Green	Green	Green	Red	Green	Green	Green	Green	Green	Red
Josh	Yellow	Green	Green	Green	Green	Green	Green	Red	Green	Green	Green	Yellow	Green	Red
Kyle	Green	Green	Green	Yellow	Green	Green	Green	Red	Green	Green	Yellow	Green	Green	Red
Aaron	Yellow	Green	Green	Green	Green	Green	Green	Red	Green	Green	Green	Green	Green	Green
Andrew	Red	Red	Red	Red	Yellow	Yellow	Green	Red	Green	Green	Green	Green	Green	Red

Special tools and equipment: we are currently up to date at all locations on specialty tools, tools are organized on hinged peg boards by type (Navistar, Cummins, Allison, etc). we made a substantial investment in tool organization about 5 years ago to go to peg boards from pure chaos. Each location also has an AC machine and with our propane certification we have a propane evacuation unit at our bus/propane shop. We just recently transitioned to a virtual tool check out through our CRM. This means parts charges a tool deposit to the RO and delivers the tool to the bay with the parts for the job.

50 RO analysis recap: the RO analysis was truly eye opening, a missed opportunity in our shops is the ability to up-sell the customer when they are in for routine service. We had a high percentage of one item RO's in my sample group. Because of this we have instituted a plan to introduce a 20 point courtesy visual DOT walk around. We can then offer this to the customer and have them sign off if they refuse repairs. Not only does it give us the opportunity to up sell and provide estimates for additional repairs it also covers us if the truck leaves with a violation and is cited later on the road.

SWOT: Strengths – reputation for fair pricing in service, number of bays, 24/5 service, pick up and delivery 6 days a week

Weaknesses – young workforce, lack of succession plan as older techs retire, lack of service advisor training, no bonus program

Opportunities –all makes PM work, high level Allison certified techs at multiple stores, propane bus certification, mentoring and internal promotion

Threats – OEM reputation, low market share over past 3 years, high policy expense, warranty SRT times, tech turnover, large fleet re-opening green bay shop

Action plans:

-Right job/right tech – train service advisors to look at RO operations before assigning, many times we assign by tech availability and not skill, tech is to be evaluated as an A, B or C tech by 5-31 and the RO ops are also graded on the same scale by 4-30, accounting will load op grades by 5-31 for full implementation

-Technician bonus plan – President, VP & Service Director to submit proposals for tech bonus plan based on efficiency and proficiency by 6-15, sliding scale to be assigned by percentage, labor rates by operation type to be locked in DMS by 5-15. Service managers, director and VP to approve plan at July managers meeting for roll out at July all service team building event.

-DOT visual walk around check – new form to be developed by IT for accelerator tool by 7-31, roll out/feedback in August service meeting, implementation by fiscal Q4, service writer to random audit 5 RO's a week to check for signed customer form.

-On site check in – casual driver's to be trained in Accelerator tool, when picking up customer vehicle on site they are to pull health report, add customer info, have customer approve condition report, get sign off for initial triage and send RO back to advisor, if health report shows stop now vehicle is to be towed or customer to sign a waiver. Advisor takes RO, checks for parts/parts to bay and assigns tech.