

Service Department Analysis
For Bruce Ford

Prepared by Barrett Wenckowski
N34504

March 2019 Statement

Strengths

-Good technician experience mix. 2 techs with over 20 years of experience with our most senior tech working his entire career at the dealership. The less experienced techs are eager to learn from the senior coworkers

-Current General Manager has a strong fixed operations background. He can teach and provide guidance to staff.

-Many loyal customers. Service department has many members of the community who have been getting their service work done at this location for many years

-Make service appointments easy for customers with dedicated service loaners provided to customers who need to leave their vehicle for an extended period of time. A dedicated shuttle driver servicing both our Ford and GM location. Drivers are also available to pick up of customers vehicle for appointments and drop off after work is completed

-Experienced Parts Manager with previous experience running our service department and is well known and liked in our community.

-Small town customer service. When provided with a good service customers tell others about their good experience. Good news travels fast and creates new customers for our service department.

-Most experienced technician is a team player with a positive attitude. He is always willing to stay late if the shop is behind schedule or if the sales department needs a favour. He is willing to spend time with the less experienced techs to teach/train.

Weaknesses

- Facility is old and outdated with limited space. Techs have very limited amount of space to work in bays. This can increase the risk of damaging vehicles when moving in and out of stalls an increase expenses to department
- Service departments 5th bay is located outside of main building, located in the detailing department garage. It is on the same lot however this decreases productivity if the tech needs to go to the parts department as they have to travel between buildings.
- Service Advisors are inexperienced and are weak at selling potential work found by the techs to customers.
- Service department is currently without a Service Manager with the GM filling the role on an interim basis. This affects the service departments profitability as the GM can not give 100% of their attention to this department as they must also oversee other departments in the dealership.
- New techs are slow at completing work and need to improve on their times to complete jobs like oil changes. When completing the 100 RO excel template it was noticeable that we are charging out a time of 0.40 to complete the oil change but the actual time the new tech was clocked on the job was longer.
- Communication seems to be lacking between the service department and parts department. Although they are no more than 25 feet apart there seems to be an issue with the required parts not being available for appointments.
- Service department losing money. This is unacceptable.

Opportunities

-Inexperienced Service Advisors gives the dealership an opportunity to provide both training from the manufacturer and in-house to ensure they are trained properly without developing bad habits.

-Extend service hours to increase sales opportunities to the service department. Currently reconditioning of sales trade ins are moved down the street to the auto groups larger GM store. This will also increase availability to customers who are unavailable to come in during the day and possibly open up opportunities to new fleet customers.

-With the service department currently without a Service Manager this opens up the opportunity to find an experienced manager who fits the culture of our dealership or find the right individual to train how the dealership sees fit.

-Currently we have a dedicated marketing department focusing on growing our customer base through digit contacts. There is a large opportunity marketing our service department through other avenues such as through the local papers and directly business to business throughout the local communities.

-Set up a tire display by service counter and a vehicle accessory display in service waiting room.

-Set up a T.V. in the service waiting room showing service and parts offers.

-Be active in the community supporting local events and teams.

-Have a customer appreciation day. Thanks current customers, introduce staff to potential new customers and have activities for children.

Threats

-Increasing number of independent shops in the area. Smaller shops opening in the area are undercutting labour rates on non warranty repair jobs. Lots of “cash” jobs offered by mechanics not employed at dealerships.

-Losing work to our auto groups larger GM store across the street. Currently our sales department does all reconditioning there.

-Dealership is in a very small rural community, current population is approximately 1800 with the shopping center of the area 30 minutes away with a population of approximately 6200 people.

-There is not a lot of disposable income in the area with the average income being approximately 38,000/year.

-Small community, one bad experience to a customer can be spread very quickly throughout the community.

-Younger population moves toward the provincial capital of Halifax where the average income is higher with more job opportunities. This makes it hard to recruit and retain employees.

Objectives

1. Recruit a Service Manager
2. Train less experienced technicians
3. Train Service Advisors to sell
4. Reduce number of 1 line work orders
5. Increase hours per RO
6. Increase Effective Labour rate to \$99
7. Increase service department CSI

Strategies

- 1.Ensure HR is actively promoting our open sales manager position through multiple sources ex) online, newspaper and at job fairs.
- 2.Provide both off and on-site training to new technicians to increase proficiency.
- 3.Bring in a trainer to help improve selling skills with service advisors by providing strategies and feedback.
- 4.Update Service Advisor pay plan so they are incentivised to increase retail ELR, CSI and retail hours per RO. Set up a bonus to reduce 1 line RO's
- 5.Once Service Manager is hired update old pay plan to be more performance based. Current pay plan is mainly salary with a small bonus on net profit. Decrease salary and increase bonus % of net profit.
- 6.Track Service Advisor and technician performance daily and review weekly with staff. Let them know how they are performing and provide guidance. If a member of the staff is under performing provide an action plan for so they can follow specific steps to improve
7. Service Manager and Parts Manager should meet daily to ensure correct parts are in stock for days appointments and to go over lost sales to make sure the right parts are in stock. This will decrease unproductive time of moving vehicles in and out of the shop to wait for parts and increase customer satisfaction
- 8.Make sure service offers and specials are visible in the dealership and advertised to the public
9. Extend service hours to gain back internal work from the sales department
10. Shop competition to make sure competitive and repair work is priced accordingly.

Tactics

1. GM meet with head of HR weekly to review all sales manager contacts to make sure none are overlooked.
2. Subscribe to Kintz training and have Service advisors begin course
3. Send Service Advisor to next local course in person for hands on training
4. Shadow and provide feedback to service advisor when trying to sell a job
6. Review 1 line RO's with Service advisors to find opportunities and teaching moments
5. Review actual time per RO vs sold time per RO with techs to make sure they are being productive and find areas where they may need training
6. Set meeting time for 7:30 am every morning for Parts Manager and Service Manager to plan for the day
7. Set up new performance based pay plans for both Service Manager and Service Advisor. Obtain approval from head office and then present to staff.
8. Service Manager to call and shop rates at local competition and provide pricing to GM to ensure current rates are competitive and profitable. Make sure pricing is compared to competition in Halifax.
9. Gain back internal business from sales department. Offer techs to stay late to do extra work to increase income.
10. Install TV on wall of service waiting area so customers can see promotions.

Action plan

<u>Task</u>	<u>By Whom</u>	<u>Completion Date</u>
Hire Service Manager	GM	June 1, 2019
Set up Kintz Training	GM	June 1, 2019
Train Selling skills for Service Advisors	Service Manager	Daily
Review 1 line RO's With Service Advisors	Service Manager	Daily
Review actual time per RO vs sold time per RO	Service Manager	Weekly
7:30am meeting between Parts Manager and Service Manager	GM	Daily
Update pay plans to be more performance based	GM	June 1, 2019
Shop Competition	Service Manager	July 1, 2019
Extend hours / Gain Back internal business	Service Manager	Immediately
Install TV in service Waiting room	IT	June 1, 2019

Synopsis

Recently the service department has had issues with quick turnover. It is important we find a qualified Service Manager to provide leadership and stability for the staff and customers. Investing in the Service Advisors training will be important for employee retention and increasing labor sales.

The service department needs to gain back the reconditioning work from the sales department. Offering the additional work to technicians after hours or extending the hours of operation will fix this issue immediately. This is additional sales/gross that the dealership is simply throwing away.

Current pay plans are not weighted enough on employee performance. Reducing Service Managers salary, adding bonuses based on departments net profit and key performance indicators will ensure the service manager is being productive. Right now, there are no bonus incentives to techs, adding a monthly rotating bonus for techs could help improve areas that need improvement. Bonusing Service Advisors on retail hours per RO and reducing 1-line RO's should increase sales. Adding a CSI bonus will help with customer retention.

Marketing the sales department is crucial to the success of the service department. Offers and promotions need to be communicated with the public. Offers are currently promoted through various digital sources and internally but these offers should be extended in the local papers as well. Increasing community support and involvement will also help increase exposure.

The service department has not been a profit center to the dealership recently but with a few small adjustments it should be making a net profit in the near future.

<p style="text-align: center;"><u>Strengths</u></p> <ul style="list-style-type: none"> -<u>Experienced techs</u> -<u>Good team staff mix</u> -<u>Experienced parts manager</u> -<u>GM has strong fixed ops background</u> -<u>Many Loyal customers</u> -<u>Small town good news travels fast</u> 	<p style="text-align: center;"><u>Weaknesses</u></p> <ul style="list-style-type: none"> -<u>Facility is old and outdated</u> -<u>Service Advisors</u> -<u>Shop is short on space</u> -<u>5th bay is in separate building</u> -<u>Selling additional work</u> -<u>New Techs to slow</u> -<u>Communcation</u> -<u>Parking</u> -<u>Turnover</u>
<p style="text-align: center;"><u>Opportunities</u></p> <ul style="list-style-type: none"> -<u>New techs eager to learn</u> -<u>Ability to train service Advisors</u> -<u>Lots of room to improve</u> -<u>Marketing</u> -<u>Extend service hours</u> -<u>Dedicated marketing team</u> 	<p style="text-align: center;"><u>Threats</u></p> <ul style="list-style-type: none"> -<u>Losing work to Groups GM store across the street (more bays and techs)</u> -<u>Small town bad news travels very fast</u> -<u>Increasing number of independent shops</u> -<u>Small town (very rural)</u> -<u>Income Gap in area</u>

Repair Order Analysis Summary Report

		Sales in Dollars	FRH's on RO's	Averages		Analysis
Competitive		\$ 3,352	÷ 44.80	=	74.81	FRH Average
Maintenance		\$ 2,140	÷ 19.30	=	110.90	FRH Average
Repair		\$ 5,577	÷ 39.40	=	141.55	FRH Average
Totals		\$ 11,069	÷ 103.50	=	106.94	Customer ELR
			Target Labor Rate		87.62	Per FRH
Total Ro's in Sample		100	Difference		19.32	Per FRH

Cost of Labor

Total Cost of Labor		2014.35	÷ Total Sales	=	18.20%	Percent Cost of Sales
Total Cost of Labor		2014.35	÷ Total FRHS	=	19.46	Cost per FRH

Repair Order Measurements

Total Labor Sales		11,068.79	÷ Total ROs	=	110.68	Avg Labor per RO
Total FRHs		103.50	÷ Total ROs	=	1.03	Avg FRH's per RO
Menu Sales			÷ Total ROs	=		Percent Menu Sales
Competitive FRHs		44.80	÷ Total FRHs	=	43.29%	Percent Competitive
Maintenance FRHs		19.30	÷ Total FRHs	=	18.65%	Percent Maintenance
Repair FRH		39.40	÷ Total FRHs	=	38.07%	Percent Repair
One item ROs		60	÷ Total ROs	=	60.00%	Percent One Item RO

Model Year Analysis

2020	2019	2018	2017	2016	2015	Older	Total
0	1	16	13	11	6	53	100%
0.00%	1.00%	16.00%	13.00%	11.00%	6.00%	53.00%	

Service Department Sales And Gross (Labor Only)				
Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ -	\$ -	0%	0.00%
Customer Truck	\$ 24,262	\$ 18,409	75.88%	34.71%
Customer Other	\$ -	\$ -	0%	0.00%
Warranty	\$ 32,369	\$ 20,331	62.81%	46.31%
Warranty Other	\$ -	\$ -	0%	0.00%
Internal	\$ 13,269	\$ 10,058	75.80%	18.98%
NVI / Road Ready	\$ -	\$ -	0%	0.00%
Adj. Cost Of Labor		\$ 3,999	0%	0.00%
Total	\$ 69,900	\$ 52,797	75.53%	100.00%

Service Department Profit Centering			
Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 52,797	% of Gross	Profile
Variable Expense	\$ -	0.00%	
Selling Expense	\$ 17,729	33.58%	
Personnel Expense	\$ -	0.00%	
Semi-Fixed Expense	\$ -	0.00%	
Fixed Expense	\$ 30,824	58.38%	
Unallocated Expense	\$ -	0.00%	
Dealer's Salary	\$ 4,877	9.24%	
Total Expenses	\$ 53,430	101.20%	
Net Profit	\$ (633)	-1.20%	

NADA ACTUAL SERVICE ANALYSIS				
Performance				
	Labor Sales / Month		Hourly Labor Rate	Hours Billed
Customer Car*	\$ -	÷		= 0.00
Customer Truck*	\$ 24,262	÷	99.00	= 245.1
Customer Other*	\$ -	÷		= 0.00
Warranty	\$ 32,369	÷	85.62	= 378.1
Internal	\$ 13,269	÷	99.00	= 134.0
New Vehicle Prep	\$ -	÷		= 0.00
Total	\$ 69,900			757.2
POTENTIAL				
	\$ 69,900	÷	757.16	= \$ 92.32
Total labor sales for month			Total hours billed	Effective Labor Rate
	5.00	x	8	x 22 = 880.0
# Service mechanical technicians			# Hours/Day	Working Days/Month
	880.0	x	\$ 92.32	= \$ 81,241
			Effective Labor Rate	Labor sales potential
	Clock Hours Available			
How proficient are your technicians ?				
	757.2	÷	880.00	= 86.04%
	Hours Billed		Hours Available	Tech Proficiency
Customer labor divide by the Customer Effective Labor rate from the R. O. Analysis				

FACILITY POTENTIAL	
Number of Bays	5
	x
Number of Days	22
	x
Number of Hours	8
	x
Effective Labor Rate	92.32
FACILITY POTENTIAL	\$ 81,242
FACILITY UTILIZATION	

Total Labor Sales	\$ 69,900	
	÷	
Facility Potential	\$ 81,242	
	<i>equals</i>	
FACILITY UTILIZATION	86.04%	

Current Advertising



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1-855-854-2487