Service Department Analysis – Glen Toyota – Rob Daland N345-21

Strengths

The store is in business 50+ years

Brand new service facility

Customer retention is at a good level

Service Manager came to NADA and is on board and open to growth and coaching

Very strong A technicians that mentor

Service Director went down and is out minimum of 3 months, this is an opportunity to have the Service Manager grow and for us to evaluate if we need both.

Advisors, BDC, SM and Valets on board

Shop Foreman is a good coach and mentor

GM is always available to handle and customers issues that others may not be able to rectify

Store technology is keeping pace with climate

Competitive pricing is posted above each Advisor

DP and GM are always open to and adapting to change and growth

Used car department has good working relationship with the SM and recon Techs

Weaknesses

Service director went down and is out minimum of 3 months and he is a hard worker and my Service Manager can burn out

Service Facility is at a different location than the Showroom and offices

Service Advisors are either very strong or on the weaker side 50/50 mix

Need training for advisors

MPIs were not 100% up to par

Processes were not 100% enforced

SM and SD have a tendency to want to educate and argue with irate customers rather than listen and then problem solve

Some techs are more than non productive

Cashier goes over ROs with customers during certain time frames

SD thinks we are a well oiled machine and not open to coaching or change

Weaknesses – cont

Service Director is on a permanent guarantee

Fixed expenses are high

CSI could improve

Social media ratings were trending down

Opportunities

Hours could be extended to increase efficiencies and proficiency

Can improve moral with culture of proficiency that includes training

Can see if SM is ready to take over and lead the department

Retained profit

Threats

Many same brand competitors fighting for our business

Techs all not on board some push back

Competitors poaching Advisors and Techs

Expenses were high

SD business as usual

Bad reviews

Process stalls or no inspection

Dealership liable if MPIs not filled out or completed correctly

Warranty labor goals not hit

Advisors discounting

Objectives

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Create a culture of proficiency

Increase Tech proficiency

Increase Fixed Absorption

Increase Facility Utilization

Reduce expenses

Increase retained gross profit

Increase ROs written daily

Strategies

Quick to the point daily meetings

Weekly full Service Staff meetings – interactive

Discounts from SM or SD only – phase out ASM ability

Schedule to match demand and constantly measure

Tactics

Review #’s with SD, SM and PM weekly and devise plan to hit goals or maintain ie. whats working/not working

Review analytics weekly on the webpage and phone numbers to access what advertising is working

Meet with PM and inspect lost sales and pricing guides biweekly

Put correct tech with correct job no cherry picking or on the flip side setting techs up to fail by o being able to complete jobs during time frame

Action Plan

Survey Customer for ideal extended service hours/ days SM 6/1/2019

Action Plan – cont.

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Fix/adjust pricing guides in DMS SM /PM
4/15/2019

Meet with Techs and Advisors on MPI zero tolerance process SM/GM
5/1/2019

Remove ASM ability to discount from system SM 5/1/2019

Adjust ASM pay plans SM/GM
4/15/2019

Training schedule for ASMs SM
5/1/2019

Vending Machine for shop supplies with pin codes SM
6/15/2019

Weekly meetings with PM and SM GM
weekly effective 4/1

Revise hours as needed from surveys DP/GM/SM
6/15/2019

Change Digital Marketing vendor GM
5/1/2019

Build Open recalls report for BDC and Advisors with process SM/GM
5/1/2019

Job Descriptions and expectations GM/Controller
4/30/2019

Expense analysis GM/Cont/DP
4/15/2019

Adjust Tech schedule to reflect demand SM
4/15/2019

Track and Measure results GM/SM weekly

Action plan to streamline recon and increase internal ROs SM/UCM
4/15/2019

Meet with Techs to review proficiency and train on potential SM/GM
biweekly

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Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	$ 195,003	$ 142,152	72.90%	70.08%
Customer Truck			0%	0%
Customer Other			0%	0%
Warranty	$ 50,548	$ 38,218	75.61%	18.17%
Warranty Other			0%	0%
Internal	$ 23,644	$ 17,904	75.72%	8.50%
NVI / Road Ready	$ 9,068	$ 7,737	85.32%	3.26%
Adj. Cost Of Labor		$ (8,304)	0%	0.00%
Total	$ 278,263	$ 197,707	71.05%	100.00%

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 197,707		
Variable Expense		0.00%	
Selling Expense	$ 63,681	32.21%	

Personnel Expense		0.00%	
Semi-Fixed Expense	$ 49,483	25.03%	
Fixed Expense	$ 83,259	42.11%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	$ 196,423	99.35%	
Net Profit	$ 1,284	0.65%	

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		*Hourly Labor Rate*		*Hours Billed*
Customer Car*	$ 195,003	÷	116.00	=	1681.1
Customer Truck*		÷	116.00	=	0.00
Customer Other*		÷	116.00	=	0.00
Warranty	$ 50,548	÷	120.00	=	421.2
Internal	$ 23,644	÷	125.00	=	189.2
New Vehicle Prep	$ 9,068	÷	120.00	=	75.6
Total	$ 278,263				2367.0

POTENTIAL

$ 278,263	÷	2367.01	=	$ 117.56		
Total labor sales for month		Total hours billed		Effective Labor Rate		
19.00	x	8	x	25	=	3,800.0
# Service mechanical technicians		# Hours/Day		Working Days/Month		Clock Hour Aval
3,800.0	x	$ 117.56	=	$ 446,723		
Clock Hours Available		Effective Labor Rate		Labor sales potential		

How proficient are your technicians ?

2,367.0	÷	3,800.00	=	62.29%
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	25
	x
Number of Days	25
	x
Number of Hours	11
	x
Effective Labor Rate	117.56
FACILITY POTENTIAL	$ 808,225

FACILITY UTILIZATION	
Total Labor Sales	$ 278,263
	÷
Facility Potential	$ 808,225
	equals
FACILITY UTILIZATION	34.43%

Repair Order Analysis Summary Report

	Sales in Dollars		FRH's on RO's		Average	Analysis
Competitive	$ 5,310	÷	57.30	=	92.67	FRH Average
Maintenance	$ 1,415	÷	11.50	=	123.04	FRH Average
Repair	$ 3,486	÷	27.00	=	129.12	FRH Average
Totals	$ 10,211	÷	95.80	=	106.59	Customer ELR
			Target Labor Rate		122.00	Per FRH
Total Ro's in Sample	100		Difference		-15.41	Per FRH

Cost of Labor

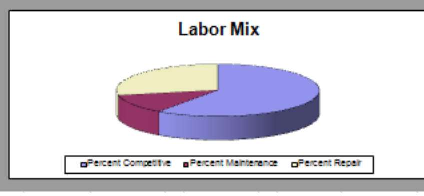
Total Cost of Labor	2046.00	÷	Total Sales	=	20.04%	Percent Cost of Sales
Total Cost of Labor	2046.00	÷	Total FRHs	=	21.36	Cost per FRH

Repair Order Measurements

Total Labor Sales	10,211.35	÷	Total ROs	=	102.11	Avg Labor per RO
Total FRHs	95.80	÷	Total ROs	=	0.96	Avg FRH's per RO
Menu Sales		÷	Total ROs	=		Percent Menu Sales
Competitive FRHs	57.30	÷	Total FRHs	=	59.81%	Percent Competitive
Maintenance FRHs	11.50	÷	Total FRHs	=	12.00%	Percent Maintenance
Repair FRH	27.00	÷	Total FRHs	=	28.18%	Percent Repair
One item ROs	68	÷	Total ROs	=	68.00%	Percent One Item RO

Model Year Analysis

2020	2019	2018	2017	2016	2015	Older	Total
0	2	15	17	10	10	46	100
0.00%	2.00%	15.00%	17.00%	10.00%	10.00%	46.00%	



Synopsis

Based on all the calculations the Facility Utilization and Tech Proficiency both have a lot of room for growth. Increases in both will benefit our Net Potential and will increase gross.

Consistent and effective training for the Advisors will increase the items per RO and labor sales.

The Advisors and SD need pay plans adjusted to reduce expenses and increase labor sales. The pay plans will be totally performance driven.

The hours need to be extended. The added hours will directly impact the Fixed Absorption. It will also

help our ability to make us more convenient for our growing customer base.

The staff will be trained, coached & included in the vision of the company. This will increase moral and profitability.

It seems like I have a long way to go in a lot of these areas. However with the implementation of process combined with follow through we will be able to get the store on track and at guidelines fairly quickly. The next step will be to talk a deeper dive and really tweak every area so we are maximizing our full potential. Then we can just maintain and work on branding and continuous improvement.