

Service
Department
Analysis for Simi
Valley CDJR

Mac McKinley

NADA 346

So far in 2019, our service department has been underperforming. This department is where we are looking for the most growth this year. From 2017 to 2018 our service gross profit increased 17% and our RO count was up 12% year over year. Now through the first quarter of 2019 we are trending down slightly with gross profit down -1.8% and RO count down -10.8% through the same time year over year. This trend is alarming and must be corrected immediately. I have outlined a game plan to face this head on and grow our service business.

Advertising and Marketing

- We will continue doing both the national and business center coop mailers.
- We will continue to utilize text 2 drive. It texts service reminders to current customers as well as declined service reminders.
- We will be increasing our advertising and marketing budget slightly moving forward.
- We will be utilizing Facebook campaigns to stay in front of local clientele with service specials and promotions.
- We will be targeting local CDJR owners digitally with different online marketing and Geo Fencing tools.
- We are focusing on SEO to gain more leads organically for long term growth and savings in advertising costs.

Facility

- We currently are not utilizing our facility even close to its potential. Based on the calculations we are only 30.13% utilization.
- We have recently hired a level 3 factory trained diesel technician which fills a huge void in the shop.
- We are looking to hire 1-2 more mid level techs that we can train and bring up to level 3 certified. That will give us 1.5 technicians per bay to maximize our shop.

FACILITY POTENTIAL	
Number of Bays	20
	x
Number of Days	88
	x
Number of Hours	8
	x
Effective Labor Rate	134.48
FACILITY POTENTIAL	\$ 1,893,478

FACILITY UTILIZATION	
Total Labor Sales	\$ 570,426
	÷
Facility Potential	\$ 1,893,478
FACILITY UTILIZATION	<i>equals</i> 30.13%

Productivity

- Is a main area of focus for growth in the department.
- Currently our Tech proficiency in 50.2%. We have an immediate goal of 100% and ultimately shooting for 120%.
- We now have a board in the Service employee lounge for advisors and techs with the goal of increasing CP labor sales and CP RO count. We hope awareness and competition will help increase the production.
- Our service manager will review production with advisors and techs daily as well as update the board.
- We are now holding weekly progress meetings with all service employees to go over current numbers as a team.

NADA ACTUAL SERVICE ANALYSIS

Performance

	<i>Labor Sales / Month</i>		<i>Hourly Labor Rate</i>		<i>Hours Billed</i>
Customer Car*	\$ 229,793	÷	145.00	=	1584.8
Customer Truck*		÷		=	0.00
Customer Other*		÷		=	0.00
Warranty	\$ 216,729	÷	122.40	=	1770.7
Internal	\$ 98,873	÷	145.00	=	681.9
New Vehicle Prep	\$ 25,031	÷	122.40	=	204.5
Total	\$ 570,426				4241.8

POTENTIAL

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# Service mechanical technicians	# Hours/Day	Working Days/Month	Clock Hour Aval
8,448.0 Clock Hours Available	x \$ 134.48 Effective Labor Rate	=	\$1,136,058 Labor sales potential

How proficient are your technicians ?

4,241.0 Hours Billed	÷	8,448.00 Hours Available	=	50.20% Tech Proficiency
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Customer labor divide by the Customer Effective Labor rate from the R. O. Analysis

X

Production method

- We are currently looking to replace an advisor. He is always at the bottom in both CP hours/Ro and ELR. We hope a strong addition to the team will increase overall gross in the department.

Analyze cost of labor

- Our techs are paid hourly plus a production bonus based on skill level, productivity and training level.
- Our current Gross as a % of sales is 64.72%. Our goal is to exceed 68%.

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 229,793	\$ 158,080	68.79 %	40.28%
Customer Truck			0%	0%
Customer Other			0%	0%
Warranty	\$ 216,729	\$ 147,777	68.19 %	37.99%

Warranty Other			0%	0%
Internal	\$ 98,873	\$ 68,320	69.10 %	17.33%
NVI / Road Ready	\$ 25,031	\$ 19,141	76.47 %	4.39%
Adj. Cost Of Labor		\$ (24,125)	0%	0.00%
Total	\$ 570,426	\$ 369,193	64.72 %	100.00 %

Changes in Expense structure

- We have lost \$21,747 in service from Jan-Apr 2019.
- Our CP RO count needs to improve in order to reduce unapplied time. We will accomplish this by bringing more business to our drive and reviewing production daily with techs and advisors.

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 376,181		
Variable Expense		0.00%	
Selling Expense	\$ 203,087	53.99 %	
Personnel Expense		0.00%	
Semi-Fixed Expense		0.00%	

	Fixed Expense	\$ 194,841	51.79 %	
	Unallocated Expense		0.00%	
	Dealer's Salary		0.00%	
	Total Expenses	\$ 397,928	105.78 %	
	Net Profit	\$ (21,747)	-5.78 %	

Pay Plans

- We are considering adjusting our pay plans to incentivize higher CP hours/ RO and/or ELR for our advisors.
- I am also looking at paying my service manager on net or a hybrid of net rather than on gross.

Detail Performance programs

- As previously discussed, we will now use a daily production tracking board for advisors and techs.
- We will set individual objectives to track.
- We will hold weekly service meetings to go over production goals and results.

Level of current training

All current training requirements have been met by the manufacturer.

2019 Minimum Technical Training Requirements

Program Year: 2019 / Data as Of: 05/2019

TECHNICIAN TRAINING SUMMARY

Dealer Code: 26840

Minimum Number of Techs per Skill Area
(Based on 2019 Requirement)

Complete New Technology Courses by Required Date

Dealer Name: Simi Valley Chrysler Dodge
Jeep Ram

Days Dealer Active: 2,025

Y Y

REPAIR ORDERS = 4,771	Minimum Training Requirement Level 2 and 3													
	1/8		2		3		4		6		7		10	
	LVL 2	LVL 3	LVL 2	LVL 3	LVL 2	LVL 3	LVL 2	LVL 3	LVL 2	LVL 3	LVL 2	LVL 3	LVL 2	LVL 3
ACTUAL # of Trained Technicians	1	7	0	2	1	3	1	5	0	4	1	5	1	3
2019 Requirement	0	2	0	1	0	1	0	1	0	1	0	1	0	1
Requirement Met	Y		Y		Y		Y		Y		Y		Y	
2020 Requirement Effective 11/30/2019	1	2	0	2	0	1	0	1	0	1	0	1	1	1
Requirement Met	Y		Y		Y		Y		Y		Y		Y	

Note: Warranty repairs for Categories 1 – Engine and 8 – Engine Performance are based on the Technician's earned Levels in the combined Curriculum Skill Area 1/8 – Engine Repair and Performance
Included Position Codes: 18 - SHOP FOREMAN, 23 - SERVICE TECHNICIAN, 2A – CAP

Dealership Technician(s) Must Complete Required New Technology Courses	
1.3L New Engine Highlights (WBT) 0151608 (Required by 3/31/2019) Y	6.7L New Diesel Engine Highlights (WBT) 1051108 (Required by 3/31/2019) Y

Note(s):
At least one Technician must be trained in these New Technology courses.
Dealerships can have a single Technician or multiple Technicians complete the New Technology courses.
Included Position Codes: 18 - SHOP FOREMAN, 23 - SERVICE TECHNICIAN, 2A - CAP

■ Requirement Met ■ Requirement Not Met

Special Tools

- Our special tools area is clean and organized. The tools are organized by repair category and type.
- The room is checked weekly by the service manager.
- It is audited every 2 years.

Qualitative SWOT Analysis

Strengths

1. Friendly place to work
2. Knowledgeable, properly trained and certified techs
3. Experienced service manager
4. Clean facility
5. Service, parts and sales work well together

Weaknesses

1. Parts manager is a senior manager and set in his ways. Difficult to implement positive changes to improve workflow.
2. Answering the phone in service. The receptionist is in another building and pages the advisors not knowing if they are available. Too many sent to voicemail.
3. Customer and service parking, we do not have enough space.
4. Porter availability, difficult to reach them and get help at times.
5. Process for customer pick up and check out needs to be improved.
6. Parts ability to have everything needed for a repair on hand
7. Parts communication with the service department
8. Recently lost our head diesel tech

Opportunities

1. An increase in new car sales volume over the past 3 years has created more potential service customers in the area.
2. Aggressive marketing plan to increase RO count
3. Install a competitive pricing board of our local competition
4. Improve CSI through training and accountability
5. A local Chrysler Jeep store closed, so more potential customers in our market

Threats

1. Outdated service facility, many larger and newer stores on our market
2. Staffing, difficult to find properly trained techs and service employees
3. Local independent competition and competitive pricing to market
4. Turning away diesel business for not having a properly trained tech

Objectives

1. Increase total RO count
2. Increase Gross per RO
3. Increase hours per RO
4. Increase technician proficiency
5. Increase shop utilization

Strategies

1. Hold weekly progress meeting with service to discuss expectations and track them.
2. Create a board in service lounge tracking both advisors and techs on key metrics
3. Service manager reviews every RO and signs off on all discounts
4. Market express lube service with competitive pricing to increase RO count and upsell opportunities
5. Increase Saturday hours and consider Sunday service

Tactics

1. Increase advertising spend
2. Market specials and discounts to increase opportunity
3. Monitor multipoint inspections, are they being done 100% of the time and are we presenting all recommended services?
4. Consider pay plan changes to incentivize proficiency

Action Plan

1. Hire Diesel Tech
2. Create Production Board for Techs and Advisors
3. Hold weekly progress meetings with service department
4. Consider Changing pay plans for advisors and service manager
5. Digital and Facebook advertising and marketing plan
6. Install a camera in service for the receptionists to see advisor availability
7. Service advisor training

Synopsis

After year over year growth in 2018, it has been difficult to start off 2019 in a decline. The good news is we have a good team in place and provide a great place to work, as evident from our SWOT surveys from service employees.

With new focus on CP hours per RO and ELR from our advisors and tracking proficiency with our techs, we feel the accountability and competition will increase gross right away.

We have found our replacement diesel tech which will be an automatic increase to overall gross.

We have a service advisor training set up next month that will help with both selling and customer retention.

Our increase in advertising and marketing will help bring in the new customers we need for growth.

Overall just paying attention and making the small changes will make for big changes in our future. With a lot of room for improvement I look forward to what these changes bring to us in the near future.

Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis
Competitive	\$ 5,009	÷ 50.80	= 98.61	FRH Average
Maintenance	\$ 1,743	÷ 25.10	= 69.46	FRH Average
Repair	\$ 13,715	÷ 103.60	= 132.38	FRH Average
Totals	\$ 20,468	÷ 179.50	= 114.03	Customer ELR
			Target Labor Rate	124.40 Per FRH
Total Ro's in Sample	100	Difference		-10.37 Per FRH

Cost of Labor

Total Cost of Labor	5065.70	÷ Total Sales	= 24.75%	Percent Cost of Sales
Total Cost of Labor	5065.70	÷ Total FRHs	= 28.22	Cost per FRH

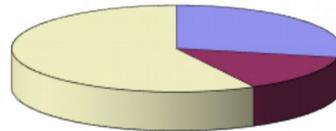
Repair Order Measurements

Total Labor Sales	20,467.57	÷ Total ROs	= 204.68	Avg Labor per RO
Total FRHs	179.50	÷ Total ROs	= 1.80	Avg FRH's per RO
Menu Sales		÷ Total ROs	=	Percent Menu Sales
Competitive FRHs	50.80	÷ Total FRHs	= 28.30%	Percent Competitive
Maintenance FRHs	25.10	÷ Total FRHs	= 13.98%	Percent Maintenance
Repair FRH	103.60	÷ Total FRHs	= 57.72%	Percent Repair
One item ROs	24	÷ Total ROs	= 24.00%	Percent One Item RO

Model Year Analysis

2020	2019	2018	2017	2016	2015	Older	Total
0	0	8	13	13	16	50	100
0.00%	0.00%	8.00%	13.00%	13.00%	16.00%	50.00%	

Labor Mix



■ Percent Competitive
 ■ Percent Maintenance
 ■ Percent Repair