

Fixed Operations II Service Homework

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NADA 346

June 3, 2019

Introduction

About Courtesy Ford Lincoln - London, ON Area New & Used Ford Dealership serving London.

Courtesy Ford Lincoln offers many automotive products and services to our London area customers. From quality new Ford vehicles to used cars, we know anyone looking for a vehicle near London will likely find what they want at our dealership. We carry a comprehensive line of Ford vehicles, including the C-Max, Fiesta, Focus, Fusion, and Mustang making us a good choice as your London Ford car dealer.

Our services include trusted Ford car repair, original Ford auto parts, and auto financing to help our customers purchase the car of their dreams.

Call Courtesy Ford Lincoln or come visit us in person. We're convenient to London, ON and located at 684 Wharncliffe Rd S. and look forward to helping you with your automotive needs.

** Point M. The Action Plan is answered throughout the assignment.

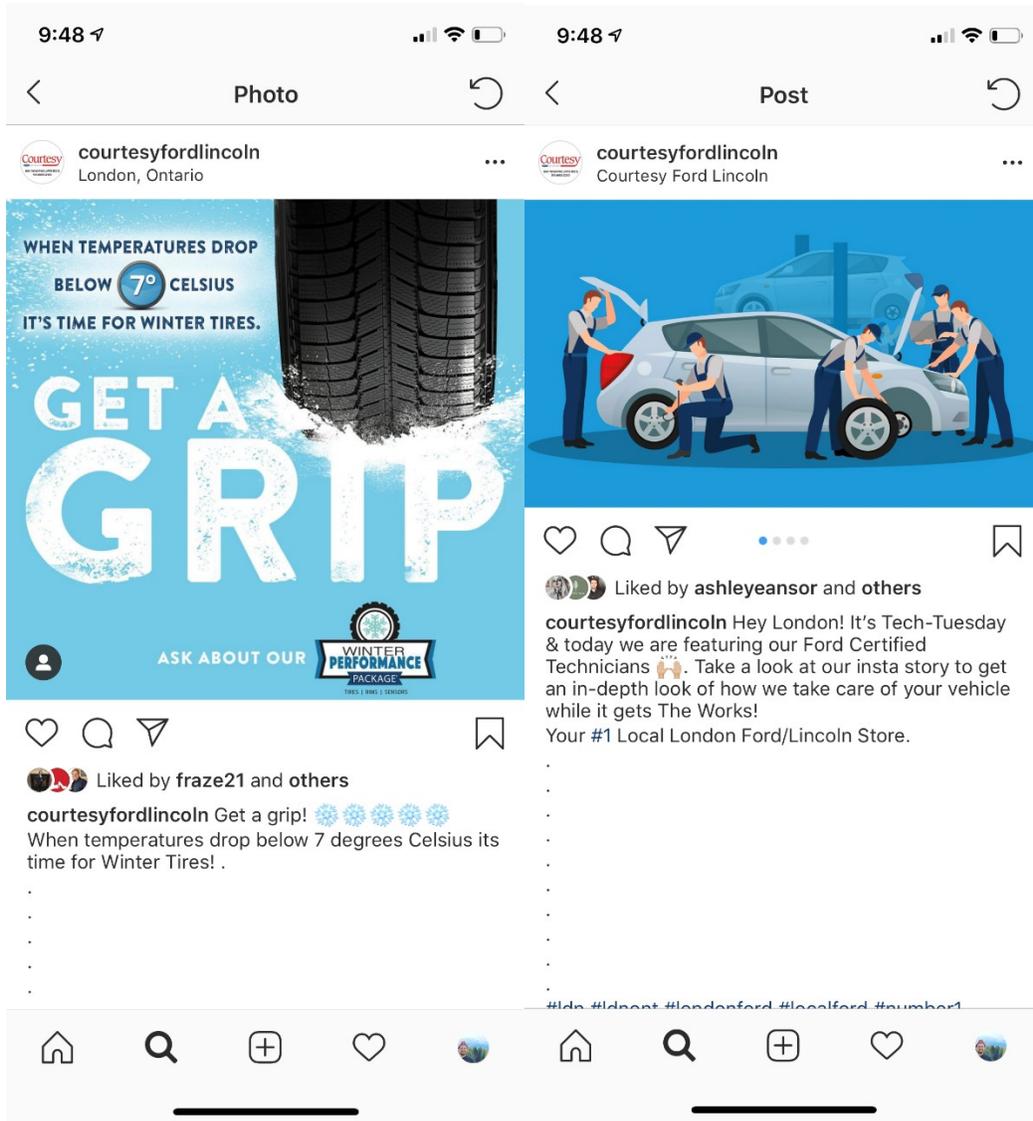
a. Advertising

When it comes to advertising who look at it as a two-step process:

1. Getting the customer in the store.
 - a. Service specific radio commercials
 - b. Newsprint / Online advertising
 - c. Social Media
 - d. Internet Mailers
2. Educating and up-selling the customer once they are in the store

- a. Visually appealing service menu's on display
- b. Competitive pricing guides
- c. Branding in our service drive and check-in

Examples:





THE WORKS PACKAGE

\$69.⁹⁹ +HST

OTHER GARAGES MAY GIVE YOU A ONCE-OVER. COURTESY GIVES YOU THE WORKS



ALL YOUR TIRE NEEDS

COURTESY SELLS TIRES

EVERY 6 MONTHS OR 8,000 KM
 RECOMMENDED FOR ALL 2008 MODEL YEARS OR NEWER

- ROTATE AND INSPECT ALL 4 TIRES
- BATTERY INSPECTION
- CHANGE ENGINE OIL
- REPLACE OIL FILTER
- ALIGNMENT CHECK
- ALL HOSES, BELTS AND FLUIDS CHECKED
- BRAKE INSPECTION
- INSPECT AIR AND CABIN FILTER
- COMPREHENSIVE VEHICLE REPORT CARD

- \$50⁰⁰⁰** SEASONAL TIRE STORAGE
- \$35-\$100⁰⁰⁰** SEASONAL TIRE CHANGE OVER
- \$25⁰⁰⁰** TIRE INSTALLATION
- \$109⁰⁰⁰** 4 WHEEL ALIGNMENT
- \$89⁰⁰⁰** FRONT WHEEL ALIGNMENT
- \$89⁰⁰⁰** 4 WHEEL TIRE BALANCE
- \$25-\$35⁰⁰⁰** TIRE REPAIR
- \$24⁰⁰⁰** TIRE ROTATION



B. Marketing

Owner Base Potential was our biggest take away from Fixed Operations II. We simply need to be servicing more customers that we are selling vehicles too. Increasing hours of operation, Facility Utilization and Technician Proficiency would be great starting points to servicing more of our Owner Base Potential. However, our numbers in regards to Utilization and Proficiency are solid. Therefore, we need to increase or hours of operation and market to the customers we have created in the sales department that we are not servicing. I decided that this is our biggest opportunity in regards to marketing because it will be most cost efficient. We already do business with these customers and have their information so it will be cheaper to market towards these customers rather than marketing with the intent to reach and create a new customer. Once we close in on our Owner Base Potential and we are servicing more customers that we have sold vehicles to, we will pivot our marketing strategy towards creating new customers in the Service Department.

OWNER BASE POTENTIAL

6539	x	8	=	52,312.0
5 Year Owner Base		Annual Hours Purchased		Market Potential / Hours
52,312.0	x	\$ 106.75	=	\$ 5,584,475
Market Potential/ Hours		Effective Labor Rate		5 Yr. O.B Sales Potential

\$ 245,394	x	12	=	\$ 2,944,728
Avg. Mos. Labor Sales (excluding internal, PDI and NVI)		Annualized		Current Labor Sales Trend
\$ 2,944,728	÷	\$ 5,584,475	=	52.73%
Labor Sales Trend		5 Yr. O.B. Sales Potential		Ouch

**Note: The industry average of 35% is very poor performance.*

C. Facility

Our Facility Utilization is not something we are going to be taking a deeper look into.

FACILITY UTILIZATION	
Total Labor Sales	\$ 289,740
	÷
Facility Potential	\$ 268,845
	<i>equals</i>
FACILITY UTILIZATION	107.77%

The Facility Potential calculation did however bring up a larger discussion. I first thought it indicated that we need a larger facility. After taking a deeper look into it I then realized we need to increase our hours of operation.

FACILITY POTENTIAL	
Number of Bays	17
	x
Number of Days	20
	x
Number of Hours	8
	x
Effective Labor Rate	98.84
	<i>equals</i>
FACILITY POTENTIAL	\$ 268,845

D. Productivity

How proficient are your technicians ?

$$\begin{array}{ccc} \boxed{2,714.1} & \div & \boxed{2,720.00} = \boxed{99.78\%} \\ \text{Hours Produced} & & \text{Hours Available} \qquad \qquad \text{Tech Proficiency} \end{array}$$

There is some room for improvement here as NADA suggests a Tech Proficiency percentage should be over 100. I think our current parts mix is one this that could be negatively impacting our Tech Proficiency (Fill Rate is currently less than 90%). We are going to do a Tech Proficiency calculation on each individual to indicate to them where they are at. We will also provide additional training to those with weaker scores.

E. Production Method

This is our current Organizational Chart in our Service Department:

General Parts and Service Manager

Service Manager

Service Advisor #1
Service Advisor #3

Service Advisor #2

Customer Relations Manager

Receptionist/Cashier

Number of Technicians: 17

NADA would suggest that our Advisor to Technician ratio is insufficient. After analyzing the Fixed Operations II calculations, we agree that our ratio is insufficient. Having 3 service advisors leads to poor communication between Technician and Advisor. It also leads to poor communication between Advisor and Customer. Therefore, our first change in our production method has been eliminating the role of the Service Receptionist/ Cashier and adding a fourth Service Advisor. Customers cash out with the Advisor they checked in with and it has increased our CSI.

F. Analyze Cost of Labour

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 110,737	\$ 82,756	74.73%	38.22%
Customer Truck			0%	0.00%
Customer Other			0%	0.00%
Warranty	\$ 110,197	\$ 85,854	77.91%	38.03%
Warranty Other	\$ 24,460	\$ 17,062	69.75%	8.44%
Internal	\$ 44,346	\$ 34,678	78.20%	15.31%
NVI / Road Ready			0%	0.00%
Adj. Cost Of Labor			0%	0.00%
Total	\$ 289,740	\$ 220,350	76.05%	100.00%

NADA guide for Customer Pay Labour as a % of total gross is 60%. NADA guide for Warranty Labour as a % of total sales is 40%.

Our ratio of Customer Pay Labour and Warranty Labour is closer to 50/50. Therefore we have a big opportunity to increase our Customer pay ELR.

G. Changers in Expense Structure

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 220,350		
Variable Expense		0.00%	
Selling Expense	\$ 103,242	46.85%	
Personnel Expense		0.00%	
Semi-Fixed Expense		0.00%	
Fixed Expense	\$ 67,512	30.64%	
Unallocated Expense		0.00%	
Dealer's Salary	\$ 4,500	2.04%	
Total Expenses	\$ 175,254	79.53%	
Net Profit	\$ 45,096	20.47%	

Our total Service Department Expense equates to 79.53%. NADA guide suggests overall expense to make up 80% of gross. Therefore, our expenses are in line and we are also selling all of our available hours.

H. Pay Plans

Current Pay Plans:

Service Manager	Salary + bonus plan- \$60,000 paid biweekly + Bonus based on customer view point score of at least 75%. This is heavily weighted salary role.
Service Advisor	Salary + retail bonus plan + customer viewpoint bonus - annual salary of \$32,000 paid bi-weekly. Retail bonus is based on individual labor sales performance. Customer viewpoint bonus is based on score of at least 75% satisfaction and as follows: 75-77.5% - \$100 bonus per advisor; 77.6 - 81.8% - \$150 bonus per advisor; 82.0 and > - \$300 bonus per advisor.
Technicians	Flat rate + bonus based on individual labor hours sold (once technicians reaches 90 hours for the pay period (biweekly) technician is paid an additional \$.75 retro back to hour 1 and paid on additional work).

New Pay Plans

Service Manager	Eliminate salary and introduce a new structure where paid draw towards commission on net profit therefore meaning service manager will be held responsible for generating gross while controlling expenses. Bonus based on customer viewpoint scores remains.
Service Advisor	Pay strictly on proficiency.
Technician	
Parts Counterman	

I. Detail Performance Programs

Objectives are set out monthly by Dealer Principal and General Parts and Service Manager.

Monthly objectives are determined at the beginning of each year for each calendar month and presented at annual business meeting in January to Service team. Objectives are based on 10 percent increase over past years result and adjusted by operated days with in month.

The General Parts and Service Manager Tracks performance and reports out to Dealer Principal.

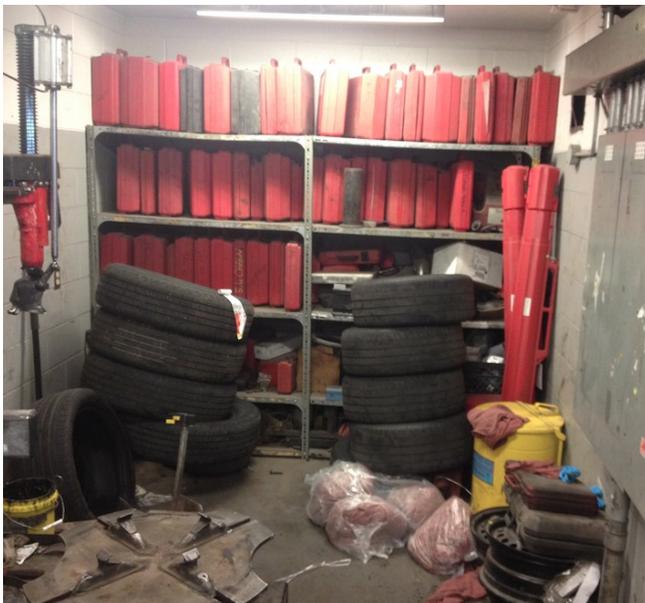
J. Level of current training

Service Management and Advisors are required to complete Ford p2p training quarterly. We are currently in compliance with OEM.

Technicians have to complete in house and off-site Ford Factory training. They are also required by the Ontario government to have equipment tickets.

K. Special Tools

Before:



After:



L. 100 Repair Order Analysis

Repair Order Analysis Summary Report										
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Our labour Sales are strong for repair yet they are lacking for competitive/maintenance. This can be explained as we have 60% of one item repair orders which is disappointing. This was our biggest take away from this exercise. This is also our biggest opportunity in our service department. Our plan moving forward is to pay an extra point on inspections to insure they are being done. We believe more often than not we will be selling work that exceeds what we would pay on inspections once we ensure they are being done.