

FIXED OPERATIONS 2 SERVICE HOMEWORK

Advertising - In the last year we have made changes to and added programs to continually keep our name in the public view. Facebook has taken off this year and we include our Service Department in videos monthly. We utilize Invite with Xtime to capture unsold repairs as well as to reengage defected customers.

Marketing - During the non-dealer survey I found that we were more competitive with the independent shops. We needed to adjust a couple of our maintenance items as well as cost average them to make it easier for our Advisors to quote in the drive.

Facility - Our facility utilization is an area of opportunity. We are currently at 45.81% and could gain another \$150000 in Labor Sales if we just reached 90%. We are currently running 8 hour shifts and our store is open for 10. We have only 1 repair technician on Saturday. We will look at 4 ten schedules for the shop which would allow for us to have extra stalls for tear down. Looking at the Parts Department and

what would be needed to facilitate this change.

FACILITY POTENTIAL	
Number of Bays	12
	x
Number of Days	22
	x
Number of Hours	10
	x
Effective Labor Rate	121.62
FACILITY POTENTIAL	\$ 321,077

FACILITY UTILIZATION	
Total Labor Sales	\$ 147,077
	÷
Facility Potential	\$ 321,077
FACILITY UTILIZATION	<i>equals</i> 45.81%

Productivity – Our Department runs at 80.59% proficiency. This is up nearly 30% from November of 2017. As a department we have worked hard to increase this percentage with work mix and defining skill levels

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	\$ 41,875	÷	125.00	=	335.0
Customer Truck*		÷		=	0.00
Customer Other*		÷		=	0.00
Warranty	\$ 42,135	÷	114.63	=	367.6
Internal	\$ 59,951	÷	125.00	=	479.6
New Vehicle Prep	\$ 3,116	÷	114.63	=	27.2
Total	\$ 147,077				1209.4

POTENTIAL

$$\begin{array}{rcccl} \$ 147,077 & \div & 1209.37 & = & \$ 121.62 \\ \text{Total labor sales for month} & & \text{Total hours billed} & & \text{Effective Labor Rate} \end{array}$$

$$\begin{array}{rcccl} 9.00 & \times & 8 & \times & 24 & = & 1,728.0 \\ \text{\# Service mechanical technicians} & & \text{\# Hours/Day} & & \text{Working Days/Month} & & \text{Clock Hour Avail} \end{array}$$

$$\begin{array}{rcccl} 1,728.0 & \times & \$ 121.62 & = & \$ 210,151 \\ \text{Clock Hours Available} & & \text{Effective Labor Rate} & & \text{Labor sales potential} \end{array}$$

How proficient are your technicians ?

$$\begin{array}{rcccl} 1,209.4 & \div & 1,500.60 & = & 80.59\% \\ \text{Hours Billed} & & \text{Hours Available} & & \text{Tech Proficiency} \end{array}$$

Customer labor divide by the Customer Effective Labor rate from the R. O. Analysis

Production Method – We have a Shop Foreman who dispatches by skill level and job to our Technicians. We have 2 Advisors which feed the shop of 8 and an Express Advisor that now will handle 20 oil changes per day.

Analyze Cost of Labor – We are holding a 72% GP including unapplied time. Once we get the department running at 100% proficiency we will see total GP of 78%

Changes in Expense Structure – We are currently running at 18% GP to Net. We actually don't have an expense problem, we need to get unapplied time down from about \$6000 per month to under \$4000 and that will in and of itself take care of the 2%.

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 514,006		
Variable Expense	\$ -	0.00%	
Selling Expense	\$ 201,419	39.19%	
Personnel Expense		0.00%	
Semi-Fixed Expense		0.00%	
Fixed Expense	\$ 217,051	42.23%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 418,470	81.41%	
Net Profit	\$ 95,536	18.59%	

Pay Plans – We have Advisors on individual performance based pay plans. Our Technicians are flat rate with the ability to achieve an additional hour per Flat Rate our sold if they reach 100% proficiency.

Detail performance programs – We have a yearly forecast that is created by the management team. It is displayed in all departments and updates to the numbers happen daily. The technicians see their performance on a daily basis as well.

Level of current training – We have 7 Certified Technicians. I have 1 up and coming reconditioning technician that will be starting his factory training this coming Quarter. We pay for all factory training for our technicians. It is imperative for our

manufacturer warranty standards that all of our technicians maintain level 1 certification.

Special Tools- The room is a 6 x 6 without ample shelving. We do have organized tool boxes that are cataloged. Larger items are now moved out of the special tool room and that has created an increase in its organization.

100 Repair Order Analysis -

Repair Order Analysis Summary Report							
		Sales in Dollars	FRH's on RO's		Averages	Analysis	
Competitive		\$ 5,248	÷ 105.26	=	49.86	FRH Average	
Maintenance		\$ 4,033	÷ 110.87	=	36.38	FRH Average	
Repair		\$ 22,608	÷ 189.50	=	119.30	FRH Average	
Totals		\$ 31,889	÷ 405.63	=	78.62	Customer ELR	
				Target Labor Rate	116.63	Per FRH	
Total Ro's in Sample	100			Difference	-38.01	Per FRH	
Cost of Labor							
Total Cost of Labor	9103.28	÷	Total Sales	=	28.55%	Percent Cost of Sales	
Total Cost of Labor	9103.28	÷	Total FRHs	=	22.44	Cost per FRH	
Repair Order Measurements							
Total Labor Sales	31,889.18	÷	Total ROs	=	318.89	Avg Labor per RO	
Total FRHs	405.63	÷	Total ROs	=	4.06	Avg FRH's per RO	
Menu Sales		÷	Total ROs	=		Percent Menu Sales	
Competitive FRHs	105.26	÷	Total FRHs	=	25.95%	Percent Competitive	

will move closer to the 60% of Repair and will see the GP percentage increase a couple of percentage points.

SWOT Analysis -

Strength

Our TEAM

Our store is unique in how it is run

Techs

Customer Service

Recon Process

Able to facilitate walkin/towins

Scheduling of work

Weakness

Communication

We have out grown our building

Phone Calls

Express Department

Parts Backorder

Recon Techs

Waiters

Tool Room

Opportunities

Advisor selling ASR

Service Menu

Strayer

We are the only Fiat dealer in 50 miles

FCA Training

More quality inspection on LOF

Threats

Basic Level for Warranty

Resentment by other departments

Need 1 more advisor

Facility

Objectives

Improve utilization of facility

Change scheduling system to provide 60/40 mix of work

Adjust Advisor Pay Plan to hit all areas of CSI for FFV purposes

Strategies

Do a daily RO review

Increase number of hours produced by 3 techs currently at 80%

Hire 2nd Express Tech to drive more customers to our store

Tactic

Service Manager to address advertising monthly

Shop Foreman to be paid different levels on overall production of shop

Implement different levels of Tech bonuses on individual performance

Send 2 Techs to level 3 training to insure we have ample coverage

Service Manager to create discount codes that change as advertising changes

Synopsis

After looking at the information provided by the Department, it was evident that we have a cohesive team. We need to work on communication with Advisor, Tech and Parts to better serve our Customer. The daily SOR report has been updated and is now being given to the Shop Foreman so that he can be better prepared for the day. We will be working FFV this quarter to move our store out of Basic Warranty approval and into Premium. This will allow for a better mix of skill level required work to be done by those who may not have the FCA Certification but, instead, already have the knowledge. We have already hired another Advisor and he will start Monday the 16th of June. Our biggest challenge is the size of our shop. We do not have extra bays for tear down or cab offs. We have grown so quickly that now we are faced with looking at the bays in our Detail Department to continue this growth.