

Longo Lexus Service Department Analysis

Purpose: To evaluate the Longo Lexus Service Department and determine areas of opportunity and improvement.

- A. Facility: The department has a 60.39% utilization rate as of the month of June. Opportunity exists here. Working on all brands and scheduling technicians later to promote more work in the afternoon and evening are viable options to improve.

FACILITY POTENTIAL	
Number of Bays	64
	x
Number of Days	25
	x
Number of Hours	12
	x
Effective Labor Rate	127.95
FACILITY POTENTIAL	\$ 2,456,640

FACILITY UTILIZATION	
Total Labor Sales	\$ 1,483,514
	÷
Facility Potential	\$ 2,456,640
	<i>equals</i>
FACILITY UTILIZATION	60.39%

B. Productivity:

The shop proficiency is at 144%. This exceeds the NADA guide of 120%. A development program is in place to add additional technicians into the shop. Steps such as Bluetooth beacons to quickly locate cars and quick moving parts that have been made readily available for technicians to retrieve without waiting at the parts counter are in place.

Performance					
	<i>Labor Sales / Month</i>		<i>Hourly Labor Rate</i>		<i>Hours Billed</i>
Customer Car*	\$ 735,021	÷	170.00	=	4323.7
Customer Truck*		÷		=	0.00
Customer Other*		÷		=	0.00
Warranty	\$ 209,671	÷	146.50	=	1431.2
Internal	\$ 284,633	÷	121.37	=	2345.2
New Vehicle Prep	\$ 145,401	÷	146.50	=	992.5
Total	\$ 1,374,726				9092.5

POTENTIAL					
	\$ 1,374,726	÷	9092.52	=	\$ 151.19
	Total labor sales for month		Total hours billed		Effective Labor Rate
	36.00	x	8	x	22
	# Service mechanical technicians		# Hours/Day		Working Days/Month
					Clock Hour Avail
	6,336.0	x	\$ 151.19	=	\$ 957,959
	Clock Hours Available		Effective Labor Rate		Labor sales potential

How proficient are your technicians ?					
	9,092.5	÷	6,336.00	=	143.51%
	Hours Billed		Hours Available		Tech Proficiency

C .Analyze Cost of Labor: All gross profit percentages are within NADA guidelines. There is room for improvement in customer pay as a percent of Sales Contribution.

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 735,021	\$ 565,449	76.93%	53.47%
Customer Truck			0%	0%
Customer Other			0%	0%
Warranty	\$ 209,671	\$ 185,249	88.35%	15.25%
Warranty Other			0%	0%
Internal	\$ 284,633	\$ 212,513	74.66%	20.70%
NVI / Road Ready	\$ 145,401	\$ 142,589	98.07%	10.58%
Adj. Cost Of Labor			0%	0.00%
Total	\$ 1,374,726	\$ 1,105,800	80.44%	100.00%

D Changes in Expense Structure

Total departmental expenses equal 74% of gross. This is in line with NADA standard of 80%.

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 1,105,800		
Variable Expense		0.00%	
Selling Expense	\$ 202,866	18.35%	
Personnel Expense		0.00%	
Semi-Fixed Expense	\$ 259,763	23.49%	
Fixed Expense	\$ 357,763	32.35%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 820,392	74.19%	
Net Profit	\$ 285,408	25.81%	

E. Detail Performance Programs

A digital board has been placed in the shop that comprises of 4 TV's acting as one screen. Our goals and tracking reports are displayed here as well as reviewed in our daily start up meetings and monthly formal meeting with the Technicians and advisors. Reporting is sent out daily in e-mail. Video and photo texting has been implemented and required for all additional recommended work.

F. Current level of Training

All Flat-Rate technicians are at a minimum certified through Lexus, which requires two ASE certifications. We currently have 24 Master technicians, 8 Senior Technicians and 2 Certified Technician's. All training is reviewed monthly and dispatchers are made aware of status requirements for specific repairs that require status to perform.

G 100 Repair Order Analysis

There is opportunity to improve one line repair orders and average flag hours per RO. One line repair orders in this study showed 36% with guide being 15% and FRH's at 1.7 with Luxury line guide at 3.0 or higher there is opportunity to sell more. 60% of the work mix is vehicles older than 2014 model year. Opportunity exists to improve. Service management is performing weekly RO analysis of specific consultants now. The results are reviewed with each consultant.

Repair Order Analysis Summary Report							
	Sales in Dollars		FRH's on RO's		Averages	Analysis	
Competitive	\$	4,595	÷	44.00	=	104.42	FRH Average
Maintenance	\$	14,815	÷	97.10	=	152.57	FRH Average
Repair	\$	4,608	÷	28.80	=	160.00	FRH Average
Totals	\$	24,017	÷	169.90	=	141.36	Customer ELR
			Target Labor Rate			148.50	Per FRH
Total Ro's in Sample		100	Difference			-7.14	Per FRH
Cost of Labor							
Total Cost of Labor		3724.30	÷	Total Sales	=	15.51%	Percent Cost of Sales
Total Cost of Labor		3724.30	÷	Total FRHs	=	21.92	Cost per FRH
Repair Order Measurements							
Total Labor Sales		24,017.24	÷	Total ROs	=	240.17	Avg Labor per RO
Total FRHs		169.90	÷	Total ROs	=	1.70	Avg FRH's per RO
Menu Sales			÷	Total ROs	=		Percent Menu Sales
Competitive FRHs		44.00	÷	Total FRHs	=	25.90%	Percent Competitive
Maintenance FRHs		97.10	÷	Total FRHs	=	57.15%	Percent Maintenance
Repair FRH		28.80	÷	Total FRHs	=	16.95%	Percent Repair
One item ROs		36	÷	Total ROs	=	36.00%	Percent One Item RO
Model Year Analysis							
2020	2019	2018	2017	2016	2015	Older	Total
0	1	11	8	10	9	60	99
0.00%	1.01%	11.11%	8.08%	10.10%	9.09%	60.61%	

- Paul Wareham
- Longo Lexus