

Shaver Automotive Service **Department Evaluation and** **Business Plan**

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Advertising

***Current:**

- Participate in FCA's mailer program which sends coupons for discounts to our existing data base at cost of \$400/month.
- Email marketing to our existing customer database with discount offers
- Direct mail "Shaver Discount Cards" (looks like credit card) that provide 15% off any repairs up to maximum discount of \$500 for the year with a 1-year expiration date, sent out 2X per year (July and December).

***Recommendations:**

- Substitute a different hook for the email marketing rather than a discount, specifically things like Saturday service, factory trained techs, location, family owned dealership every other month.
- Purchase a list of older vehicle registrations in our market to mail to in order to get more profitable repair work in the shop.

***Evaluation of Changes:**

- We can review the performance of the 2 different monthly email campaigns to see whether the discount offers perform better than the value offers.

- We will measure the results by performing a Repair Order analysis and checking our Customer Effective Labor Rate, looking to see if our labor mix has changed to a higher % of repair work due to getting older cars in the shop.
- Continue to track the performance of the discount card mailers to make sure ROI continues.

Marketing

***Current:**

- We are not doing any Internet paid search, Print, Radio, Cable TV, or New Owner Clinics.

***Recommendations:**

- Until we increase our technician proficiency and facility utilization, there is no need for marketing as current service demand is not being met.

***Evaluate changes:**

- Once we increase of facility utilization and technician proficiency, we can begin marketing to both new and existing customers.

Facility

***Current:**

- We are significantly underutilizing our facility at just over 40% utilization
- We have service advisors and customers complaining that they can't get their cars in to the shop

FACILITY POTENTIAL	
Number of Bays	19
	x
Number of Days	24
	x
Number of Hours	9.0
	x
Effective Labor Rate	\$ 143.50
	<i>equals</i>
FACILITY POTENTIAL	\$ 588,932

FACILITY UTILIZATION	
Total Labor Sales	\$ 236,701
	÷
Facility Potential	\$ 588,932
	<i>equals</i>
FACILITY UTILIZATION	40.19%

*Recommendations:

- Our facility needs to be better utilized to increase our profitability
- Move all new car inventory from the back lot by the service bays to the offsite storage lots to free up space for service vehicles.
- The service back lot spots should be clearly marked and assigned to each tech and service writer
- Designated areas assigned for tow in vehicles and trade ins so the service areas and bays are not too crowded

*Evaluation of Changes

- We will measure overall monthly labor sales and gross to look for an increase due to the changes we made, as our facility potential will stay the same. Increases in labor sales and gross will drive the utilization % higher.

Productivity

*Current:

- We have a Labor Sales potential of \$413,286 vs actual Labor Sales of \$236,701 (see chart below) which is only 57% technician proficiency
- The techs are wasting too much time at the parts counter, with only approximately ½ of them using the parts ordering feature on R&R Service Price Guide (SPG).
- Techs are on the Internet, their cell phones, excessive smoke/vaping breaks too much
- Techs spending too much time looking for parking spaces to park “done cars” due to overcrowding of back lot with new car inventory

NADA ACTUAL SERVICE ANALYSIS				page B-1	
Performance					
	Labor Sales / Month		Hourly Labor Rate	=	Hours Billed
Customer Car*	\$ 92,841	÷	150.00	=	618.9
Customer Truck*	\$ -	÷		=	0.00
Customer Other*	\$ -	÷		=	0.00
Warranty	\$ 88,097	÷	145.00	=	607.6
Internal	\$ 34,785	÷	125.00	=	278.3
New Vehicle Prep	\$ 20,978	÷	145.00	=	144.7
Total	\$ 236,701				1649.5

POTENTIAL					
	\$ 236,701	÷	1649.46	=	\$ 143.50
	Total labor sales for month		Total hours billed		Effective Labor Rate
	15.00	x	8.0	x	24 = 2,880.0
	# Service mechanical technicians		# Hours/Day		Working Days/Month
	2,880.0	x	\$ 143.50	=	\$ 413,286
	Clock Hours Available		Effective Labor Rate		Labor sales potential
How proficient are your technicians ?					
	1,649.0	÷	2,880.00	=	57.26%
	Hours Produced		Hours Available		Tech Proficiency

*Recommendations

- Hire R&R SPG trainer to come to the store to retrain service writers, techs, and parts counter on SPG, with an emphasis on techs using it to submit parts requisition to parts department and check parts availability
- Hire a parts runner to take parts ordered thru SPG to techs in their bays- if tech doesn't use SPG, tech must pick up in parts vs the runner bring parts to him
- Reintroduce existing cell phone and Internet usage policies with consequences if violated
- Strengthen existing web filter firewalls on dealership server to lessen the time surfing the Internet

***Evaluation of Changes:**

- We will measure SPG usage thru the R&R SPG Utilization report with a goal of 90%
- We will measure monthly Labor Sales and technician proficiency to ensure the changes are causing both to increase
- We will only need to increase our overall labor sales by \$7500 to absorb the expense of the parts runner

Production Method

***Current:**

- We use the Traditional Production Method
- Four Techs have 2 bays each

***Recommendations:**

- We will continue to use Traditional Production Method
- When we add additional technicians, we can assign different shifts and have shared bays for shifts

***Evaluation of Changes:**

- Measure Total Labor Sales to let us know if the changes are working
- We can a measure customer wait times as well as days to appointment date to verify if changes are working

Cost of Labor Analysis

*Current:

- Cost of Labor is at 33% of labor sales
- NADA guide for Cost of Labor is as low as possible

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 92,841	\$ 72,511	78.10%	39.22%
Customer Truck			0%	0.00%
Customer Other			0%	0.00%
Warranty	\$ 88,097	\$ 68,655	77.93%	37.22%
Warranty Other			0%	0%
Internal	\$ 34,785	\$ 27,839	80.03%	14.70%
NVI / Road Ready	\$ 20,978	\$ 19,726	94.03%	8.86%
Adj. Cost Of Labor		\$ (5,912)	0%	0.00%
Total	\$ 236,701	\$ 182,819	77%	100.00%

*Recommendations:

- Refine R&R Tech Dispatch set up to steer certain Labor Ops (basic) to lower paid techs, current service manager manages this process currently and can make the necessary modifications in R&R
- Work with our Appointment Coordinator on loading the shop better- only a certain get the more profitable jobs in the shop

*Evaluation of Changes:

- We will measure our Cost of Labor to ensure our changes are working by seeing the Cost of labor decreasing from the current 33%

Expense Structure

*Current:

- We are not profitable and have a YTD loss of \$49,311 in our service department thru April

- Our expenses are too high and more importantly our Labor Gross is too low

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 182,819		
Variable Expense		0.00%	
Selling Expense	\$ 93,399	51.09%	
Personnel Expense		0.00%	
Semi-Fixed Expense		0.00%	
Fixed Expense	\$ 89,367	48.88%	
Unallocated Expense	\$ 5,912	3.23%	
Dealer's Salary		0.00%	
Total Expenses	\$ 188,678	103.20%	
Net Profit	\$ (5,859)	-3.20%	

*Recommendations:

- We must raise both our monthly Labor Sales and Tech Proficiency to get our Fixed Expenses in line
- Implement a Tech spiff that rewards overall hours sold per week and individual tech proficiency
- Once tech proficiency is above 110%, expand service hours of operation from current 7 am to 5 pm M-F, 8 am- 3 pm Sat to New Service Hours of 7 am to 9 pm (same closing time as sales depart) and 8 am to 8 pm Saturday (same as sales dept)

*Evaluation of Changes:

- We will measure the Service Departmental Net Line of the financial statement to verify our changes our working- Stop the bleeding and start making money
- We will monitor Variable Expenses, understanding that Variable Expenses will rise due to the increase in Labor Sales, to ensure they stay inline. The Net Profit will increase with the additional Labor Sales generated

Pay Plans and Performance Programs

*Current:

- Our Techs have a pay plan that gives them an additional \$1/hour bonuses at 115% and 125% individual proficiency
- Our Service Advisors have a pay plan that pays them a base level % of Total Individual Parts and Labor Sales and the % level can be raised by hitting certain Total Individual Parts and Labor Sales goals (up to an additional 3%)
- Performance Programs are available to service writers, techs, and service manager thru FCA and for performance with items like Fixed First Visit Scores, Service Contract Sales, Tire Sales, and Maintenance Plans

*Recommendations:

- Modify the service advisors pay plan so that to get the additional %'s of their Total Sales amount, they must achieve higher levels of hours per RO
- Keep the techs pay plan the same but help them get to higher proficiency by the action items already described (better use of SPG, parts runner, better time management, better laid out service lot, and the spiff program for techs hours per week)

*Evaluation of Changes:

- We will know that our changes with the service writer pay plan are working if the advisors are motivated to sell more hours and push more work thru the shop
- We will know if keeping the tech pay plan the same but trying to help them get more hours per week is working by monitoring their proficiency numbers and how much money is paid out weekly on the hours spiff

Training

*Current:

- FCA factory training, both live and online, are current and up to date

- Reimburse techs expenses associated with ASE Certifications, and we have most techs with multiple ASE certifications
- Sending out Smog Checks to an independent repair facility because our one tech with Smog Certification is too valuable to use for Smog Certs
- We have an apprentice program that has produced 4 of our current techs

*Recommendations:

- Continue to ensure that all FCA training is up to date and encourage ASE Certifications and Apprentice Program
- Select an existing midlevel tech with staying power to help obtain a Smog License to keep the work in house and improve efficiency

Special Tools

*Current:

- We have our special tools located in the mezzanine of our parts department, and they are put away in cases
- 75% of our special order tools have been input with part numbers and bin locations in R&R

*Recommendations:

- Finish inputting of part number and bin location of the remaining 25% of the special tools
- Place the part number of the special tool on the repair order in which it is used with a cost of \$10,000 so the RO won't get closed until the special tool is returned to parts department (and taken off the RO). Use the new parts runner to bring the special tool back to parts when job is done. I am sure service manager and parts manager will fight this, but we want to maintain order and location of special tools ongoing

*Evaluation of Changes:

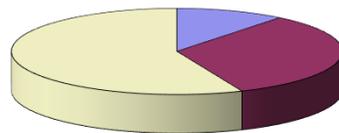
- Look for Tech Productivity to increase due to less time wasted trying to locate special tools
- Inspect the mezzanine location weekly to ensure it is tidy and organized

Repair Order Analysis

Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 1,448	÷ 14.00	= 103.42	FRH Average			
Maintenance	\$ 6,456	÷ 43.20	= 149.44	FRH Average			
Repair	\$ 10,970	÷ 74.00	= 148.24	FRH Average			
Totals	\$ 18,874	÷ 131.20	= 143.86	Customer ELR			
		Target Labor Rate	149.95	Per FRH			
Total Ro's in Sample	100	Difference	-6.09	Per FRH			
Cost of Labor							
Total Cost of Labor	3604.00	÷ Total Sales	= 19.10%	Percent Cost of Sales			
Total Cost of Labor	3604.00	÷ Total FRHs	= 27.47	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	18,873.88	÷ Total ROs	= 188.74	Avg Labor per RO			
Total FRHs	131.20	÷ Total ROs	= 1.31	Avg FRH's per RO			
Menu Sales		÷ Total ROs	=	Percent Menu Sales			
Competitive FRHs	14.00	÷ Total FRHs	= 10.67%	Percent Competitive			
Maintenance FRHs	43.20	÷ Total FRHs	= 32.93%	Percent Maintenance			
Repair FRH	74.00	÷ Total FRHs	= 56.40%	Percent Repair			
One item ROs	12	÷ Total ROs	= 12.00%	Percent One Item RO			
Model Year Analysis							
2020	2019	2018	2017	2016	2015	Older	Total
0	4	8	20	12	12	44	100
0.00%	4.00%	8.00%	20.00%	12.00%	12.00%	44.00%	

Labor Mix



■ Percent Competitive ■ Percent Maintenance ■ Percent Repair

Service Department SWOT Analysis

Strengths

1. We have longtime, loyal, repeat customers who purchase and service their vehicles with us
2. We have higher CSI scores and a better reputation than our nearest competitors
3. We have a successful technician apprentice program that is feeding our tech funnel
4. We have 6 core technicians that have achieved the highest FCA training level and have been employed at the dealership for at least 10 years
5. We are in a great location (in an auto mall, just off the freeway) and our market has great demographics, including high disposable income
6. We have an experienced service director who is talented and capable
7. We have high posted and effective labor rates in customer pay, warranty, and internal
8. We have a facility with 19 service bays

Weaknesses

1. The service manager does not have an open mind and does not think it is possible to have extended service hours due to California labor laws
2. The customers have a terrible time trying to contact us by phone- incoming calls constantly go unanswered or to voicemail
3. Customers must wait a long time to get a service appointment- we are scheduling too far out for many customers
4. The service advisors are not selling as much work as possible due to fear of being able to get it done as promised
5. Most Importantly, our hours of operation limit the amount of service labor we can sell
6. Customers are taking their vehicles to independent shops for routine maintenance due to our inability to get the routine work done quickly

Opportunities

1. We can schedule work on non FCA brand vehicles to increase sales
2. We can create marketing to drive customers to the service department
3. The aging of our Units In Operation means that we will likely have an increase lucrative customer pay repair work
4. Our Units In Operation should grow due to strong new and used car sales over the last 8 years
5. Our area is growing and there is strong demand for our services in the market

Threats

1. We are losing business to independent repair shops that have more hours of operation and more convenient hours open
2. The dealership has an aging group of technicians and service writers that will retire in the next few years
3. The dealership may alienate and lose customers due to the difficulty of scheduling timely service appointments
4. There is strong competition for technicians and service writers in the marketplace among all dealerships and we could lose personnel to other competitive dealerships

Objectives

1. Increase number of labor hours sold monthly
2. Improve proficiency/productivity of technicians
3. Increase labor hours sold per Repair Order
4. Expand the Service department hours of operations

Strategies

1. Devise a shift system that will allow the dealership to be open with expanded hours
2. Spiff current employees and tool vendors for referring technicians and service writers
3. Conduct regular staff meetings, as well as one on one meetings, to make sure the dealership/service department goals match the employee's goals

Tactics

1. Give bonus program to technicians for completing a certain number of hours produced in a week
2. Tie Service Manager's pay to total hours sold in the department
3. Conduct a daily meeting with the Service Manager to discuss hours produced MTD, daily/weekly shop loading, and identify any obstacles in the way of hitting the objectives
4. Post and update a "Progress Report" DAILY to make sure everyone knows where we stand, both as a team and individually

Action Plan

Task	Whom	By	Date
1. Hire a Parts Runner Manager			Service
		9/1/19	
2. Hire R&R SPG Trainer			GM
		9/1/19	
3. Reintroduce Company cell Manager			Service
		8/15/19	
Phone/Internet Policy			
4. Redo the back lot to Mgr			GM and Serv
		8/15/19	
eliminate N/C Inventory from the service area			
5. Have a department meeting Manager			Service
		9/1/19	
to explain our proficiency improvement plans and new goals			

6. Hire 3 additional techs

Manager 1/1/20

Service

7. Extend Hours of Operation

Mgr 1/1/20

GM and Serv

Synopsis

Our service department does a good job at making gross profit as a percentage of sales, but it needs more dollar sales and hours sold to make the department profitable. The fixed expenses of the dealership are high, and this must be overcome by increasing our levels of business. The business is there to be taken, but only by bold action like increasing the hours of operation to get more work done and to be more convenient for customer.

The recommendations and action plans in this report will allow us to become more proficient and get more work

done through the shop, increasing both our top line sales and bottom line.