



## Fixed Operations 2 Service Homework

### Kyle Click PAG 014

### June 2019 Financial Statement

Your homework assignment is to evaluate your service department. A detailed analysis is required of the following areas, to include what you are currently doing, plans for improvement, how you plan to achieve the goals, and evaluate if the changes made are beneficial to the store. Some of you may not have the authority to make any changes as to the outcome of the recommendations, but you are still required to make the evaluations and recommendations that you would perform if this was your department.

**a. Facility:** What changes will you make to increase your utilization (4th homework calculation)?

The facility potential is at 73%. Potential sales are \$647,332 at 100% facility efficiency and actual sales were \$473,051

Offer an incentive to encourage customers to set appointments for maintenance late in the day mid-week (typically a slow time).

Work to shorten time to receive authorization from customers. Will increase utilization of text messages to receive authorization and Service Drive Manager will call for authorization if service advisors are busy.

Verify that Express Techs are providing upsells to the advisors within the first 10-15 minutes that the car is on the lift to provide time for the advisor to upsell additional items and allow for them to be performed on the same visit.

Ensure that technicians utilize open bays (because the tech is on vacation or sick) for larger jobs that will have to have parts ordered.

**b. Productivity:** How will you increase your Tech Proficiency (3rd homework calculation)?

Tech proficiency is at 106% for June 2019

Request new tablets that are used for diagnostics and programming. Current computers are extremely slow and reduce completion times.

Ask the parts department if they can deliver parts to the techs to minimize time that the tech is out of the bay. (This is currently done at times but would like to see it be part of the process)

Dispatch repairs to ensure the proper technician is performing the repairs to reduce time spent researching repair in the service manual or asking foreman or other techs.

Monitor training levels and send techs to manufacturer tech training to make sure that techs are up to date new systems and technology.

**c. Analyze Cost of Labor:** How do you pay the techs (1st homework calculation)?

Labor cost was at 21% of labor sales

Technicians are paid a base flat rate with proficiency bonuses at 115%, 125%, 135% and 145% with the tech receiving an additional \$1.00 per percentage achieved, maxing out at an additional \$4.00 per hour. Tech also receives a \$1.00/hour CSE bonus if above zone.

**d. Changes in Expense Structure:** Are you selling all of the available hours, and are your expenses in line (2nd homework calculations)?

Total expenses were at 72.77%, net profit was 27.23%

Minimize policy and CSE write offs and ensure write offs are at cost.

Perform cost analysis on items such as shop supplies, waiting area supplies etc. to ensure that we are using the most cost effective vendors or negotiate to improve pricing.

**e. Detail Performance Programs:** What are the plans for setting objectives, tracking, and communication?

Technicians: Set a goal with each technician to reach the next level of their proficiency bonus that they don't typically achieve. Post their proficiency each morning at dispatch to allow the technician see the percentage he is currently at.

Advisors: Currently receive a report at the beginning of every month that lists their key metrics: ELR, Hours/RO, discount percentage and CSE score as well as a goal for the current month. Advisors receive an emailed report daily with their metrics through end of business previous day.

**f. Level of Current Training:** Are you within the minimum training standard for your manufacturer?

Yes

**g. 100 Repair Order Analysis:** We need the summary page with your evaluation of the summary (recap) sheet.

Our average Hours per RO is very low. It is a direct reflection of the amount of One Item ROs (37% in the sample). We are discounting our labor rates, and our Effective Labor Rate is almost \$39 per hour below the target. Our competitive and maintenance ROs take up over 60% of the total ROs, leaving only 35.98% of our work being done as "Repair" items. Even the repair ROs are being discounted, as our average FRH is barely hovering around our warranty rate. Cost of labor is really good. We need to focus on selling additional recommended services to increase our Hours per RO, which will raise our Effective Labor Rate as well.

		Target Labor Rate	135.00	Per FRH
Total Ro's in Sample	100	Difference	-38.90	Per FRH

### Cost of Labor

Total Cost of Labor	2827.65	÷	Total Sales	=	21.43%	Percent Cost of Sales
Total Cost of Labor	2827.65	÷	Total FRHs	=	20.59	Cost per FRH

### Repair Order Measurements

Total Labor Sales	13,194.25	÷	Total ROs	=	131.94	Avg Labor per RO
Total FRHs	137.30	÷	Total ROs	=	1.37	Avg FRH's per RO
Menu Sales		÷	Total ROs	=		Percent Menu Sales
Competitive FRHs	68.30	÷	Total FRHs	=	49.75%	Percent Competitive
Maintenance FRHs	19.60	÷	Total FRHs	=	14.28%	Percent Maintenance
Repair FRH	49.40	÷	Total FRHs	=	35.98%	Percent Repair
One item ROs	37	÷	Total ROs	=	37.00%	Percent One Item RO

### Model Year Analysis

2020	2019	2018	2017	2016	2015	Older	Total
0	7	17	12	13	13	38	100
0.00%	7.00%	17.00%	12.00%	13.00%	13.00%	38.00%	

