

Service Department
Analysis for McKenney-
Salinas Honda

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350-19

Qualitative Analysis

Strengths

- 1.) Large Customer base with good service retention.
- 2.) Majority of our technicians have a tenor of 3 years of more, with 4 master technicians with at least 10 years of training.
- 3.) Our service and parts managers have been with Honda for at least 18 years- Service manager since 1995 and parts manager since 2000
- 4.) Our market area continues to grow and new commercial development continues to expand
- 5.) Shop capacity will be very good in the next 12 months with new facility
- 6.) Service advisor's tenor is very good with at least 3 years employment at McKenney-Salinas Honda, all advisors work well with each other.
- 7.) Company has a good long standing relationship with county as far as customer appreciation/retention.
- 8.) Porters are very interactive with customers during service arrival
- 9.) Cashier is located at service desk for more central paying
- 10.) Clean facility and waiting area with many amenities

Qualitative Analysis

Weakness

- 1.) Small service drive area
- 2.) Two advisors are still in the learning stages of CSE training
- 3.) The store needs one more express technician
- 4.) Competitive pricing is not posted on service drive
- 5.) Technician culture are often “set-in” their ways due to long tenor at service department
- 6.) Insufficient marketing of service department
- 7.) More communication and awareness is needed to customer about competitive pricing
- 8.) Customers are unaware of CSE survey and too often surveys are only filled out due to frustration
- 9.) Lack of value in the service drive
- 10.) CSE scores is lower than should be

Qualitative Analysis

Opportunities

- 1.) New dealership facility in the next 12 months
- 2.) Create a non-dealer pricing board for customers to see
- 3.) Create ways to market service department
- 4.) Adding an express technician
- 5.) More marketing option with Honda
- 6.) New express technicians wanting to grow in the business to become a line tech
- 7.) Install a parts comparison board of old to new parts for customers to see
- 8.) Add a oil filter comparison to show all filter/oil changes are not always the same at aftermarket facilities
- 9.) New attention added to CSE with follow-up and customer awareness
- 10.) More customer retention at purchase of new vehicle

Qualitative Analysis

Threats

- 1.) Longer maintenance intervals, less required services
- 2.) Less maintenance makes it harder to attract well trained techs
- 3.) Large amount of after-market service centers in close proximity of dealership
- 4.) Less pay for diagnosis from factory
- 5.) Harder to attract experienced techs with less maintenance and more jobs at lower pay
- 6.) Added express tech shops in market that do not perform same service, but is just time-based only
- 7.) Making sure we treat the customer as needed do not take for granted
- 8.) More survey's to broader customer base

Qualitative Analysis

Objectives

- 1.) Improve gross on labor sales
- 2.) Improve hours per RO
- 3.) Improve CSE
- 4.) Improve hourly tech productivity
- 5.) Increase service traffic with email blast or social media
- 6.) Track one line repair orders for lost opportunities
- 7.) More streamline of express techs for faster completion times

Qualitative Analysis

Strategies

- 1.) Non dealer competitive price board
- 2.) Add another express
- 3.) Continue shop meetings on proficiency
- 4.) Continue to focus on CSE
- 5.) Hire dispatcher for Ros
- 6.) Organize shop for easier access to tools (special tools)
- 7.) Provide cold beverages for technicians during summer months for better morale
- 8.) Create scheduling system to met customer demand's of expressive service

Qualitative Analysis

Tactics

- 1.) Consider bonus pay for training for technicians
- 2.) Advertising daily specials to drive different customers in each day
- 3.) Perform price comparison of maintenance parts and labor
- 4.) Have a weekly meeting with technicians and parts to discuss impact of CSE
- 5.) Having biweekly meetings with advisors to discuss performance
- 6.) Advertise comparison pricing of aftermarket facilities
- 7.) Service manager must authorize all discounts other than advertise special
- 8.) Having porters pull all customers vehicle up once customer is ready to pick up.
- 9.) Call all customer after repair for better CSE

Action Plan

Task	Role	Completion Date
Monthly service department meetings	Service Manager	September 9 th
Biweekly service advisor meetings	Service Manager	September 16 th
Hire new express tech	Service Manager	October 1 st
Create non-dealer competitive pricing board	Service Manager	September 16 th
Extend service hours of operation	General Manager	October 1 st
Hire parts runner	Parts and Service Manager	October 1 st
Track daily lost sales for parts.	Parts manager and assistant	Already complete
Track gross for parts department on display board for gross bonus	Parts manager	Already complete
Train service advisors for CSE survey completion	Service Manager	September 23 rd
Extend advertising budget for service department	General Manager	October 1 st

Synopsis

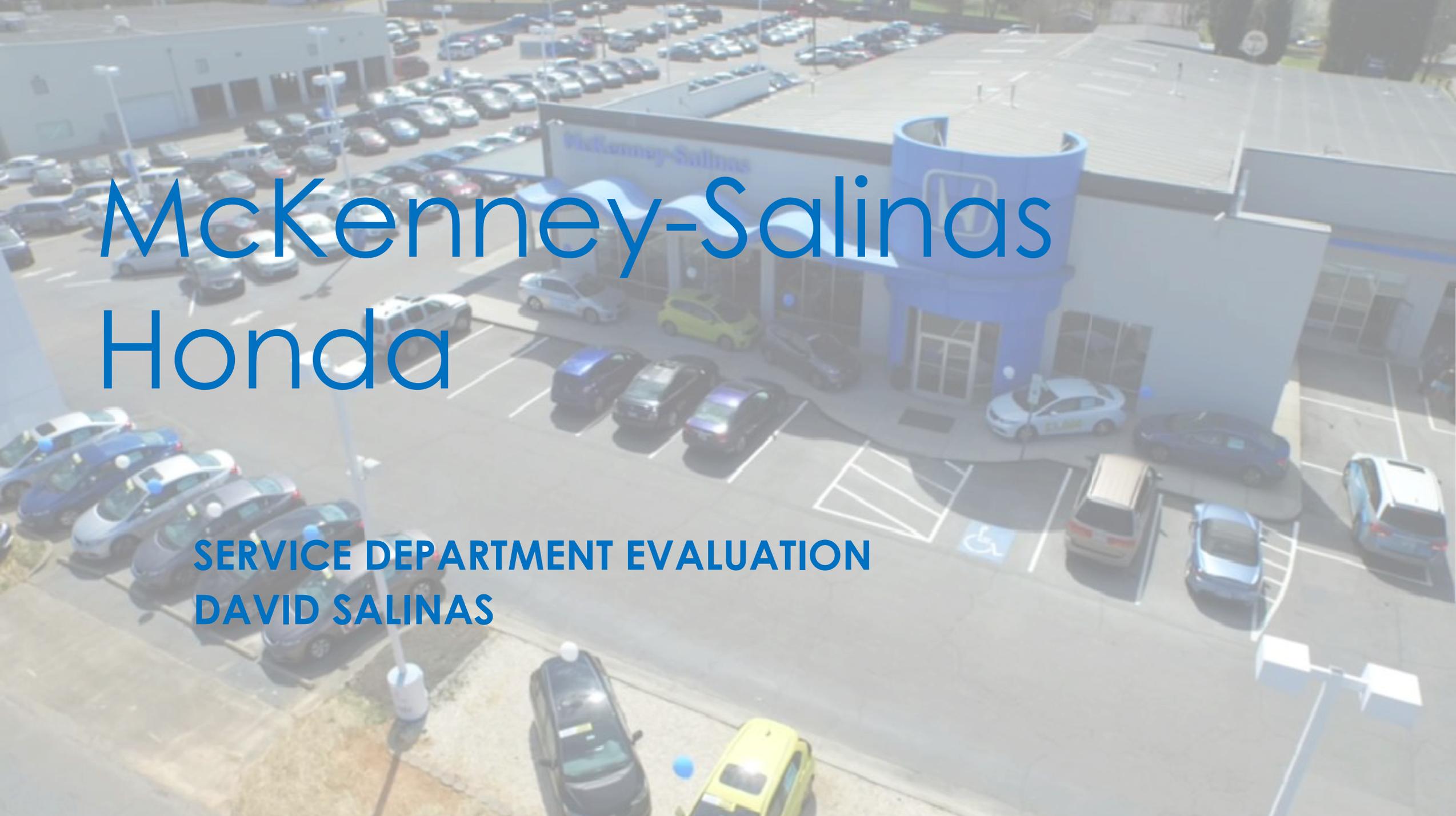
McKenney-Salinas Honda has several both strengths and weaknesses that can be improved on before moving to its new facility next August 2020.

Extending service hours from 7-8 and opening on Sundays will help maximize availability to customers and increase gross profit. With increase training to service advisors for CSE scores and how to upsell one-line repair orders, profitability will be increased along with pay-plan pay increase. Upselling will increase through new advertising throughout the dealership on competitive pricing that is more affordable compared to aftermarket.

Also, hiring a parts runner and dispatcher will help efficiency with shop and will increase tech proficiency. Through proficient bonuses with technician pay plans, efficiency will also help reach proficiency goals.

With all changes present, McKenney-Salinas Honda should be able to maximize both gross and net profit and help maximize pay employee. This will increase both customer and employee experience, which will ultimately continue to increase growth and provide an exceptional experience at McKenney-Salinas Honda.

Thank you for this opportunity to make necessary changes for a prosperous future.



McKenney-Salinas Honda

**SERVICE DEPARTMENT EVALUATION
DAVID SALINAS**

Current Advertising

- ▶ Currently sending OEM Loyalty Lifetime Care emails (coupons, discounts) to inactive and active customers to keep name of dealership in front of customers.
- ▶ Select customers (active customers within 15 miles) receive direct mail pieces with service specials, discounts and coupons.
- ▶ Service reminders for upcoming service are sent out (approximately every 90 days).

Advertising Improvements

- ▶ Include in emails and direct mail how are prices are cheaper than aftermarket repair facilities.
- ▶ Use new advertising television marketing to include not only sales department, but also service department specials and level of standards.
- ▶ Emphasize OEM trained technicians through advertising means.
- ▶ Begin to use social media (facebook, Instagram, ect.) for service department advertising.
- ▶ Delegate more of website's homepage to service. Current website homepage is completely delegated to sales department.

Marketing-Non Dealer Survey

- ▶ Currently, our OEM oil changes, tire rotation, rotor turning, brake pad replacement is cheaper than any other aftermarket (Jiffy Lube, Pep Boys, ect.)
- ▶ Other competitive and maintenance items items are slightly higher than some competitors.
- ▶ However, no advertising is allocated to advantages of OEM working and pricing.
- ▶ Future advertising plans would include waiting room displays of competitive pricing and allocating billboard usage around competitive areas to demonstrate cheaper prices.

Current Facility Utilization and Capacity

- ▶ Current Factory Utilization percentage is 75%
- ▶ Dealership contains 16 bays that produce gross
- ▶ Schedule from 7am to 6pm allows for 10 hours of billable time a day
- ▶ An average of 26 working days in a month
- ▶ Current facility potential is \$244,171
- ▶ At times, up to 4 bays can be open during service hours without use

Improvements for Facility Utilization and Capacity

- ▶ To improve facility utilization, department will hire more technicians to use all 16 bays during all hours of operation
- ▶ Service all makes and models to help utilization and capacity department
- ▶ Extend service hours from 8am-8pm and open on Sundays to meet customer needs
- ▶ Training will be provided to services advisors to increase upselling to help meet capacity.

Current Technician Proficiency

- ▶ Current technician proficiency is at 81%
- ▶ This is partially due to having a high level of needed express techs which turn lower hours than higher techs
- ▶ Most non-express techs are at 90% or higher when calculated individually
- ▶ However, only 1 non-express technician is at NADA guide of 120% proficiency

Improvements for Technicians Proficiency

- ▶ Though non-express techs are not as nearly as proficient as regular techs, improvements can be made
- ▶ Through new performance tracking, techs can be made more aware of where their proficiency is at and how an increase in proficiency is the easiest way to generate more personal income
- ▶ Lastly, having a change in a production based pay-plan (to be discussed) will encourage an increase of technician proficiency.

Current Production Methods

- ▶ We currently use team based production method
- ▶ Team leader from a tech team of 4 delegates ROs to other team members (2 of 4 team members are express techs)
- ▶ Do not use a dispatcher, odd or even RO numbers determine which RO is designating to which team
- ▶ Advisors are not assigned to tech teams, delegation is simply based off odd or even number of RO
- ▶ Odd and even RO number causes disruption within technicians and backlogging if RO hours are not the same.
- ▶ Used car department disrupts odd/even count due to writing used car ROs (used car techs work separately from customer cars)

Improvements for Production Method

- ▶ Future plans would keep team method, its proved effect and efficient for culture of department
- ▶ However, odd/even RO number distribution will need to be eliminated to improve backlogging tech teams and equating work
- ▶ Instead, department will hire dispatcher in order delegate work within the department to improve balance of work for techs and efficiency
- ▶ This method of having 3 teams (4 techs per team) allows 1 team to be off everyday and work 4 days a week
- ▶ This has been essential in maintaining techs are minimalizing turnover

Improvements for Cost of Labor

- ▶ Assign correct job to the correct technician.
- ▶ Fix right the first time, thru training.
- ▶ Maximize opportunity thru a proper multi-point inspection to upsell
- ▶ Considering a parts runner and between techs and parts department
- ▶ Load the shop at night
- ▶ Continue enforcement of policies and procedures

Changes in Expense Structure

- ▶ Schedule porters and shuttle drivers according to peak times to avoid wasted time
- ▶ Review service department advertisement for effectiveness and to avoid duplication
- ▶ Review all data processing services and send letters to vendors for competitive quotes
- ▶ Continue to make sure we have current mix of tech level

Pay Plans

- ▶ Service Manager is paid off gross profit minus policy adjustments
- ▶ Advisors are paid off hours per repair order, CSE survey scores, a percentage of a scale of total parts and labor sales and effective labor rate
- ▶ Technicians are paid flag rates, express techs are paid hourly with a minimum of 10 flag hours weekly
- ▶ Technicians are paid a dollar an hour for hours flagged at this end of the year for a year-end bonus

Changes to Pay Plans

- ▶ Service Managers will be paid off service net instead of gross and will include a percentage of net profit from parts department
- ▶ No changes to service advisor pay plans
- ▶ Changes to technician pay plans will include a proficiency bonus set individually for each individual technician
- ▶ Express techs will also be paid \$2 more once surpassing their 10 hour a week minimum pay

Current Performance Tracking

- ▶ Daily timesheets are provided to techs to inform hours turned weekly for techs
- ▶ Hours per RO, ERL, CSE (customer service experience) survey, and labor sales are reviewed with service advisors ever month.
- ▶ No other performance tracking programs are instilled within service department procedures
- ▶ Currently no departmental meeting within service

Improvements for Performance Tracking

- ▶ Bi-weekly tracking of advisor performance instead of monthly meetings
- ▶ Include tech proficiency with with daily time sheets
- ▶ Start reviewing CSE results for techs instead of only advisors (weekly)
- ▶ Track team performance (hours turned throughout week) with electronic display in service department to increase awareness and competition between teams
- ▶ Start monthly departmental meeting on Fridays (first Friday of month)

Current level of Training

- ▶ Use OEM tech training through OEM website
- ▶ Techs attend yearly OEM school for one week to update on product technology
- ▶ Corporate Service Manager goes over training status with techs every month
- ▶ Current training level is approximately 75% up to standard (needs to be 100%)
- ▶ Lower level techs are not fully trained and updated as A and B techs

Improve Level of Training

- ▶ Rising level of pay by levels of training
- ▶ Techs will need to be 100% up to date on training to qualify for proficiency pay plan
- ▶ Include more accountability through monthly meetings with service district manager

Special Tools Current Level & Improvements

- ▶ Currently stay in blue cabinets
- ▶ Currently very disorganized cabinets
- ▶ No storage for high technology equipment such as aiming camera, and radar calibration
- ▶ When moving to new facility, create a new room for specifically for special tools
- ▶ Have electronic machines with barcodes for techs to use to check-out special tools and check in specific and organize location
- ▶ High technology tools will also be included in room in new facility to create and organize more room and efficiency in shop.
- ▶ This will create more accountable and tracking of tools to prevent lost or stolen tools

Repair Order Analysis Summary Report

	Sales in Dollars		FRH's on RO's		Averages	Analysis
Competitive	\$ 2,617	÷	42.50	=	61.57	FRH Average
Maintenance	\$ 11,299	÷	31.00	=	364.49	FRH Average
Repair	\$ 2,441	÷	22.40	=	108.96	FRH Average
Totals	\$ 16,356	÷	95.90	=	170.56	Customer ELR
			Target Labor Rate		115.00	Per FRH
Total Ro's in Sample	100			Difference	55.56	Per FRH
Cost of Labor						
Total Cost of Labor	1674.22	÷	16355	=	10.24%	Percent Cost of Sales
Total Cost of Labor	1674.22	÷	95.9	=	17.46	Cost per FRH
Repair Order Measurements						
Total Labor Sales	16,356.49	÷	100	=	163.56	Avg Labor per RO
Total FRHs	95.90	÷	100	=	0.96	Avg FRH's per RO
Menu Sales		÷	0	=		Percent Menu Sales
Competitive FRHs	42.50	÷	88	=	44.32%	Percent Competitive
Maintenance FRHs	31.00	÷	31	=	32.33%	Percent Maintenance
Repair FRH	22.40	÷	3.5	=	23.36%	Percent Repair
One item ROs	50	÷	50	=	50.00%	Percent One Item RO
Model Year Analysis						
2020	2019	2018	2017	2016	2015	Older
0	5	11	10	9	9	56

0.00%	5.00%	11.00%	10.00%	9.00%	9.00%	56.00%
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