

EDD ROGERS VALLEY
FORD

NADA SERVICE WEEK 3
FIXED OPERATIONS 2
SERVICE HOMEWORK

Time Period: January thru
September 2019 YTD Totals

SHANE ROGERS

NADA 353-15

Advertising for our service department is all controlled thru our Ford Motor Co. Vendor (in which we have a backend tool via the manufacturer's website to monitor and control what we spend as well as the products that go out) where we are able to send out service mailers and specials for each month.

	Communication Type			Customers Contacted	Response Details		ROI
	Direct Mail	Email	Total Sent		Response Count	Response Rate	
Welcome / Intro to Service							
Thank You For Purchase	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Introduction to Service	154	75	229	158	21	13.29 %	\$19.23
Total	154	75	229	158	21	13.29 %	\$19.23
Service Reminder							
Service Reminder (Ongoing)	1,506	933	2,439	1,074	478	44.51 %	\$50.80
Service Reminder (First Year)	152	137	289	185	34	18.38 %	\$34.88
Service Reminder (Out of Warranty)	80	55	135	96	39	40.63 %	\$81.76
Service Reminder (Lost Customers)	558	140	698	407	68	16.71 %	\$38.64
Past Due Maintenance (Loyal 1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Past Due Maintenance (Loyal 2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	2,296	1,265	3,561	1,407	619	43.99 %	\$47.88
Overall Program Totals	2,450	1,340	3,790	1,440	640	44.44 %	\$46.07

We recently reviewed the Ford Consumer Connection site and, after looking over the amount of marketing we are doing there as well as looking at the ROI we are receiving for every dollar we have spent with them this year, we have opted into the Past Due Maintenance Loyal 1 and 2 programs to hopefully continue to grow and increase our business. The Thank You for Service Purchase is not a program we use a third party vendor for, as we send out letters from the dealership every week to our customers that have used our service department, thanking them for their continued business. Once the Loyal 1 and 2 programs are in place, we are going to work with Consumer Connection to find a way to ramp up the service reminders and make sure we are not leaving any customers out. Effective immediately, we are making sure that all maintenance RO's have the correct coding on them for decline of service so we can start marketing back to those

customers and make them aware of the services they declined and that we would be happy to assist them in their brakes, battery, tires, & etc. repairs.

Service Department Sales and Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 182,390	\$ 124,808	68.43%	59.33%
Customer Truck			0%	0%
Customer Other			0%	0.00%
Warranty	\$ 68,851	\$ 46,779	67.94%	22.40%
Warranty Other	\$ 2,597	\$ 185	7.12%	0.84%
Internal	\$ 53,579	\$ 40,257	75.14%	17.43%
NVI / Road Ready			0%	0%
Adj. Cost Of Labor			0%	0.00%
Total	\$ 307,417	\$ 212,029	68.97%	100.00%

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 212,029		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	\$ 84,044	39.64%	
Semi-Fixed Expense	\$ 53,424	25.20%	
Fixed Expense	\$ 88,663	41.82%	25%
Unallocated Expense		0.00%	
Dealer's Salary	\$ 20,250	9.55%	10%
Total Expenses	\$ 246,381	116.20%	80%
Net Profit	\$ (34,352)	-16.20%	

Service Department is receiving 25% of all Fixed Expenses that the total dealership has in any one given month. From the NADA week 1 financial class, we were given a formula to input year end data to assist us in setting up a different spread for each department based on our year end totals. However, I don't see a change of any big proportion coming in that area.

Service Department Personnel Expense is higher than what we should have due to pay plans that will be outlined further down. The high is coming in from apprentice employees that are getting paid standard clock hours when not turning flat rate hours. This needs to be evaluated to make sure these techs are not just standing around during that time and that we do have the work for them. Also, we need to ensure that they understand we would like for them to have the training needed for their next pay increase, which would take them from apprenticeship into being a straight flat rate line tech with increased pay for them as well as more and faster labor hours turned for dealership.

NADA ACTUAL SERVICE ANALYSIS

Performance

	<i>Labor Sales / Month</i>		<i>Hourly Labor Rate</i>		<i>Hours Billed</i>
Customer Car*	\$ 182,390	÷	99.00	=	1842.3
Customer Truck*		÷		=	0.00
Customer Other*	\$ -	÷		=	0.00
Warranty	\$ 68,851	÷	85.27	=	807.4
Internal	\$ 53,579	÷	89.00	=	602.0
New Vehicle Prep		÷		=	0.00
Total	\$ 304,820				3251.8

POTENTIAL

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Total labor sales for month
Total hours billed
Effective Labor Rate

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 8
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 198
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 5,148. \\
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Service mechanical technicians # Hours/Day Working Days/Month Clock Hour Aval

5,148.0	x	\$ 93.74	=	\$ 482,570
Clock Hours Available		Effective Labor Rate		Labor sales potential

How proficient are your technicians ?

3,251.8	÷	5,148.00	=	63.17%	GUIDE 120%
Hours Billed		Hours Available		Tech Proficiency	

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

FACILITY POTENTIAL	
Number of Bays	7
	x
Number of Days	198
	x
Number of Hours	8
	x
Effective Labor Rate	93.74
FACILITY POTENTIAL	\$ 1,039,389

FACILITY UTILIZATION	
Total Labor Sales	\$ 304,820
	÷
Facility Potential	\$ 1,039,389
	<i>equals</i>
FACILITY UTILIZATION	29.33% GUIDE 75%

PRODUCTION METHOD

We are running a Conventional Shop where we average 1 ½ bays per technician

1 – Service Manager (also a working service advisor & dispatcher)

1 – Service Advisor (advisor & dispatcher)

1 – Shop Foreman (also fills in as needed in emergencies, turning less than 10 flag hours per week)

3 – Technicians (This includes our lube tech that also is certified for maintenance items as well as recalls and PDIs)

*We just hired another Ford Senior Master Certified Technician to add to our production line beginning Nov. 2019. This will increase our technicians to 4 as well as increase shop production and proficiency.

PAY PLANS

Managers & Advisors Pay:

Service Manager – Paid hourly for week to week pay every Friday plus monthly commission at given percentage for service and parts gross for that month deducting for any policy write offs that service has for that month.

Parts Manager – Paid hourly for week to week pay every Friday plus monthly commission at given percentage for service and parts gross for that month deducting for any policy write offs that parts has for that month.

Service Advisor - Paid hourly for week to week pay every Friday plus monthly commission at given percentage for service and parts gross for that month deducting for any policy write offs that service has for that month.

*commission percentage for managers and advisors are different depending on experience and job description.

Technicians Pay:

Shop Foreman - Paid hourly for week to week pay every Friday plus bonus flat rate pay for taking on any additional work that he gets dispatched to handle.

Hourly Technicians - Flat clock rate hourly employees are paid an hourly wage based on time spent on job site. (example: lube tech)

Apprentice Technicians – Paid hourly on clock for being on job site working, training, or assisting in any shop work plus bonus pay for every flat rate hour they turn on repair. (example: tech doing all maintenance & training for full line tech) (Once achieving top apprentice pay tech is moved into flat rate tech pay)

Flat Rate Technicians – Has a set flat rate pay for every flagged hour they turn on each repair order they are given (example: Ford Certified tech to handle the job in the area of concern for repair)

*Longevity Bonus Program – For every hour a technician flags during the course of the physical year they will earn a dollar that will be paid to them starting in January of the third year of employment.

Detail Performance Programs

Before the service advisor and service manager leave the next day, work schedule is printed and reviewed for prep for morning work coming in to give to techs. Also, arrangement of needed loaner vehicles is made for each customer coming in so that upon the customer's arrival the vehicle is ready for them. Parts department manager is also given a work list for repairs being done so they can prepare getting needed parts together for those jobs.

First thing in the morning, each tech will receive their daily workload that is requested to be handled before close of business day and service manager lets them know what order work is expected to be done and will be coming to them.

For increase of CSI and customer relations and for full customer transparency, for every repair order that is closed that day, we have a thank you letter sent out directly from the dealership to each customer thanking them for coming in. This letter is signed by all department managers, and for the warranty repairs letter, we let them know that they will be receiving a survey from the factory on their service they just received from us. We manage all our customer responses we receive from customers through the manufacturer's site as they are received. They come into one location whether it is a factory survey they have responded to or a customer

testimonial review left on a 3rd party site. These are responded to as soon as received by our customer relations manager on site and we review them with each department manager on a weekly basis.

We run a courtesy transportation program out of the service department that is available to all customers that bring their vehicle in for service.

Levels of Current Training

All our training comes from the Manufacturer, mostly thru online training within the manufacturer dealer portal. Ford Motor Co. uses their STARS training portal for all technicians, advisors, and managers training. They have a minimum of annual training courses that must be taken and completed in order to maintain their level of certification.

We have 4 different levels of techs within our dealership that tie back towards the employees pay plan.

1. (D tech) Entry level tech with no on the job experience - this tech is your lube tech or tech working as an assistant for line tech and will start training immediately.
2. (C tech) Apprentice tech has their base certifications from the factory to be able to do some jobs on their own and will be more than just a lube tech, doing all maintenance and some conventional repairs with close oversight from shop foreman.
3. (B tech) Factory certified tech is one that is fully certified in certain areas on the vehicle, such as transmission, diesel, gas, etc. This is a full line tech that can receive work for the area in which he is certified and trained to work in.
4. (A tech) Fully factory certified tech (Ford Senior Master Certified Tech) is fully certified in multiple or all the different areas on the vehicle, such as transmission, steering, electrical, etc. This is your highest paid full line tech that can receive work for any area of concern for the vehicle.

Special Tools Room

Our special tools room is a lot more like a rat's nest than a tool room right now, and is an area that needs improvement. Although we are very limited on space

pretty much everywhere, our tool room is currently worked out of a 20-foot-deep by 8-foot-wide room with shelves on each side. We are already out of space in the room, with tool cases having to set in front of other tool cases on the shelves because of lack of shelf space. This room is currently accessible by anyone to come and go as they please, and therefore tools do not get placed back in the same spot every time, making it a hunt and search method a lot of time in looking for the correct tool case for jobs. This is definitely an action item that I am looking to correct with better management and organization.

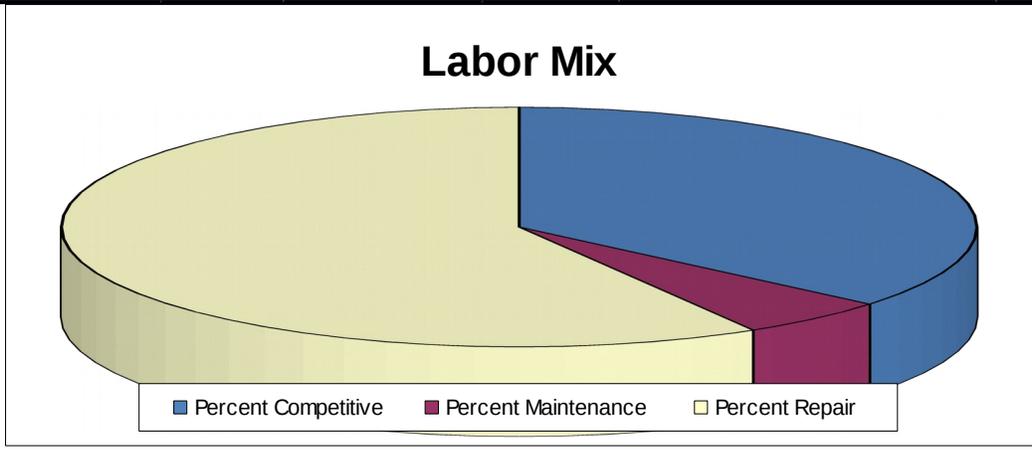
With the new hourly employee I have hired in the parts department to assist in organizing the parts inventory and obsolete parts sales, I plan to utilize this person, under the guidance of our service manager, to organize the tool room in a tool number sequence and to review the tools that are very rarely used anymore and to move them into our large storage shed beside the shop on organized shelves there.

Repair Order Analysis Summary Report								
		Sales in Dollars		FRH's on RO's		Averages		Analysis
Competitive		\$1,403	÷	46.65	=	30.08	FRH Average	
Maintenance		\$ 678	÷	6.90	=	98.28	FRH Average	
Repair		\$ 7,477	÷	75.60	=	98.91	FRH Average	
Totals		\$ 9,559	÷	129.15	=	74.01	Customer ELR	
				Target Labor Rate		87.27	Per FRH	
Total Ro's in Sample	100			Difference		-13.26	Per FRH	
Cost of Labor								
Total Cost of Labor		2815.10	÷	Total Sales	=	29.45%	Percent Cost of Sales	
Total Cost of Labor		2815.10	÷	Total FRHs	=	21.80	Cost per FRH	
Repair Order Measurements								
Total Labor Sales		9,558.65	÷	Total ROs	=	95.59	Avg Labor per RO	

Total FRHs	129.15	÷	Total ROs	=	1.29	Avg FRH's per RO
Menu Sales		÷	Total ROs	=		Percent Menu Sales
Competitive FRHs	46.65	÷	Total FRHs	=	36.12%	Percent Competitive
Maintenance FRHs	6.90	÷	Total FRHs	=	5.34%	Percent Maintenance
Repair FRH	75.60	÷	Total FRHs	=	58.54%	Percent Repair
One item ROs	49	÷	Total ROs	=	49.00%	Percent One Item RO

Model Year Analysis

2020	2019	2018	2017	2016	2015	Older	Total
0	3	5	10	13	10	59	100
0.00%	3.00%	5.00%	10.00%	13.00%	10.00%	59.00%	



Evaluation of Repair Order Analysis

1. Our total cost of labor percentage is under the recommended mark of 30% at 29.45%
2. The cost per FRH of 21.80 in comparison to the Customer ELR leaves us under the recommended gross profit percentage of 73% at 70.5%
3. We are 1 FRH per RO short of where we need to be in relation to hours being turned per RO being done.
4. Our percentage of maintenance business that we have is way too low and must become a larger portion of our daily business, largely through upselling within our service drive and lube rack.
5. By increasing the low amount of maintenance business, we will decrease the high percentage we have in 1-line item ROs

We are falling way short on our percentage of maintenance repairs being done within our shop. Growing that part of the business is a must. These are easier labor hours to turn and will lessen the percentage of 1-line item ROs. By doing this, we will increase our total customer ELR and Avg FRH's per RO and will decrease both the labor cost as a percentage of sales and the percentage we have of 1-line item ROs.

This goal will be achieved by ensuring both the service manager and service advisor are holding lube techs accountable to their inspection sheets, and also ensuring the manager and advisor are fully explaining the options available to the customer and asking for the sale during the time their vehicle is still in the shop.

SWOT Analysis

Strengths:

- Good, close work family that works together well
- Strong loyal customer base
- Dealership and dealer principal have strong community & local ties
- Family owned and operated business by hometown native for 25 yrs.
- Dealer principal gets personally invested in employee's success and life
- Shop foreman that assists all techs in the actual repair of vehicle
- Very tenured staff with very low staff turnover rate

Weaknesses:

- Limited space in shop and special tool room
- Currently lack of shop space for alignment rack without losing repair lift
- Tire Machine needs upgrading - older machine with very limited capability
- Special tool room very unorganized and hard to find tools
- Pay plans not strongly enough tied to increase of upsell of maintenance items off our lube rack
- Receptionist is unable to see the service drive or counter

Opportunities:

- Two larger towns just 15 miles away that have corp. owned dealers (we can offer customers a truly family and friends locally owned business to come to)
- Extension of hours of service to being available on Saturday
- Sale on tires and carry more variety in stock with purchase of tire machine
- Letting customers be more aware of all their vehicle needs while in for service, and gain more FHR from customers in maintenance and repair need to be done to vehicle while vehicle is in for oil change

Threats:

- Loss of business due to lack of staff, hours, & smaller facility
- Lack of good communication with customers while vehicle in here for repair. Keeping customer fully informed of where we are in repair process.

Action Plan & Synopsis

1. Adding marketing mailers and emails for past due maintenance as well as coding ROs before they are closed with the appropriate decline codes if customers declined recommended repair while in service department. This will also trigger communication with the customer via mail and email to remind them of service that we need to conduct on their vehicle.
 - Performed by Service Manager and GM
 - Effective Immediately 11/1/19 Continual

Monthly meetings will be held to review the marketing communications with the GM, Service Mgr., and vendors marketing representative to see how we perform the previous month and what we can look in the way of expectations this month as well as any changes that may need to be made in our marketing plan.

2. Hiring an additional factory trained certified shop technician
 - Performed by Dealer, GM, and Service Manager
 - Effective Immediately or as soon as possible

We were able to actual have the opportunity in October 2019 to speak with a 10 plus year Ford Senior Master Certified Technician from our local area that was looking to make a move from his current employer. This employee has been hired and is starting work in November 2019. With the additional staff member, I plan to increase our overall tech proficiency by the training and knowledge a certified tech brings in lieu of the use of our aged shop foreman or less experienced apprentice techs. Our facility utilization will definitely increase with the addition of this certified tech's experience and expected production. I plan to monitor the service proficiency and facility utilization over at least the next 2 quarters to verify our increase in these areas.

3. Organization of special tool room and utilization of the large storage shed we have beside the shop to store older or less used tools, as well as taking an inventory list to know exactly what we have and what we are missing. Plans are to use the parts DMS system to inventory the tools by their tool number so we will have a record of what we have on hand.
 - Service Manger and newly added hourly employee that works in parts
 - Expected Completion: 1/1/2020

This will allow tech to find the correct tools for the job much faster and easier, with less time spent in tool room and more in their bay on the vehicles. The tool room will be continually monitored and managed by the shop foreman and service manager on a weekly basis to make sure the organization stays in good order.

4. Create technician and service advisor bonus structure program for getting additional up sales off lube rack for maintenance or mechanical repairs that are noticed during vehicle inspection.
 - GM

- Expected to implement by 1/1/20

This will help in multiple areas that we appear to be struggling in currently. This will decrease the high percentage of 1-line item ROs and increase the percentage of maintenance and/or repair types of work being done. This will also increase the average flat rate hours per RO with work that is getting performed at a larger effective labor rate for a greater gross profit percentage, thus creating a lesser percentage of competitive labor being performed that has a lower gross profit percentage. Lastly, this should assist in the shop proficiency by being able to gain more labor hours per RO, due to not having to pull so many multiple vehicles in and out of the shop each day. This waste of unpaid time, when we have to continually pull vehicles in and out the shop, will greatly decrease with these actions in place.

5. Purchase of new tire machine for the shop (Dealer has already given approval)
 - GM and Service Manager
 - Will be making purchase in November 2019

This will enable us to give our customer the option to purchase and have their tires installed here, regardless of wheel or tire their vehicle has. Our older machine was unable to safely dismount lower profiled tires and larger wheel vehicles, and as a result we have not been able to provide a complete tire service. We hope to be able to gain back a good amount of the tire business that we have lost over the last several years. Yet again this can be an assist to the lower 1-line items ROs.

6. Conducting monthly meetings with the service manager, parts manager, and service advisor to review previous months performance and what goals we have this month and moving forward.
 - GM
 - Monthly
7. Work with dealer principal, service manager, and parts manager to get updated hours of operation for adding Saturday's schedule in for added parts and service business.
 - GM
 - Goal to implement new schedule by 1/1/20
8. Install camera in service counter lane area for receptionist to be able to see and therefore better communicate with service customers on the phone in regards to

what their expected hold time may be or if they would like for us to take a message and have service give them a call back.

➤ GM

- Expected to have completed by 12/1/19