

Spring Branch Honda Evaluation

After reviewing the many strengths and weakness of our service department, it is accurate to conclude that while we have a pretty strong fixed department, there are a few areas where we can improve. Here are a list of targets we can focus on and make vast improvements to improve our processes and profitability.

Advertising-

Our current advertising is normally allocated to OEM required messaging which is pretty conservative, but we have recently increased our target to 6000 customers that have not visited the store in over 12 months.

Marketing-

Again our marketing strategy hasn't been as robust as it could have been for a couple of reasons. One of those reasons is during most of last year we could barely handle our clientele base due to the massive influx of inflator replacements and the other was our lack express Techs which drove our wait times through the roof. We have already begun our advertising campaign to regain retention momentum.

Facility-

Currently our utilization is only 17% primarily because of many lifts and bays that are currently unoccupied. While we have 34 bays we only have 22 techs housed in them. We have been vigorously interviewing to bring in additional techs both Mainline and Express lube while continuously looking to promote from within. Our service department is nowhere close to being at capacity as a result of our lack of techs although our tech proficiency is over 120%. Clearly we need more techs.

Organization-

We currently benefit from having a team or group organizational chart which creates an all hands on deck mentality. My observation is that this is the best and most efficient manner for our store based on head count.

Cost of labor-

Our current cost of labor \$16.15 dollars which is a reflection of mix of mainline techs and how work is distributed.

Gross Profit-

Despite having fewer RO's than last year we have maintained a healthy gross percentage 83% of sales and continues to be close to the benchmark.

Expenses-

Our biggest cost to do business is Compensation which was just addressed in March of this year. Service and parts management were all given rewritten plans to include salaries and performance targets in which they will benefit from increasing gross profit while focusing on keeping discounts at bay and watching controllable expenses such as policy and advertising. Our current expense structure is a little on the high side due to having too many non-income producing employees in parts. We will address soon.

Tracking of Targets-

Currently there are meetings with advisors related to where they stand and what they can improve, weather its phone handling skills or delivering a proper MPI and or Menu. There are daily circulations related to overall department performance and individual reports as well.

Training-

Current training attainment is a healthy 73% while our zone is 62%. We are constantly encouraging training engagement.

Special Tools-

Our Techs have access to Honda special tools which are located in a locked office and organized neatly.

100 RO analyses-

In analyzing 100 RO's from the month of May, it certainly looks like there are still some discounting happening but upon further review it can be resolved that our express oil changes are having a pretty big effect on overall ELR. Repair or CP RO is right on the money at \$112.00 per RO. One item worthy of a highlight is the amount of 1 line RO's at 24% of those 100 RO's but I am willing to bet the percentage of those RO's is higher. Cost of labor is \$16.40 suggesting the right techs are working on the right tickets and thankfully 68% of our RO's were on units 4 years or older.

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