

Fixed Operations 2 Service Homework

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Advertising-----Weekly targeted emails to current customer base with coupons...less than a 1 % opt out rate. Monthly mailers through CSSR (GM Direct mail) to customer base, and new GM registrations in the area with specials. Dealer website updated monthly with Service specials.

Marketing-----Ongoing efforts to update competitive pricing

Competitor		Rotate	Balance			Replace
*2013 Buick		Front/	Front /			
LaCrosse 65000	Lube oil	Rear	Rear	Align	Service	Front
Miles	filter	Tires	Tires	Front End	A/C	Disc Pads
North Hills Tire Pros	40/65	\$ 25.00	\$ 40.00	\$ 79.00	\$ 120.00	\$ 340.00
Pro Auto Repair	35/70	\$ 10.00	-	-	\$ 90.00	\$ 331.93
Midas	35/70	\$ 10.00	\$ 29.99	\$ 79.99	\$ 129.99	\$ 225.00
Blacks Tire & Auto	33/60	\$ 21.95	\$ 30.00	\$ 79.95	-	\$ 189.95
Firestone Complete	38/53	\$ 20.00	\$ 48.00	\$ 84.99	-	\$ 179.99
Capital Auto Repair	35/70	\$ 10.00	-	-	\$ 150.00	\$ 175.00
AAA Carolinas	\$ 79.00	\$ 24.95	-	\$ 79.95	\$ 109.95	\$ 239.00

OWNER BASE POTENTIAL

1008	x	37800	=	38,102,400.0
5 Year Owner Base		Annual Hours Purchased		Market Potential / Hours
38,102,400.0	x	\$ 98.74	=	\$ 3,762,147,975
Market Potential/ Hours		Effective Labor Rate		5 Yr. O.B Sales Potential
\$ 1,063,950	x	12	=	\$ 12,767,396
Avg. Mos. Labor Sales (excluding internal PDI and NV)		Annualized		Current Labor Sales Trend
\$ 12,767,396	÷	\$ 3,762,147,975	=	0.34%
Labor Sales Trend		5 Yr. O.B. Sales Potential		Ouch

*Note: The industry average of 35% is very poor performance.

Facility-----Really need to increase capacity, hire a couple more techs

FACILITY POTENTIAL	
Number of Bays	24
	x
Number of Days	22
	x
Number of Hours	3,247.6
	x
Effective Labor Rate	\$ 123.64
	<i>equals</i>
FACILITY POTENTIAL	\$ 212,012,687

FACILITY UTILIZATION	
Total Labor Sales	\$ 320,657
	÷
Facility Potential	\$ 212,012,687
	<i>equals</i>
FACILITY UTILIZATION	0.15%

Productivity-----We do a good job, but always room for improvement

How proficient are your technicians ?

$$\begin{array}{rcccl}
 3,247.6 & \div & 2,992.00 & = & 108.54\% \\
 \text{Hours Produced} & & \text{Hours Available} & & \text{Tech Proficiency}
 \end{array}$$

Production Method----Lateral support. Works great, team leaders really take ownership and help push production

Analyze Cost of Labor-----

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 173,292	\$ 125,657	72.51%	54.04%
Customer Truck			0%	0.00%
Customer Other			0%	0.00%
Warranty	\$ 85,473	\$ 63,931	74.80%	26.66%
Warranty Other			0%	0.00%
Internal	\$ 50,242	\$ 37,460	74.56%	15.67%
NVI / Road Ready	\$ 11,650	\$ 10,009	85.91%	3.63%
Adj. Cost Of Labor		\$ (1,192)	0%	0.00%
Total	\$ 320,657	\$ 235,865	73.56%	100.00%

The Picture

Customer Pay Gross Profit % 72.51%

Total Service Dept. G.P. % 73.56%

Changes in Expense Structure-----Analyzing expenses to cut back on unnecessary items. Fixed absorption is good, but it can get better.

Fixed Absorption page A-9

			% Adj Ovhd Exp
Parts Department Total Gross	\$ 332,673		37.52%
Service Department Total Gross	\$ 269,875		30.43%
Body Shop Department Total Gross	\$ 57,458		6.48%
Total Fixed Gross Profit	\$ 660,006		
Total Dealership Expense	\$ 957,820		
{	New & Used Sales Commission Expense -	\$ 60,615	
	New & Used Policy Expense -	\$ 42	
	New & Used Get Ready / Delivery Expense -	\$ 10,403	
Adjusted Overhead Expense	\$ 886,760		
Total Fixed Gross Profit	\$ 660,006		
Adjusted Overhead Expense	\$ 886,760		
Total Absorption Percentage	74.43%		Guideline 75%

Clear Form

The Picture

Customer Pay Gross Profit %	72.51%	
Total Service Dept. G.P. %	73.56%	
Parts / Labor Ratio (Cust. Pay Only)	0.54	
Total Service Dept. Expenses	\$ 241,248	

Pay plans-----Current pay plans work well, but always monitoring to see if need tweaks.

Detail performance programs-----Advisors and techs are given daily production sheets that include variances. We also do a one on one with advisors and techs monthly.

Level of current training-----We are currently at 100% training with GM requirements. Work weekly with Advisors on menu presentation and walk arounds. Currently looking at additional phone training.

Special tools---Organized...not neat yet. Everything is in its place and is managed by the shop Forman.



100 Repair Order Analysis-----Too many “one item” and too much discounting. Hours per R/O not bad, but could be better. Some is a result of having a very busy quick lube...which accounted for a large percentage of the 100 r/o’s

Repair Order Analysis Summary Report							
	Sales in Dollars		FRH's on RO's		Averages	Analysis	
Competitive	\$	3,674	÷	76.80	=	47.83	FRH Average
Maintenance	\$	1,248	÷	14.50	=	86.07	FRH Average
Repair	\$	8,144	÷	60.00	=	135.73	FRH Average
Totals	\$	13,066	÷	151.30	=	86.36	Customer ELR
			Target Labor Rate			111.00	Per FRH
Total Ro's in Sample		100	Difference			-24.64	Per FRH
Cost of Labor							
Total Cost of Labor		3756.85	÷	Total Sales	=	28.75%	Percent Cost of Sales
Total Cost of Labor		3756.85	÷	Total FRH's	=	24.83	Cost per FRH
Repair Order Measurements							
Total Labor Sales		13,065.70	÷	Total RO's	=	130.66	Avg Labor per RO
Total FRH's		151.30	÷	Total RO's	=	1.51	Avg FRH's per RO
Menu Sales			÷	Total RO's	=		Percent Menu Sales
Competitive FRH's		76.80	÷	Total FRH's	=	50.76%	Percent Competitive
Maintenance FRH's		14.50	÷	Total FRH's	=	9.58%	Percent Maintenance
Repair FRH'		60.00	÷	Total FRH's	=	39.66%	Percent Repair
One item RO's		36	÷	Total RO's	=	36.00%	Percent One Item RO
Model Year Analysis							
2018	2017	2016	2015	2014	2013	Older	Total
0	0	9	19	11	18	43	100
0.00%	0.00%	9.00%	19.00%	11.00%	18.00%	43.00%	

Qualitative Analysis

Weaknesses:

- Accountability – There should be mechanisms in place to ensure people are held accountable for their actions and work ethic. No enforcement from management for improving things long-term from mistakes.
- Shop is not covered or Air Conditioned. Too small for growth, and unorganized
- Sales has increased dramatically, service still playing catch-up
- Communication – Lack of communication with customers regarding their vehicle and with staff regarding changes in procedures or expectations.
- Scheduling – Having so many cars and work cannot be finished in an expedient timeframe. – Causes more problems when vehicles aren't repaired properly and the customer must return...need more techs.

Opportunities:

- Training - Keeping the sales force and service technicians up to date on their training to keep us a step above the competition
- Customer Relationship
- Sales Incentives
- More loaner vehicles or get rid of them all together
- Schedule work based on shop load
- Have 6 month or annual reviews
- Suggestions/comments from customers
- Air condition drive and shop
- To grow and expand
- To attract good employees
- Advancement of good employees
- To get more money
- For employees to move up to other jobs

Threats:

- Working conditions
- Personality Clash
- Comfort of tenure – The possibility of people being so comfortable in their position, creating an atmosphere of doing the bare minimum
- Taking advantage of situations
- Staff lack of caring of job description
- Must improve customer service or will start to lose business
- Unhappy customers wanting to leave dealership – Customers feeling as though they are being exploited for dealership profit
- Service drive, not enough information on tickets, having to call customers for more details.
- Too slow for approvals/declines – Not showing a sense of urgency in response/communication to the customer

Objectives:

- Hire at least 3 technicians
- Improve gross profit %
- Increase labor hours
- Trying to increase capacity by acquiring land and a building behind us.

Strategies / Action plan:

- Finding techs on Networking linked-in/social media; *Service Manager Jeff Ryder, ongoing task.*
- Monitor discounts, change who can discount; *Service Manager Jeff Ryder, immediately, and daily*
- Service Advisor training; *Service Manager Jeff Ryder, weekly ongoing task.*
- Menu/multipoint inspections; *Service Manager Jeff Ryder, All Service advisors, and team leaders...ongoing daily task.*

Synopsis

We have a good service department. We do have significant challenges in hiring techs, and advisors in large part due to the limitations in our building...not air conditioned. We are also quickly out growing our facility. We are currently trying to acquire land and buildings behind us to move PDI and detail. It is evident increasing our customer hours would help greatly improve sales, gross and CSI.

We have a very loyal customer base and have good CSI. With Cadillac's new Pinnacle program, it is going to be very important to take "Customer Supplies Income" to the next level.

Continuing the training and daily updates to techs and advisors on production. Implementing more training for Service advisors will help the bottom line too.

We are working hard to make Thompson an even better place to work and do business.