

FIXED OPERATIONS 2 SERVICE HOMEWORK Hendrick class 108

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HENDRICK CHRYSLER DODGE JEEP RAM FIAT-CONCORD NC

- a. Advertising: Currently we are using TVI marketing to three different categories: 10-18 months; 18-24 months and 24+ months via mailer/email. We also go after conquest (if you have never been to us before). We send mailers/email based on zip codes we desire to draw business from. We also advertise through FCA from 0-10 months. In addition, we also use Conversica. They put us out on social media advertising service specials. We also geo-fence all repair shops on Bruton Smith Blvd. If you go online while in that geo-fence area and search for tire prices or anything else service related, user will get an applicable coupon based on your search from us immediately in the form of a click ad or banner. There are no immediate plans to change our advertising at this time as it relates to service.
- b. Marketing. See a. above
- c. Facility: Currently we have bays that are not 100% efficient. We have a Shop Foreman working with the inefficient techs to help increase their productivity. We are currently having conversations regarding moving to shift work, expanding hours in the shop, and hiring more techs.
- d. Productivity: see Shop Foreman comment above. Increase training. Currently in the process of instituting productivity bonus of \$2 per hour at 100 hours retro to first hour.
- e. Production method: With talk of expanding hours/shifts, we are actively looking for young hungry techs out of NASCAR tech, which will hopefully motivate stagnant techs to be more productive. May create some sort monthly competition using teams. Having one on ones to find out what truly motivates each person individually. Finding out that what motivates one does not motivate all.
- f. Analyze COS: Need to analyze Shop Foreman's method of dispatching to insure work is properly dispatched to correct technicians in order to maximize gross profit.

- g. Changes in expense structure: Not currently selling all available hours due to not only needing more techs, but techs that are more efficient. Always on the lookout for more techs. As for expenses in line, we have made considerable adjustments to advisor pay in order to eliminate bad behavior (i.e....discounting), drive more positive gross producing behavior, and increase ELR. We have recently changed all hourly lube techs to flat rate to decrease expense/overtime and increase productivity.

- h. Pay plans...see above g.

- i. Detail performance programs- we have annual performance plan from corporate. We also distribute each morning an email to all service advisors showing previous day/mtd metrics. Monthly meeting to go over previous month with advisors and then another with techs.

- j. Level of current training: FCA requires 80%. We are consistently in the 95+ range.

- k. Special tools: Cabinets with electronic google worksheet. Techs have access via Google docs to determine if tool is available. Extremely organized and big selling point in hiring process when courting new techs. All tools are assigned a bin location and number so techs can search on google docs. Picture of special tool room below.



- I. 50 Repair order analysis: While we are at 119.70 in repairs we fall short in the maintenance/competitive arena. Our market is flooded with independent shops. Twice a year we have someone call them all and get pricing. We then adjust accordingly. Hence why we try to make it up in repairs.

Cost of labor: Our goal is 75% gross. Based on this calculation we are exceeding that goal. The cost per flat rate hour in my opinion is typically market driven. A tech in a major metro market is going to be paid a lot more than a tech in a rural market. With that said, the major markets also have a much higher door rate to absorb the higher cost. I think the right mix of A tech vs. C tech and having a good dispatching system so that the right job goes to the right tech to maximize gross is the trick.

RO Measurements: Because we do such a high volume of repair this enables us to exceed guidelines in this category. Repairs are very profitable but they tend to stifle productivity. More Maint/Comp work may increase volume and production but tends to decrease gross, hours per RO, effective labor rate, etc. The struggle is to hit the sweet spot. In my opinion, take what you can get and make sure ALL advisors are asking for the Maint/Comp work EVERYTIME in the lane. Even though we have a high number of 1-item ROs we still manage to keep our gross due to high volume of repairs. In an effort to minimize this and capture more Maint/Comp work while keeping repairs at same level, we are currently expanding our shop into a new building adding bays and lifts.

Model Year Analysis: Our average mileage is 68K, which is high for a franchise dealer.

Repair Order Analysis Summary Report							
	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 361	÷ 4.20	= 86.05	FRH Average			
Maintenance	\$ 2,146	÷ 26.00	= 82.56	FRH Average			
Repair	\$ 6,105	÷ 51.00	= 119.70	FRH Average			
Totals	\$ 8,613	÷ 81.20	= 106.07	Customer ELR			
Target Labor Rate			118.00	Per FRH			
Total Ro's in Sample	25	Difference		-11.93	Per FRH		
Cost of Labor							
Total Cost of Labor	1950.70	÷ Total Sales	= 22.65%	Percent Cost of Sales			
Total Cost of Labor	1950.70	÷ Total FRHs	= 24.02	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	8,612.65	÷ Total ROs	= 344.51	Avg Labor per RO			
Total FRHs	81.20	÷ Total ROs	= 3.25	Avg FRH's per RO			
Menu Sales		÷ Total ROs	=	Percent Menu Sales			
Competitive FRHs	4.20	÷ Total FRHs	= 5.17%	Percent Competitive			
Maintenance FRHs	26.00	÷ Total FRHs	= 32.02%	Percent Maintenance			
Repair FRH	51.00	÷ Total FRHs	= 62.81%	Percent Repair			
One item ROs	15	÷ Total ROs	= 60.00%	Percent One Item RO			
Model Year Analysis							
2021	2020	2019	2018	2017	2016	Older	Total
0	2	11	10	3	4	20	50
0.00%	4.00%	22.00%	20.00%	6.00%	8.00%	40.00%	

