

Service Department Analysis:
Winn Volkswagen Woodland Hills
By: Neal Patel – N360-03

Strengths:

- Family oriented business culture. Provides customers with a warm feeling and feeling of accountability.
- Open communication. Small, tightly knit staff makes it easy to communicate major issues.
- Metro L.A. area location provides large population for new service department opportunities.

Weaknesses:

- Small physical shop space, limited to very small lot and only 6 service bays.
- Technician proficiency is lacking (as discovered during service week)
- Staff motivation is low, complacency is a major hurdle to overcome.
- Service dept hours do not match sales.
- Advertising for service department is very minimal.

Opportunities:

- Performance oriented pay structure to incentivize service department staff.
- Increasing department morale could lead to better employee performance.
- Nearest competing dealer is closing down which is a big opportunity for earning new customers.
- New service manager brought up from within ranks, could bring new standards and fresh set of eyes.

Threats:

- Competitive employment field could result in loss of talent to other dealerships.
- Less maintenance required with longer intervals for upcoming new models.
- Rising number of independent shops in our area.

Objectives:

- Increase average effective labor rate generated on service RO's.
- Increase gross profit percentage to raise gross profit earned.
- Increase service customer volume and retention.
- Increase technician proficiency.

Strategies:

- Implement customer pay labor grid (staggered rates)
- Implement BDC for service department utilizing cashier/receptionist.
- Maintain customer pay hourly rate for internal labor performed.
- Track and incentivize technician productivity via hourly bonus tiers.
- Increasing warranty pay labor rate via manufacturer (due for annual increase)

Tactics:

- Implement bonus structure based on hours produced for technicians.
- Weekly meetings to track projected gross profit for fixed ops departments.
- Consider increasing service hours to match sales.

Action Plan:

<u>Task:</u>	<u>By Whom:</u>	<u>Completion Date:</u>
Implement customer pay labor grid.	Service manager	6/30/20
Implement BDC for service department utilizing cashier/receptionist.	Service manager	1/1/21
Maintain customer pay hourly rate for internal labor performed.	GM / Service manager	5/31/20
Track and incentivize technician productivity via hourly bonus tiers.	Service manager / Shop foreman	6/30/20
Increasing warranty pay labor rate via manufacturer.	Service manager	4/30/20
Develop dedicated marketing plan for service department.	Service manager	6/30/20

Synopsis:

We have always had a preconceived notion that our service department was plagued by its actual physical size and lack of growth opportunities. The lack of stellar performance was always blamed on needing more service bays to accommodate the current work load and prepare for an influx of business if we generate more traffic. From our service week, it became very apparent that our technician proficiency was far below guide. This means that the old excuse is now proven to be incorrect.

By increasing technician productivity and managing their time better, we can easily see an uptick in shop capacity by 20%. This would tremendously aid in shop turnaround time our ability to take in more work, thus more sales opportunities and more gross profit.

The increase in workflow paired to a newly implemented customer pay tiered labor rate grid, would allow us to maximize gross dollars generated through our service department without adding any addition payroll expenses. A new focus on service department advertising will allow us to be more competitive with independent shops in our area as that is one of our primary sources of lost opportunity.

With the assistance of these improvements, we should see an uptick in performance out of our service department without the need for any major changes.