



## **Fixed Operations 2 Service Homework**

### **Justin Hernandez AOP HLA 108**

- a. Advertising-----What are your plans to keep your dealership name in front of your customer?

We continue to use free Acura advertising, and employ TVI Marketing to reach out to VINs in our area.

- b. Marketing-----Who will you be marketing the dealership service department?

Acura and TVI Marketing

- c. Facility-----What changes will you make to increase your Utilization? --(4<sup>th</sup> Homework Calculation)

We continue to discuss tech scheduling to maximize on the small space we have

- d. Productivity-----How will you increase your Tech Proficiency? --(3<sup>rd</sup> Homework Calculation)

Tech proficiency struggles are due mainly to some new or recently promoted technicians. We will enroll our techs in training and conduct one-on-one reviews to encourage and develop their skills.

- e. Production Method----Will you make any changes to you service department?

Our recent discoveries and training of staff have led to large growth and improvements. With our new “base”, we still look for improvement opportunities.

- f. Analyze Cost of Labor – How do you plan (1<sup>st</sup> Homework Calculation)

By correctly dispatching work, we can have a low-cost, yet capable technician perform the repairs, keep cost to a minimum.

- g. Changes in Expense Structure---Are you selling all of the available hours, are your expenses in line? -(2<sup>nd</sup> Homework Calculations)



Our staff and BDC work diligently to research missed opportunities to recover lost sales, and generate more hours sold.

- h. Pay Plans—Are any adjustments needed in your staffs pay plans and why?

No, currently our pay plans are fair and profitable for both sides.

- i. Detail performance programs—What are the plans for setting objectives, tracking, communication?

Our store uses a Daily Objective sheet, tracking hours, department gross, and training percentage.

- j. Level of current training—Are you within the minimum training standard for your manufacturer?

We are above. In January, we were at 59%, we're now at 86%, minimum is 80%

- k. Special tools---What do you currently have for the techs, is it neat and organized, or an unorganized mess?

Our technicians have two closets, with neat, labeled tools for use.

- l. 50 Repair Order Analysis----we need the summery page with your evaluation of the summary (recap) sheet

The timeframe used for all analysis is February 2020.

#### RO Analysis by Tech:

The repair labor rate compared to our posted door rate is \$202.58 compared to \$196. The repair labor rate increase we have seen has been a result of recent insurance jobs and using hourly techs. This is a great improvement for us. There is discounting that goes on at Acura of Pleasanton Service Department. This used to be unchecked and up to the advisors to make the decision. It is now a requirement for managerial approval prior to any discount being given. The hours per RO are 1.68 and the percent of one line RO's is now 10%. The 10% one lines is in line with NADA guidelines and



shows a vast improvement of how write ups and presentations are being accomplished in our service drive. Our FRHs average needs to be increased. We are showing currently 1.68 average FRHs per RO and we need this to be closer to 3 because we are highline. The breakdown of our FRHs labor mix also needs some adjustment. We are only showing 24.14% Repair FRHs compared to 75.86% for Competitive and Maintenance. Guidelines show that this needs to be closer to a 40/60 respectively.

Repair Order Analysis Summary Report							
		Sales in Dollars		FRH's on RO's		Averages	Analysis
Competitive		\$ 2,123	÷	14.20	=	149.53	FRH Average
Maintenance		\$ 5,946	÷	49.60	=	119.87	FRH Average
Repair		\$ 4,112	÷	20.30	=	202.58	FRH Average
Totals		\$ 12,181	÷	84.10	=	144.84	Customer ELR
				Target Labor Rate		182.00	Per FRH
Total Ro's in Sample	50			Difference		-37.16	Per FRH
Cost of Labor							
Total Cost of Labor		2340.10	÷	Total Sales	=	19.21%	Percent Cost of Sales
Total Cost of Labor		2340.10	÷	Total FRHs	=	27.83	Cost per FRH
Repair Order Measurements							
Total Labor Sales		12,181.41	÷	Total ROs	=	243.63	Avg Labor per RO
Total FRHs		84.10	÷	Total ROs	=	1.68	Avg FRH's per RO
Menu Sales			÷	Total ROs	=		Percent Menu Sales
Competitive FRHs		14.20	÷	Total FRHs	=	16.88%	Percent Competitive
Maintenance FRHs		49.60	÷	Total FRHs	=	58.98%	Percent Maintenance
Repair FRH		20.30	÷	Total FRHs	=	24.14%	Percent Repair
One item ROs		5	÷	Total ROs	=	10.00%	Percent One Item RO
Model Year Analysis							
2021	2020	2019	2018	2017	2016	Older	Total
0	1	1	4	3	7	-16	



When looking at the NADA actual service analysis we show that our factory is not being utilized at a very good rate compared to December of 2019 but there is still much room for improvement. We are getting 61.20% as our facility utilization out of our 13 available bays currently. We still need about a 15% increase to get our facility utilization in line with Service Guidelines. We also need to increase the proficiency of our techs, however. We are currently only at a tech proficiency of 81.14%. While this is an increase from December as well we need to get this up to 120%. When we look into service department expenses we are in line with Service guidelines. We are currently at 81.33% total expenses with 53.5% as personnel. This is very close to the 80% total and 45-50% personnel we are shooting for. This leaves us with a net profit of 18.67%. We would like to get this above 20%.

Overall we have been improving over last year in the AOP service department. We have seen improvement as far as facility and tech proficiency over the first two months of the year but we still have an uphill battle. Streamlining processes and learning to maximize every moment available are critical in the success of this department. This along with tool organization and maximizing the timeliness of the parts acquisition process will definitely play a major role in these areas. We definitely need to increase our repair RO's at AOP. We will have to market to the local area and attempt to gain business. We cannot only have 20% for Repair and be so heavily weighted in the maintenance area. This is especially important for us because we sell many discounted maintenance packages which, as shown in the RO analysis, costs us greatly in the profit margin. Time, efficiency and customer acquisition seem to be the areas that need the most attention at this point. I would normally suggest an advertising campaign but in the current economic and social climate I will wait until things further normalize prior to injecting funds into a campaign of this nature.



**Service Department Sales And Gross (Labor Only)**

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 174,446	\$ 137,207	78.65 %	55.93%
Customer Truck			0%	0%
Customer Other			0%	0%
Warranty	\$ 91,935	\$ 74,557	81.10 %	29.48%
Warranty Other			0%	0%
Internal	\$ 45,504	\$ 31,852	70.00 %	14.59%
NVI / Road Ready			0%	0%
Adj. Cost Of Labor		\$ 14,756	0%	0.00%
<b>Total</b>	<b>\$ 311,885</b>	<b>\$ 258,372</b>	<b>82.84 %</b>	<b>100.00 %</b>

Service  
Department Profit  
Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department	\$		



Gross	244,307		
Variable Expense	\$ -	0.00%	
Selling Expense	\$ -	0.00%	
Personnel Expense	\$ 130,706	53.50%	
Semi-Fixed Expense	\$ 39,186	16.04%	
Fixed Expense	\$ 28,791	11.78%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 198,683	81.33%	
Net Profit	\$ 45,624	18.67%	

### NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	\$ 174,446	÷	196.00	=	890.0
Customer Truck*		÷		=	0.00
Customer Other*		÷		=	0.00
Warranty	\$ 91,935	÷	180.00	=	510.8
Internal	\$ 45,504	÷	155.00	=	293.6
New Vehicle Prep		÷		=	0.00
Total	\$ 311,885				1694.4

POTENTIAL

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 \$ \\
 311,885
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 1694.35
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 184.07
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Total labor sales for month      Total hours billed      Effective Labor Rate

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 14.00
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 8
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 25
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 2,800. \\
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# Service mechanical technicians      # Hours/Day      Working Days/Month      Clock Hour Avail



ACADEMY

2,800.0	x	\$ 184.07	=	\$ 515,404
Clock Hours Available		Effective Labor Rate		Labor sales potential

How proficient are your technicians ?

2,272.0	÷	2,800.00	=	81.14%
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	13
	x
Number of Days	25
	x
Number of Hours	8
	x
Effective Labor Rate	196
<b>FACILITY POTENTIAL</b>	<b>\$ 509,600</b>

**FACILITY UTILIZATION**

Total Labor Sales	<b>\$ 311,885</b>
	÷
Facility Potential	<b>\$ 509,600</b>
	<i>equals</i>



ACADEMY

FACILITY  
UTILIZATION

61.20%