

Service Department Analysis for Seaway Hyundai by Will Colbert - N361-15

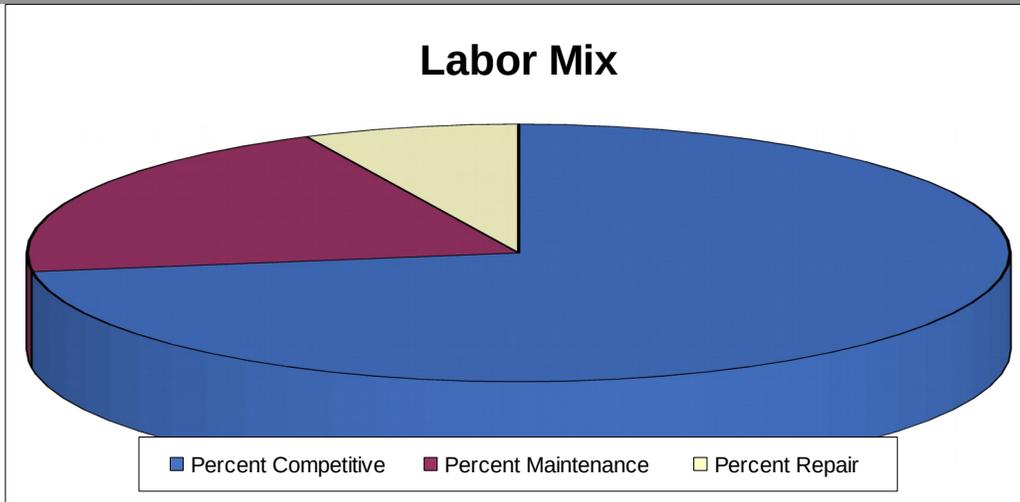
Please note: calculations done for fiscal year December 2018 - November 2019. As sales manager, I am not directly managing our service department but have some involvement.

- A. Facility – Increase labour sales to increase Utilization. Currently at 70% utilization. Need fewer one-line ROs and increased hours per RO, as discussed in SWOT analysis, below. Advisor sales training, video MPI will contribute to increased labour sales and better utilization.
- B. Productivity/Proficiency – Increase proficiency by starting with customers arriving at 7:50am for their 8am appointment. Techs ready to work by 8am so they aren't each wasting 10 minutes to start the day. Good video MPI, leading to selling work and retaining customers from independents, especially once they get to years 3-4 of ownership and get into heavy maintenance and repair work. Our work mix is off, significantly, to be discussed more in depth at 100 RO analysis, below.
- C. Production method – Unfortunately, we do not have the space for an express lane/drive thru. With the recent addition of two more bays and .5 of a parts person, we can create a more efficient shop with parts being delivered to techs, immediately and prepping bins for next appointments. One major change will be the video MPI and health check for every car.
- D. Cost of labour – our gross as % of sales is in line with guide, however with techs due for raises, I propose bonuses tied to proficiency as we need return on these raises to stay within guide. We are about to transition our last tech (aside from shop foreman) to flat rate. Posting a chart in the service manager's office to track proficiency versus objective (125%) with daily meetings to evaluate and encourage.
- E. Changes in expense structure – expenses are ahead of guide at 72% of gross, leaving 28% net profit. With proficiency below guide, we are not selling all available hours. Again, we need fewer one-line ROs and increased hours per RO, as discussed in SWOT analysis, below. Advisor sales training, video MPI will contribute to increased labour sales and better utilization.
- F. Pay Plans – Techs are due for wage increases in June. Bonuses tied to proficiency should be implemented as opposed to an hourly wage increase. Consider bonusing parts counter/runners on overall shop proficiency.

- G. Current training level - we are within manufacturer training guidelines. Sales training is necessary for advisors to complement their charming personalities!
- H. Special tools - we currently have a small room off of the shop that is not organized as there are synthetic oil barrels stored in there due to lack of other space. Consider storing these barrels elsewhere for better organization and special tool accessibility.
- I. 100 Repair order analysis -

Repair Order Analysis Summary Report							
		Sales in Dollars		FRH's on RO's		Averages	Analysis
Competitive		\$ 9,272	÷	66.50	=	139.42	FRH Average
Maintenance		\$ 4,092	÷	18.50	=	221.20	FRH Average
Repair		\$ 1,327	÷	6.50	=	204.20	FRH Average
Totals		\$ 14,691	÷	91.50	=	160.56	Customer ELR
				Target Labor Rate		102.25	Per FRH
Total Ro's in Sample	100			Difference		58.31	Per FRH
Cost of Labor							
Total Cost of Labor		1751.61	÷	Total Sales	=	11.92%	Percent Cost of Sales
Total Cost of Labor		1751.61	÷	Total FRHs	=	19.14	Cost per FRH
Repair Order Measurements							
Total Labor Sales		14,691.19	÷	Total ROs	=	146.91	Avg Labor per RO
Total FRHs		91.50	÷	Total ROs	=	0.92	Avg FRH's per RO
Menu Sales			÷	Total ROs	=		Percent Menu Sales
Competitive FRHs		66.50	÷	Total FRHs	=	72.68%	Percent Competitive
Maintenance FRHs		18.50	÷	Total FRHs	=	20.22%	Percent Maintenance
Repair FRH		6.50	÷	Total FRHs	=	7.10%	Percent Repair
One item ROs		43	÷	Total ROs	=	43.00%	Percent One Item RO
Model Year Analysis							

2021	2020	2019	2018	2017	2016	Older
0	7	17	16	22	12	26
0.00%	7.00%	17.00%	16.00%	22.00%	12.00%	26.00%



FRH average is good, however our work mix of 73% competitive is too high. Competitive and Maintenance are 33% above guide and Repair, at 7%, is way too low. We are missing out on retaining older and high mileage vehicles. A competitive pricing board and High Mileage Club can help this. We can also advertise tire sales, as we lose customers to where they buy tires.

One-line ROs, at 43%, and FRH/RO, at .92, are an ongoing issue in our service department. Video MPI and advisor training, as well as better visible menus, can start us in the right direction, generating more gross profit.

See below for Qualitative Analysis. Thank you to Larry and Bob for an excellent week. Extremely informative and gave me a great deal of insight into the service department.

Qualitative Analysis

Strengths

- Staff – very personable and positive advisors
- Good culture throughout whole department
- Strong processes
- Patient and attentive advisors
- Good work ethic and youthful energy
- Experienced shop foreman with lots of experience
- Young techs willing to learn and grow
- First time fill rate of 92%
- Valet service
- Customer pay steadily increasing YOY
- Steady business year round

Weaknesses

- Advisors closing ability
- Lack of training
- Land locked without an express lane
- No morning meetings
- Lazy start times (8:10 or 8:15 for 8am start)
- Hours don't mirror or exceed sales in evening or on Saturday
- Phones sometimes get backed up waiting for an advisor (no receptionist)
- 1 line ROs
- Hours/RO
- Work mix
- No marketing
- Rarely working on off-make models
- 3 week booking time during Fall tire season

Opportunities

- Sales training for advisors and manager
- Phone training
- Clear communication and visual menus
- Warranty labour rate
- Video MPI
- Online Service Scheduler
- Express Lane
- Competitive pricing board versus Independents

- Retention bonuses & creative pay plans
- Daily meetings
- Lift Valet time restrictions on pickup and dropoff

Threats

- Pandemic
- Equipment Failure
- Cheap local Independents
- Losing Techs

Objectives

- Increase hours per RO
- Decrease one-line ROs
- Improve closing percentages and deferred work
- Increase warranty labour rate
- Create a video MPI process
- Launch online service scheduler
- Improve technician proficiency
- Retain higher mileage customers
- Become more convenient for our customers
- Improve facility utilization

Strategies

- Provide sales training for advisors and manager
- Implement weekly goals and competitions
- Request increased warranty rate
- Introduce new scheduling system that includes video capability for MPIs as well as an online scheduler with customer profile and/or app
- Morning meetings to motivate and start day on time
- Post competitive pricing board, in sales as well
- Utilize personalities, likability and trust to close sales
- Launch marketing campaign
- 'High mileage club' to retain older vehicles
- Lift Valet restrictions to be more convenient and keep customers from waiting room
- Extend hours on Saturday

Tactics

- Hire sales trainer
- Weekly bonuses for advisors for winning competitions
- Proficiency retention bonuses for techs
- Meet with service manager on a weekly basis to review numbers and discuss ideas
- Valet any time of day for pick-up/drop-off of vehicle
- Create online profile for customer (Dealer FX App?) to login for scheduling service, coupons, see menus, alert for maintenance
- Worse coffee so no one stays, although it's bad already
- Make sure competitive pricing survey is included in a new car delivery/intro to service

Action Plan

Task

Hire Dealer FX for online scheduling and video capabilities --- Hired, implementing soon

Train advisors & techs on Dealer FX & video MPI process --- May 2020 & ongoing

Competitive Pricing Survey --- Inquiry made

Wage increase/Proficiency bonus --- June, re-visited semi-annually

Service team meetings --- daily

General manager & service manager meetings --- weekly

Hire sales trainer for manager and advisors --- July 2020

Change Valet restrictions --- May 2020, post 'tire-season'

Encourage App download or profile creation --- after Dealer FX launch, if applicable

Create competitions for advisors --- Post training

Treat every customer like they are worth \$1 million --- now

Request Warranty labour increase --- April 2020

Extend Saturday hours & consider 7pm weekday close (as per sales) --- September 2020

Synopsis

The number of one-line ROs and hours/RO indicate a lack of sales training for our advisors. Once our new software system is fully integrated and techs are trained on its video capability, implementing an MPI video process will help the advisors sell, as well as some sales training. After all, they have the most opportunities to sell. They are extremely personable and trusting, so I believe that with some sales training, our customer pay can increase significantly, one-line ROs will decrease and hours per RO increase. This, along with a proper video MPI and a competitive pricing survey will help our chances at selling and give our customers a more thorough health check on their car. This will increase gross profit in both parts and service, and provide customers with a better experience.

Although we did add two more bays, unfortunately, we cannot build an express/drive thru at this time, as we are land locked. The added bays certainly take the pressure off during tire season, as we always lose a number of customers (and storage \$) due to a back-logged schedule. Extending Saturday hours and evening hours will certainly help. We are one of the more consistent, busy shops in town, so we don't have to pay as much to our techs, however they are due for raises to make sure we don't lose good, young talent that we have. I propose a proficiency-tied bonus/wage increase with proficiency charts on display on the service managers office, updated daily.

A focus on increasing our valet service, along with extended hours, will help us be more convenient for our customers. We are in a period of economic uncertainty and service has just become even more important than they

already were, solidifying that they definitely are the backbone of our dealership.