

Service Department Analysis for SMART KIA of Lagrange

E. Scott Anderson – Class 360

A: Facility

- Based on YTD average numbers used, we have a significant opportunity in facility utilization. With facility 8 years ago, we knew we would have to add the business to match the facility size, and we are closing that gap but not fast enough. We have adjusted service hours to mirror sales effective 5 months ago. The next step in this process will be building better capacity for the shop. This can be done by deploying work strategically across all hours we are open. We continue to see a back log in the first 4-6 hours of the day, and need to do a better job of moving business around to open up more work space. This can be done with internal work as a starting point and pre delivery work.
- We will move appointment responsibilities to our Sales BDC. This should organize our facility a bit better as well/

FACILITY POTENTIAL	
Number of Bays	11
	x
Number of Days	24
	x
Number of Hours	11
	x
Effective Labor Rate	104
	equals
FACILITY POTENTIAL	\$ 302,016

FACILITY UTILIZATION	
Total Labor Sales	\$ 173,266
	÷
Facility Potential	\$ 302,016
	equals
FACILITY UTILIZATION	57.37%

B: Productivity

- Tech Proficiency is at 63% for YTD Average, which is not surprising considering we have added techs over the last 6 months to attempt to operate at max capacity. If we would have done this last summer, we would see more proficiency but would be because of lack of staff, and I think we have created a ton of opportunity by adding skilled technicians to product more hours.
- Express inspection team – We have moved our express inspection team in the front bays next to our shop foreman as a developmental area for him to aid in world class inspections, consistent coaching, and helping this team find work for the shop. This has shown to be effective and looking forward to seeing this improve.

NADA ACTUAL SERVICE ANALYSIS				page B-1
Performance				
	Labor Sales / Month	Hourly Labor Rate	Hours Billed	
Customer Car*	\$ 65,228	÷ 108.00	=	604.0
Customer Truck*	\$ -	÷	=	0.00
Customer Other*	\$ 29,117	÷ 108.00	=	269.6
Warranty	\$ 37,992	÷ 105.82	=	359.0
Internal	\$ 32,019	÷ 95.00	=	337.0
New Vehicle Prep	\$ 8,910	÷ 95.00	=	93.8
Total	\$ 173,266			1663.4

POTENTIAL				
\$ 173,266	÷	1663.42	=	\$ 104.16
Total labor sales for month		Total hours billed		Effective Labor Rate
11.00	x	10	x	24
# Service mechanical technicians		# Hours/Day		Working Days/Month
2,640.0	x	\$ 104.16	=	\$ 274,989
Clock Hours Available		Effective Labor Rate		Labor sales potential

How proficient are your technicians ?		
1,663.4	÷	2,640.00
Hours Produced		Hours Available
	=	63.01%
		Tech Proficiency

C: Production Method

- We use teams and skill sets to dispatch through the shop. Second, we have a shop foreman who has the final say on all work brought to the shop and he deploys technicians as he sees fit to keep productivity at a high level. We have 5 advisors that write the work, and it all goes directly to the foreman so he can ensure proper skill level and keep the shop full.

D: Analyze Cost of Labor

- Labor cost is \$31,706 with average billed hours of 1663 leaving us at an average labor cost of \$19 HR. I believe we are in great shape here and can build on this moving fwd.

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 65,228	\$ 51,229	78.54%	37.65%
Customer Truck			0%	0.00%
Customer Other	\$ 29,117	\$ 26,143	89.79%	16.80%
Warranty	\$ 37,992	\$ 28,776	75.74%	21.93%
Warranty Other			0%	0.00%
Internal	\$ 32,019	\$ 28,710	89.67%	18.48%
NVI / Road Ready	\$ 8,910	\$ 6,702	75.22%	5.14%
Adj. Cost Of Labor			0%	0.00%
Total	\$ 173,266	\$ 141,560	81.70%	100.00%

E: Changes in Expense Structure

- Expenses are an average \$ 113000 a month. We must increase utilization in order to increase the gross by another 31K monthly. This would posture us into a great position moving FWD. This is a great snapshot of why we cannot withstand Gross shortfalls, and this is a Gross issue to start with.

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 141,560		
Variable Expense		0.00%	
Selling Expense	\$ 12,797	9.04%	
Personnel Expense	\$ 29,319	20.71%	
Semi-Fixed Expense	\$ 31,224	22.06%	
Fixed Expense	\$ 45,663	32.26%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 119,003	84.07%	
Net Profit	\$ 22,557	15.93%	

F: Pay Plans

- We have a pay plan for each specific role in our service department. Management is on a share value plan, advisors on a % of sales plan, and technicians are on flat rate plan
 - Service Manager is paid on Gross. I will change this to put him on Retained profit as well. I need to target the expenses not just earned gross. The leader is then paid that value of shares they own in their plan. They also receive a CSI bonus monthly.
 - Advisors: They are paid 3.0% on sales and a 500\$ a week salary. They get an additional .5 to 1% of sales if the department and the individual hit CSI expectation.
 - Technicians: We pay a flat rate here and it seems to be the most effective for our shop at current time

H: Special Tools

ALL OF OUR SPECIAL TOOLS ARE PERFECTLY NEAT AND ORGANIZED. THEY ARE IN THE PARTS DEPT AND MUST BE CHECKED OUT LIKE A PART AND SIGNED BACK IN.

I: 100 RO Analysis

Repair Order Analysis Summary Report

	Sales in Dollars		FRH's on RO's				
				Averages	Analysis		
Competitive	\$1,434	÷	19.80	=	72.42	FRH Average	
Maintenance	\$1,572	÷	14.80	=	106.24	FRH Average	
Repair	\$2,590	÷	24.20	=	107.04	FRH Average	
Totals	\$5,597	÷	58.80	=	95.18	Customer ELR	
				Target Labor Rate	108.00	Per FRH	
Total Ro's in Sample	25			Difference	-12.82	Per FRH	
Cost of Labor							
Total Cost of Labor	1090.10	÷	Total Sales =	19.48%	Percent Cost of Sales		
Total Cost of Labor	1090.10	÷	Total FRHs =	18.54	Cost per FRH		
Repair Order Measurements							
Total Labor Sales	5,596.62	÷	Total ROs =	223.86	Avg Labor per RO		
Total FRHs	58.80	÷	Total ROs =	2.07	Avg FRH's per RO		
Competitive FRHs	19.80	÷	Total FRHs =	33.67%	Percent Competitive		
Maintenance FRHs	14.80	÷	Total FRHs =	25.17%	Percent Maintenance		
Repair FRH	24.20	÷	Total FRHs =	41.16%	Percent Repair		
Model Year Analysis							
2021	2020	2019	2018	2017	2016	Older	Total
0	2	4	3	3	3	10	25
0.00%	8.00%	16.00%	12.00%	12.00%	12.00%	40.00%	

- Our Target ELR is \$108 and we are off of that by \$12.82 which speaks to some opportunity in discounting that will need to be addressed with the team. RO's per hour have been opportunity particularly with KIA Motors but we will need to make an adjustment here. We have identified some gaps in our check in process and our communication with customers that the SM has started coaching on immediately. We will use this tool going forward as a good check and balance to measure performance.

J: Swot Analysis

1. Strengths
 - a. Whole department is committed to high level of customer service
 - b. We have developed a culture of training within all areas of service
 - c. New facility provides a great atmosphere but also has provided tons of room for growth
 - d. Marketing efforts – We have direct marketing efforts that are specifically targeted to draw in new customers and retain existing
 - e. Shop foreman gives us a single line of accountability and training in shop
 - f. Tracking and measuring performance
 - g. Employee retention – little turnover in last 26 months
 - h. Teamwork and relationship from Sales to Service
2. Weaknesses
 - a. Overloading the shop from 8am-1pm although shop hours mirror sales

- b. Parking is limited when shop gets busy and the sales team is busy
- c. Recently identified team is not following RO procedures i.e. mileage, flags
- 3. Opportunities
 - a. Need to utilize service drive better for merchandising i.e. tires, wipers etc.
 - b. 49% service market share – This has grown substantially since opening of dealership, but we are capable of 60% +
 - c. SCR – Customers bounce between our store and other local independent and dealership stores, keep them here
 - d. Better utilize shop hours to free capacity for busy hours
- 4. Threats
 - a. New dealership opening up next door
 - b. Our area is over loaded with independents and we must be able to show we can compete
 - c. Other KIA Dealership in neighboring towns
 - d. We are dependent on 3 major employers on the 85 corridor. Any challenges in local economy leads to quick layoffs by these organizations – can work both ways though when good
- 5. Objectives
 - a. LY we grew CP RO's over 2,000. Repeat that same number this year
 - b. Increase CP Hours TO 2.4 PER RO
 - c. Change shop hour allocation and move internal and PDI work to dedicated techs to free up capacity in business
 - d. Increase shop proficiency from 61% to 90% current year
 - e. Produce consistently over service department around 300k in gross by end of year
- 6. Strategies
 - a. Increase marketing efforts to be more targeted to KIA owners not servicing. Utilize KIA lists for inactive and required service retention customers as well as DMS data to market
 - b. Train and Build BDC and ASM's to ensure better shop scheduling and maximum capacity
 - c. Improve rhythm of SM to included RO inspection and proper check in/out behaviors
- 7. Tactics
 - a. GM will build a weekly rhythm with SM to include specific time dedicated to RO inspection and grading, proper check in/out process
 - b. GM and SM will do 100 RO analysis at the beginning of every month to identify gaps in performance and build action plan
 - c. Leverage reporting to show us shop opportunities and gaps to help maximize proficiency in shop.
 - d. Weekly Email Marketing and Monthly Direct Mail marketing focused on customer lists describe above
- 8. Tasks

Task	Who	Date
Meet with SM to build out rhythm	GM	8/1/20
Do 100 RO analysis and review	SM fill out and both SM and GM Review and build plan	Monthly
Create customer lists for direct targeted marketing	GM	Monthly
Create offers for direct marketing	SM	Monthly
Retrain ASM's and Techs on proper RO execution	SM and Foreman	8/1/20 and then Quarterly
Review scheduler for shop productivity	SM	Daily – SM will Report finding to GM each Monday

Direct coaching and inspection of proper check in and communication with customer	5x a day by SM	Recap each weeks performance on Friday to GM
Move internal work to internal team of 2 techs	SM and Foreman	8/1/20

Synopsis:

We will really begin focusing on validating our customers more moving FWD and that all procedures are followed so we can be 100% consistent. The service department has had some really good growth over the past year. This has led to some breakdowns in follow up by leadership. This will be the #1 priority to change.

We have to be smarter about how we utilize our facility and it's potential. Yes, there is limitations, but if we deploy the right type of work to the right time frame, the right person, we will retain more. I'm excited to make some changes based on what I have learned. Also, we have now changed hours to mirror sales but we have not quite gotten efficient yet. Time will tell/

What will we do to retain these customers, what type of experience are we creating for them. We have to tear down our check in and out process and change the way we greet customers on our service drive and how we communicate throughout the process. After spending time in service and listening to the employees, we have to give clear direction and model what this looks like. Being busy isn't an excuse to cut corners, and it's up to leadership not to allow this.

Based on Net Profit last year, which was up significantly, and the start of this year being down until last month, we are riding a roller coaster of performance because we have had inconsistent processes and are largely performing just based on traffic and growth from the location. Getting our employees to do the right behaviors each and every day will create massive growth for our store, and leadership rhythm will be built around setting expectations, follow up, and having a clear line of accountability/recognition for performance. THE END/