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Prescott Brothers Chrysler  
N326-30

## **Strengths**

1. Dealership has very small overhead we are in an older facility, easier to cover expenses
2. Employee stability, Long term employees with great loyalty toward to town and the people in town
3. Experienced employees, all employees have been in the service department in dealerships for a long time.
4. Name recognition, Prescott Brothers, has been a staple in the town since 1929
5. Team Effort, everyone in the service and parts department gets along and works as a team together
6. Communication, the service and parts department shares the same area so they are able to communicate very effectively.

## **Weakness**

1. Communication between sales and the service department. Sales will tell someone to come in at any time and act like service should be able to fix it immediately.
2. Outdated Facility, while it keeps our overhead low the appearance to the customer is poor and there is poor lighting in the shop.
3. Techs getting into jobs to long.
4. Rely to much on long term customers, need to branch out and bring in new customers.
5. Marketing, the dealership does little to no marketing for the service department.
6. Needs detailing and clean up priorities for service department. Cleaning customers cars upon service.
7. Techs not paying attention to details. Doing things the right way the first time.

## **Opportunities**

1. Reach out into farming communities to promote truck business
2. Using our name in the community to promote more business
3. Using experience and knowledge out of the techs to promote more business
4. Lasalle Peru business, town about 15 minutes away with the largest population nearby we need to pull more business out of there to bring down to us.
5. Advertising and marketing. Having an allotted budget to use for advertising
6. Getting into the fleet business in sales to bring those fleet customers back into service and using the Chrysler Business Link to generate business.
7. Growing population in the area that we need to tap into.

## **Threats**

1. Repair order count is dropping mainly due to the longer maintenance intervals
2. Large number of dealerships in the surrounding area that are new and people are not wanting to leave their 5 mile radius to do anything.
3. Finding new techs. It seems to be a hard thing to do because no one wants to get their hands dirty now and days.
4. The town that we are in is small and doesn't have much to do so it is hard to bring service work to us when they have nothing to do in the mean time if they are going to wait.

## **Objectives**

1. Use effective advertising to promote and generate more business from the surrounding communities
2. Increasing RO count
3. Increasing Dollars per RO
4. Maximizing tech productivity
5. Scheduling appointment organization

## **Strategies**

1. Seek out a new marketing company to use strategies to pull in people from out of town.
2. Increasing new and used car sales and retaining and enticing former and current customers to return to us for service
3. Incentives for techs and advisors to properly inspect and advise work that need to be done to a vehicle.
4. Proper monitoring of tech repairs in progress to max tech productivity
5. Increase use of dms system to organize and maximize appointments
6. Put up a pricing board in the service department to show that we are competitive with independents in the area

## **Tactics**

1. Monitoring and assessing marketing initiatives
2. Advertise specials in the service department to drive in more traffic.
3. No discounting allowed at all without service manager authorization.
4. Start bonus program to entice proper scheduling of work and also to keep the techs as proficient as possible.

5. Review and track forecasts with the marketing companies to make sure that they are effectively doing what needs to be done to increase our RO count.

### **Action Plan**

1. Hire a service advertising agency to help promote more business to the dealership. Needs to be done 11/1/17
2. Hire a business link salesman to promote sales and our service department to local businesses with fleet vehicles. Needs to be done by 12/1/17
3. Devise bonus programs to help increase shop and tech proficiency. Needs to be done by 12/1/17
4. Turn off all parts and service discounting for advisors, only service manager can override for discount. Needs to be done by 11/1/17
5. Install dealer vs independent pricing board. Needs to be done by 12/1/17
6. Monthly meetings to be held at a neutral location between the service managers of all three stores to ensure that we are all on the same page. Needs to be done by 1/1/18
7. Hold quarterly cleaning on Saturdays to ensure that the service department is completely cleaned and looks great to the customer eye. Needs to be done by 1/1/18
8. Have all service advisors take a phone training class to ensure that the customers have a pleasant experience on the phone with an advisor. Needs to be done by 1/1/18
9. Better training for the advisor to be able to sell more when things are found broken in the vehicle to upsell work to increase hours per ro. Needs to be done by 1/1/18
10. Track and do the 100 RO count every single month to look at shop productivity. Constantly to be done to ensure we are moving in the right direction. Needs to be done by 1/1/18

## **Synopsis**

Our service department has been on the decline in recent years and we are going to do everything to increase the profitability with what we have available. One thing that we are looking to do immediately is increase the dollars per RO that we produce. Our hours per RO is weak as well but as we increase the dollars per RO the hours per RO will raise as well and with the 1:1 ratio between parts and service sales dollars we will be much more profitable.

We have considered opening for more hours but have tried it in the past to be more convenient for customers but we are in farm county and at 5-530 it is supper time and no one leaves their house after those hours. It is just the way it is out here. But for the hours that we are open our facility utilization is weak we are in the process of hiring 1 new tech because we do have 2 stalls open and being in a Chrysler store we always have recalls that need performed. Just by hiring that one tech we expect our utilization do to up at least 10%.

We have already installed the dealer vs independent pricing board in the service department and we have already seen a 74.2% growth in up selling on competitive repair work. And to many customers surprise we are the lowest price or the same price as all of the independents around.

By no means is the service department running at its full capacity but the baby steps that we are taking are making a huge difference in the bottom line in all three of our dealerships and one that I am not studying in this class has gone for 54% fixed absorption to 76.3 in the last 2 months just by the little things that we have adjusted.



## Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis
Competitive	\$ 1,283 ÷	32.25 =	39.78	FRH Average
Maintenance	\$ 389 ÷	24.70 =	15.75	FRH Average
Repair	\$ 4,169 ÷	41.60 =	100.21	FRH Average
Totals	\$ 5,841 ÷	98.55 =	59.27	Customer ELR
Target Labor Rate			98.62	Per FRH
Total Ro's in Sample	100	Difference	-39.35	Per FRH

### Cost of Labor

Total Cost of Labor	1886.35 ÷	Total Sales =	32.30%	Percent Cost of Sales
Total Cost of Labor	1886.35 ÷	Total FRH's =	19.14	Cost per FRH

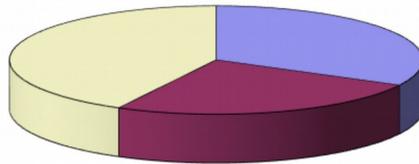
### Repair Order Measurements

Total Labor Sales	5,840.77 ÷	Total RO's =	58.41	Avg Labor per RO
Total FRH's	98.55 ÷	Total RO's =	0.99	Avg FRH's per RO
Menu Sales		Total RO's =		Percent Menu Sales
Competitive FRH's	32.25 ÷	Total FRH's =	32.72%	Percent Competitive
Maintenance FRH's	24.70 ÷	Total FRH's =	25.06%	Percent Maintenance
Repair FRH's	41.60 ÷	Total FRH's =	42.21%	Percent Repair
One item RO's	0 ÷	Total RO's =	0.00%	Percent One Item RO

### Model Year Analysis

2018	2017	2016	2015	2014	2013	Older	Total
0	3	9	11	12	18	47	100
0.00%	3.00%	9.00%	11.00%	12.00%	18.00%	47.00%	

**Labor Mix**



■ Percent Competitive   
 ■ Percent Maintenance   
 ■ Percent Repair

My service manager accidentally put the Competitive in the Maintenance and the Maintenance in the Competitive.

**How does our labor rate compare to door rate?**

Our door rate is \$120 in the RO analysis it comes up to right at \$100. We can contribute this to misuse of labor rate grid and using overrides abusively.

### **Is there discounting?**

Yes there is in the repair section through overrides. Also in a case by case we use discounted rate to keep the customer happy and coming back and that must be overridden by the service manager. Those are currently being tracked on a daily basis to ensure that it is not being abused.

### **Hours per RO?**

The average hours per RO was .99 which is pathetic. We can attribute that to customers declining a lot of work and going elsewhere for the work that is why we put up a competitive maintenance board vs independents. Also the work mix that we are getting. It is either simple fixes or oil changes. We need to tap into the heavy duty market as well with all the farmers around which will increase hours per RO.

### **One Line repair orders?**

We did not have any one line Ros. I personally went through all of the ROS and there was not one with just one line. Which tells me that we are putting the 27 point inspection on there but either are not doing it or we are doing it but the advisor is not asking for the upsale. Because every used car I trade in needs at least \$500 worth of work but on a customers car that is a lot like the one I just traded in all it needs is an oil change.

As far as our work mix goes it to right in line with guide. Our Repair is right at about 40% and our repair and maintenance is right at 60%.

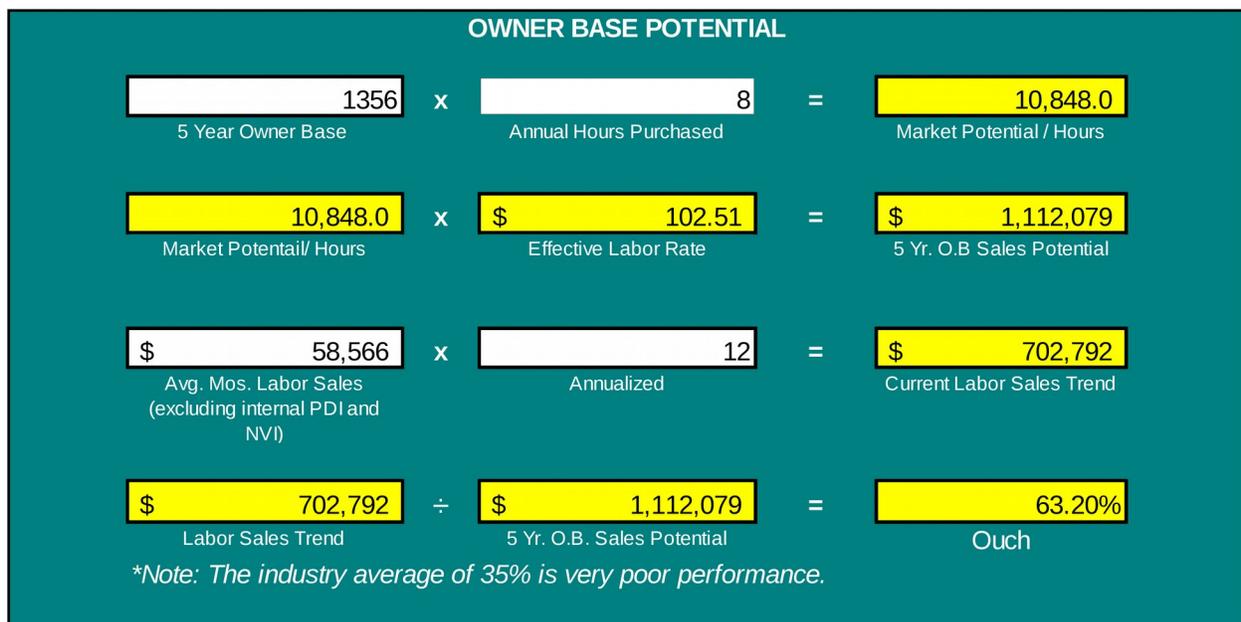
### **Advertising**

We just hired a new company through our DMS to help with owner retention because we are seeing many of our customers not coming back to the dealership. Also we have started offering oil change and tire rotation specials for \$29.95 which we have already seen a large increase in as oppose to people just coming in for the oil change.

Also started a pick up and deliver service for neighboring communities to help with the convience factor in the dealership.

We have allotted \$2000 a month as a starting point for the service department to use as they see fit for advertising via radio tv or newspaper.

## Marketing



This is part of the reason that we started with the new marketing company to help with owner based retention. Now we understand that getting to 100% is impossible but our goal is to reach 75% by 4/1/18. This will be done by a proper service walk when the vehicle is sold as well as any service contracts that are sold have a \$200 dissappering deductible. Which means if they bring it back

to our dealership they will not have to pay the deductible but if they take it anywhere else they will have to pay a \$200 deductible. The marketing company will target the people who we have not seen back in the dealership in the last 6-12 months. As well as sending targeted mailers for service specials to people in the area who have never been to our service department.

**Facility**

FACILITY POTENTIAL	
Number of Bays	14
	x
Number of Days	23
	x
Number of Hours	7
	x
Effective Labor Rate	102.51
	<i>equals</i>
FACILITY POTENTIAL	\$ 231,058

FACILITY UTILIZATION	
Total Labor Sales	\$ 80,597
	÷
Facility Potential	\$ 231,058
	<i>equals</i>
FACILITY UTILIZATION	34.88%

Our facility utilization is poor and we can identify 2 reasons why. First is that we have too many bays for the amount of techs that we have. There are 2 techs for every bay and while it would be nice for them to book 100% of time in each bay that is unrealistic. That is why we are in the process of hiring more techs to make the utilization better. Also though to get more techs we are seeing a low ro count so we need to train the techs and advisors better to sell more hours per ro that why there is a need for those techs in the bays. Second is scheduling, the advisors always want to

frontload the schedule for everything in the morning instead of scheduling things throughout the day and instead of our a techs in the morning having to do an oil change because a customer is waiting scheduling things properly throughout the day that way we can utilize our techs and the time we have to the full potential.

## **Productivity**

How proficient are your technicians ?

$$\begin{array}{ccccccc} 786.2 & \div & 1,127.00 & = & \boxed{69.76\%} \\ \text{Hours Produced} & & \text{Hours Available} & & \text{Tech Proficiency} \end{array}$$

The proficiency is based back on the scheduling of the appointments. We have a ton of down time in the afternoon hours but in the morning we are nonstop busy. If we can just schedule the appointments correctly throughout the days and increase the hours per RO this will directly affect the proficiency for the technicians. The other issue is laziness. If we a lot 1 hour to diagnose an issue a customer has with the vehicle they don't get to it for 15 minutes and then diagnose slowly and it takes 2 hours when we bill out one. My biggest challenge has always been to get the techs motivated to do things more quickly and still have it done the right way. I have tried several bonus programs and for some reason there are always the same 2 guys that meet the qualifications for the bonus.

## **Cost of Labor**

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 27,771	\$ 14,776	53.21%	34.46%
Customer Truck			0%	0.00%
Service Contract	\$ 8,093	\$ 7,306	90.28%	10.04%
Warranty	\$ 27,497	\$ 14,501	52.74%	34.12%
Warranty Other			0%	0.00%
Internal	\$ 17,236	\$ 10,730	62.25%	21.39%
NVI / Road Ready			0%	0.00%
Adj. Cost Of Labor			0%	0.00%
<b>Total</b>	<b>\$ 80,597</b>	<b>\$ 47,313</b>	<b>58.70%</b>	<b>100.00%</b>

Our cost of labor for the last month was the worst it has been in a long time. We looked at the discounting going on in the service department and we had several massive discounts in the

department. Since then we have shut off all discounting and now they have to go through the service manager to get a discount. The ELR is so low in customer pay that is causing the deficiency. If we got the ELR to guide this issue would be fixed.

### **Changes in expense structure**

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 47,085		
Variable Expense		0.00%	
Selling Expense	\$ 31,578	67.07%	
Personnel Expense		0.00%	
Semi-Fixed Expense		0.00%	
Fixed Expense	\$ 22,309	47.38%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 53,887	114.45%	
Net Profit	\$ (6,802)	-14.45%	

There doesn't need to be any changes in our expense structure the expenses are all in line we just need to get more dollars per ro which as to deal with hours per ro. Once the policies are in place and everyone is on the same page and on board with the direction that the dealership is headed you will see a huge jump. It is not an expense issue it is a following procedure and increasing sales.

### **Special Tools**

Our special tools rooms is very neat and organized. Every special has a special bin location in the room and an inventory of special tools is taken every single month to make sure none of them disappear. If a tech needs a special tool they must check out the special tool and return it to the service manager because he is the only one that has access to the special tool room.

### **Production method**

We are on a conventional program. All advisors can dispatch to anyone but the tech it is assigned to is the only tech that works on that job.

### **Pay Plans**

Techs are all on flat rate. Paid depending on if they are an A,B,C or D tech.

Apprentices are paid on an hourly rate.

Advisors are paid on a salary which is \$500 plus a percentage of total sales which is 1.636% of the total sales for that month.

Service manager is paid a flat salary allocated between all three stores.

### **Training**

For both techs and service advisors we meet or exceed minimum training standard set forth by the manufacture.

### **Performance programs**

Currently we do not have a written or tracked programs. Which is part of the reason that I am going to this school we need to gain some tool and knowledge to be able to track. Focus points for us is hours per ro, dollars per ro, parts to service dollars being equal. We have been using the excel templates that I have been getting in class to track but our ownership is in such their old ways that they don't know how to track things with the current technology and they do not want to change anything because this is the way that we have always done it and it has worked this far. Where we really need to work is communication from department to department. Parts and service communicate well. But nothing else in the dealership does and that is why I am here to be the younger generation to try to mold all of this together. I know that this is not the answer you were looking for to this question but there is no objectives and tracking done to this point we just started tracking things in the service department 2 weeks ago.