

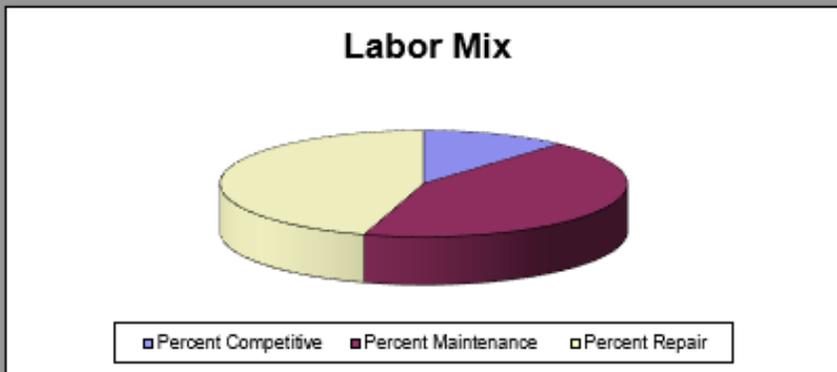
# Service Qualitative Analysis

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Suburban Toyota of Farmington Hills

Class N376

Repair Order Analysis Summary Report							
	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 1,823	÷ 16.30	= 111.84	FRH Average			
Maintenance	\$ 6,751	÷ 60.50	= 111.59	FRH Average			
Repair	\$ 8,258	÷ 63.60	= 129.85	FRH Average			
Totals	\$ 16,833	÷ 140.40	= 119.89	Customer ELR			
Target Labor Rate			117.95	Per FRH			
Total Ro's in Sample	100	Difference		1.94	Per FRH		
Cost of Labor							
Total Cost of Labor	3655.90	÷ Total Sales	= 21.72%	Percent Cost of Sales			
Total Cost of Labor	3655.90	÷ Total FRHs	= 26.04	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	16,832.61	÷ Total ROs	= 168.33	Avg Labor per RO			
Total FRHs	140.40	÷ Total ROs	= 1.40	Avg FRH's per RO			
Menu Sales	40	÷ Total ROs	= 40	Percent Menu Sales			
Competitive FRHs	16.30	÷ Total FRHs	= 11.61%	Percent Competitive			
Maintenance FRHs	60.50	÷ Total FRHs	= 43.09%	Percent Maintenance			
Repair FRH	63.60	÷ Total FRHs	= 45.30%	Percent Repair			
One item ROs	14	÷ Total ROs	= 14.00%	Percent One Item RO			
Model Year Analysis							
2022	2021	2020	2019	2018	2017	Older	Total
0	8	18	11	13	8	42	100
0.00%	8.00%	18.00%	11.00%	13.00%	8.00%	42.00%	



## **Strengths**

1. Vast Primary Market Area (PMA) with the most Toyota units in operation compared to competitor's PMA.
2. Loyal customer base with increasing retention measuring rolling 12 months.
3. Paperless invoicing that provides transparency and ease of payment for customer satisfaction.
4. State-of-the-art facility for customers that provides a safe and inviting atmosphere.
5. State of the art mechanical repair facility for technician to call their work home. Our technician has expressed great appreciation and increased morale due to their work shop.
6. 4 Master Technicians fully trained to manufacture specification and requirements.
7. Achieved high Customer Satisfaction KPI's throughout the last three years.
8. Business Development Center appropriately connecting warranty, recall campaign, and declined opcodes to our service advisor allowing our team to capitalize on profit opportunity.

## **Weaknesses**

1. Poor dispatching causing increased cost of labor.
2. Foreman relationships with fellow master technicians required work to allow easier work flow.
3. Advisors allow personal issues in the workspace.
4. No electric competitive pricing board in the service drive that will allow our customers peace of mind.
5. Parts department has historically held lower stocking levels. First Time Fill Rate is low while same-day orders are pulling down technician proficiency. This also strains customers due to return visits for repair completion.
6. Advisor phone skills and lost communication with potential service customers. Service phone training will be a top priority.

## **Opportunities**

1. Consistent courtesy and pickup delivery for customer convenience while maximizing lull shop hours.
2. Service Advisor phone skills and training. Training is crucial for our young energetic staff to capitalize on potential phone sales.
3. Video Multi-point Inspections sent to all customers for transparent decision making. Video proves trust, value, and convenience!

4. Current Technician Proficiency is 53.69% Our team needs to allow our technicians to work their true potential by providing a healthy parts stock, organized parking lot, organized manufacture toolbox, and an easy pipeline workflow. Our goal is to increase Technician proficiency to 85%
5. Current Shop Utilization is 36%. Our owner has provided us a state-of-the-art facility which provides a great opportunity to maintain rapid customer growth.
6. Consistently educate the customers on MPI, Hunter alignment, and tread depth reading. Both service entrances have laser Hunter measurement machines for advisor upsell opportunity.
7. Calculated dispatching decisions provided to technician flagging hours to control the cost of labor.
8. Marketing- Toyota O.C.P. digital advertising (i.e geo fencing, email blast, retargeting social media)
9. Increase winter/summer seasonal tire sales to retain our customers while allowing MPI inspections multiple times per year. Our brand-new facility hosts the space for winter tire storage for our customers, therefore, allowing our team to capitalize on retention opportunities.

## Threats

1. Absorption rate is dropping due to the new facility rent factor.
2. Independent repair facilities are 21 to 1 OEM dealerships in our marketplace. Independents also have the majority of the digital marketing space for essential repairs.
3. Non-OEM customer defection- Our team needs to keep building strong customer relationships during and after the warranty period. 42% of R.O.'s are 2017 or older which creates opportunity for an independent repair facility.
4. Employee Retention- As technicians are tasked with rigorous manufacturing training, our team needs to provide a work-life balance and a clear path to career success to keep fixed employees fulfilled. If not, this will create easy opportunity for competitive dealers to poach our staff.
5. Manufactures EV Fleet percentage- as our industry is evolving daily, our team needs to stay cognoscente of the percentage of repairable vehicles in operations. EV will need training and a different scope of skills for repair.

## Objectives

1. Increase customer pay repair volume.
2. Increase seasonal tire sales with storage options for our customers.
3. Increase service customer retention using Toyota LEO/GEP measurements.
4. Technician moral and proficiency improvement.
5. Monitor and increase fixed absorption from 33%

6. Educate service staff on the importance of facility utilization, technician proficiency and cost of labor.
7. Monitor first-time fill rate, and lost sales due to parts.
8. Increase warranty labor rate. Armodest will be conducting a manufacture comparison.
9. Integrate electronic MPI to allow transparent and professional inspections.
10. Increase internal labor rate closer to door rate.

## **Strategies**

1. OCP service marketing enhancement. SEM/SEO marketing investment to conquest out of warranty repair customers.
2. Internal monthly phone training provided to our service writers.
3. Install competitive and Non-OEM price comparison board behind service writers.
4. Reduce/cancel low ROI vendors to maintain semi-fixed expenses.
5. Recalibrate technician scheduling to mirror customer demands.
6. Increase technician proficiency by BDC appointment communication.
7. Customer Retention improvement by leveraging shuttle and pick up/drop off services for our customers.
8. Fixed Department meetings with actionable goals and improvements.

## **Tactics**

1. Communicate shop performance KPIs clearly and often.
2. Weekly Parts and Service manager meetings. Review MIS/ SPS measurements to drive goal completion.
3. Reduce customer disconnects to ensure ease of business with our team.
4. Emphasize MPI each and every opportunity!
5. Weekly parts recap with parts manager to review lost sales and emergency purchases. We will work with Toyota's return timeline to ensure low obsolescence while stocking proper parts for same-day repair completion.
6. BDC follow up by video, text, and phone call to retain declined opcodes, recall and conquest opportunities.
7. Consistent manufacture training investment to strengthen our fixed department team members.
8. Sales team will ensure sold customers have a proper first appointment process completed before delivery.

## Action Plan

<b>Task</b>	<b>By Whom</b>	<b>Completion Date</b>
Digital Advertising Spend Enhancement	GM/ Marketing Team	5/3/2021
Technician Proficiency Training	Gm/ Service Manager	5/3/2021
Shop Utilization Training	GM/ Service Manager	5/3/2021
FTFR/ Lost Sales Review	Fixed Managers	Daily
Technician Schedule review	Fixed Manager	Weekly
Track GP % Matrix	Fixed Managers	Daily/Weekly
Weekly Fixed Performance Meeting	Fixed Manager	Weekly
MIS Goal Completion Meeting	GM/ Fixed Managers	Monthly
BDC X-Time Schedule Review	BDC Manager	Daily
Install Competitive pricing Board	Service Manager	5/15/2021
Address Dispatching Issue	Service Manager/ Foreman	5/3/2021
Create Breakeven Calculation With New Lithia Cost Structure	GM/ Fixed Leadership	TBD
Advertise our State-of-the-Art Service facility	Advertising Team	5/3/2021
Enforce Video MPI Customer Education	Service Advisors/ Mgr.	5/3/2021
Revisit Hours of Operation	GM/ Corporate Team	TBD

## **Synopsis**

Fixed operations has a great opportunity to achieve high customer retention while maintaining proper profitability percentages. Our PMA has more than 6,000 units in operation which provides the most saturated primary market in the Detroit district. Our team will increase customer pay and warranty opportunities through precise digital marketing, Business Development Center's reengaged communication process and advisor/customer relationship cultivation.

Service Gross Profit percentage will maintain over 76% with proper management and procedure while aiming to create more opportunity in the service lane. Increasing customer throughput will provide higher labor gross dollars, allow tech proficiency to be managed, increase parts and aftermarket maintenance menu sales. In addition, our service retention will increase above manufacture guide and high customer satisfaction will be achieved.

Parts Department is vital to maintain our technician proficiency and throughput. Our team will monitor FTFR weekly to ensure we have proper stocking levels to complete same-day repairs. This will reduce lost service sales and increase technician morale due to the ease of work completion.

Our state-of-the-art facility provides an unmatched atmosphere to conduct business in. Repeat and conquest customers will appreciate their time spent in the facility due to a courtesy delivery/pickup service for customers with a busy timeline. With all our forward-thinking advertisement, team member's "Customer First" mentality, Suburban Toyota of Farmington Hills will be the preferred dealership to service their vehicle needs.

Suburban Toyota of Farmington is poised for a profitable future as we work through our transition of Lithia and our new workshop.

## Post Homework Calculations

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

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car			0%	0.00%
Customer Truck			0%	0%
Customer Other	\$ 82,316	\$ 62,017	75.34%	50.37%
Warranty	\$ 34,617	\$ 24,729	71.44%	21.18%
Warranty Other	\$ 12,353	\$ 10,784	87.30%	7.56%
Internal	\$ 24,768	\$ 19,229	77.64%	15.15%
NVI / Road Ready	\$ 9,382	\$ 7,239	77.16%	5.74%
Adj. Cost Of Labor			0%	0.00%
<b>Total</b>	<b>\$ 163,436</b>	<b>\$ 123,998</b>	<b>75.87%</b>	<b>100.00%</b>

### Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 124,262		
Variable Expense		0.00%	
Selling Expense	\$ 3,575	2.88%	
Personnel Expense	\$ 36,948	29.73%	
Semi-Fixed Expense	\$ 66,250	53.31%	
Fixed Expense	\$ 39,869	32.08%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
<b>Total Expenses</b>	<b>\$ 146,642</b>	<b>118.01%</b>	

Net Profit	\$ (22,380)	-18.01%
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### NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	\$ -	÷		=	0.00
Customer Truck*		÷		=	0.00
Customer Other*	\$ 82,316	÷	106.09	=	775.9
Warranty	\$ 46,970	÷	115.97	=	405.0
Internal	\$ 24,768	÷	100.92	=	245.4
New Vehicle Prep	\$ 9,382	÷	115.97	=	80.9
<b>Total</b>	<b>\$ 163,436</b>				<b>1507.2</b>

POTENTIAL

\$ 163,436	÷	1507.25	=	\$ 108.43		
Total labor sales for month		Total hours billed		Effective Labor Rate		
13.00	x	10	x	22	=	2,860.0
# Service mechanical technicians		# Hours/Day		Working Days/Month		Clock Hour Avail
2,860.0	x	\$ 108.43	=	\$ 310,119		
Clock Hours Available		Effective Labor Rate		Labor sales potential		

How proficient are your technicians ?

1,507.0	÷	2,860.00	=	52.69%
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	20
	x
Number of Days	22
	x
Number of Hours	1507
	x
Effective Labor Rate	108.43
FACILITY POTENTIAL	\$ 71,897,764

### FACILITY UTILIZATION

Total Labor Sales	\$ 163,436
	÷
Facility Potential	\$ 71,897,764
	<i>equals</i>
FACILITY UTILIZATION	0.23%