

# Service Department Analysis for Boardman Subaru

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NADA AcademyN326 - Service

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### **a. Advertising**

Our current advertising focuses on email. We have campaigns set up for customers approaching recommended maintenance/service intervals, Subaru customers in our area who have not been to us before, declined repairs, former customers who have gone dormant, etc. We also have a very modest spend for PPC and Display advertising dedicated to service. The campaign is statistically very effective, however, we don't do a great job of accurately marking declined repairs or capturing emails to trigger these automatic processes. Training service writers to keep better records can increase our advertising returns.

### **b. Marketing**

We plan to be more active in competing with independents. We have a section on our website with price comparisons and will add a physical board in the store as well as mentioning it during sales deliveries to make sure customers understand the value of our service department.

### **c. Facility**

Our facility is at only 30% utilization. Part of this is due to a recent expansion. We have multiple techs using two bays and are always looking to fill our team with enough qualified techs to keep up with demand and more fully utilize our capacity.

### **d. Productivity**

Our techs are nearly 100% efficient and we have recently added a highly efficient master tech to the team which we expect to increase that number.

**e. Production Method**

Our current method is conventional for service and team for express. This process has worked well for us.

**f. Analyze Cost of Labor**

Our service is roughly on pace with NADA Guide. Express techs are currently hourly employees and not accounted as “labor cost” but personnel, which is why our Express gross seems high. I am working on fixing this to be able to get more accurate information

**g. Changes in Expense Structure**

There are no expected changes to expense structure.

**h. Pay Plans**

We have updated our express service writers’ pay plans to incentivize upselling traditional service. This should increase multi-line RO’s and get more out of our vast express customer base.

**i. Detail performance programs—objectives, tracking, communication**

We will begin setting monthly Gross Profit goals, breaking down those goals by writer, by week, and by day. During weekly sales training meetings we will discuss these goals, our progress, and ways to improve performance.

**j. Level of current training**

We have recently attained “fully trained” status by Subaru standards. We have 2 certified “master” techs.

## **k. Special tools**

With our recent expansion, our special tools room is relatively new and well organized.

## **l. 100 Repair Order Analysis**

The biggest issue on our RO Analysis is an extremely low ELR. This can be explained by a high volume of Express work, much of which is single line. We expect to improve this issue by focusing on free maintenance/vehicle inspections for all Express (and Service) customers. This, combined with new Express pay plans that incentivize upsells of all types, along with active goal tracking and sales training will drastically increase multi-line ROs as well as getting Express customers into more repair work. This combination of changes can drastically increase Service Department Profitability.

## **m. SWOT Analysis**

### **Strengths**

- Friendly, Knowledgeable Staff
- Loaner Cars Available
- Express Service
- Renovated Waiting Room
  - o TV
  - o Kids Area
  - o Free Water, Coffee, Snacks
- Hold room for walk-ins anytime
- Online Scheduling
- Good email marketing program (Subaru Care Connect)



## **Weaknesses**

- Phone Skills
- Missing Phone Calls
- Email Capture
- Updating Customer Information
- Not Using Declined Repair Op Codes
- No Sunday Service
- Lack Of Training

## **Opportunities**

- Better Email Capture -> Better Marketing Results
- Sunday Hours
- Extend to 8am-8pm M-F
- Catch up on Internal Work
- Upselling/Sales Training
- Missed Recalls
- Document declined repairs for follow up
- Phone skills to set more appointments

## **Threats**

- Express not efficient enough -> could lose regular customers
- Bad phone skills -> Lose customers
- Independent shops have Sunday service
- Long wait times for major work could lose customers
- Missing open recalls could cause legal issues

## **Objectives**

- Shorten wait time and improve Express Service Efficiency
- Increase Effective Labor Rate
- Maximize customer satisfaction
- Dramatically increase email capture and documented declined repairs
- Increase number of RO's completed
- Train staff to professionally handle customers (phone calls, upsells, complaints, etc.)
- Increase Express Profitability

## **Strategies**

- Add additional Express Team (1 Writer, 2 Techs) to reduce wait time, relieve overtime scheduling
- Implement Regular Training for writers
- Monitor declined sales and email capture regularly
- Control discounting process
- Add commission for express writers upselling non-express service
- Increase Hours for customer convenience

## **Tactics**

- New Express Team to allow 3 Teams for peak times, lighter schedules, less overtime pay
- Require Service Manager to approve discounts
- Check email capture/declined repair reports daily, go over with staff
- “Sales” Meeting/Training weekly for service and express writers
- Weekly meeting with GM & Service Manager to monitor progress
- Open 10am - 3pm Sundays

## **Synopsis**

Our service department has a lot of room for improvement. With an exploding number of Subaru's in operation, a wide market (40 miles to the closest Subaru Dealer) and increasing used non-Subarus being sold, keeping up with demand is a constant struggle. While having "too many customers" is amongst the nicest problems to have, efficiency problems can cause major customer satisfaction issues that loose customers in addition to the opportunity cost of not being able to meet demand in the first place.

To keep up with demand for our recently added Express Service while maintaining the quick turn around time it represents, we must start by adding a new Express Team. The team will consist of one new writer (2 currently) and 2 new Express Technicians (4 currently). Our current Express group is unable to keep up with customer traffic at peak times and expected 30 minute jobs can span a few hours. The understaffing also results in writers and techs often working 6 days and over 60 hours per week. This is not good for employee morale and leads to huge costs in overtime pay. Properly scheduling a third team can allow for more capacity in peak times and eliminate overtime, more than paying for itself instantly.

Our low effective labor rate is an area of opportunity. It is partly due to a high volume of express service with minimal labor charges, however there are many discounts given for customer pay and internal work. Requiring manager approval will reduce these cases to when they are absolutely necessary. Exception reports can also be a good tool to keep discounts down.

Our email marketing program is very successful statistically but it misses a huge portion of our customers to due to failure to collect email addresses. Also, special emails to target declined repair customers have a high success rate but are rarely properly marked in the system to trigger follow up. Daily monitoring and review of these numbers with writers should enforce the usefulness and necessity of documenting good information.

There is currently a lack of fluid cooperation between service and Express. Full service items are rarely recommended to Express customers because the techs checking it and the writers selling it must pass that work off without compensation. Adding commission for writers upselling service work and techs recommending repairs/warranty work will help increase multiple-line RO's.

Sunday service hours are a huge opportunity to retain our service customers who find Sundays convenient and conquest other dealers' customers who feel the same. We would be able to compete with independent service shops who have Sunday hours and be one of only 2 OEM dealers out of dozens in town who can service vehicles on Sunday.

## **Action Plan**

Action: Hire Express Writer, Move 2 apprentices to full time Express

Who: Service Manager

When: By 12/15/17

Action: Change DMS Settings to require manager password for all discounting

Who: Service Manager

When: 12/1/17

Action: Set Daily Email/Declined reports to send to Manager, notify writers of daily follow up

Who: Service Manager

When: 11/15/17

Action: Schedule Weekly Training for Writers

Who: Training Manager

When: 12/1/17

Action: Change Express Pay Plan to include commission on full service upsells

Who: GM

When: Immediate

Action: Add Sunday to schedule rotation

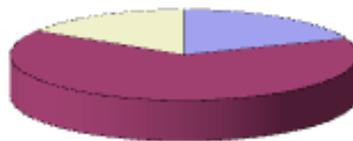
Who: Service Manager

When: 1/1/18

## Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 514	+ 32.20	= 15.97	FRH Average			
Maintenance	\$ 6,382	+ 108.80	= 58.65	FRH Average			
Repair	\$ 1,654	+ 27.00	= 61.26	FRH Average			
Totals	\$ 8,550	+ 168.00	= 50.89	Customer ELR			
		Target Labor Rate	93.00	Per FRH			
Total Ro's in Sample	97	Difference	-42.11	Per FRH			
<b>Cost of Labor</b>							
Total Cost of Labor	3071.70	+ Total Sales	= 35.93%	Percent Cost of Sales			
Total Cost of Labor	3071.70	+ Total FRH's	= 18.28	Cost per FRH			
<b>Repair Order Measurements</b>							
Total Labor Sales	8,549.96	+ Total RO's	= 88.14	Avg Labor per RO			
Total FRH's	168.00	+ Total RO's	= 1.73	Avg FRH's per RO			
Menu Sales		+ Total RO's	=	Percent Menu Sales			
Competitive FRH's	32.20	+ Total FRH's	= 19.17%	Percent Competitive			
Maintenance FRH's	108.80	+ Total FRH's	= 64.76%	Percent Maintenance			
Repair FRH's	27.00	+ Total FRH's	= 16.07%	Percent Repair			
One item RO's	34	+ Total RO's	= 35.05%	Percent One Item RO			
<b>Model Year Analysis</b>							
2018	2017	2016	2015	2014	2013	Older	Total
0	18	9	13	16	12	29	97
0.00%	18.56%	9.28%	13.40%	16.49%	12.37%	29.90%	

### Labor Mix



Percent Competitive
  Percent Maintenance
  Percent Repair

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

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 45,226	\$ 32,718	72.34%	37.58%
Customer Truck			0%	0.00%
Customer Express	\$ 5,069	\$ 4,837	95.42%	4.21%
Warranty	\$ 28,997	\$ 24,417	84.21%	24.09%
Warranty Other	\$ 1,249	\$ 1,238	99.12%	1.04%
Internal	\$ 39,808	\$ 29,060	73.00%	33.08%
NVI / Road Ready			0%	0.00%
Adj. Cost Of Labor			0%	0.00%
<b>Total</b>	<b>\$ 120,349</b>	<b>\$ 92,270</b>	<b>76.67%</b>	<b>100.00%</b>

**Service Department Profit Centering**

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 92,270		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	\$ 48,929	53.03%	50
Semi-Fixed Expense	\$ 27,437	29.74%	
Fixed Expense	\$ 14,962	16.22%	
Unallocated Expense		0.00%	
Dealer's Salary	\$ 35,000	37.93%	
<b>Total Expenses</b>	<b>\$ 126,328</b>	<b>136.91%</b>	<b>80</b>
<b>Net Profit</b>	<b>\$ (34,058)</b>	<b>-36.91%</b>	

FACILITY POTENTIAL	
Number of Bays	20
	x
Number of Days	26
	x
Number of Hours	10.3
	x
Effective Labor Rate	\$ 71.97
	equals
<b>FACILITY POTENTIAL</b>	<b>\$ 385,471</b>

FACILITY UTILIZATION	
Total Labor Sales	\$ 119,100
	+
Facility Potential	\$ 385,471
	equals
<b>FACILITY UTILIZATION</b>	<b>30.90%</b>

NADA ACTUAL SERVICE ANALYSIS					
Performance					
	<b>Labor Sales / Month</b>		<b>Hourly Labor Rate</b>		<b>Hours Billed</b>
Customer Car*	\$ 45,226	+	61.20	=	739.0
Customer Truck*	\$ -	+		=	0.00
Customer Express*	\$ 5,069	+	50.53	=	100.3
Warranty	\$ 28,997	+	95.00	=	305.2
Internal	\$ 39,808	+	78.00	=	510.4
New Vehicle Prep	\$ -	+		=	0.00
<b>Total</b>	<b>\$ 119,100</b>				<b>1654.9</b>
<b>POTENTIAL</b>					
	\$ 119,100	+	1654.89	=	\$ 71.97
	Total labor sales for month		Total hours billed		Effective Labor Rate
	13.00	x	9	x	23 = 2,691.0
	# Service mechanical technicians		# Hours/Day		Working Days/Month
	2,691.0	x	\$ 71.97	=	\$ 193,667
	Clock Hours Available		Effective Labor Rate		Labor sales potential
How proficient are your technicians ?					
	2,589.0	+	2,691.00	=	96.21%
	Hours Produced		Hours Available		Tech Proficiency
Customer labor divide by the Customer Effective Labor rate from the R. O. Analysis					