

Fixed Operations 2
Service Homework

Phil Meador's Courtesy
Ford

Hank Carter #23

N-327

a) Advertising:

For 2017, we have had two static billboards that we pay \$600 per month. The billboards are in high traffic areas within Pocatello. We advertise the guaranteed lowest prices on tires. We get varying results monthly with this advertising; however, we can see new customers coming into our service department because of the advertisement so we are going to continue with it.

We also used Ford's Consumer Connection program for direct mail coupons. We are discontinuing this advertising because we noticed that over 90% of these customers are already in our database, and most of these customers due their routine maintenance with us regardless of the coupon. The rare occasion that we get a new customer is simply not worth the high expense.

We spent most of 2017 developing a service BDC. We hired Proactive Dealer Solutions from North Carolina to facilitate the BDC as well provide training. We have three agents that average 42 calls per day both inbound and outbound calls. The agents handle incoming appointment calls, outbound calls that include special order parts scheduling calls, recalls, appointment confirmation calls, and declined service calls. Our customer pay repair orders have increased by an average of 39 repair orders per month in the first nine months of 2017 versus the same time frame of 2016. We will continue this strategy as it is working well for us.

b) Non-dealer Survey:

When analyzing the competitive maintenance pricing summary survey, we determined that our pricing is slightly lower than the average independent service shop in our market. We used a sample of six competitors. Our competitive rate is only thirty cents higher than the average. We also include tire rotations in our competitive rate where three of our competitors do not. We have determined that there is no need to change our competitive rates based on this survey. Our maintenance rates are higher than most of our competitors. We are making a change in this area. We have some repairs that we were charging out at our repair rates. For example: A/C service was quoted at our repair rate, and all our

competitors are quoting at maintenance rates. We are changing this service to our maintenance rate. On the contrary, our rate for replacing front brakes has been quoted and charged at our maintenance rate. All our competitors quote and charge at their repair rates. Overall, the survey has helped us determine changes in our rates. We will use this at least twice per year to make sure that we are competitive in our market.

c) Facility:

The facility utilization study revealed that we are using only 27.51% of our capacity. We have 22 total bays in our shop. Out of 22, two of them are lube bays. We use two - two-man teams on the lube racks so this leaves 20 bays for the remaining ten-line technicians. We made a management change on November 1st. Jim Sherburne was our Service Department manager. He retired. Tim Olson has moved from Parts manager to Service and Parts Director. Tim attended FO2 with me. I am working with Tim to reorganize our shop utilization as we had three A technicians using 3 bays each. We are going to allow them to utilize 2 bays.

There is opportunity to add more technicians by making the adjustment.

The second change that we can make to increase our facility utilization is to increase our hours of operation to at least mirror our sales department hours. This change will add two additional hours on Monday through Friday per day. Saturday will increase hours by four additional hours. We are closed on Sundays. No other dealerships or independent shops are open on Sundays at this point. We currently have no plans to open on Sundays for now. With our current management changes, we intend to mirror the sales department hours at the beginning of quarter 2 in 2018.

d) Productivity

Our tech proficiency average for the 1st nine months of 2017 is 79.63%. We have made some production changes that I will discuss in section e. The causes for the low proficiency percentage are attributed to a lack of control by the advisors and the service manager. Our work flow was disorganized. For example, we often had the wrong technicians working on jobs based on skill. We also realized that technicians had too much influence on work distribution. There have been cases where the technician

would determine what work was done and when the work would be done. Until now, we had no process as well as no one person in charge of dispatching work. We have a new production method.

e) Production Method

We have made many changes to our production method. Our service drive consists of three advisors. The advisors no longer make appointments from inbound phone calls. Our BDC department handles those calls. We have changed their process which includes a status call back sheet that they fill out with their customer. The status call back sheet notifies the customer when he or she can expect the first call from the advisor as well as the best phone number or

method to reach the customer. This reduces the amount of inbound calls that the advisors take which allows them more time to properly advise and communicate with their customers as opposed to the chaos that used to be normal operation. Our advisors are now afforded the time to properly walk around the vehicle prior to the vehicle entering our shop. Advisors are spending more time with each customer to develop rapport and listen to their concerns. We would make it, so advisors took zero inbound calls if possible. With these changes, our advisors are very proactive with their customers and communication has improved immensely.

Our production method for technicians is conventional, but we now have a “working” shop foreman. Our foreman meets with the advisors nightly to ensure that work is dispatched to the proper technicians based on availability as well as skill. The foreman has the most authority to manipulate the schedule for work flow. Because the

foreman also works as a technician, he takes the opportunity to properly diagnose work that can be handed to less experienced technicians which challenges those technicians to improve. This gives the less experienced technicians an opportunity for more repetition as well as educational direction from our foreman.

f) Cost of Labor

Our cost of labor is very low. The obvious reason is that we are in a low cost of living region. We have three A technicians, and we are competitive with their pay ranging from \$25.50 up to \$27 per flat rate hour. We have five B/C technicians that range from \$15.50

up to \$23, and six D technicians that range from \$10 up to \$13.50. Our average cost per labor hour is \$17.24 for the first nine months of this year.

We have determined that we can utilize our low cost of labor to our advantage better by paying more technician bonuses based on proficiency. For example, an additional \$1 per hour for 110% proficient, and an additional \$2 per hour for 120% plus to help increase our production of hours so our shop improves to 100% proficient. The low cost also will allow us to educate our own technicians rather than over paying for technicians that only look good on paper.

g) Changes in Expense Structure

Our current expense structure is healthy. Our net profit percentage is 16.54% which is well above NADA guidelines for Ford dealerships;

however, there are two opportunities to decrease expenses for the department. The first opportunity is to move our shuttle driver into our sales department. The shuttle driver is only busy early in the morning, and he possesses the skill to have him as an hourly plus commission customer service/salesperson. We also use a third-party company to handle our warranty claims. We spend nearly \$3000 per month for this service. With advancements in technology and more time available, our advisor will be trained to handle warranty claims.

h) Pay Plans

We changed pay plans for our advisors. The advisors were getting paid a percentage of

parts and labor sales for jobs that they sold individually. With three advisors, they each get 4% of the labor gross for the entire department. We give a monthly CSI bonus for each month that we are in the top ten percent of the zone. Also, we add bonuses for other statistics that need attention. For example, ELR our hours per RO or specific items sold. None of these are on the pay plan. They are just offered at the beginning of each month when improvement is needed. That determination is made by Tim (parts and service director).

“Working” shop foreman is a new position for us. He gets \$27 per flat rate hour on his own work plus he gets \$1.25 per shop hour for 0 – 1600 hours then goes up \$.25 each 100 hours capping at \$2.25 per hour at 2000 hours plus.

We no longer have a service department manager. We now have Tim (Parts and Service Director). Tim has a base salary of \$3500 that goes to Parts Manager pay on the statement, and he gets 3% of parts and service gross with an increase of .25% based on the same hours as the shop foreman

structure. Half of the commission goes under parts manager pay. The other half goes in service manager pay, and all the shop foreman shop bonus money goes in service manager pay.

i) Detail Performance Programs

Our new monthly hours objective is to reach 2000 hours for the whole shop. We have a meeting with the entire shop at the beginning of each month to set an hours goal for each technician based on individual availability for the first half of the month and second half of the month. The individual goals are between 100% and 120% depending on prior achievements. The total of the individual goals exceeds the department goals by 20%. We have a glass board in the shop that all service department personnel can see. The board shows the shop goal, individual goals, and it is updated every morning to show tracking for the department and individuals. There is a quick meeting each morning around that board that includes the shop foreman, techs, and Tim to see if everyone feels that they have a chance to achieve their goals for the day. We address anything that may be an obstacle for our techs.

j) Current training

We have used Dealership Direct from Utah for salesperson training since 2014. The trainer is in the dealership for two days each month, but we also have an online tool called auto business university that is a daily task followed by a quiz or input section. This takes 5 to 10 minutes daily. We have added the same training for our advisors. The course is tailored to the service drive, but it is sales and effective communication training. The advisors are on the same training schedule both monthly and daily.

The shop foreman oversees making sure that are technicians are current with their Ford certifications online. The foreman and the P/S director meet monthly to discuss the next opportunities for offsite training for our technicians.

k) Special tools

The special tools room has been cleaned up. We are currently adding more shelves, and labeling where each tool belongs. We cleaned out a large storage locker that hasn't been cleaned out for many years to utilize the space better. Also, the tools room gets cleaned thoroughly every Friday before techs go home. Any broken or missing tools gets reported to the shop foreman immediately.

I) 100 RO Analysis

Our customer effective labor rate was \$82.76 on this sample. Our target ELR is \$92.06. We need to improve our rate on competitive work because our local market average is \$4 higher. Also, our maintenance rate needs to increase by \$4 just to reach the minimum standard of \$10 less than the warranty ELR which is \$90.06. Our work mix is close to standard as we are 42% repair work. And, our repair ELR is at \$105.34 which is significantly higher than warranty.

We have two extremely weak areas. First, 90% of the 100 ROs were one-line ROs. We have massive room for improvement since we should be 15% or less. The obvious correlation to the one-line ROs is .99 hours

per RO which is nowhere near the minimum standard of 2.2 hours per RO.

Our newly implemented process for our advisors will help us improve this statistic; however, to ensure accountability, we are going to use this RO analysis template each month for our advisors. We will analyze their customer ROs with them each month to compare their one-line ROs to the guide, and we will insist on improvement month to month until we are within guide.

m) SWOT Analysis

Strengths

We are a company filled with great people from ownership to management, and all our co-workers.

Our customers are loyal to us, and we are well liked in the community.

We are more involved in the community than any other dealership in town.

Our town is in the early stages of significant and rapid growth.

Weaknesses

Our communication needs improvement. The most common complaint is that we are not getting enough information from the customers regarding the issue with their cars.

Technicians don't feel that advisors try hard enough to sell more work.

We don't pay enough compliments or bonuses for a job well done.

The service department personnel (mostly techs) don't feel enough a part of the dealership.

Parts counter people are too indifferent.

Opportunities

We have an opportunity to grow because of growth in our market.

We have opportunity for growth within the company and educational opportunities for individuals.

Plans have been discussed to increase the size of our physical shop.

New businesses and government jobs (FBI) are moving into Pocatello with higher paying jobs. More customers that have money coming our way.

Threats

Other shops that might offer higher pay and better benefits.

Other shops guaranteeing more hours.

Hiring new employees that do not fit our company's culture.

Having employees that may not care about how we should take care of our customers.

Objectives/Strategies/Tactics

Objective

Increase our total shop hours to get consistently 2000.

Make sure everyone in the department is aware of what the daily goal is for hours to achieve 2000 hours for the month.

Give bonuses to individuals that do their part to get the department to achieve its goal.

Make everyone aware of what a win looks like daily, weekly, and monthly.

Strategies

Do everything possible to make it so advisors don't take incoming phone calls.

Utilize the BDC for appointment scheduling.

Increase outbound calls by advisors to give customers more frequent status updates.
Communication keeps customers happy.

Train advisors on selling and communication skills to improve hours per RO.

Sell off the MPIs including the green to set up the next visit.

Communicate with customers better to get more accurate stories for the technicians to minimize comebacks and improve proficiency.

Tactics

Service/Parts Director reviews all MPIs and ROs daily to ensure advisors are following the processes needed to sell more work.

Pay technician bonuses to encourage them to come in early and stay late to take advantage of opportunities to achieve our goals.

Adapt the parts department's pay to tie into shop hours.

Keep the scoreboard updated daily and give encouragement to all players.

Action Plan

<u>Tasks</u>	<u>by whom</u>	<u>completion date</u>
Update and display individual and department stats daily 12/1/2017	P/S Director	
Review MPis and ROs daily to increase hours per RO 12/1/2017	P/S Director	
Adjust P/S Directors pay plan based on service and Parts gross	GM	12/1/2017
Add a shop foreman and pay on individual and Departmental production 12/1/2017	GM and P/S	
Adjust Advisor pay plan to encourage teamwork And departmental success	GM	done
Daily Advisor and Shop Foreman meeting to Properly dispatch work to maximize work flow 12/1/2017	P/S Director	
Meet every Friday morning with P/S director for Updates on productivity 12/1/2017	GM	
Get Technicians on a proper training and certification Schedule 12/1/2017	Shop foreman	

Synopsis

We are very good at controlling expenses in the service and parts departments. We are also very good at keeping labor costs low; however, we need to produce more hours. We need to do what it takes to produce at least 2000 hours per month.

We will do this by utilizing our BDC to fill the shop schedule with appointments, and allowing our advisors more time to create opportunities to get our one item ROs to less than 15% which in turn will get our hours per RO above 2.2 hours per.

Also by having our shop foreman to dispatch work to the proper technicians, we will improve the work flow in our shop and that will increase our tech proficiency.

By combining these improvements, I'm excited to see the increase in fixed absorption as well as the overall dealership net profits.

This will get us ready for the growth that we are going to have and the new challenges and opportunities that growth brings.

