

Service Department Analysis for Penske Honda

By Andrew Mulligan

Penske NADA 2022

Strengths

1. We have a good team that works well together.
2. Along with our shop foreman, most of our technicians have over 20 years experienced.
3. We have a female service manager that sets us apart and creates sense of trust with many of our female customers.
4. Newly remodeled Express Lube building, New Car and Used Car building.
5. Large and diverse customer base. We service many older model year Hondas.
6. Great CSI and internal processes.
7. Overall Tech Proficiency is near 110% with a lot of the techs over 110%
8. The shop is clean, orderly and well care for.
9. ELR is close to our door rate.

Weaknesses

1. We have several technicians that will reach retirement age in the next 5 years, and it is increasingly difficult to hire new technicians.
2. The supply chain issues has made part availability a large problem in our dealership. We often must wait for parts to be released. We thought this was a short-term problem, but it continued persistence is affecting long-term customer retention.
3. Several of the people in leadership roles can be stubborn and often delay changes and decisions. Change can be difficult and, sometimes, more so for long-tenured employees.
4. We do not have nearly enough technicians to finish the amount of work that we'd like to each day. We used to utilize around 18-20 main-shop technicians and now we employ around 10-13. Our pervious service manager lost several techs to a competitor and a few more retired.
5. Shop utilization is around 60%. We have several unused service bays.
6. Advisors have limited flexibility with pricing with limited or no follow-up for declined services.
7. Lack of video adoption. There is no accountability for providing video to the customer. We talk, but do not engage.
8. Missing or misused tools that need replacement.
9. Perspective of some tech of fairly dispatched ROs

Opportunities

1. We have several technicians near retirement age, which will allow us to promote qualified lube-bay technicians. Internal promotions are a great for morale.
2. We have a service manager and 3 service lane supervisors all under the age of 40, giving us a great chance to build a strong foundation for years to come. The least experienced of the supervisors been with the dealership for 7 years. There is valuable experience on the drive.
3. Possibly extend service hours to add a 2nd shift, however we have capacity in the 1st shift.
4. We have several open and unused bays. We have room to grow.
5. Growing northern metropolitan area.
6. Evolving complexity of automobiles will create OEM specific repairs that will be difficult for independent service centers.

Threats

1. Finding replacements for our near-retirement age technicians. They are very good techs with years of experience and to bringing in someone new or promoting a younger tech is great, but replacing the experience is easier said than done.
2. As more and more vehicles become electric, many cars may need less routine maintenance.
3. Customer pay repair orders are declining.
4. Lack of compassion and empathy for customers waiting for parts can affect long term retention.

Objectives

1. Reduce one line and hours per RO
2. Attach, hire, train and retain capable techs.
3. Increase tech efficiency.
4. Follow-up for declined service repairs and increase customer pay hours.
5. Reduce the shop foreman's repair orders. Which increases his ability to help the other techs.
6. Market our competitive prices for competitive work to the community.
7. Adopt video communication to the customer

Strategies

1. Increase video communication to reduce one-line repair orders and increase customer pay hours per RO
2. Promote our brand; employer and CSI in the job search community to better attract new applicants.
3. Create a follow-up campaign in CRM for declined services.
4. Promote our “competitive services” through online social platforms.
5. Promote “competitive services” at the time of new and used car delivery in the finance office.
6. Create a brochure of “competitive services” and mail it with new purchaser’s title work.

Tactics

1. If possible, designate or hire a videographer. Firstly, train those willing to shoot videos.
2. Set up CRM follow-up to text, email and phone at appropriate intervals for declined service follow-up. Also, resend the video of needed repairs.
3. Provide word tracts and train the advisor with a proper follow-up campaign.
4. Create an ad campaign for our competitive services and promote our consistently high CSI score through online social media platforms,
5. Create a brochure of “competitive services” and mail it with newly purchased title work

Action Plan

Task	By Whom	Date of completion
Allow "one time" customer discount to schedule declined work.	Service manager	April 2022
Create CRM campaign for declined services	Internet/CRM Manager	March 1 2022
Train on Video	Shop foreman	Start March 1 2020
Create brochure to insert into title work	Ad agency	April 2022
Train finance office on competitive services	Finance lead	April 2022

Synopsis

First and foremost, our overall technician proficiency (Tech P) is about 110%. When compared to shop utilization around 60%, we do not have enough technicians to adequately serve our customer base and schedule weeks in advance for repairs. While we might be able to marginally improve our tech proficiency, this improvement will not solely meet the demand of the customer. We are currently offer tuition reimbursement for new techs, a sign on bonus and competitive pay for experienced techs. We still are not attaching new applicants. Our overall capacity problem will not improve until we attract and retain new technicians.

Secondly, we need a better balance between customer pay and warranty hours. If we can utilize video to sell additional customer pay hours, we will decrease with our technician's down time between repair orders and increase their overall efficiency. Further, if train our advisors to follow-up and schedule declined services on "slower" days, we will continue to improve our Tech P, reduce declined services, one-line repair orders and the ratios between competitive/maintenance and repair RO hours.

Lastly, our owner base potential is 36% and well below what the industry considers acceptable. The new car department is the largest volume dealer in the state and are consistently selling outside of our dealer's ASA. As stated in class, most people are only willing to travel inside a certain radius for service. However, to increase retention, there are a few lost cost processes we can implement. First, a service walkthrough with every car purchase, (we should be doing the already, but I know we aren't) a brief introduction to "competitive services" in the finance office and a brochure of introduction to our "low-cost services" in the purchaser's title work.

In closing, with additional technicians, the implementation of service repair videos, sales training on declined services and combined with an already in place great team, there will be increase with our (already good) fixed absorption of 71%

RO Analysis

Penske Honda

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There are many one-line orders. Additionally, if we combined those with tire rotation and HEPA filters, a majority of the ROs are competitive and maintenance. At least in this 50 RO example, I noticed several declined services. Either the advisor is unable sell the service or they are do not present the repair to the customer. Either way, it is not good. However, I know through observation and conversation with the shop dispatcher, there is daily concern if they will get all the daily appointments in the shop. let alone the work ins. While I do not work in service, it almost seems the advisor doesn't want any additional daily work because they don't have enough tech time.

Repair Order Analysis

Penske Honda				Competitive Labor		Maintenance Labor		Repair Labor		Total Cost of Labor	One Item Repair Order
				Labor Sales	Flat Rate Hours	Labor Sales	Flat Rate Hours	Labor Sales	Flat Rate Hours		
RO Number	Year	Model	Mileage	Labor Sales	Flat Rate Hours	Labor Sales	Flat Rate Hours	Labor Sales	Flat Rate Hours	Total Cost of Labor	One Item Repair Order
942387	2021	crv	11,192	29.31	0.30	0.00	0.00			4.50	1
942388	2016	crv	33,377	29.31	0.30	169.95	2.00	0.00	0.00	27.60	0
942389	2014	civic	145,000	0.00	0.00	0.00	0.00	1.30	0.00	31.85	1
942390	2012	accord	74,421	29.91	0.30	100.00	1.00			4.50	1
942392	2013	crv	158,521	29.31	0.30	0.00	0.00	0.00	0.00	4.50	1
942393	2021	crv	5,128	20.00	0.40	0.00	0.00	0.00	0.00	8.00	1
942394	2019	odyssey	25,255	29.31	0.00	0.00	0.00	0.00	0.00	4.80	1
942396	2014	accord	75,054	57.49	0.80	0.00	0.00	0.00	0.00	12.80	1
942397	2018	accord	24,411	29.31	0.30	0.00	0.00	0.00	0.00	3.60	1
942398	2010	odyssey	126,103	29.31	0.30	0.00	0.00	334.75	0.90	22.05	1
942400	2014	accord	72,942	29.31	0.30	0.00	0.00	0.00	0.00	4.50	1
942372	2007	odyssey	166,646	57.49	0.80	0.00	0.00	0.00	0.00	12.00	1
942373	2020	accord	14,793	57.49	0.80	0.00	0.00	0.00	0.00	12.00	1
942374	2019	pilot	70,044	46.26	0.80	0.00	0.00	0.00	0.00	12.00	1
942376	2016	civic	136,728	57.49	0.80	150.00	1.50	0.00	0.00	36.80	0
942377	2011	crv	175,995	57.49	0.80	0.00	0.00	0.00	0.00	11.20	1
942378	2014	accord	85,222	29.31	0.30	0.00	0.00	1,261.00	11.00	248.60	0
942380	2020	pilot	8,333	29.31	0.30	19.99	0.50	0.00	0.00	11.20	0
942282	2016	odyssey	111,626	29.31	0.30	0.00	0.00	0.00	0.00	4.50	1
942383	2014	accord	80,346	29.31	0.30	149.00	2.10	0.00	0.00	33.60	0
942385	2016	pilot	58,941	26.31	0.30	19.99	0.50	0.00	0.00	12.80	0
942350	2016	crv	58,754	20.31	0.30	19.99	0.50	0.00	0.00	12.80	0
942351	2017	pilot	70,070	0.00	0.00	639.99	7.10	0.00	0.00	156.20	0
942352	2013	crv	46,467	26.91	0.30	84.99	1.50	0.00	0.00	18.00	0
942354	2018	accord	50,727	57.49	0.80	100.00	1.00	0.00	0.00	25.20	0
942355	2018	civic	19,513	49.26	0.80		0.00	0.00	0.00	9.60	1
942358	2021	pilot	12,036	19.99	0.30	0.00	0.00	0.00	0.00	4.50	1
942363	2016	pilot	54,967	56.49	0.80	100.00	1.00	0.00	0.00	21.60	0
942366	2016	pilot	23,410	29.31	0.30	65.00	1.00	0.00	0.00	18.20	0
942371	2019	odyssey	48,698	57.49	0.80	50.00	0.50	0.00	0.00	15.60	0
942327	2016	odyssey	55,455	29.31	0.30	50.00	0.50	0.00	0.00	11.20	0
942328	2021	crv	10,230	29.31	0.30	0.00	0.00	0.00	0.00	4.50	1
942331	2014	crv	69,020	20.31	0.30	0.00	0.00	0.00	0.00	4.50	1
942334	2020	civic	20,939	49.30	0.80	0.00	0.00	0.00	0.00	0.00	1
942335	2016	accord	49,084	57.49	0.80	89.99	1.60	0.00		38.40	0
942340	2012	crv	138,370	0.00	0.00	0.00	0.00	702.00	5.00	110.00	0
942345	2018	ridgeline	35,088	57.49	0.80	0.00	0.00	0.00	0.00	12.00	1
942348	2013	crv	71,262	29.31	0.30	0.00	0.00	0.00	0.00	4.50	1
942349	2012	odyssey	78,984	0.00	0.00	569.99	6.40	0.00	0.00	140.80	0
942302	2018	crv	108,196	0.00	0.00	450.00	5.50	0.00	0.00	165.00	0
942305	2013	pilot	104,154	0.00	0.00	1,109.31	10.80	0.00	0.00	232.20	0
942306	2012	crv	95,488	49.31	0.80	0.00	0.00	0.00	0.00	12.00	1
942308	2014	crv	104,753	57.49	0.80	140.00	1.80	0.00	0.00	36.00	0
942309	2017	crv	79,469	57.49	0.80	100.00	1.00	0.00	0.00	28.80	0

942312	2016	odyssey	63,043	57.49	0.80	40.00	0.80	0.00	0.00	24.00	0
0	0	0	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
ROs 1-50 Totals				1,543.89	20.00	4,218.19	48.60	2,299.05	16.90	1,629.00	23
Date of Study: Study Compiled by				C Labor		M Labor		R Labor		Total Cost of Labor	One Item Repair Order
				Labor Sales	Flat Rate Hours	Labor Sales	Flat Rate Hours	Labor Sales	Flat Rate Hours		