

# Service Department Analysis for Acura of Escondido



# Qualitative Analysis

## Strengths

1. Good atmosphere in the shop. Everybody gets on well, any disagreements have been resolved quickly and effectively.
2. Experienced Master level techs are very happy to help younger colleagues learn and provide training when required.
3. Consistently high CSI scores
4. Well established store with many loyal, long time, customers. Customers' confidence in the Service dept often generates business for the sales dept.
5. Service Manager has a lot of experience, much of it with Honda & Acura, but is always open to new tools / techniques to better serve customers and employees.
6. Management solicits feedback from employees and acts on it. Several shop improvements have been made based on tech recommendations.
7. Parts dept. does a great job of having the right parts in stock. Current, industry wide, inventory challenges aside, our Parts dept. staff have all been with the store a long time and have a good idea what to stock.
8. Shop has capacity to grow. With 16 bays and currently only 6 techs, we have the capacity to grow our business without the need to make expensive facility changes.

# Qualitative Analysis

## Weaknesses

1. RO Counts are down. Day to day business still has not returned to pre-COVID levels. This, combined with significantly less warranty work and fewer new car deliveries, means far fewer cars coming through the front door.
2. One Service Advisor. We have two Advisors; one consistently outperforms the other. Techs don't have confidence in the ability of one Advisor to sell their recommendations.
3. Shop Foreman doesn't set a great example. While a very capable technician, foreman does not show great leadership skills. He has, on more than one occasion, had to be disciplined for breaches of basic rules / standards.
4. Advisor pay doesn't prioritize customer pay work. Current advisor pay structure pays the same rate for warranty as CP.
5. Used cars take too long to get through the recon process. Due to the way tickets are dispatched, a used car will sometimes sit for a couple days while the tech assigned to it is delayed with other jobs.
6. No-one sees the parts display. Since we eliminated the cashier position, the only people who enter the parts dept are those walking into the retail counter. Retail accessory sales suffering.
7. No non-dealer competitive pricing board in the drive. Currently there is no appropriate space to mount a competitive pricing board

# Qualitative Analysis

## Opportunities

1. Opportunity for business to return to pre-COVID levels.
2. More marketing could bring in more cars, even off brand cars.
3. Display accessories in showroom and/or customer lounge.
4. Find a way to display non-dealer competitive pricing board. Perhaps electronically in advisors 'offices. "Smart" picture frame or wall mounted monitor.

## Threats

1. Union activity in the area. Several dealers in the area have unionized causing discord among techs and strained relationships with management
2. Less new sales mean less fixed business in the next few years. COVID and supply chain issues reducing the number of cars sold will reduce UIO in coming years.
3. More and more independent shops in the area, many open weekends when we are not.
4. Electrification. What will the impending transition to electric vehicles mean for service business and technicians' ability to earn.
5. Newer cars need less frequent maintenance.

# Objectives / Strategies / Tactics

## Objectives

1. Improve CP gross to compensate for reduction in warranty business.
2. Increase Daily RO count.
3. Motivate Advisors to sell more of techs' recommendations.
4. Get techs to increase video usage.

## Strategies

1. Change Advisors payplans to focus more on CP sales.
2. Improve wi-fi service in the shop to make videos easier and quicker for techs. Share examples of great videos with other techs.
3. Increase CP door rate and increase mark up on most popular competitive maintenance items. Apply for warranty rate increase.
4. Encourage existing customers to service their off brand vehicles with us too.
5. Shop local competition and post non-dealer competitive pricing board.

# Objectives / Strategies / Tactics

## Tactics

1. Provide ongoing training to advisors, focusing on areas with most opportunity for improvement.
2. Establish a bonus program based on hours per RO for each advisor. Individual targets based on their current average and a target to aim for. Review quarterly.
3. Track closing percentages on ROs with videos sent to customer vs. those without. Share results regularly with techs and advisors.
4. Adjust marketing plan to encourage off brand cars and bring back dormant customers.
5. Provide leadership training for Shop Foreman.
6. Ensure positive results are communicated in Tech Meetings. Share advisors' closing and gross increases with techs to build their confidence that recommendations will be sold.
7. Check all parts mark-ups against pricing guides.

# Objectives / Strategies / Tactics

## Action Plan

Task	Role	Target Date
Establish a training program for Advisors	Service Manager	Mar 1
Change Advisor pay plans to focus on CP sales	Service Manager / GM	Jan 1
Install Advisor bonus program based on hrs/RO	Service Manager / GM	Jan 1
Monitor Competitors' door rates, adjust accordingly	Service Manager	Monthly
Establish a non-dealer competitive pricing board	Service Manager	Mar 1
Create a report to track video closing percentages	Service Manager	Mar1
Adjust marketing based on current goals	Service Manager	Monthly/Quarterly
Share Advisors' improvements with tech team	Service Manager	Monthly
Check Parts Mark-Ups against guides. Adjust as required.	Parts Manager	Jan 1
Create an accessory / merchandise display in Showroom	Parts Manager / GM	Mar 1
Ensure techs have suitable devices to shoot video	GM	Jan 1
Ensure shop wi-fi provide enough bandwidth for videos	GM	Jan 1
Review status of changes made with dept. managers	GM	Weekly

## Synopsis

The current global supply chain crisis and ongoing COVID pandemic undoubtedly affect our business. Our warranty business is down significantly since 2019 levels. There is very little we can do to impact these things, so we must focus on what we can affect.

The combination of ongoing advisor training and changes to advisor pay plans will increase Customer Pay labor sales, affecting not only department profitability but also technicians' confidence in advisors' ability and desire to sell.

Seeing these results along with sharing closing percentages and providing positive feedback on well-presented videos will encourage techs to make more and better videos. Combined with displaying a non-dealer competitive pricing board, this will exponentially increase Customer Pay sales and gross.

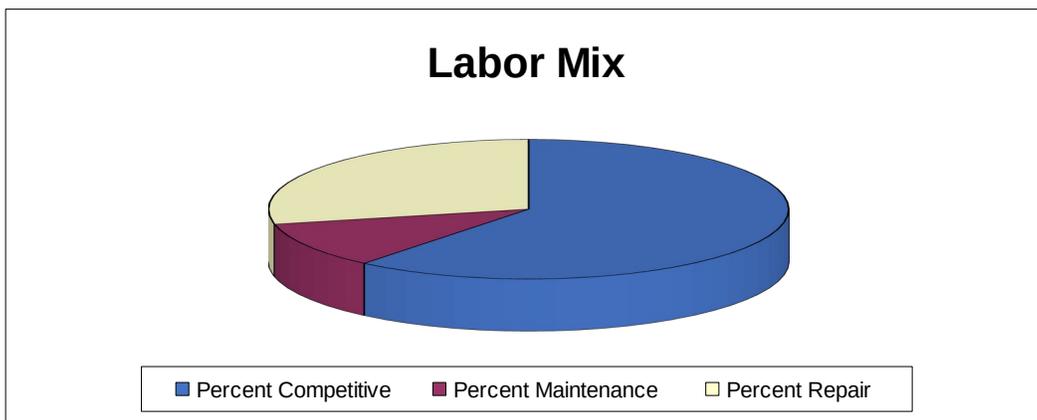
Consistently reviewing our labor rates against our competition, dealer and non-dealer, and adjusting as needed will ensure we stay competitive and make it easier for advisors to sell.

Creating a Parts display area in the sales building will help increase accessory and merchandise sales that have been falling for some time as well as turning customers into ambassadors and advocates for our store and brand.

These changes will have a direct impact on the dealership's bottom line in the short term and will also provide better perceived value to our customers helping maintain our great CSI results. What's more, as we look to the future and increased car counts, these processes will still apply allowing us to make the most of any new business we can generate ensuring continued profitability and growth going forward.

# RO Analysis Summary Report

Repair Order Analysis Summary Report							
	Sales in Dollars		FRH's on RO's		Averages	Analysis	
Competitive	\$	5,448	÷	42.80	=	127.29	FRH Average
Maintenance	\$	1,325	÷	7.50	=	176.71	FRH Average
Repair	\$	2,739	÷	20.00	=	136.96	FRH Average
Totals	\$	9,512	÷	70.30	=	135.31	Customer ELR
			Target Labor Rate			156.00	Per FRH
Total Ro's in Sample		50	Difference			-20.69	Per FRH
Cost of Labor							
Total Cost of Labor		2407.85	÷	Total Sales	=	25.31%	Percent Cost of Sales
Total Cost of Labor		2407.85	÷	Total FRHs	=	34.25	Cost per FRH
Repair Order Measurements							
Total Labor Sales		9,512.29	÷	Total ROs	=	190.25	Avg Labor per RO
Total FRHs		70.30	÷	Total ROs	=	1.41	Avg FRH's per RO
Menu Sales			÷	Total ROs	=		Percent Menu Sales
Competitive FRHs		42.80	÷	Total FRHs	=	60.88%	Percent Competitive
Maintenance FRHs		7.50	÷	Total FRHs	=	10.67%	Percent Maintenance
Repair FRH		20.00	÷	Total FRHs	=	28.45%	Percent Repair
One item ROs		39	÷	Total ROs	=	78.00%	Percent One Item RO
Model Year Analysis							
2023	2022	2021	2020	2019	2018	Older	Total
0	0	5	6	8	3	28	50
0.00%	0.00%	10.00%	12.00%	16.00%	6.00%	56.00%	



# Post Service Excel Homework

Service Department Sales And Gross (Labor Only)					
Category	Sales	Gross	Gross as % of Sales	%Sales Contribution	
Customer Car	\$ 84,567	\$ 59,451	70.30%	68.31%	
Customer Truck			0%	0.00%	
Customer Other	\$ 3,419	\$ 2,838	83.01%	2.76%	
Warranty	\$ 6,311	\$ 4,297	68.09%	5.10%	
Warranty Other			0%	0.00%	
Internal	\$ 21,739	\$ 12,663	58.25%	17.56%	
NVI / Road Ready	\$ 7,762	\$ 5,884	75.81%	6.27%	
Adj. Cost Of Labor		\$ 879	0%	0.00%	
<b>Total</b>	<b>\$ 123,798</b>	<b>\$ 86,012</b>	<b>69.48%</b>	<b>100.00%</b>	

Service Department Profit Centering			
Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 86,012		
Variable Expense		0.00%	
Selling Expense	\$ (222)	-0.26%	
Personnel Expense	\$ 51,042	59.34%	
Semi-Fixed Expense	\$ 20,833	24.22%	
Fixed Expense	\$ 10,655	12.39%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 82,308	95.69%	
Net Profit	\$ 3,704	4.31%	

# Post Service Excel Homework

NADA ACTUAL SERVICE ANALYSIS					
Performance					
	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	\$ 84,567	÷	135.31	=	625.0
Customer Truck*	\$ -	÷		=	0.00
Customer Other*	\$ 3,419	÷		=	0.00
Warranty	\$ 6,311	÷	105.67	=	59.7
Internal	\$ 21,739	÷	117.50	=	185.0
New Vehicle Prep	\$ 7,762	÷	117.50	=	66.1
<b>Total</b>	<b>\$ 123,798</b>				<b>935.8</b>
<b>POTENTIAL</b>					
	\$ 123,798	÷	935.78	=	\$ 132.29
	Total labor sales for month		Total hours billed		Effective Labor Rate
	6.00	x	8	x	23 = 1,104.0
	# Service mechanical technicians		# Hours/Day		Working Days/Month Clock Hour Avail
	1,104.0	x	\$ 132.29	=	\$ 146,052
	Clock Hours Available		Effective Labor Rate		Labor sales potential
How proficient are your technicians ?					
	935.8	÷	1,104.00	=	84.76%
	Hours Billed		Hours Available		Tech Proficiency
<b>Customer labor divide by the Customer Effevtive Labor rate from the R. O. Analysis</b>					

# Post Service Excel Homework

FACILITY POTENTIAL	
Number of Bays	16
	x
Number of Days	23
	x
Number of Hours	8
	x
Effective Labor Rate	132.29
FACILITY POTENTIAL	\$ 389,462

FACILITY UTILIZATION	
Total Labor Sales	\$ 123,798
	÷
Facility Potential	\$ 389,462
	<i>equals</i>
FACILITY UTILIZATION	31.79%