Service Department Evaluation for Branch 66 Knoxville TN
Month – December 2021

Overview

WE had a very good month in December with a record in Labor Sales. WE made 133K in net profit. WE were 42.1% Net to Gross and beat our forecast by 30K in total sales and 29K in profit. Great job compared to last year and setting up what GOOD looks like to our folks. Thank you for your efforts!

Description	Curr Period	% Sls	Fcst Period	% Sls	Avg Period	% Sls
Sales Total:	434,899	100.0%	385,984	100.0%	341,966	100.0%
Cost of Sales Total:	120,187	27.6%	100,774	26.1%	92,467	27.0%
Gross Profit Total:	314,712	72.4%	285,210	73.9%	249,498	73.0%

Description	Curr Month	%Grs	Forecast Mth	% Grs	Avg Month	% Grs
Selling Expense Total:	1,036	0.3%	6,900	2.4%	7,407	3.0%
Personnel Expense Total:	107,037	34.0%	91,000	31.9%	87,262	35.0%
Semi-Fixed Expense Total:	5,027	1.6%	9,700	3.4%	16,666	6.7%
Fixed Expense Total:	69,079	21.9%	73,700	25.8%	62,904	25.2%
Non-Catagorized Expense Total:	0	0.0%	0	0.0%	0	0.0%
Total Fixed Overhead:	181,144	57.6%	174,400	61.1%	166,833	66.9%
Total Expenses:	182,180	57.9%	181,300	63.6%	174,239	69.8%
Total Operating Profit:	132,532	42.1%	103,910	36.4%	75,259	30.2%

Good job in the month of December. However, WE still have more room for improvement. WE are behind the YTD forecast in Sales by 190K and Net Profit by 100K. The information below shows deep dive measures WE need to take to create what GREAT looks like.

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Knoxville Facility

WE currently have 14 service bays between Shop 1 and Shop 2. WE are open in Shop 1 from 7 am to 12 pm and open from 7 am to 5 pm in Shop 2. Our facilities are not holding us back at all as our facility potential is 633K if WE maximize our Proficiency. I do not recommend any changes currently, but WE do need to start looking at third shift and at least 24 hours 5 days a week to better service our customers and maximize our earning potential.

FACILITY POTENTIAL		
Number of Bays	14	
x		
Number of Days	24	
x		
Number of Hours	16	
x		
Effective Labor Rate	$ 117.71	
	equals	
FACILITY POTENTIAL		$ 632,785

FACILITY UTILIZATION		
Total Labor Sales	$ 408,854	
÷		
Facility Potential	$ 632,785	
	equals	
FACILITY UTILIZATION		64.61%

When WE add 3rd shift and perform, WE are capable of 791K in labor sales. If WE perform at the same rate, WE are currently with an addition of 5 techs on third shift WE would exceed 500K in total sales and would add close to 35K in total profit a month.

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Productivity & Proficiency

ATD ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Truck*	$ 279,093	÷	110.04	=	2536.3
Customer Truck*	$ -	÷		=	0.00
Customer Other*	$ -	÷		=	0.00
Warranty	$ 98,627	÷	158.72	=	621.4
Internal	$ 31,134	÷	98.57	=	315.9
New Vehicle Prep	$ -	÷		=	0.00
Total	$ 408,854				3473.5

POTENTIAL

$ 408,854	÷	3473.53	=	$ 117.71			
Total labor sales for month		Total hours billed		Effective Labor Rate			
25.00	x	8	x	22	=	4,400.0	
# Service mechanical technicians		# Hours/Day		Working Days/Month		Clock Hour Aval	
4,400.0	x	$ 117.71	=	$ 517,904			
Clock Hours Available		Effective Labor Rate		Labor sales potential			

How proficient are your technicians ?

3,473.5	÷	4,400.00	=	78.94%
Hours Produced		Hours Available		Tech Proficiency

WE have plenty of work and are underperforming in Productivity and Proficiency.

First, WE need to bill the actual hours WE quoted compared to cutting the rate, so our techs look more efficient. Itis very hard to see if a tech is performing the way WE are currently billing.

Second, WE need to make sure our foreman is managing our workflow with a backlog of tickets per tech. WE are currently playing defense each day and WE need to get on the offensive side of the business.

WE will implement a 22-point inspection on every single RO with a plan to add two lines to every RO to keep our customers trucks on the road.

WE will also plan out the parking and shop flow so WE can maximize downtime looking for trucks, tools, computers, and communication from foreman and service writers.

Finally, WE believe these steps will help us reach 90 percent proficiency and 466K in total sales at the same Effective Labor Rate within the next 60 days.

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Cost of Labor Analysis

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Truck	$ 279,093	$ 210,538	75.44%	68.26%
Customer Truck			0%	0.00%
Customer Other			0%	0.00%
Warranty	$ 98,627	$ 78,762	79.86%	24.12%
Warranty Other			0%	0.00%
Internal	$ 31,134	$ 24,460	78.56%	7.61%
NVI / Road Ready			0%	0.00%
Adj. Cost Of Labor			0%	0.00%
Total	$ 408,854	$ 313,760	76.74%	100.00%

WE pay our technician's very well. The largest problem is that WE cut the labor rate to show false efficiency. Our effective labor rate is 117 and I believe WE can get this to 130 in the next 90 days. WE need to quote every ticket, upsell lines on every RO, bill a fair rate, and see how our techs perform compared to quote. If WE get this to 130 and make our changes to productivity and proficiency, WE will be able to hit 515K in total sales and our net profit will be 225K or more at 54% Net to Gross.

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Expense Analysis

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 313,760		
Variable Expense		0.00%	
Selling Expense	$ 1,036	0.33%	
Personnel Expense	$ 107,037	34.11%	
Semi-Fixed Expense	$ 5,027	1.60%	
Fixed Expense	$ 69,079	22.02%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	$ 182,179	58.06%	
Net Profit	$ 131,581	41.94%	

Our expense is very low for a location of this size and location. WE are in a very good position to grow this location by available open time and tech count to help our customers stay on the road. WE are selling most of our time but could do a better job prepping tickets and have less wasted time setting up trucks with an easy flow to get into the shop.

WE need to spend some time putting a plan in place for training. WE are in standard from a manufacturer aspect but there is always room for improvement. WE should have some more expense growing our techs knowledge from D techs all the way to A techs. I think WE also need more training for our Service Advisors and Foreman. WE will implement a training path for every employee in the service department within the next 60 days. The Service Manager and the Operations Manager will be responsible for managing the project and monitoring the progress at least twice a month.

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Quantitative SWOT

The SWOT Information was gathered from all the Service Department Employees. The most common responses are listed below.

Strengths

- Location
- Shop size
- IC plan
- Large Market Share

Weakness

- Parts availability
- Finding Trucks on the Lot
- Many A techs and D techs but sparce in between
- Moving Trucks In and Out of the Shop

Opportunity

- Training
- Shop flow
- 24/7 Service Availability
- Parts Availability

Threats

- Economy
- Other OE’s taking Employees
- Truck Sales Losing Factory Deals
- Electronic Vehicle Technology