



Service Department Analysis

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N328

Advertising & Marketing

- Luther Bloomington Hyundai has undergone a great deal of change in the last year. A major part of the conversation has been in relation to allocation of funds for Advertising & Marketing. Upon arrival of your new General Manager, our advertising budget has greatly decreased in regards to the Service Department. When I arrived at this store, there was a great deal of money spent on advertising for service, however it was done in a manner that had a negative effect on profits. For example, the old General Manager mailed out loyalty oil change coupons. Essentially these coupons offered oil changes to returning customers for as little as \$14.50. Upon the arrival of new management, the issue we found with this practice was that 1 line RO's were extremely high, and the customers were not required to do any type of maintenance at the store to keep themselves in the oil change program. A lot of the allocated advertising budget for service was being eaten up by the fact that the service department was losing money on the oil changes! Since that point the store has went away completely from not only oil change programs, but heavy advertising in service in general, maybe to a fault. As of now the advertising at the store consists almost 100% of mailers and emails to customers. The advertising mailers/ email subjects are as follows:
 - Luther After Service- Thank you letter. Asks for return business/experience detail.
 - Luther Declined Service- Tell customer declined services are still needed.
 - Maintenance Follow Up- Thanks customer for maintenance repair, show schedule.
 - Luther Maintenance Reminder
 - Luther Conquest- Take business of surrounding customers.
 - Luther Intro to Service- Introduces our service department.
 - Luther New Customer- Congratulates on vehicle purchase. Shows steps to service.

These new programs were put in place to minimize coupon usage, while still finding an opportunity to encourage customers to service at our store. To my understanding, we have seen a better ROI on the above advertising campaign than just simply offering massive oil change discounts to every consumer.

Explanation of our survey that I sent by Hyundai, not us as the dealer is as follows:

If the customer rates a 5 star and selects YES to Timeliness and Value Questions they receive these questions:

- Please Rate your overall service experience with your most recent visit
- How likely are you to return to this dealer for your next service
- How likely are you to recommend the Hyundai brand to your friends
- Was your service completed in a timely manner
- Were you satisfied with the value of your service

If the customer rates 4 star or lower **and/or** selects NO to the Timeliness and Value questions they receive these questions:

- Please rate the following aspects of your service visit
- Communication
- Facility & Amenities
- Service Timeliness
- Service Quality
- Value of Service Received
- Was the dealership staff professional and courteous

- Were you updated on the status of your vehicle during service
- Were the results of the vehicle inspection and any necessary services explained to you
- How would you rate the explanation of the serviced completed during your visit
- Please tell us more about your experience
- Was the service on your vehicle completed correctly
- What was the condition of your vehicle upon return
- Please tell us more
- What can we do to improve the value of the service you received

Facility:

FACILITY POTENTIAL	
Number of Bays	18
	x
Number of Days	19
	x
Number of Hours	12
	x
Effective Labor Rate	93.2
	<i>equals</i>
FACILITY POTENTIAL	\$ 382,493

FACILITY UTILIZATION	
Total Labor Sales	\$ 227,160
	÷
Facility Potential	\$ 382,493
	<i>equals</i>
FACILITY UTILIZATION	59.39%

Facility utilization was one area that really stuck out to me as a potential opportunity during our NADA class. Our service director had added 3 stalls right before I came to class, and right after I got back we lost 3 techs. This through our facility utilization off. It has also been eye opening to me that in a quest to increase our utilization, (I.E. hire more techs) how hard it is to find tech in the Minneapolis market. After talking with my Service Manager, the hope in 2018 is to hire a minimum of 2-3 more Tech to increase our Utilization. The challenge at that point of course will be proficiency and training.

Productivity (Tech Proficiency):

NADA ACTUAL SERVICE ANALYSIS

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Performance

Customer Car*	\$	121,569	÷	139.95	=	868.7
Customer Truck*	\$	-	÷		=	0.00
Customer Other*	\$	-	÷		=	0.00
Warranty	\$	70,239	÷	130.00	=	540.3
Internal	\$	35,352	÷	139.95	=	252.6
New Vehicle Prep	\$	-	÷		=	0.00
Total	\$	227,160				1661.6

POTENTIAL

$$\boxed{\$ 227,160} \div \boxed{1661.56} = \boxed{\$ 136.71}$$

Total labor sales for month Total hours billed Effective Labor Rate

$$\boxed{10.50} \times \boxed{8} \times \boxed{24} = \boxed{2,016.0}$$

Service mechanical technicians # Hours/Day Working Days/Month Clock Hour Avail

$$\boxed{2,016.0} \times \boxed{\$ 136.71} = \boxed{\$ 275,616}$$

Clock Hours Available

Effective Labor Rate

Labor sales potential

How proficient are your technicians ?

$$\frac{2,124.2}{\text{Hours Produced}} \div \frac{2,016.00}{\text{Hours Available}} = 105.37\% \text{ Tech Proficiency}$$

Our Tech Proficiency took a huge hit in November due to the loss of 1 tech. Guide is 125% and we have been hovering around 100%-105% for the last few months. When doing the in-class analysis I found that a huge amount of proficiency in the shop was due to 1 tech, and realized that could be an issue if he leaves. Subsequently he left, and we are currently trying to fill the void. Going into 2018 this will be a major discussion between my GM and the service department. The question being, does simply hiring more Tech increase your proficiency? In my eyes the answer is no. it will be interesting to see how proficiency is affected over the next few years.

Production Method:

- Our current production method is conventional. I asked our service manager if there had ever been conversation about changing this aspect of the Service Department. She informed me that all decisions of this type are controlled by our Corporate Management Team, and neither her, nor the GM affect this.

Cost of labor

Service Department Sales And Gross (Labor Only)

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Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 121,569	\$ 90,841	74.72%	53.52%
Customer Truck			0%	0.00%
Customer Other			0%	0.00%
Warranty	\$ 70,239	\$ 55,913	79.60%	30.92%
Warranty Other			0%	0.00%
Internal	\$ 35,352	\$ 26,466	74.86%	15.56%
NVI / Road Ready			0%	0.00%
Adj. Cost Of Labor			0%	0.00%
Total	\$ 227,160	\$ 173,220	76.25%	100.00%

Cost of labor at Luther Bloomington Hyundai is an interesting conversation. Not being the General Manager of the store I have a different opinion on what I feel is going on. Our Gross as a % of sales BEFORE the changeover was way off. (Before February of 2017.) Now our Gross as a % of sales is above the NADA guide of 73%. Even though our store is currently performing above guide, I

am interested to see if this holds in 2018. It seems that a lot of numbers were adjusted by our Director of Service when our new Service Manager was brought on board. My question is, did the deviation of these numbers cause the Gross as a % of Sales to increase for only a moment in time. From what I can gather there were not many process changes, just deviation of the numbers to make the department look as if it was performing well. I think this is also visible in the fact that we lost a major percentage of our service staff over the last few months. (3 Techs, 3 Advisors, a runner.) Deviation of numbers is only a temporary fix. So we will have to see in 2018 if the numbers stick.

Expenses:

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 176,733		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	\$ 68,315	38.65%	
Semi-Fixed Expense	\$ 43,778	24.77%	
Fixed Expense	\$ 32,486	18.38%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 144,579	81.81%	
Net Profit	\$ 32,154	18.19%	

Expenses at Luther Bloomington Hyundai are largely controlled by Corporate Policies set by Motors Management. The only, “store,” controllable expenses are that of personal. The GM and the Service Manager are the ones who make the pay plans for the service advisors and Techs. Both The service Advisors and Techs

are on a fluctuating scale when it comes to pay. (Pay depends on hours produced, etc.) Due to the fluctuating pay scale, it is my understanding that Tech and Advisor pay are generally in-line. If the specified Tech or Advisor does NOT produce they have no chance of being overpaid.

Pay Plans:

- Our Service Writers are paid on a straight commission pay plan. Writers are paid on every hour the shop produces, every hour that they produce individually, they are paid on CXI/ELR and the overall performance of the shop. (Hours per-RO)
- Technicians in our service department are paid on a flat rate scale depending on the hours they produce, and receive bonuses based on hours produced through the week. We recently changed them to weekly pay.
- Our lot porters and cashiers are paid on an hourly scale.
- Our service manager is paid a draw and a percent of Gross after personnel, advertising and policy expenses. There are also bonuses for CXI set up for different levels of achievement within the Service Department.

Performance Programs:

- The tracking of objectives in the service department from my perspective is almost non-existent. The only Tracking that I see on a daily basis is a board in the Service Managers Office that shows how many hours each of the Technician is producing on a daily, and weekly basis, and also the Service Manager sends the GM a daily pace on where she is for the day and where the dept. will finish for the month. It is also my understanding from the Service Director

that they view the Technicians pay plans as far enough incentive for them to perform. I think it would be a good idea to have some type of spiff program for Tech's every so often as we do in the front. Again, that would be a decision for the Service Manager and the GM.

Current Training:

- Training for Technicians and Service Advisors is conducted by our Store, our Corporate Office, and our manufacturer.
- There are monthly online, and in store trainings conducted by Hyundai. All of our Technicians have to be fully qualified by Hyundai at all times in order to work on vehicles in the shop. This training is monitored by our Hyundai Service Rep, as well as our Service Manager.
- Currently we only have 2 Master Technicians. (We had 2 quit recently.) We are working on getting more Technicians Master Certified as it has proven a huge asset to have such Techs.

Special Tools:



After looking through our Special Tools, it was clear that there was NOT a very organized system in place. When asked, some of the new Technicians were not even certain where all of the Special Tools were located. There are 3 places in the main garage (Tool Chests) with special tools. It seemed to me that there was no sign out process for these tools. In addition, it seemed that anyone at any time could simply grab a Tool. There is certainly room for improvement when it comes to our Special Tools area.

100 RO SUMMARY

Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis
Competitive	\$ 3,301	46.10	71.61	FRH Average
Maintenance	\$ 3,846	38.00	101.22	FRH Average
Repair	\$ 2,629	20.80	126.42	FRII Average
Totals	\$ 9,777	104.90	93.20	Customer ELR
Target Labor Rate			132.00	Per FRH
Total Ro's in Sample	100	Difference	-30.00	Per FRII

Cost of Labor

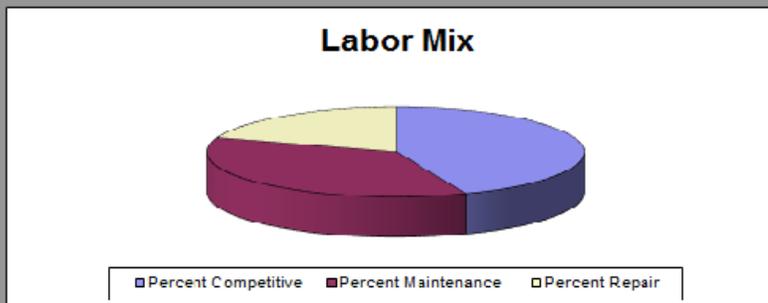
Total Cost of Labor	2700.75	Total Sales	= 27.62%	Percent Cost of Sales
Total Cost of Labor	2700.75	Total FRH's	= 25.75	Cost per FRH

Repair Order Measurements

Total Labor Sales	9,777.06	Total RO's	= 97.77	Avg Labor per RO
Total FRH's	104.90	Total RO's	= 1.05	Avg FRH's per RO
Menu Sales		Total RO's	=	Percent Menu Sales
Competitive FRH's	46.10	Total FRH's	= 43.95%	Percent Competitive
Maintenance FRH's	38.00	Total FRH's	= 36.22%	Percent Maintenance
Repair FRH's	20.80	Total FRH's	= 19.83%	Percent Repair
One item RO's	52	Total RO's	= 52.00%	Percent One Item RO

Model Year Analysis

2019	2018	2017	2016	2015	2014	Older	Total
0	0	11	9	7	8	65	100
0.00%	0.00%	11.00%	9.00%	7.00%	8.00%	65.00%	



100 R-O ANALYSIS RECAP:

1. When analyzing our FRH average it seems in the Competitive field we are high. Our Average is \$72.61 which is likely not a competitive price for the Minneapolis Market.
2. In the Maintenance field we are currently running 36% @ \$101.22 FRH. When conducting the RO analysis it seemed that the amount of maintenance we are currently doing is very low. I would be interested to see if we are no longer retaining customers to do maintenance service on their vehicles due to the fact that our prices on competitive repairs, such as oil changes, is too high.
3. In the Repair Service field our % of Repair work is way below NADA Guide. This probably closely correlates with the fact that over 50% of the work we do is one line RO based.
4. Under the Model Year Analysis it was interesting to me that 65% of our business (for this set of RO's) was older than 2014. It seems to me that although we are doing a good job of having customers service here for longer periods of time, we may not be doing the best job of having customers return to us for those 15-60 month maintenance jobs. (This also could have contributed to our low maintenance percentage.) I would imagine that we would want to see somewhat higher retention in that 2014-2017 age bucket. I am currently working on having a printout given to all New Car delivery customers with the top 10 reasons to service your vehicle at Luther Bloomington Hyundai. Also, we are aware that our sales staff doesn't do the best job of introducing our Customers to Service after they purchase a vehicle. This is something we are working on the sales end to improve.

S.W.O.T. Analysis For
Luther Bloomington Hyundai
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Strengths:

- Hiring of a new Drive Aisle Manager. (Previous Service Manager)
 - o Drive Aisle Manager will help to manage the flow of customers on busy days.
 - o Manage of this customer flow should lead to continued improvement in CSI.
- Great Support from Corporate Staff when we are short handed in service.
- Running over 40% menu penetration.
- Improved connection of calls to Service after last NADA class.
 - o Current connect rat 80% plus.
 - o Instead of constant loops and holding customers who do not connect are transferred to the call center.
- CSI has increased a great deal over the last 90-120 days.
- Good team work between service and the front end of the store.

Weaknesses:

- Need continued improvement on a walk around process for Service Advisors.
 - o A uniform walk around process for advisors will increase sales, and decrease 1 line RO numbers.
- A lot of new Techs.
 - o The recent influx of new technicians means we have a lot of Techs that need a lot of training.
- Work Allocation.
 - o We currently need a better process for the, "Handing out," of work.
- Low on Service Runners
- No Detail Department
 - o This would decrease the workload on certain members of service.
- Need more Skilled Technicians

- o Hyundai has recently had an influx of engine recalls.
Without Skilled Techs we find ourselves unable to work on these in a timely manner.
- o Still purging ourselves of lifetime oil change customers.
 - Previous management implemented a Free Lifetime Oil change program that was discontinued.
 - Expense is \$7,000/ a month. (Charged to Advertising.)
- o Limited number of bays.
 - Limit the amount of Service we can do.

Opportunities:

- Tech Training
- New Advisors
 - o Hiring of new advisors allows the store the opportunity to teach new Advisors the correct process. Implementation of these process ensures the success of the Service Department.
- New Advisors.
 - o Hiring of New Advisors also ensures that those working in the Service Department have not developed bad habits.
- Currently do not have a shop Forman.

- o We are currently considering adding a Shop Forman in the coming months.
- Currently are adding a competitive pricing board in Service and the waiting area.
- Advisor Training.
 - o Continued training for new Advisors to ensure that they do NOT develop bad habits and continue to come our way.

Threats:

- Year over year RO count has gone down.
 - o A competitor was opened about 10 miles south of Bloomington Hyundai. (Luther Burnsville Hyundai)
This has caused customers that commuted to our location to chose to service closer to home.
- There is a ton of competition overall in the Minneapolis market. In our area alone, there are 6 Hyundai stores within 20 miles of each other.

- We have lost some long-term customer due to the fact that we have a lot of new staff. We have had customers disappointed that they people they were used to doing business with no longer work at the store.
- With the cancellation of the Life Time Oil Change program, we have had customers discontinue servicing with us out of anger that we no longer have the program.

Objectives:

1. Increase understanding in the Service Department of the importance of customer loyalty.
2. Decrease the number of one-line RO's.
3. Have more frequent training for advisors on how to upsell customers.
4. Increase the training level of current Tech

5. Foster a team atmosphere in the Service Department.

Strategies:

1. Find more effective training for the Service Staff to instill in them the importance of customer retention, and the lifetime value of a customer.
2. Train Advisors on the, “up-sell” and try to find ways to incentivize them to increase their number of NON-One-Line RO's

3. Send all the new Techs to training. Identify those with greater abilities, and continue to groom them to become Master Technician's.
4. Teach the whole department, (to include the Service Manager) the importance of a team environment. Also, that without the whole team being on board, no-one will be successful.
5. Have a daily shop meeting, run by the Service Manager, to enforce shop cleanliness. Especially that of the Special Tools area.
6. Hire more Techs.

Action Plan:

Task:

1. Increase understanding of Customer Loyalty
 - a. Conducted by myself, the GM, and Service Manager
 - i. Date Jan-1-2018
2. Work to decrease the number of one-line RO's (Training)
 - a. Service Manager/ Corporate trainers
 - i. Jan-1-2018
3. Consistent training for Advisors on upselling customers.
 - a. Conducted by the Service Manager/ Sales Managers
 - i. Weekly/ Monthly
4. Increase training of current Techs:
 - a. Conducted by Hyundai/ Corporate/ Service Manager
 - i. Feb-4-2018 (Already Scheduled)
5. Hire more Techs
 - a. Service Manager
 - i. Already in place.

S.W.O.T. (What I learned)

Conducting a SWOT analysis with involvement from the Service Department team was very interesting. I feel that it is highly

beneficial to consider what you members of the team are thinking, and feeling, when it comes to making decisions within a department. (This is something in the dealership world that is not done enough.)

If I was the GM of this store, I would make some serious changes in the department that I think would have a quick and effective affect on the Service Department as a profit center. First and foremost, I would immediately start the training process when it comes to the Advisors and their ability to upsell customers. This is an easy fix, and as they say, "Gross solves everything!" I think a lot of what we are seeing when it comes to the high percentage of one-line RO's is simply because the expectation is low, and the training is limited. If we increase the expectation, and ensure proper training, we would see more Service Dollars.

Secondly it was a reoccurring theme that the atmosphere is not the best in our Service Department. This is also why we have seen such an exodus of employees over the last 60-90 days. We

need to train our whole department, and most of all, the leaders of the department that you Internal Customers are everything. We cannot have an environment in which employees do not feel valued, or are talked down to. This will create a high amount of turnover, which equals a high expense. And not only will expenses be high, but because you are so focused on re-hiring you are going to lose when it comes to proper training. Again, if I was in a position in the store where I could do something about this issue, it seems it would be an easy fix with immediate and effective results.

The above issues are those that I think are going to make or break our Service Department in 2018. I feel that if some of this goes ignored we could continue to see a high amount of turnover in the department. However, on the upside our Service Department does not lose money, and these issues are not earth shattering. Overall I think we have a pretty bright outlook for 2018.