

Service Department Analysis

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Class N328



Advertising:

The majority of our advertising budget and focus is spent on the new and pre owned vehicle department. We do monthly mailers for service coupons to encourage basic maintenance items such as oil changes, micro-filters, etc. We also do specials on full-vehicle details and provide a complimentary inspection in order to ascertain anything that may be wrong with the vehicle. A monthly e-newsletter is also sent out containing any and all specials that we are having. We try to do something every month as a “special”. In addition, we send out notification emails when vehicles are close to warranty expiration so our clients can bring their vehicle in for an inspection and review extended service contract opportunities.

We do provide a “pick up and drop off” service for our customers as well. We have an extensive service loaner fleet, and along with this we utilize Uber to pick up and drop off our clients within a 50 mile radius. We view this as a form of advertising and therefore instead of dedicating a significant amount of money for advertising, the money we “save,” we apply towards service policy and goodwill satisfaction for customers.

Facility:

Facility utilization was a focus in 2017 as we had three technicians leave the store for a competitive dealer. We have replaced 2 of the three so far and are working on hiring a third. We are also working on increasing our training budget in order to get the most out of both our technicians and our service advisors.

| | |
|-----------------------------|-------------------|
| page B-3 | |
| FACILITY POTENTIAL | |
| Number of Bays | 24 |
| | x |
| Number of Days | 22 |
| | x |
| Number of Hours | 9.5 |
| | x |
| Effective Labor Rate | 117.45 |
| | <i>equals</i> |
| FACILITY POTENTIAL | \$ 589,129 |
| FACILITY UTILIZATION | |
| Total Labor Sales | \$ 196,174 |
| | ÷ |
| Facility Potential | \$ 589,129 |
| | <i>equals</i> |
| FACILITY UTILIZATION | 33.30% |

Productivity:

Technician productivity has always been a focus at our dealership. We tend to focus more on “proficiency” then we do hours per R.O. Although the latter is very important, we feel focusing on tech proficiency will bring about the biggest ROI. Our service manager tracks technician proficiency weekly and updates the information on a board that is located in between the service and parts department so employees from both departments can see it. The most proficient technician is paid a bonus at the end of each month. No matter how good we are doing, there is always room for improvement.

How proficient are your technicians ?

$$\begin{array}{ccc}
 \boxed{1,670.3} & \div & \boxed{1,760.00} = \boxed{94.90\%} \\
 \text{Hours Produced} & & \text{Hours Available} \quad \text{Tech Proficiency}
 \end{array}$$

Cost of Labor:

In reviewing the cost of labor, we started with the exception report from our DMS Reynolds and Reynolds, Initially we had to purge the report in order to obtain accurate information as this report had not been run in years. Upon review, it appears that the lowest hanging fruit is simply putting a stop to discounting being done by the service advisors. We have removed the service advisor’s access to discount, only allowing the service manager to apply discounts. Initially this had some challenges as our advisors had become reliant on discounting as a means to sell recommended repairs, but over time they have become more confident in their overall ability to communicate effectively and “sell” the work. I have noticed the change has also resulted in happier technicians as they no longer feel as if their recommended services are not being relayed to the customer by the service advisors. This has resulted in a lower “one-line” repair order count.

| Service Department Sales And Gross (Labor Only) | | | | page A-3 | |
|---|-------------------|-------------------|---------------------|---------------------|--|
| Category | Sales | Gross | Gross as % of Sales | %Sales Contribution | |
| Customer Car | \$ 32,853 | \$ 25,715 | 78.27% | 0% | |
| Customer Truck | | | 0% | 0% | |
| Customer Other | \$ 49,212 | \$ 38,580 | 78.40% | 0% | |
| Warranty | \$ 23,848 | \$ 19,168 | 80.38% | 0% | |
| Warranty Other | \$ 49,611 | \$ 38,536 | 77.68% | 0% | |
| Internal | \$ 40,650 | \$ 31,403 | 77.25% | 0% | |
| NVI / Road Ready | | | 0% | 0% | |
| Adj. Cost Of Labor | | | 0% | 0% | |
| Total | \$ 196,174 | \$ 153,402 | 78.20% | 0.00% | |

Expenses:

Expense control has always been a challenge at our dealership as we do provide a fairly high level of freedom for our advisors and managers to make decisions in regards to the purchasing of supplies, equipment and training without the approval of the GM or Owner. We have put into place a detailed monthly review of departmental expenses and any that exceed the NADA guide of percentage of gross will be broken down, reviewed and discussed. First and foremost, our direct attention is being put on the growing the departments gross profit. We feel strongly that achieving this will “fix” many of the challenges we are having in some of these other areas. Gross cures a lot of problems.

| Service Department Profit Centering | | | |
|-------------------------------------|---------------|------------|---------|
| Expense Category | Dollar Amount | % of Gross | Profile |
| Department Gross | 163,528 | | |
| Variable Expense | | 0.00% | |
| Selling Expense | \$ 12,937 | 0.00% | |
| Personnel Expense | \$ 85,265 | 0.00% | |
| Semi-Fixed Expense | \$ 28,336 | 0.00% | |
| Fixed Expense | \$ 29,618 | 0.00% | |
| Unallocated Expense | | 0.00% | |
| Dealer's Salary | | 0.00% | |
| Total Expenses | \$ 156,156 | 0.00% | |
| Net Profit | \$ 7,372 | 0.00% | |

Pay Plans:

Our service advisors are given a base pay plus commission. They are paid a percentage of all customer pay labor, warranty pay labor, internal pay labor, customer pay parts, and customer pay sublet. Bonus programs are structured and given out monthly at the discretion of the service manager based upon a certain objective for the month that is given by the General Manager.

Our technicians are paid on hours flagged with bonuses given for achieving certain levels of proficiency. If CSI is not maintained at the minimum manufacturer requirement, all bonus programs are terminated.

One of the changes we are considering in the advisor pay plans is to tie their bonuses in with tech proficiency. We are also considering doing this for parts counterpeople as their speed and accuracy directly effects the technicians proficiency.

Performance Programs:

We have weekly meetings between the service manager, shop foremans, technicians, parts managers, parts personnel and the GM. In these meetings it is open communication. Any concerns, ideas, and other inquires are discussed. There is a tracking board that tracks technician’s hours flagged, proficiency, and parts counter sales. The board is also designed to keep the team focused on attaining the objective set for the current month. It shows, at any given time, where we stand currently and what they are tracking in relation to the goal. There are various rewards if the objective is met or exceeded. This can be anything from a dinner with both departments, to individual unique bonuses.

Training:

Upon reviewing the current training program, I realize there is a definite need for service advisor training. We focus on consistent, up to date training for the technicians (manufacturer requirement) and yet the service advisors for some reason go unnoticed. We have signed on with a service advisor training program that constitutes daily training via online modules, weekly conference calls, and bi-monthly analysis. The Service Manager is required to review their progress weekly in order to guarantee they are not only utilizing the tool but retaining the information obtained therein and putting it into practice.

Special Tools:

Within the last 6 months we did a complete overhaul of the special tools room. During one of our weekly service meetings, one of our technicians brought to my attention the condition of the tool room and inefficiency it causes when needing a special tool. We made it an urgent focus and saw immediate results in efficiency. Please see my attached pictures.

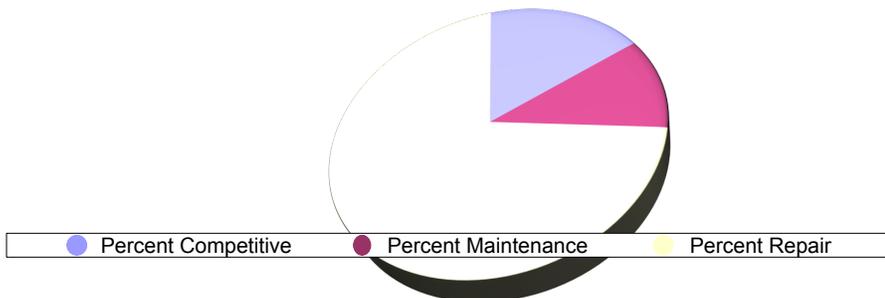


Repair Order Analysis:

After reviewing summary report, there is room for improvement in our effective labor rate as it pertains to repair work. I believe that this goes back to the service advisor discounting labor, which is why they have lost the ability to do so. I am looking forward to another analysis (in two months) to see how this effects our number. One more thing I noticed in the report was the Model Year analysis. A large percentage of our new vehicle sales are pumped out of our market and this is reflected in this analysis. We have made it a point of focus to work on capturing more sales in our market this year and will also be looking towards the next analysis to reflect this as well.

| Repair Order Analysis Summary Report | | | | | | | |
|--------------------------------------|------------------|------------|---------------|--------|-------------------|-----------------------|--------------|
| | Sales in Dollars | | FRH's on RO's | | Averages | Analysis | |
| Competitive | \$ | 4,012 | ÷ | 47.20 | = | 85.00 | FRH Average |
| Maintenance | \$ | 3,980 | ÷ | 30.20 | = | 131.79 | FRH Average |
| Repair | \$ | 22,896 | ÷ | 191.05 | = | 119.84 | FRH Average |
| Totals | \$ | 30,888 | ÷ | 268.45 | = | 115.06 | Customer ELR |
| | | | | | Target Labor Rate | 134.00 | Per FRH |
| Total Ro's in Sample | 100 | Difference | | | -18.94 | Per FRH | |
| Cost of Labor | | | | | | | |
| Total Cost of Labor | 6712.15 | ÷ | Total Sales | = | 21.73% | Percent Cost of Sales | |
| Total Cost of Labor | 6712.15 | ÷ | Total FRH's | = | 25.00 | Cost per FRH | |
| Repair Order Measurements | | | | | | | |
| Total Labor Sales | 30,887.53 | ÷ | Total RO's | = | 308.88 | Avg Labor per RO | |
| Total FRH's | 268.45 | ÷ | Total RO's | = | 2.68 | Avg FRH's per RO | |
| Menu Sales | | ÷ | Total RO's | = | | Percent Menu Sales | |
| Competitive FRH's | 47.20 | ÷ | Total FRH's | = | 17.58% | Percent Competitive | |
| Maintenance FRH's | 30.20 | ÷ | Total FRH's | = | 11.25% | Percent Maintenance | |
| Repair FRH' | 191.05 | ÷ | Total FRH's | = | 71.17% | Percent Repair | |
| One item RO's | 43 | ÷ | Total RO's | = | 43.00% | Percent One Item RO | |
| Model Year Analysis | | | | | | | |
| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | Older | Total |
| 0 | 0 | 0 | 1 | 6 | 11 | 82 | 100 |
| 0.00% | 0.00% | 0.00% | 1.00% | 6.00% | 11.00% | 82.00% | |

Labor Mix



S.W.O.T Analysis:

Strengths:

- We have great employee moral at the dealership. We believe if you take care of your people, they will in turn take care of of your customers.
- Our people work very well as a Team. "Teamwork makes the dream work".
- We have great customer loyalty. Our customer retention rate is extremely high as we make holding on to our customer base a major focus.
- Shared sense of company core values as it pertains to customer service and business ethics.
- Our shop foreman's show are excellent communicators and demonstrate great leadership traits.
- The work is dispersed very fairly throughout the shop to keep everyone busy and well-compensated for their hard work.

Weaknesses:

- Communication between service and parts department. We have a large focus on this and are seeing the communication get stronger between the departments already.
- Some employees struggle with maintaining consistent positive attitudes, but the weekly meetings do help with this.
- Technicians would like to be sent to more training to increase their knowledge.
- Too many 1-line repair orders
- Procedures for requesting parts are not always followed which results in unnecessary delays.

Opportunities:

- Manage the objective board for parts and service to increase efficiency and proficiency.
- More training for technicians and service amore tires. We recently purchased a new Hunter alignment machine to assist with this.
- Advertise on social media about service specials

Threats:

- We have 5 new dealerships opening right in our backyard in 2 years.
- We have competing dealerships poaching our technicians.
- We are selling more cars and servicing more cars, therefore we have space constraint issues and the vehicles in the back lot are getting harder to keep organized.
- We have around 80% of our service customers with MY13 cars and older. Time to pump more units in our market.
- Social media has been the customer's voice for dissatisfaction. This is a growing problem and must be managed better.

Objectives:

- Improve the ELR on customer pay
- Decrease the number of 1 line R.O.'s
- Improve tire sales
- Proper, Complete walkarounds to be done on every vehicle.
- Manage Social Media to not only address any client concerns but also encourage our happy customers to post their reviews.

Strategies:

- Advisors need to ensure that customers have current coupons and that they are stapled to the repair order
- Proper walk arounds to performed on every vehicle while the client is present.
- Review repair orders weekly (randomly) being sure to track one-line repair orders. “Inspect what you expect”
- Since 75% of people buy tires from the first person that recommends them, simply be sure to recommend them 100% of the time they are needed
- The ability to discount has been removed from everyone other than the Service Manager.
- Back-flag all comebacks.

Tactics:

- Set monthly goals for tire sales and rewards for achievement.
- Sit with the Service Manager weekly and review all items discounted using the “exception report” and determine why they were done and if they were necessary.
- Spot-check repair orders for proper coupon assignment.
- Randomly check a minimum of 10 walkaround sheets weekly in the service meeting.
- Ensure proper training is being done by setting a minimum number of training modules are completed weekly by the service advisors.

Action Plan:

| Task | By Whom | Completion Date |
|---|---------------------------------|------------------------|
| Remove SA ability to discount | General Manager | November 31, 2017 |
| Walk around contests with SA & SM | General Manager | January 31, 2018 |
| Service and Parts Meetings | Service/Parts Managers | Weekly/Monthly with GM |
| Competitive Service Pricing Online & at Service Desk | Service Manager | January 31, 2018 |
| Review of 1 line repair order percentage to amount of total repair orders written | Service Manager/General Manager | Bi-Weekly |
| Minimum amount training modules completed weekly by SA and SM | General Manager | Weekly |
| Assign specific Dealer Employee manage Social Media Feedback | General Manager | February 28, 2018 |

Synopsis:

It would seem as if the single most important thing for us to focus on in order to achieve our desired results is training. I found it incredibly interesting and concerning that the service advisors (who have such a huge impact on total dealership success) receive the least attention and training. We put so much effort into training our sales people, who talk to a couple people a day, and yet the very people who talk to and service the largest number of our customers are last on our “needs attention” list. This will change immediately.

Allowing only the Service Manager to control discounts will immediately effect the bottom line and also make it significantly easier to manage what discounts are given and why. Also we can use the Service Manager and Service Advisors to assist with any “specials” we might want to do monthly as they are the ones engaging with our customers daily.

Reviewing walkaround sheets weekly will help with accountability and also should result in less one-line repair orders as well as more “recommended items”. Therefore more “sales” should be the end result. Also having weekly walk around contests should help in overall walk around effectiveness as the advisors will be able to learn from each other while engaging in “real world” scenarios with each other. Simply putting attention to this very important area of the service process should see immediate positive results.