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FIXED OPERATIONS 2

SERVICE HOMEWORK

CADE SIMPSON

N391

SERVICE DEPT EVALUATION

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# CURRENT PRACTICES

- We have recently gone through several management changes and are in the process of creating more consistent processes within our service department.
- We turned over some experienced advisors and have hired several new ones. The attitude has improved but we have had some drop in production.
- Communication between the advisors and technicians needs improvement.
- Consistent walk-arounds with customer involvement is a focal point.
- 100% MPI in the shop is another area of focus.
- Overall good leadership within the department, just need to define consistent processes and hold everyone accountable.

# GOALS FOR IMPROVEMENT

- Build a profitable service department that creates a comfortable environment for customers to continue their service needs.
- Train advisors with consistency, similar to training in the sales department
- Decrease our percentage of one line item RO's closer to NADA guide
- Apply for a warranty labor rate increase
- Grow our internal service business through growing our pre-owned volume

# PLANS TO ACHIEVE YOUR GOALS

- Create consistent processes that are easy to follow and hold accountable.
- 100% MPI's – Checked by cashiers and reported if any are missed to discuss with management.
- Walk-arounds with clients – This is our opportunity to build value and rapport with the client
- Take pictures of tires on the walk-around for upsells
- Utilize the alignment machine more

# PLANS TO EVALUATE YOUR CHANGES

- MPI's are checked by the cashier on every RO and if one was missed management is made aware to evaluate why it was missed.
- Walk-around training has been documented and trained on so everyone understands the expectation.
- Service Director and Service Manager are much more active on the drive to evaluate.
- RO audits are done more consistently to identify areas of opportunity in selling.

# MARKETING

- Improve utilization of Google My Business Page. We have our internal marketing manager working to maximize opportunities.
- Continue to make adjustments as needed on dealer webpage to benefit customer experience.
- Make mobile experience as much of a priority as web version.
- Develop a consistent presence on social media. (Similar to sales department)
- Create an area in service lounge documenting experience in the shop.

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# FACILITY

- Facility utilization is extremely low. We have a second building in pre-owned that is only used for internal service. Hiring techs and maximizing proficiency is a priority, as space is not the problem.

FACILITY POTENTIAL	
Number of Bays	40
	x
Number of Days	20
	x
Number of Hours	8
	x
Effective Labor Rate	160.3
FACILITY POTENTIAL	\$ 1,025,920

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FACILITY UTILIZATION	
Total Labor Sales	\$ 268,958
	+
Facility Potential	\$ 1,025,920
	equals
FACILITY UTILIZATION	26.22%

# PRODUCTIVITY

- We are working with our parts department to make sure technicians are as efficient as possible in parts delays. We are having porters park cars in technicians bays overnight to ensure the day doesn't start searching for a vehicle.

NADA ACTUAL SERVICE ANALYSIS						
Performance						
	Labor Sales / Month			Hourly Labor Rate	=	Hours Billed
Customer Pay	\$	121,812	+	169.95	=	716.8
Warranty	\$	72,764	+	139.03	=	523.4
Internal	\$	74,382	+	169.95	=	437.7
<b>Total</b>	<b>\$</b>	<b>268,958</b>				<b>1677.8</b>
POTENTIAL						
	\$	268,958	+	1677.79	=	\$ 160.30
		Total labor sales for month		Total hours billed		Effective Labor Rate
		17.00	x	8	x	20
		# Service mechanical technicians		# Hours/Day		Working Days/Month
						Clock Hour Avail
		2,720.0	x	\$ 160.30	=	\$ 436,029
		Clock Hours Available		Effective Labor Rate		Labor sales potential
How proficient are your technicians ?						
		1,677.8	+	2,720.00	=	61.68%
		Hours Billed		Hours Available		Tech Proficiency
Customer labor divide by the Customer Effective Labor rate from the R. O. Analysis						

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# ANALYZE COST OF LABOR

- Huge area of opportunity for us! We are not profitable in the service department currently as a result of high one line item RO's, over usage of discounts, and poor expense structure. We are working to improve in all three areas, but MORE gross is a must!

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Pay	\$ 121,812	\$ 89,740	73.67%	45.29%
Warranty	\$ 72,764	\$ 55,678	76.52%	27.05%
Internal	\$ 74,382	\$ 61,118	82.17%	27.66%
Adj. Cost Of Labor		\$ 5,661	0%	0.00%
<b>Total</b>	<b>\$ 268,958</b>	<b>\$ 212,197</b>	<b>78.90%</b>	<b>100.00%</b>

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# CHANGES TO EXPENSE STRUCTURE

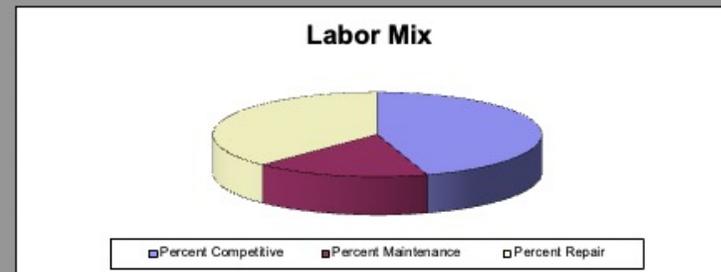
- As mentioned previously, expenses are a problem. We are looking at expense allocation to determine areas for improvement and have already made some cuts to non-tech personnel. We are going through vendor contracts and suppliers currently to identify any other areas that need addressed.

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 223,892		
Personnel Expense	\$ 129,137	57.68%	
Semi-Fixed Expense	\$ 95,371	42.60%	
Fixed Expense	\$ 80,164	35.80%	
Total Expenses	\$ 304,672	136.08%	
Net Profit	\$ (80,780)	-36.08%	

# 100 REPAIR ORDER ANALYSIS

- 64% one line item RO's is significantly above the NADA guide. It is also a huge reason why our gross struggles. We are working to lower that number along with limiting discounts to help raise our target labor rate.

Repair Order Analysis Summary Report							
	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 5,551	+ 65.00	= 85.39	FRH Average			
Maintenance	\$ 2,810	+ 24.70	= 113.77	FRH Average			
Repair	\$ 8,236	+ 54.40	= 151.41	FRH Average			
Totals	\$ 16,597	+ 144.10	= 115.18	Customer ELR			
			Target Labor Rate	141.03	Per FRH		
Total Ro's in Sample	100	Difference		-25.85	Per FRH		
Cost of Labor							
Total Cost of Labor	3703.30	+ Total Sales	= 22.31%	Percent Cost of Sales			
Total Cost of Labor	3703.30	+ Total FRHs	= 25.70	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	16,597.37	+ Total ROs	= 165.97	Avg Labor per RO			
Total FRHs	144.10	+ Total ROs	= 1.44	Avg FRH's per RO			
Menu Sales		+ Total ROs	=	Percent Menu Sales			
Competitive FRHs	65.00	+ Total FRHs	= 45.11%	Percent Competitive			
Maintenance FRHs	24.70	+ Total FRHs	= 17.14%	Percent Maintenance			
Repair FRH	54.40	+ Total FRHs	= 37.75%	Percent Repair			
One item ROs	64	+ Total ROs	= 64.00%	Percent One Item RO			
Model Year Analysis							
2023	2022	2021	2020	2019	2018	Older	Total
0	2	3	11	11	13	60	100
0.00%	2.00%	3.00%	11.00%	11.00%	13.00%	60.00%	



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# QUALITATIVE SWOT ANALYSIS

## STRENGTHS

Good culture and team that has the willingness to learn and improve

Good leadership team that is also willing to identify problems and commit to fixing them

Positive community presence and loyal customer base

Great manufacturer support

Growing area and healthy market conditions

Good CSI

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# QUALITATIVE SWOT ANALYSIS

## WEAKNESSES

Selling services other than that inquired upon

History of inconsistent processes

Communication between departments

Over usage of coupons and discounts

Less experienced advisors

Lack of technicians

High expenses

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# QUALITATIVE SWOT ANALYSIS

## OPPORTUNITIES

Having managers more involved on the drive

Utilizing marketing and social media

Improving communication with new system

Belief in the processes we are building

Large facility with room to grow

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# QUALITATIVE SWOT ANALYSIS

## THREATS

Aggressive market with lots of competition

Hiring entry level techs is getting harder

Profitability of manufacturer is less than some other competition

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# OBJECTIVES



- Increase service department profitability
  - Decrease one line item RO's
  - Reduce service expenses
  - Continually grow our people
  - Consistent coaching and accountability
  - Get managers more involved
  - Increase proficiency
  - Increase facility utilization
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# STRATEGIES



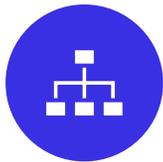
Remove advisors ability to discount.



Improve communication between advisors, technicians, and parts.



Utilize processes put in place to help upsell and decrease amount of one item RO's.



Have management more involved on the drive.



We have raised our door rate.



After allowing time and limiting discounts, apply for a warranty labor increase. .



Better allocation of jobs in the shops to appropriate technicians.



Reduce expenses



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# TACTICS

Service Director and Manager are the only ones with ability to discount.

Switching DMS providers will eliminate a lot of duplicated processes.

Consistent accountability and coaching to ensure the processes put in place are utilized.

Have management more involved on the drive.

Weekly fixed operations meetings to communicate progress and areas of opportunity.

Consistent training to help our people and processes adapt and improve.

Increase facility utilization.

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# ACTION PLAN

<b>TASK</b>	<b>ROLE</b>	<b>COMPLETION DATE</b>
Create MPI process	Service Director	2/28/2022
Raise Customer Pay Rate	GM	1/31/2022
Walk-Around Training	Service Manager	2/28/2022
Dig into Service Expenses	GM	1/31/2022
Weekly Service Meeting	Service Director	2/28/2022

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# SYNOPSIS

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It is very clear and evident that our service department is a HUGE area for opportunity. By improving our people and processes, along with limiting our expenses, we have significant amounts of growth opportunity.

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Holding our people accountable is key and we have put systems in place to ensure that happens.

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I believe we have the right people in leadership roles to change the culture and grow our service department into its full potential.

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