



## **Honda North Service Department Analysis March 2022**

### **Action Plan Prepared by Service Director Stephen Bouchie**

### **#392-26**

The purpose of this analysis is to provide a detailed report of the evaluation findings of the Service Department. Financial Statement data used is March 2022 YTD.

#### **1. SMART Objective to increase customer pay labor gross profit retention percentage.**

- a. We will increase our customer pay labor gross retention from our current March 2022 YTD of 71.1% to 73% by June 30<sup>th</sup> 2022. Our progress will be measured weekly using our DMS effective labor report and Advisor performance which includes discount percentages.
  - i. Individual Advisor performance reports will be run daily and reviewed during daily one on one meetings conducted by the Assistant Service Manager and myself.
  - ii. A 25 repair order analysis will be performed daily by the Assistant Service Manager and myself. Any deviations found will be addressed with the individual Advisor and documented as a record of conversation and added to their personnel file.
  - iii. Service Advisors will be held accountable for a cumulative discount percentage average over 3%. Their pay is back charged accordingly.
  - iv. Our Service BDC will conduct competitive price shopping analysis monthly. We will adjust our current prices based on the findings.

## **2. Service Marketing**

- a. We restarted our enrollment in the seasonal marketing mailers provided by Honda. This will give us an opportunity to gather data from their new vendor and find if it is more effective than the previous program. This program sends to lapsed and inactive customers which includes customers that have not been in for 13 months and over. The first mailer is scheduled to be sent June 2022.
- b. We have subscribed to a conquest mailer program with Automotive Mastermind. The list includes 1000 customers that live in our AOR but have never visited our dealership. The list is targeted by email and direct mail for a period of 6 months. The customer list belongs to us so we can continue to market these customers after the 6 month time frame is reached.
- c. Our Service BDC will begin a contact process for customers that are due for service based on the Honda Link report. This report shows customers that are due based on the telematics maintenance codes showing on their vehicle.
- d. Our Marketing and Fixed Operations Management teams will develop a tire quote and scheduling page on our website that allows customers to Google search Honda tires and be directed to one of our Honda sites. Once on the site and page they can look up tire quotes and availability and then have the option to set an online appointment. Our Service BDC team will follow up on the appointment to confirm day, time and price quoted through the tire page.

### 3. Facility Utilization

FACILITY POTENTIAL	
Number of Bays	18
	x
Number of Days	27
	x
Number of Hours	11
	x
Effective Labor Rate	122.4
FACILITY POTENTIAL	\$ 654,350

FACILITY UTILIZATION	
Total Labor Sales	\$ 681,717
	÷
Facility Potential	\$ 654,350
FACILITY UTILIZATION	<i>equals</i> 104.18%

- Our current facility utilization is over 100%. This is related to us having 24 techs and only 18 bays of which 16 have lifts. The two without lifts are Express Service bays with pits.
- We will continue to pursue with Senior Management the need to add two more bays offsite at a used car facility that has been closed since pre-covid days. We only have to install lifts and purchase tire machines. The initial estimate to do so is \$35000.

## 4. Productivity / Tech Proficiency

### NADA ACTUAL SERVICE ANALYSIS MARCH 2022 MTD

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	\$ 383,409	÷	139.00	=	2758.3
Customer Truck*		÷		=	0.00
Customer Other*	\$ 83,553	÷	95.50	=	874.9
Warranty	\$ 47,352	÷	138.55	=	341.8
Internal	\$ 167,403	÷	139.00	=	1204.3
New Vehicle Prep		÷		=	0.00
<b>Total</b>	<b>\$ 681,717</b>				<b>5179.3</b>

### POTENTIAL

$$\begin{array}{r}
 \boxed{\$ 681,717} \div \boxed{5179.35} = \boxed{\$ 131.62} \\
 \text{Total labor sales for month} \quad \text{Total hours billed} \quad \text{Effective Labor Rate}
 \end{array}$$

$$\begin{array}{r}
 \boxed{24.00} \times \boxed{8} \times \boxed{23} = \boxed{4,416.0} \\
 \text{\# Service mechanical technicians} \quad \text{\# Hours/Day} \quad \text{Working Days/Month} \quad \text{Clock Hour} \\
 \text{Aval}
 \end{array}$$

$$\begin{array}{r}
 \boxed{4,416.0} \times \boxed{\$ 131.62} = \boxed{\$ 581,244} \\
 \text{Clock Hours Available} \quad \text{Effective Labor Rate} \quad \text{Labor sales potential}
 \end{array}$$

How proficient are your technicians ?

$$\begin{array}{r}
 \boxed{5,179.3} \div \boxed{4,416.00} = \boxed{117.28\%} \\
 \text{Hours Billed} \quad \text{Hours Available} \quad \text{Tech Proficiency}
 \end{array}$$

Customer labor divide by the Customer Effective Labor rate from the R. O. Analysis

- Our current proficiency for March 2022 MTD finished at 117.28% including our Express Service. Our main shop without Express was 152%.
- We will measure Express Advisor performance in regards to labor dollars sold which equate to hours per repair order.

- c. Express Advisors will receive ongoing weekly training conducted by the Assistant Service Manager and myself. This training will include but not be limited to the road to the sale and overcoming objections.
- d. Express Advisors will have full access to the loaner car fleet equivalent to that of a main shop advisor's.
- e. Express labor gross retention will be increased to 70% by July 30<sup>th</sup> 2022. This will be accomplished by limiting discounts and increasing labor dollars / express hours per repair order.

## 5. Analyze Cost of Labor

### Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 919,925	\$ 654,136	71.11%	54.02%
Customer Truck			0%	0%
Customer Other	\$ 217,995	\$ 146,324	67.12%	12.80%
Warranty	\$ 133,638	\$ 105,492	78.94%	7.85%
Warranty Other			0%	0%
Internal	\$ 431,224	\$ 348,524	80.82%	25.32%
NVI / Road Ready			0%	0%
Adj. Cost Of Labor		\$ (26,803)	0%	0.00%
<b>Total</b>	<b>\$ 1,702,782</b>	<b>\$ 1,227,673</b>	<b>72.10%</b>	<b>100.00%</b>

- a. The 100 repair order analysis showed certain Advisors were changing the labor rate instead of applying a discount if needed. This has a direct effect on labor gross retention. This now requires Manager override.
- b. It was apparent during the repair order analysis that at times Master Techs are dispatched "C" level work that is priced at lower rates. This has been addressed with the dispatcher and will be reviewed weekly by the Service Manager and Assistant Manager.

- c. Making changes to how we discount and price labor will help to increase customer pay labor gross retention. A monthly increase of 2% will add approximately \$80000 gross profit annually.
- d. Increasing Express gross retention to 70% by increasing labor sale per repair order will add approximately \$20000 gross profit annually.
- e. Competitive price shopping will be conducted monthly by our Service BDC. Based on the finding prices will be adjusted accordingly.

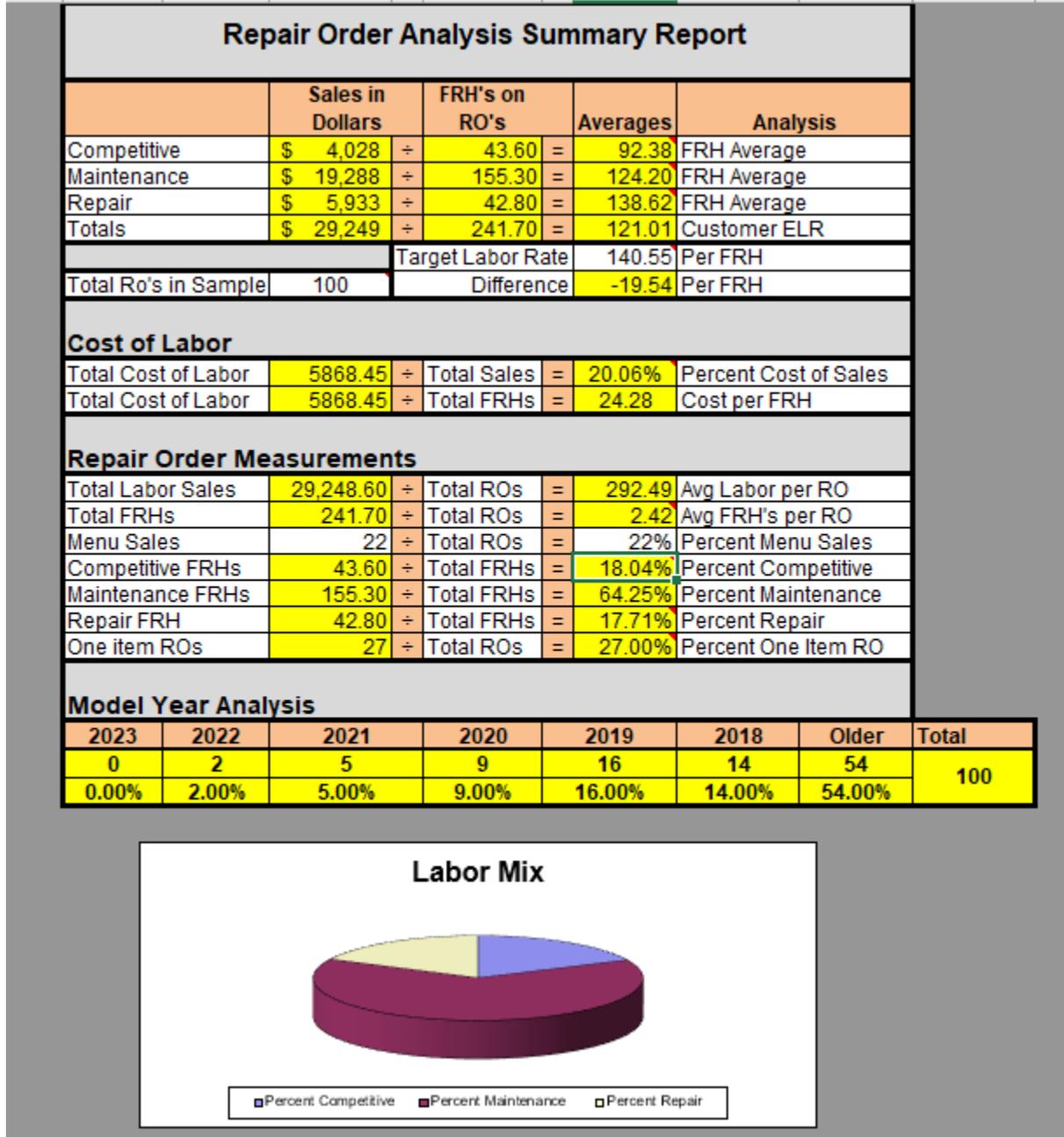
## 6. Changes in Expense Structure

### Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 1,253,732		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	\$ 847,189	67.57%	
Semi-Fixed Expense	\$ 171,707	13.70%	
Fixed Expense	\$ 114,017	9.09%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 1,132,913	90.36%	
Net Profit	\$ 120,819	9.64%	

- a. The expense that stands out the most is Personnel. We are the largest department in company of 6 dealership. Based on this we absorb a large amount of company wide expenses. I am working with Senior Management to have this reevaluated.
- b. Our policy expense is below NADA standards. This identifies our team does a good job controlling waste.
- c. We recently increased our per tire disposal fee which will reduce our account 23D expense.

## 7. 100 Repair Order Analysis



- a. The repair order identifies we have a significant amount of 1 line repair orders. This is related to our very busy Express Lanes. We must continue to focus on our Express Service to reduce 1 line repair orders and increase gross profit.
- b. We are a large volume service department. Adding just 1 line per repair order could have significant impact increasing gross profit.