

Mistlin Honda
Eli Lanigan
Class 394
Service Evaluation for 2022
1st Fiscal Quarter

Introduction

Mistlin Honda is a long standing and successful pillar in our community. We have a good reputation for selling excellent products and services. We pride ourselves in creating a family atmosphere where we treat all our employees and clients with professionalism, courtesy, and respect. We are family owned and operated and have the infrastructure to remain so for many years to come.

There are certainly areas in our dealership that need improvement. The main area is the subject of this evaluation, our service department. Our current business practices are passed down from previous service managers. Our conventional shop operation model has been in place since the beginning. Our mediocrity shines through ever month on our financial statement. The purpose of this evaluation is to build off our strengths and opportunities and to neutralize our weaknesses while minimizing our threats.

Current Practices

- Conventional shop
- No appointment system
- Open six days a week for Express Service
- Open five days a week for Service
- No customer check in process
- No regular service meetings
- Local M-F shuttle service
- 15 loaner cars available for major services
- No process for MPI's or active delivery

Marketing

- Our marketing budget has primarily moved to the digital platform. We will continue to think of creative ways to reach our local areas through our website, social media, and third-party vendors.
- Increasing our social media content through active management. We will show 30 minute how to videos. We will add “a day in the life of...” videos. As well as customer testimony and Mistlin Honda in the community videos.
- Advertise on streaming music and podcast media platforms.
- Add more content to our website like our social media strategy as well as continue our online coupons
- Continued use of American Honda’s seasonal mailers and email blasts.
- Increase our budget spend on community projects and charities in coordination with Honda Motor Co. Project Courage provides a small electric vehicle for young patients to drive themselves to an appointment or surgery within the pediatric floor. Employee involvement with local charities as well.
- Since our owner has a soft spot for writing and recording music. Continued radio advertising through local stations will continue.

Facility Utilization

FACILITY POTENTIAL	
Number of Bays	25
	x
Number of Days	77
	x
Number of Hours	10
	x
Effective Labor Rate	148.87
FACILITY POTENTIAL	\$ 2,865,748

FACILITY UTILIZATION	
Total Labor Sales	937,114 \$
	÷
Facility Potential	\$ 2,865,748
	<i>equals</i>
FACILITY UTILIZATION	32.70%

Our facility utilization is terrible. At 33% we are well under the NADA guide of 75%. Top of the list for getting service on track is extending the service hours. We need to be more mindful of our client demographic. We are in a commuter community and many of our clients can't find time for service within our operating hours. Regular service is open from 7:30- 5:30 M-F and Express service 7:30-4 M-Sat. By simply extending our closing times to match up with sales, 8PM, we add 24 hours p/week in Express and 12.5 p/week in regular service. This plan would require modified scheduling and an increase in productive techs, decreasing nonproductive techs.

Delivery and pick services are also a step we can take to improve utilization. Again, our community is a commuter community as well as farming and food processing. Our client base is stretched out and often working well over the standard 40-hour week. No question we would pick up business with this convenience.

Modifying the workload and the space in which they work would help as well. Right now, we have a ratio of one flat rate tech for every two hourly techs. Moving to a one-to-one ratio and limiting the flat rate techs from doing oil changes and PDI's will improve our percentage. Also, having one tech for every lift instead of one tech having two lifts, our current set up, will help with utilization and proficiency.

Productivity

NADA ACTUAL SERVICE ANALYSIS					
Performance					
	Labor Sales / Month		Hourly Labor Rate	=	Hours Billed
Customer Car*	\$ 466,692	÷		=	2274.0
Customer Truck*		÷		=	0.00
Customer Xpress	\$ 294,346	÷		=	2101.0
Warranty	\$ 137,410	÷		=	1413.0
Internal	\$ 27,391	÷		=	507.0
Sublet Repairs	\$ 11,275	÷		=	0.00
Total	\$ 937,114				6295.0
POTENTIAL					
	\$ 937,114	÷	6295.00	=	\$ 148.87
	Total labor sales for month		Total hours billed		Effective Labor Rate
	21.00	x	8	x	77
	# Service mechanical technicians		# Hours/Day		Working Days/Month
	12,936.0	x	\$ 148.87	=	\$1,925,736
	Clock Hours Available		Effective Labor Rate		Labor sales potential
How proficient are your technicians ?					
	6,295.0	÷	12,936.00	=	48.66%
	Hours Billed		Hours Available		Tech Proficiency
Customer labor divide by the Customer Effective Labor rate from the R. O. Analysis					

The guide for tech proficiency is 87.5%. Once again at 49% we come way under the benchmark.

Adding to our hours of operation can be particularly good for utilization but could potentially be harmful for proficiency and we don't need help going backwards in this category. What we are going to do to help balance this situation is realign the tech and service writers pay to way heavy on proficiency. We also believe that by modifying the work week from five days to four, we can not only improve proficiency numbers but also offer our employees a chance to improve their personal time for more balance in their lives.

Making sure that dispatch is sending the right work to the right techs and eliminating the lag time the tech waits for parts can also improve proficiency. Implementing a parts runner who also has skin in the game within their pay plan is a wonderful way to save precious time. In addition to that making sure parts is always stocking the one hundred most frequently used parts.

Analyze Cost of Labor

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	466,692	\$ 366,817	\$ 78.60 %	42.66%
Customer Truck			0%	0%
Customer Xpress	294,346	\$ 196,428	\$ 66.73 %	26.91%
Warranty	137,410	\$ 108,417	\$ 78.90 %	12.56%
Internal	156,872	\$ 124,326	\$ 79.25 %	14.34%
Internal Access.	27,391	\$ 21,188	\$ 77.35 %	2.50%
Sublet Repairs	11,275	\$ 1,425	\$ 12.64 %	1.03%
Adj. Cost Of Labor		\$ (57,314)	0%	0.00%
Total	1,093,986	\$ 761,287	\$ 69.59 %	100.00%

Cost of sales for this period shows that we are below the guide of 76%. Again, one major issue is the work mix. Having flat rate techs doing competitive work or PDI's brings our cost of sales down. When performing the RO exercise, it became noticeably clear that we discount way too much. Our plan to fix this is to simply turn of the discounts for all service writers so only the service manager can authorize. I also noticed that the writers and techs do not always record the time worked which throws the true number off. When we redo their pay plan, we must make sure the whole team is accountable for recording accurate information (hours worked).

As mentioned in the production analysis, we are also including a proficiency element to their pay. The last component on improving our cost of labor will be to stop using a door rate and use exclusively the matrix put together through Dynatron, our latest partner in success.

Changes in Expense Structure

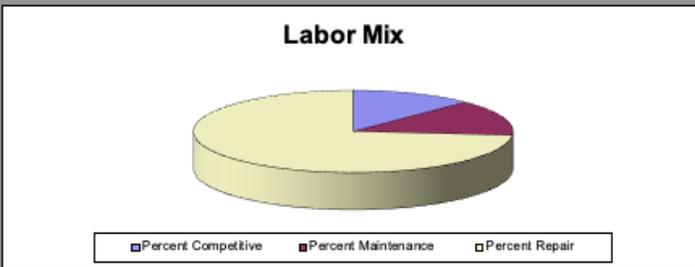
Expense Category	Dollar Amount		% of Gross	Profile
Department Gross	761,287	\$		
Variable Expense			0.00%	
Selling Expense			0.00%	
Personnel Expense	495,930	\$	65.14%	
Semi-Fixed Expense	117,533	\$	15.44%	
Fixed Expense	88,106	\$	11.57%	
Unallocated Expense			0.00%	
Dealer's Salary			0.00%	
Total Expenses	701,569	\$	92.16%	
Net Profit	59,718	\$	7.84%	

Because we use the operating income contribution method from Honda the allocation of expenses with semi-fixed and fixed is a much lower percentage in service as opposed to sales.

That keeps our semi-fixed and fixed expense well below guide. Personnel expenses are roughly 15-20% over guide. This has a lot to do with our longevity of employees, good benefits, and retention bonus.' We are also changing the express tech pay to be more aligned with area wages. Our total expenses are high but with the improvements being made to increase gross profit, we are confident our net profit will be much closer to the 20% guide.

100 Repair Order Analysis

Repair Order Analysis Summary Report							
		Sales in Dollars	FRH's on RO's	Averages	Analysis		
Competitive	\$	2,857	25.80	110.73	FRH Average		
Maintenance	\$	4,437	29.50	150.40	FRH Average		
Repair	\$	24,880	153.30	162.30	FRH Average		
Totals	\$	32,174	208.60	154.24	Customer ELR		
				Target Labor Rate	141.26	Per FRH	
Total Ro's in Sample	100	Difference		12.98	Per FRH		
Cost of Labor							
Total Cost of Labor	7382.70	Total Sales	22.95%	Percent Cost of Sales			
Total Cost of Labor	7382.70	Total FRHs	35.39	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	32,173.65	Total ROs	321.74	Avg Labor per RO			
Total FRHs	208.60	Total ROs	2.09	Avg FRH's per RO			
Menu Sales		Total ROs		Percent Menu Sales			
Competitive FRHs	25.80	Total FRHs	12.37%	Percent Competitive			
Maintenance FRHs	29.50	Total FRHs	14.14%	Percent Maintenance			
Repair FRH	153.30	Total FRHs	73.49%	Percent Repair			
One item ROs	55	Total ROs	55.00%	Percent One Item RO			
Model Year Analysis							
2023	2022	2021	2020	2019	2018	Older	Total
0	0	5	7	10	11	64	97
0.00%	0.00%	5.15%	7.22%	10.31%	11.34%	65.98%	



Of the 100 RO's recorded 55% were one-liners. Unlike the entertainment business one liners are not funny. It clearly shows a great need to change the way we do business in service. It is time to transform order takers into salespeople and technicians into opportunists. We will soon be including our service writers in sales training meetings held

in sales. We are also looking into communications training to help with our initial greetings and general attitude when communicating to our clients. Discounting is also evident, and that function will be taken away from service writers. Our repair percentage is high at 73% with the guide being 40%. Our competitive and maintenance is low at 27% with the guide being 60%. The good news is that the higher repair order percentage means more profit for the store. The bad news is that the lower competitive and maintenance percentage means we're losing business to other shops. To combat this, we will start a campaign to remind our customer base that it's much better to have your Honda serviced by a factory trained Honda tech using genuine Honda parts while still offering competitive prices. Getting back to online appointments and delivery options should see this percentage jump.

Qualitative Analysis - Strengths

1. We take immense pride in having a strong family atmosphere. This may be our greatest strength which has been passed down from ownership to management and felt amongst all employees.
2. We have hard working, loyal employees that enjoy higher pay with good benefits. Our low turnover rate, in most departments, also creates a stable and consistent environment.
3. Our management team exudes a positive and motivating environment. Management handles all issues promptly and objectively with a focus on fairness and integrity.
4. We have an excellent product with the highest customer loyalty.
5. We have a spacious facility that is in a key location amongst many successful dealerships.
6. We are always making sure that our team has the best equipment, technology, and training to service our client base.
7. We are an equal opportunity employer giving everybody an opportunity to advance and succeed.
8. Our dealership has an excellent reputation within our community for philanthropy. We've consistently donated funds to a multitude of charities and community projects.

Qualitative Analysis - Weaknesses

1. Lack of communication within and among the different departments is one of our greatest weaknesses.
2. Our initial communication with our clients lacks structure. From our first greeting in the service drive to our inconsistent phone traffic management.
3. Service writers need to morph from order takers to salespeople. We don't up-sell nearly enough which is hurting our bottom line.
4. In the shop we have regular personality conflicts that slows production, creates animosity, and really deteriorates from the team building that we're trying to achieve.
5. We need to improve our time management in the shop to improve productivity and wait times.
6. We have limited-service hours. We should expand our hours to be more convenient for our customers not our employees.

7. We discount our work too often. We should have uniform pricing for all repair, competitive and maintenance work. We should have a limit on discounting with better management oversight.

Qualitative Analysis - Opportunities

1. We have a lot of registered Honda's in the area so we can take a more aggressive approach on marketing within our area.
2. Ours hours are more suited for our employees rather than our customers. By expanding our hours of operations, we can accommodate more clients.
3. Bridging the communication gap between all departments and between our sales clients and our service department team.
4. If we place all our service writers in one communal area, not keep our quick lube writers in a different office from our regular service writers. We can improve comradery, have all of them under the same pay plan and have all jobs go through one dispatch.
5. Better communications and interactions between our service techs and clients using technology. For example, requiring video inspections to increase credibility.
6. Better marketing of our dealership both within our walls and within our community.

Qualitative Analysis - Threats

1. Independent shops with lower overhead offering lower prices. These shops also tend to have longer hours of operation including weekends.
2. Difficult job market with fewer and fewer technicians to hire.
3. Conflicts between the sales and service departments need to be limited. Without the proper communication and understanding, minor problems can turn into major ones.
4. Difficulty hiring entry level positions without a plan for growth and opportunity within the organization.
5. We're considered to be in a great car town with many dealerships in the same area offering a wide selection of products. Many of these dealerships are now newer than ours and we run the risk of impacting the publics opinion negatively about ours because we are not the shiny new toy anymore.
6. On a broader note, there is a lot of bad news in the world that spreads like wildfire through both the regular and social media. This is giving the public

more anxiety and less patience making the sales and service industries deal with a whole new set of challenges.

7. The electrification of automobiles and the impact this will have on our dealership.

Objectives

1. Increase gross on all Customer pay RO's.
2. Improve sales and communication for all service writers.
3. Make online appointments available.
4. Limit or eliminate discounting.
5. Train technicians on video inspections
6. Perform video walk arounds with all service clients on every vehicle.
7. Have regular service department meetings, including sales managers.
8. Increase hours of operation as well as daily RO's written.
9. Add pick-up and delivery options for customer convenience.

Strategies

1. Service manager to create menu with regular training.
2. Include service writers in sales department training and implement storewide communication training.
3. Coordinate with Xtime to set specific scheduling parameters for more control with online appointments.
4. Turn off discounting so only service managers can add discount.
5. Train technicians on video inspections and add monetary advantage when done properly.
6. Use tablets and myKaarma to do video walkarounds.
7. Add additional staff and recreate the schedule to accommodate the addition in work hours without creating burnout.
8. Advertise on our website, social media and throughout the store for pick-up and delivery options.

Tactics

1. To change the overall attitude amongst all department. Having regular meetings and training to be laser focused on customer service, selling our store and services, and using constructive communication skills. To create storewide unity.
2. Making sure that all service staff is utilizing all technologies that will be available to them. That they are regularly assessed and trained on these tech tools for maximum effectiveness and the best customer service experience. Also modifying pay plans to focus on proficiency, sales, and utilization of technical products.
3. Take a deep dive into traffic flow and business trends so we can develop a customer friendly schedule while at the same time creating flexible and alternative shifts for employees.
4. As a management team we will track our progress regularly. We will be tracking RO counts, one pay RO's, proficiency, utilization of systems and customer service index'. We will increase marketing budgets and training schedules as management sees fit.

Action Plan

1. Service manager to create menu and provide training schedule by 8/1/22
2. Service manager to turn off the ability to discount by 06/6/22
3. Service manager and Fixed ops director to create new hours of operations by 8/1/22
4. Service manager and Controller to implement online service appointments with the Xtime software already installed by 06/15/22
5. All Management team devise training platform for improved communication skills by 7/4/22
6. Service manager, Controller and Marketing team to implement video walk around and video MPI process through new video content and technologies offered by MyKaarma by 8/1/22
7. Service manager and Fixed ops director to hire additional support staff to initiate a delivery and pick up service for customer convenience by 8/1/22

Synopsis

Our service department is filled with a loyal, dedicated, and experienced team that has been underachieving to this point. We have seen some improvement in the last couple of years when we made a change at the Service Manager's position but have a long road ahead. With extensive training, facility upgrades and technology we honestly believe that we can achieve higher standards in several categories.

By extending service hours, implementing home delivery, video communications and online appointments we believe our profit, proficiency and customer experience will improve exponentially.

As a dealership we have been in the community almost 60 years. We pride ourselves for having great customer service, a charitable mindset in the community and for taking great concern in making sure that all our employees are compensated well, work in a safe environment and have fun while doing it. These values will not change as we evolve to greatness, so we will make sure that scheduling and compensation will remain fair with the ability to have a balanced lifestyle.

The most critical change that must occur is a change in attitude and a shared common vision amongst all departments. This change must occur from the top down. Starting with all upper-level managers, managers, and employees. Once we experience a shared vision only then can we achieve the goals needed to make our service department great for many years to come.