Service Department Analysis for Nissan of LaGrange by Richard Cates
NADA 329

Strengths

1. The technicians all work well together.

2. The technicians look out for each other.

3. The technicians view themselves as a team.

4. The city is expected to grow by 30,000 people in under 10years.

5. The facility is very nice and kept very clean

6. The shop is large enough to allow for additional growth.

Weeknesses

1. A lack of information on the RO.

2. There is not enough up sale on the A-C techs by the service wrtiers.

3. Scheduling conflicts.

4. Management.

5. Process, Training, CSI

6. Communication

7. A lack of leadership from the service manager

8. Workflow is not distributed equally

9. Service writers are more concerned with their paycheck than technician work flow.

10.   Tech proficiency is not where it needs to be.

Opportunities

1. A continued growth of population.

2. Sell more volume/hours through the drive.

3. Promotion abilities for technicians.

4. Get involved in the community to make our name more relevant.

5. Improve the sales to service handoff to increase customer retention.

Threats

1. Other dealers in the area that have been established within the community for longer than we have.

2. The amount of recommended services has been lowered by the manufacturer.

3. Losing customers to non-OEM service facilities due to convenience or perceived lower pricing.

4. Hours/ RO is at a very low amount.

Objectives

1. Increase overall gross profit in the service department. The first goal to get service to not lose money.

2. Make certain that the technicians are appreciated for all of the work that they do.

3. Evaluate current bonus structure t ensure that it is driving the appropriate behavior to improve the service department.

4. Improve customer retention.

5. Improve technician proficiency.

Strategies

1. Take the competitive pricing comparison that I have done between non-OEM facilities and our pricing and post it on our website. Use this in social media campaigns and why service here videos.

2. Have weekly meetings with the service manager to ensure that he is managing the department rather than being a spectator.

3. Implement our own maintenance program that is designed specifically to increase retention rather than create profit for the finance department. I will spiff the F&I department $20 for every maintenance contract they sell.

4. Create a bonus plan for the service writers that will drive gross profit.
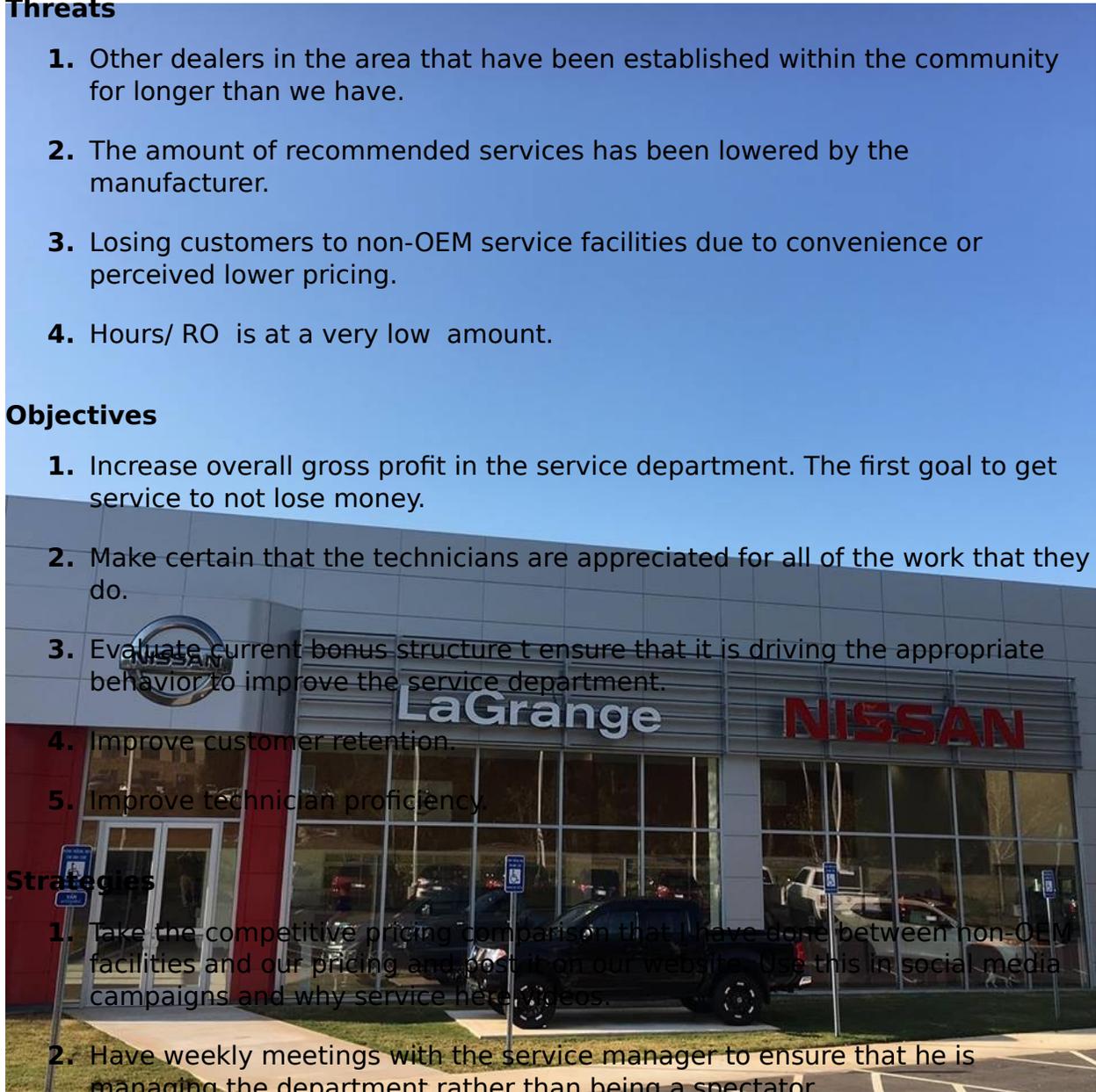
5. Create a pay structure for the technicians that will drive them to push for 100+% proficiency.

Tactics

1. Move our shop foreman to strictly being a chop foreman and not a technician. We will pay him $6/labor hour produced in the shop. If the tech proficiency is 100% we will increase the pay to $7/labor hour produced. Taking him out of the equation will increase the amount of work for the remaining technicians while also removing their concerns in regards to fair work flow. By incentivizing my foreman to be proficient the shop will function more efficiently while also having more work done by B and C techs to lower our fixed operations employee expense.

2. Currently the service writers bonus plan is on ASR's. When implemented the ASR's went way up but the gross profit has not. This leads me to believe that the ASR's are being manipulated. I will create a bonus plan tied directly to hours/RO. While hours per RO can be manipulated their primary pay plan is largely tied to ELR so if they manipulate the hours their primary pay will suffer greatly.

3. In an effort to improve the technician proficiency we will implement a pay increase for the technicians that achieve 100% and 120+% proficiency. The goal to improve shop proficiency from the 75% it was in December to 100% month in and month out. We will create a white board that shows weekly proficiency with the lowest proficient on top and the highest on the bottom.

4. I will go to the local hospital and schools to offer a no hassle service opportunity that will increase our service department opportunities greatly while also setting Nissan of LaGrange apart from the other dealerships in town.

Action Plans

1. Move the shop foreman into managerial role rather than tech. Myself and the service manager will present this role and we intend to implement this March 1st.

2. I will create a new bonus plan for the service writers with the help of my service manager and my controller to ensure the ability to manipulate it is at low. Implementation date will be March 1st.

3. I will get with my controller to see what hour increase will be appropriate to increase the tech's pay for different proficiency %. Most likely looking at $1 for 100% and $2 for 120%. Expected implantation date March 1st.

4. Getting with local schools and hospitals to provide hassle free service will be implemented slowly so that we can see what personnel changes are needed to accommodate this service. Intended start date will be March 1st with our local hospital.

5. I will have weekly meetings with the service manager to monitor all aspects of the service department. I will also have monthly meetings with the technicians to get their view points on the service department as they are a vital part of our service departments success and are never given the opportunity to provide their input.

Synopsis

It is abundantly clear that we have many problems within our service department. Our service department loses money every month and that is something that must stop. Due to our lack of proficiency and lack of direction from the top there is no structure provided.

By having weekly meeting with the service manager, he will understand better what his responsibility is and what is expected of him as a service manager. In doing this we should begin to see a better work environment in the service department that will lead to improved proficiency which will lead to increased gross.

Making bonus plan adjustments will create a behavior that can only lead to additional gross with in our service department. This will have each employee of the department going after the same thing.

In making the adjustments that have been listed above the service department should be able to go from losing money every month to breaking even or possibly profiting which will improve our yearly profitability as a store by $300,000. With these changes we can go from a store that makes $300,000/year to a store that makes $600,000/year.
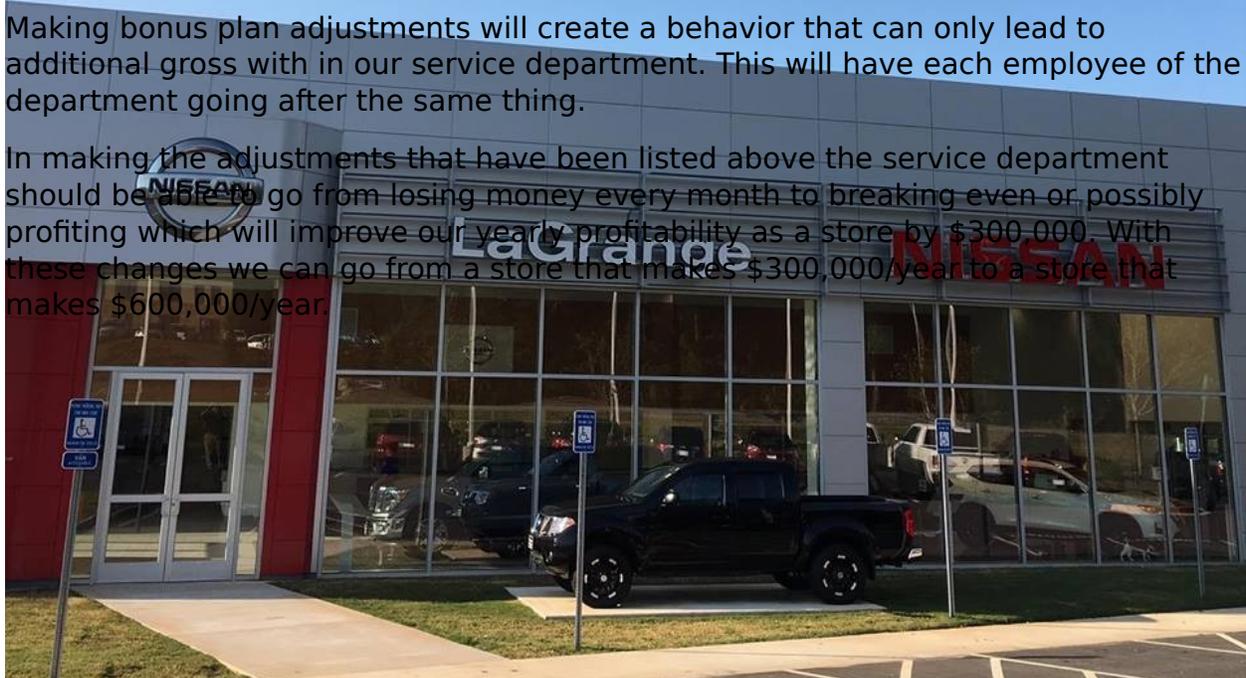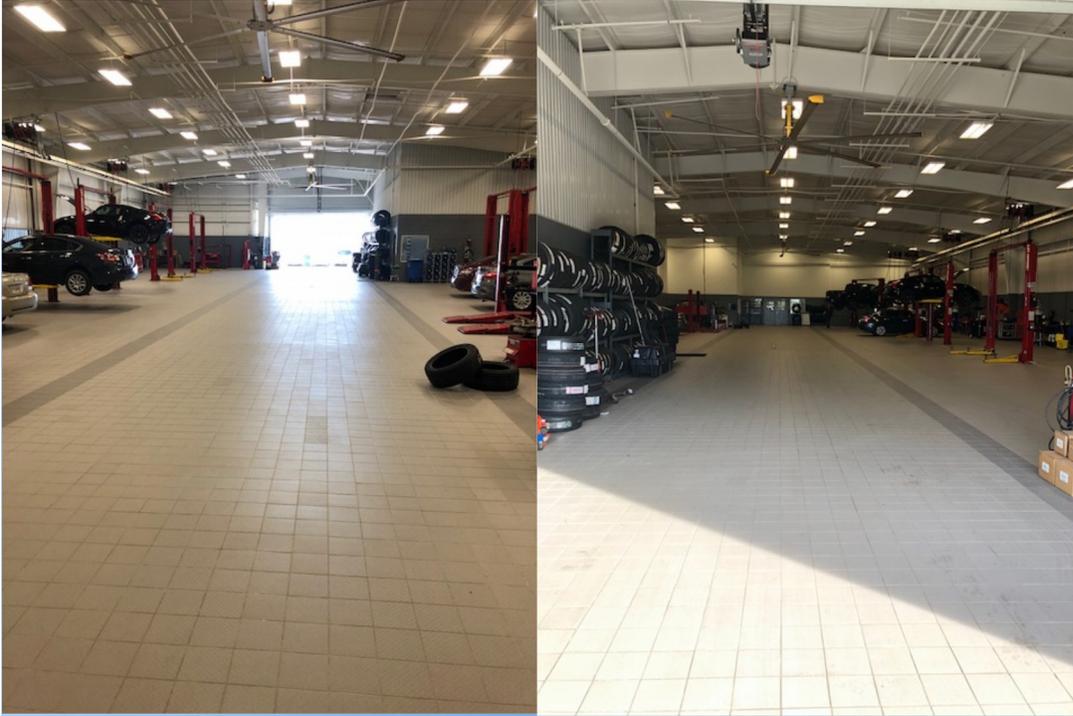
Nissan of LaGrange Shop

Nissan of LaGrange Special Tools

Nissan of LaGrange Special Tools

Facility Capacity

FACILITY POTENTIAL	
Number of Bays	12
x	
Number of Days	22
x	
Number of Hours	8
x	
Effective Labor Rate	107.32
equals	
FACILITY POTENTIAL	$ 226,660

Facility Utilization

FACILITY UTILIZATION	
Total Labor Sales	$ 84,879
÷	
Facility Potential	$ 226,660
equals	
FACILITY UTILIZATION	37.45%

Technician Proficiency

How proficient are your technicians ?

790.9	÷	1,056.00	=	74.90%
Hours Produced		Hours Available		Tech Proficiency

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	$ 30,074	$ 20,675	68.75 %	0%
Customer Truck			0%	0%
Customer Other			0%	0%
Warranty	$ 33,784	$ 24,049	71.18 %	0%
Warranty Other			0%	0%
Internal	$ 21,021	$ 15,354	73.04 %	0%
NVI / Road Ready			0%	0%
Adj. Cost Of Labor			0%	0%
Total	$ 84,879	$ 60,078	70.78 %	0.00%

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 60,078		
Variable Expense	$ 911	0.00%	
Selling Expense		0.00%	
Personnel Expense	$ 43,198	0.00%	
Semi-Fixed Expense	$ 35,726	0.00%	
Fixed Expense	$ 8,668	0.00%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	

Total Expenses	$ 88,503	0.00%	
Net Profit	$ (28,425)	0.00%	

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed	
Customer Car*	$ 30,074	÷	110.00	=	273.4	
Customer Truck*	$ -	÷		=	0.00	
Customer Other*	$ -	÷		=	0.00	
Warranty	$ 33,784	÷	103.50	=	326.4	
Internal	$ 21,021	÷	110.00	=	191.1	
New Vehicle Prep	$ -	÷		=	0.00	
Total	$ 84,879				790.9	

POTENTIAL

$ 84,879	÷	790.92	=	$ 107.32	
Total labor sales for month		Total hours billed		Effective Labor Rate	
6.00	x	8	x	22	= 1,056.0
# Service mechanical technicians		# Hours/Day		Working Days/Month	Clock Hour Aval
1,056.0	x	$ 107.32	=	$ 113,327	
Clock Hours Available		Effective Labor Rate		Labor sales potential	

Repair Order Analysis Summary Report

		Sales in Dollars		FRH's on RO's		Averages	Analysis	
Competitive		$ 3,099	÷	25.50	=	121.52	FRH Average	
Maintenance		$ 1,787	÷	16.30	=	109.61	FRH Average	
Repair		$ 5,918	÷	53.20	=	111.23	FRH Average	
Totals		$ 10,803	÷	95.00	=	113.72	Customer ELR	
				Target Labor Rate		105.50	Per FRH	
Total Ro's in Sample		100			Difference	8.22	Per FRH	

Cost of Labor

Total Cost of Labor	1911.20	÷	Total Sales	=	17.69%	Percent Cost of Sales
Total Cost of Labor	1911.20	÷	Total FRHs	=	20.12	Cost per FRH

Repair Order Measurements

Total Labor Sales	10,803.13	÷	Total ROs	=	108.03	Avg Labor per RO
Total FRHs	95.00	÷	Total ROs	=	0.95	Avg FRH's per RO
Menu Sales		÷	Total ROs	=		Percent Menu Sales
Competitive FRHs	25.50	÷	Total FRHs	=	26.84%	Percent Competitive
Maintenance FRHs	16.30	÷	Total FRHs	=	17.16%	Percent Maintenance
Repair FRH	53.20	÷	Total FRHs	=	56.00%	Percent Repair
One item ROs	45	÷	Total ROs	=	45.00%	Percent One Item RO

Model Year Analysis

2019	2018	2017	2016	2015	2014	Older	Total
0	0	13	18	15	9	45	
0.00%	0.00%	13.00%	18.00%	15.00%	9.00%	45.00%	100