

## Service Analysis for Apple Chevrolet York PA

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### Current Practices:

- Main Shop and Quick Lube are doing multipoint inspections at about 90% of the time
- Shop is Open 7:30 am to 6pm Mon – Saturday and until 2pm on Saturdays
- Have one dedicated used car technician and if needed dispatched through remainder of shop
- Schedule is currently less than one week out.
- Service Department is currently making a positive net profit
- Proper sales to service handoff is not happening as often as it should.

### Goals for Improvement:

- Sales to Service Handoff 100% of the time that service is open
- Increase Multi point inspections to 100% of the time including Quick Lube
- Decrease scheduling time to be able to accommodate within 24hrs
- Decrease one line RO's in both main shop and Quick Lube
- Increase net profit by increasing ELR

### Plans to achieve our Goals:

- Write and implement sales process to ensure sales is introducing every sold sales customer to service and schedule 1<sup>st</sup> appointment at that time
- Have Service Manager inspect on a regular basis MPI to make sure they are getting done properly. Also implement a MPI challenge to have lunch or spiff for those that are over 95%
- Monitor our wasted tech time. By getting tech's more efficient we can cut down our scheduling time to (closer to) 24 hours
- Service Advisor training – All recommended items need presented to customers – Build the value in what we are selling and this will help decrease our one line RO's

Plans to Evaluate our Progress:

- Sales manager will review with Service manager on weekly basis that sales to service handoff is taking place and match up with sold units vs 1<sup>st</sup> appointments set
- Monitor MPI also on weekly basis and have a competition board that shows where everyone currently is. Also make sure that service manager has a spiff in place to showcase the top performers
- We will incorporate Service advisors into our sales training and show how service is very similar to sales and all about getting the customer to trust us.
- Limit tool trucks to certain times of the week and the food truck to one set time per day.

Marketing:

Our plan to keep our service department in front of our customers will begin with regular post on our social media platforms with happy customer photos and service special coupons. We will also continue with sending our current customers email specials. Most importantly we will implement a 100% delivery policy to make sure that we retain our current customers.

Facility Potential and Utilization

FACILITY POTENTIAL	
Number of Bays	25
	x
Number of Days	24
	x
Number of Hours	11
	x
Effective Labor Rate	\$ 118.45
	<i>equals</i>
FACILITY POTENTIAL	\$ 781,794

FACILITY UTILIZATION	
Total Labor Sales	\$ 210,393
	÷
Facility Potential	\$ 781,794
	<i>equals</i>
FACILITY UTILIZATION	26.91%

Productivity:

### NADA ACTUAL SERVICE ANALYSIS

	Labor Sales / Month		Effective Labor Rates		Hours Billed
Customer Pay	\$ 121,192	+	118.93	=	1019.0
Customer	\$ 10,995	+	118.93	=	92.4
Customer Other	\$ -	+		=	0.00
Warranty	\$ 23,889	+	107.92	=	221.4
Internal	\$ 45,127	+	125.99	=	358.2
New Vehicle Prep	\$ 9,190	+	107.92	=	85.2
<b>Total</b>	<b>\$ 210,393</b>				<b>1776.2</b>

**POTENTIAL**

**\$ 210,393**

Total labor sales for month

÷

**1776.16**

Total hours billed

=

**\$ 118.45**

Effective Labor Rate

**12.00**

# Service mechanical technicians

x

**7**

# Hours/Day

x

**22.0**

Working Days/Month

=

**1,848.0**

Hours Available to Sell

**1,848.0**

Hours Available to Sell

x

**\$ 118.45**

Effective Labor Rate

=

**\$ 218,902**

Labor sales potential @100%

**\$ 273,628.06**

Labor sales potential @ 125%

How proficient are your technicians ?

**1,776.2**

Total Hours Billed

÷

**1,848.00**

Hours Available to Sell

=

**96.11%**

Tech Proficiency

Our Current Tech proficiency is below guide of 125% and sits at just over 96%. By decreasing our wasted tech time I'm confident in saying that we will increase over 100% and look ahead to 125%. By delivering parts to techs, pre-loading bays, increasing our RO Fill rate and stocking 100 most frequent parts will all increase our overall Productivity.

Cost of Labor:

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

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Labor	\$ 121,192	\$ 90,119	74.36%	57.60%
Express	\$ 10,995	\$ 8,431	76.68%	5.23%
Customer Other	\$ -	\$ -	0%	0.00%
Warranty	\$ 23,889	\$ 16,719	69.99%	11.35%
Warranty Other	\$ -	\$ -	0%	0.00%
Internal	\$ 45,127	\$ 35,137	77.86%	21.45%
NVI / Road Ready/ PDI	\$ 9,190	\$ 6,378	69.40%	4.37%
Adj. Cost Of Labor		\$ (1,569)	0%	0.00%
<b>Total</b>	<b>\$ 210,393</b>	<b>\$ 155,215</b>	<b>73.77%</b>	<b>100.00%</b>

For the entire department we are above the 70% guide at 73.77%. We do fall short of the 76% guide in customer pay and warranty. By moving our work mix around and selling more competitive maintenance items we will increase to above guide rather quickly. Lastly is our Warranty GP% in order to increase this number to above guide we simply need to request a warranty labor increase and I am confident that will immediately get us above guide.

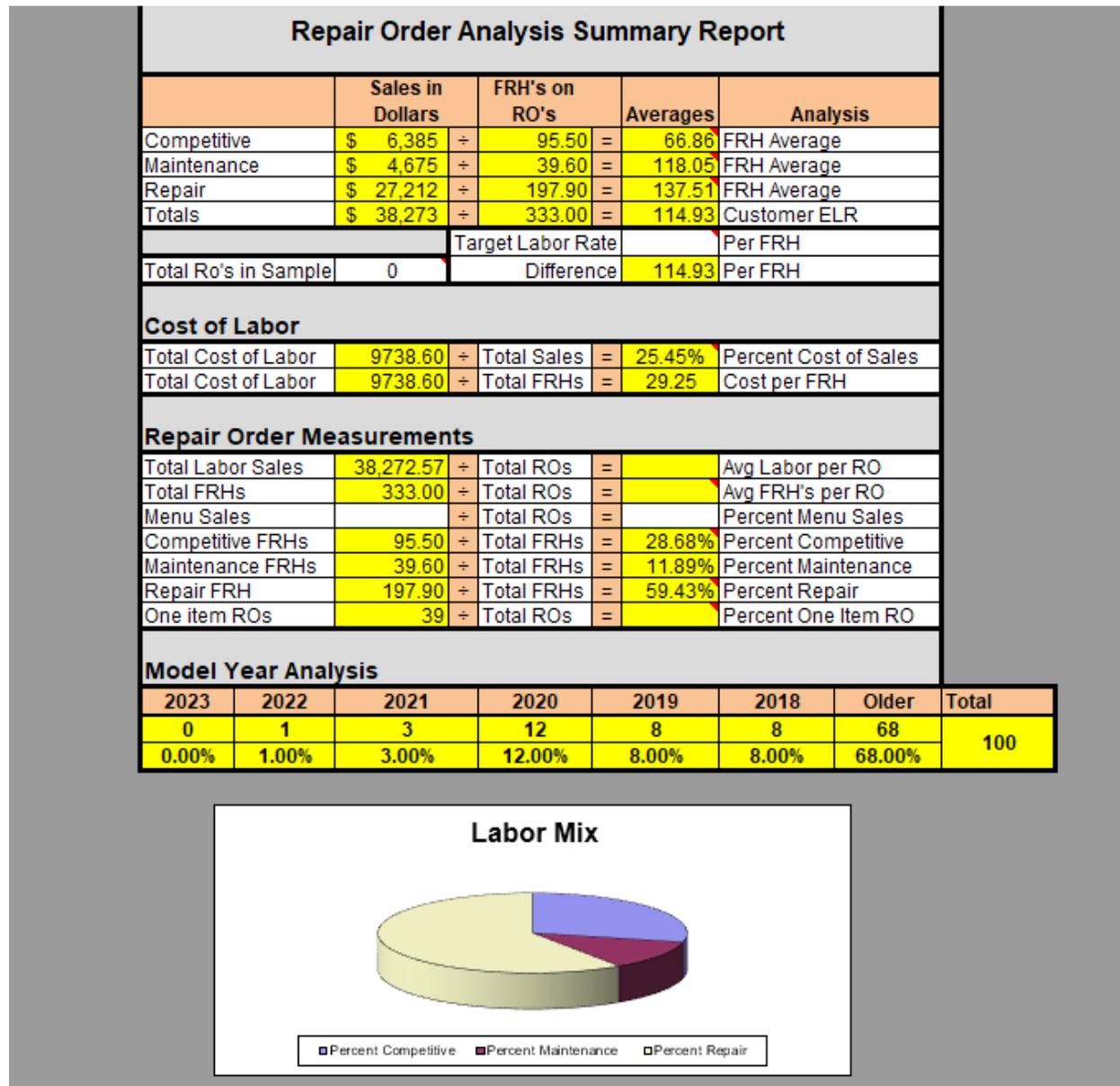
Expense Structure:

**Service Department Profit Centering**

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 155,215		
Variable Expense	\$ -	0.00%	
Selling Expense	\$ -	0.00%	
Personnel Expense	\$ 62,160	40.05%	
Semi-Fixed Expense	\$ 51,400	33.12%	
Fixed Expense	\$ 27,036	17.42%	
Unallocated Expense		0.00%	
Dealer's Salary	\$ -	0.00%	
Total Expenses	\$ 140,596	90.58%	
Net Profit	\$ 14,619	9.42%	

Looking at our current net profit we have a grossing problem. Expenses are inline and within guide. If we get our warranty rate increase as we anticipate, focus on less 1 line RO's with more maintenance work and increase our shop production with less wasted tech time and hiring 1-2 more techs. We will be on our way to 25% net profit.

100 Ro Analysis



With a fresh look at 100 new RO's We are in need of some work. Sitting at almost 40% of one line RO's that is well above a target of 10%-15%. So looking ahead into my action plan we are going to need some real Advisor Training. You can see based on the labor mix that we also need to increase our Competitive and Maintenance work as the % are especially low on Maintenance work. By increasing our lines per RO and making those Maintenance and/or Competitive lines, we will increase our ELR and the bottom line.

#### Strengths:

- Good Organization to work for.
- Air conditioned Shop
- Newer Equipment
- Xtime for multi-point inspections
- High CSI
- Having a BDC to help with call volume

#### Weaknesses:

- Getting Parts Timely
- Providing other part pricing when factory is expensive or on backorder
- Setting real times for repair due to past issues and backlog of work
- One Express Tech really need two

#### Opportunities:

- Warranty Labor Rate increase
- Need additional techs
- Scheduling less than a week out for express and main shop
- Techs to add more photos to estimates
- Increasing internal rate to match CP labor rate

#### Threats:

- Other Shop pricing - non franchise or non-dealer
- Other dealer schedules - some do not make techs work Saturday and we have lost some employees.
- Losing Techs to non-dealers - Forklift companies, fleet companies.

#### Objectives:

- Increase net profit
- Reduce number of 1 line Ro's
- Increase Technician satisfaction and loyalty

Strategies:

- One on ones with Service Manager and Techs / advisors to gauge happiness or lack of.
- Get buy in from Advisors on what they think we can do to increase lines per RO.
- Increase warranty labor rate

Tactics:

- Technician Training
- Advisor Training
- Shop Meetings with tech and Advisors
- Discuss with Fixed ops Director when we can apply for a Warranty Rate increase.

Action Plan

Task	Role / Employee	Completion Date
Change Tech Schedules to Shift	Service Manager	09/01
Regular Tech and Advisor Training	Service Manager / Fixed Ops Director	09/01
Increase Warranty Labor Rate	General Manager /Fixed Ops Director	11/01
Advertise for Technicians	Corporate / HR	08/01
Review Parts Lost Sales	Service Manager / Parts Manager	09/01
Develop Plan for Video MPI	Service Advisors	10/01
Set Monthly Goals for Techs and Advisors	Service Manager	09/01

Final Synopsis:

Upon final review of this assignment it is apparent that we have a very strong team of managers, technicians and advisors. However even though we are profitable there are few areas of improvement that I think we can work on.

After completion of our 100 RO analysis it is apparent that we need to work with our advisors and show them the importance of presenting every recommendation that comes from our MPI's. Just by doing this one thing I am confident that we will see an increase of customer pay lines per RO. With that it will require some training to be sure they are comfortable doing so. We put so much time and effort into our variable training that we definitely need to increase what we do with our fixed teams.

Looking at our net profit there is a very significant opportunity to increase our percentage to 25%. As state above by increasing our lines per RO that will add money directly to the bottom line. Also by finding 2 more technicians and increasing our shop utilization while keeping our ELR at or above the current \$118 per hour we will once again be rising to the 25% net to gross. Most importantly if we are able to get our warranty labor increase that is going to put us over the top.

Finally I have realized that the energy and moral in the shop needs a little work. Doing different things based around production with some spiffs or weekly lunches will help increase this. Taking a look at our schedule and make sure that we are efficient but at the same time allowing our people to have the proper time off is key. With being so close to 25% net to gross we cannot afford to lose good people and will have to adapt. Not to mention a shop with a great attitude and moral will attract top performers from the area that will want to come work for Apple Chevrolet.