

1) Evaluation of service department

Current practices that are working well for us :

- 1) Taking pictures of vehicles upon check in
- 2) Providing shuttle service for drop off and pick up
- 3) Providing a mobile repair service for some minor services
- 4) Follow up texts and emails to confirm and remind of scheduled appointments
- 5) Shop foreman training apprentice techs and quality control their repairs

Goals for improvement:

- 1) Increase services available with the mobile van
- 2) Decrease wait times for appointment
- 3) Get apprentice technician to flat rate only
- 4) Increase facility potential
- 5) Increase hours per RO

Plans to achieve goals

- 1) Hire additional technicians to allow for a tech to do more mobile services
- 2) Additional techs will decrease appointment wait times
- 3) Apprentice tech to flat rate and hire an hourly Lube tech at a lower rate
- 4) Hiring additional techs will produce more flat rate ours and increase facility potential
- 5) Training the advisors to sell one additional line item per RO will increase hours per RO

Plans to evaluate changes

- 1) Discussing the above changes with the service manager
- 2) Reviewing the tech proficiency percentages weekly and at month end
- 3) Calculating the percentages of facility potential monthly and review with Manager and GM
- 4) Review hours per RO by advisor weekly so that adjustments can be made

2) Marketing

Our dealership website is a great place to market service specials and or menu pricing on frequent services. Monitoring and changing it often is the best way to catch the clients attention. We use Mercedes Engage program to for direct mail to existing clients and it has proven to be successful.

3) We have 8 techs, 7 are paid flat rate and 1 is paid hourly. We flag the hourly tech to gauge his ability to flag hours. Our cost of labor as a percent is in line with industry standard so I believe what we are doing is working. Our goal is to get a maintenance type tech at a lower rate to do the less skilled services therefore leaving the A and B techs to do the heavy line repair work. Historically we have given flat rate increases every time we raise the door rate as we have been able to raise it 10\$ each year. I would like to implement the \$1-\$2 increase a few times a year with out having to raise all the flat rate techs.

Service Department Sales And Gross (Labor Only)

| Category | Sales | Gross | Gross as % of Sales | % Sales Contribution |
|--------------------|-------------------|-------------------|---------------------|----------------------|
| Customer Car | \$ 77,348 | \$ 61,090 | 78.98% | 29.29% |
| Customer Truck | \$ 58,885 | \$ 48,268 | 81.97% | 22.30% |
| Customer Other | | | 0% | 0% |
| Warranty | \$ 114,590 | \$ 94,331 | 82.32% | 43.39% |
| Warranty Other | | | 0% | 0% |
| Internal | \$ 13,273 | \$ 10,674 | 80.42% | 5.03% |
| NVI / Road Ready | | | 0% | 0% |
| Adj. Cost Of Labor | | \$ (5,368) | 0% | 0.00% |
| Total | \$ 264,096 | \$ 208,995 | 79.14% | 100.00% |

4-5) Our expenses are in line and we are profitable in our service department. However, we are not maximizing our profitability by selling 125% of all available hours each day. Our techs are very proficient at 116% and if I take in to consideration we have an average of 40 hours of training a month, we would be hitting the benchmark of 125%. In our shop, we focus on tech proficiency and frequently have contests for the technicians to encourage it. In the past winners have received snap on tool credits, credits for parts or boutique items and for longer contests, we have given Nascar race trips.

Service Department Profit Centering

| Expense Category | Dollar Amount | % of Gross | Profile |
|---------------------|---------------|------------|---------|
| Department Gross | \$ 208,995 | | |
| Variable Expense | | 0.00% | |
| Selling Expense | | 0.00% | |
| Personnel Expense | \$ 75,467 | 36.11% | |
| Semi-Fixed Expense | \$ 39,099 | 18.71% | |
| Fixed Expense | \$ 45,077 | 21.57% | |
| Unallocated Expense | | 0.00% | |
| Dealer's Salary | | 0.00% | |
| Total Expenses | \$ 159,643 | 76.39% | |
| Net Profit | \$ 49,352 | 23.61% | |

NADA ACTUAL SERVICE ANALYSIS

| Performance | | Labor Sales / Month | Hourly Labor Rate | Hours Billed |
|------------------|-------------------|---------------------|-------------------|---------------|
| Customer Car* | \$ 77,348 | ÷ | 195.00 | = 396.7 |
| Customer Truck* | \$ 58,885 | ÷ | 195.00 | = 302.0 |
| Customer Other* | | ÷ | | = 0.00 |
| Warranty | \$ 114,590 | ÷ | 188.00 | = 609.5 |
| Internal | \$ 13,273 | ÷ | 195.00 | = 68.1 |
| New Vehicle Prep | | ÷ | | = 0.00 |
| Total | \$ 264,096 | | | 1376.2 |

POTENTIAL

\$ 264,096

÷

1376.22

=

\$ 191.90

Total labor sales for month

Total hours billed

Effective Labor Rate

8.00

x

8

x

21

=

1,344.0

Service mechanical technicians

Hours/Day

Working Days/Month

Clock Hour Avail

1,344.0

x

\$ 191.90

=

\$ 257,913

Clock Hours Available

Effective Labor Rate

Labor sales potential

How proficient are your technicians ?

1,560.0

÷

1,344.00

=

116.07%

Hours Billed

Hours Available

Tech Proficiency

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

| FACILITY POTENTIAL | |
|---------------------------|-------------------|
| Number of Bays | 16 |
| | x |
| Number of Days | 21 |
| | x |
| Number of Hours | 8 |
| | x |
| Effective Labor Rate | 191.9 |
| FACILITY POTENTIAL | \$ 515,827 |

| FACILITY UTILIZATION | |
|-----------------------------|-----------------------------|
| Total Labor Sales | \$ 264,096 |
| | ÷ |
| Facility Potential | \$ 515,827 |
| FACILITY UTILIZATION | 51.20% <i>equals</i> |

6) In 2018 we built and opened a beautiful Sprinter service facility. We are not able to maximize our facility potential with our current techs. We always looking for experienced technicians to join our team. We have the work and space to accommodate 2 additional technicians as we are currently booked out 1 month and sometimes longer. This is a problem for clients and we are continually working to resolve the issue of booking so far out. The change that needs to be made in order to increase the facility potential is 2 trained Sprinter technicians.

7)

Karen Moon Class #402

Mercedes Benz of Eugene

In evaluating a larger test sample of customer pay Ros, it appears that our percentage of 1 line customer pay Ros is much less than the previous 25 RO sample. I personally pulled the Ros out of archiving from current daily business and looked at each one to get an idea of how the techs and or advisors were doing at upselling any additional items. I found a lot of additional lines for wiper blades with other maintenance appointments. I also found a lot of additional lines for maintenance type items on Ros that were written for factory recalls. Each RO has a MPI attached and it looks like in general the techs are doing a pretty good job of trying to sell additional work. We have a very high percentage of older models being serviced which I believe means we need to do more selling of maintenance early on in the service life of our client's cars. Although, what is not in this test sample is the prepaid maintenance product that we sell a lot of on the service drive that is a manufacturer paid product.

Our percentage of customer pay looks to be in line with guide on repair versus competitive and maintenance coming in at 39.94%. Our average tech cost is 33.00 and the average cost on Ros is 33.82 so I believe we are doing a good job assigning the work properly to keep the gross higher. Also, the percentage of cost of sales is 18% much lower than industry standard of 24%.

Our ELR is about 2.00 too low and definitely can be improved upon by selling additional door rate items on each ticket. Hours per RO according to industry standards should be 3.0 for high line. We are a little low on this at 2.50 which can be increased by selling additional lines on every RO based on the MPI findings.

Repair Order Analysis Summary Report

| | Sales in Dollars | | FRH's on RO's | | Averages | Analysis | |
|----------------------|------------------|---|---------------|---|-------------------|--------------|---------|
| Competitive | \$ 11,883 | ÷ | 65.20 | = | 182.26 | FRH Average | |
| Maintenance | \$ 15,186 | ÷ | 84.50 | = | 179.71 | FRH Average | |
| Repair | \$ 19,569 | ÷ | 99.55 | = | 196.57 | FRH Average | |
| Totals | \$ 46,638 | ÷ | 249.25 | = | 187.11 | Customer ELR | |
| | | | | | Target Labor Rate | 189.00 | Per FRH |
| Total Ro's in Sample | 100 | | | | Difference | -1.89 | Per FRH |

Cost of Labor

| | | | | | | |
|---------------------|---------|---|-------------|---|--------|-----------------------|
| Total Cost of Labor | 8429.65 | ÷ | Total Sales | = | 18.07% | Percent Cost of Sales |
| Total Cost of Labor | 8429.65 | ÷ | Total FRHs | = | 33.82 | Cost per FRH |

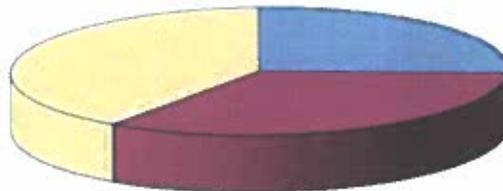
Repair Order Measurements

| | | | | | | |
|-------------------|-----------|---|------------|---|--------|---------------------|
| Total Labor Sales | 46,637.65 | ÷ | Total ROs | = | 466.38 | Avg Labor per RO |
| Total FRHs | 249.25 | ÷ | Total ROs | = | 2.49 | Avg FRH's per RO |
| Menu Sales | | ÷ | Total ROs | = | | Percent Menu Sales |
| Competitive FRHs | 65.20 | ÷ | Total FRHs | = | 26.16% | Percent Competitive |
| Maintenance FRHs | 84.50 | ÷ | Total FRHs | = | 33.90% | Percent Maintenance |
| Repair FRH | 99.55 | ÷ | Total FRHs | = | 39.94% | Percent Repair |
| One item ROs | 24 | ÷ | Total ROs | = | 24.00% | Percent One Item RO |

Model Year Analysis

| 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | Older | Total |
|-------|-------|-------|-------|--------|-------|--------|-------|
| 0 | 1 | 6 | 9 | 11 | 6 | 67 | 100 |
| 0.00% | 1.00% | 6.00% | 9.00% | 11.00% | 6.00% | 67.00% | |

Labor Mix



Percent Competitive
 Percent Maintenance
 Percent Repair

Service department analysis for Mercedes Benz of Eugene

By: Karen Moon class #402

QUALITATIVE ANALYSIS-STRENGTHS

- 1) TEAM WORKS WELL TOGETHER**
- 2) GREAT MANAGEMENT TEAM THAT LISTENS TO EMPLOYEES**
- 3) GREAT PAY FOR EMPLOYEES**
- 4) SKILLED MENTORS AND KNOWLEDGABLE SHOP FOREMEN**
- 5) GREAT HOURS FOR EMPLOYEES**
- 6) EXPERIENCED EMPLOYEES**
- 7) SEVERAL LONG TERM EMPLOYEES**
- 8) GREAT REPEAT CLIENT BASE**
- 9) ONLY MERCEDES STORE WITHIN A LARGE AREA**

QUALITATIVE ANALYSIS-WEAKNESSES

- 1) COMMUNICATION BETWEEN PARTS AND SERVICE**
- 2) SPRINTER SHOP LOCATION (ACROSS THE STREET)**
- 3) SCHEDULING IS TOO FAR OUT**
- 4) NO SATURDAY OR EVENING HOURS FOR CLIENTS**
- 5) NOT ENOUGH EMPLOYEES**
- 6) ON THE JOB TRAINING FOR EMPLOYEES**

QUALITATIVE ANALYSIS-OPPORTUNITIES

- 1) OFFER MORE MOBILE SERVICES**
- 2) TRAIN CURRENT EMPLOYEES**
- 3) OPEN EXTENDED HOURS FOR PARTS AND SERVICE TO BETTER SERVE CLIENTS**
- 4) RETAIN CURRENT EMPLOYEES**
- 5) ON THE JOB TRAINING FOR EMPLOYEES**
- 6) BONUS PROGRAMS TO ENCOURAGE UPSELLING**

QUALITATIVE ANALYSIS-THREATS

- 1) ONLINE SCHEDULING**
- 2) NOT ENOUGH TECHS**
- 3) TRAINING EMPLOYEES AND HAVING THEM LEAVE**
- 4) BURNED OUT TECHS BEING PUSHED TOO HARD**
- 5) LACK OF PRODUCT KNOWLEDGE**
- 6) INDEPENDENT SHOPS GETTING OUR CLIENTS SERVICED SOONER**

OBJECTIVES

- 1) Hire 2 flat rate techs and a lube tech
- 2) Improve scheduling wait times
- 3) Extend hours to better serve clients
- 4) Retain and continue to train current employees

STRATEGIES

- 1) Reach out to local community college shop class for leads on techs
- 2) Get techs hired and extend hours to get caught up and current
- 3) Mirror sales hours ask for volunteers to work staggered shifts to cover
- 4) Have managers document a training program for each position

TACTICS

- 1) Implement an annual employee retention bonus program
- 2) Offer a bonus for employee referrals that get hired and complete 6 months
- 3) Hire a lube tech and grow him into a technician through training and mentoring over time
- 4) Have techs involved actively in their "TechPath" meet and review with them every 6 months

ACTION PLAN

| TASK | ROLE | COMPLETION |
|---|-----------------|------------|
| HIRE 2 TECHS | SERVICE MANAGER | 12/31/2022 |
| HIRE A LUBE TECH | SERVICE MANAGER | 10/31/2022 |
| CREATE A TECH PATH | SERVICE MANAGER | 10/31/2022 |
| SET UP TECH REVIEWS | SERVICE MANAGER | 10/31/2022 |
| EXTEND HRS PARTS & SERVICE | GM | 1/1/2023 |
| SET TRAINING PATHS | SERVICE MANAGER | 11/30/2022 |
| SET TRAINING PATHS | PARTS MANAGER | 11/30/2022 |
| INCREASE MOBILE SERVICE | SERVICE MANAGER | 1/1/2023 |
| HIRE A SERVICE MANAGER | GM | 1/1/2023 |
| IMPLEMENT RETENTION BONUS | GM | 1/1/2023 |
| IMPLEMENT TECH REFERRAL BONUS | GM-SERVICE MGR | 10/31/2022 |
| CREAT MENU SPECIALS ON WEBSITE CHANGE MONTHLY | SERVICE MANAGER | 10/31/2022 |

SYNOPSIS

In looking at several current factors in service department, I have some thoughts as to how to maximize profitability and retain good long term employees. From the SWOT it is evident that most employees are feeling overworked due to understaffing and or lack of training. We currently have our service manager working from out of state where she moved in June. Although we are still functioning fairly well we are in need of a service manager to be on site and to help guide the team. Being able to concentrate on training the techs is difficult as we are scheduling over a month out already and sending them out to train reduces man power in the shop. First and foremost, we need at least one trained tech and a lube tech to take some of the burden off the A and B techs. Once we have these additional techs, we can extend hours and get caught up so that we can schedule clients sooner. My thoughts on retaining employees are to implement an annual retention bonus for each employee who hits their anniversary they receive 50\$ per year of employment.

To summarize, I think our major challenge is to hire a service manager and 2 techs. This will allow us to extend hours and increase our facility potential and overall profitability as well as helping our employees to feel less of the burden of being too busy or overbooked.