



Service Department analysis of Sunset Hills Subaru

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N405

Marketing:

Currently, the dealership markets itself to existing as well as lost and prospect customers in several different ways. We utilize direct mail (offers and coupons), bulk email, search engine marketing, search engine optimization and Google Business. We currently allocate \$8,000 a month for the hard advertising and charge the coupons utilized to marketing as well, leaving a adjusted cost of marketing to roughly \$15,000 before advertising credits. While this has been “working” we have found some opportunities for improvement.

In order to spur growth and loyalty our plan is to optimize and add to our existing marketing plans. First, we have revamped our offers we send out via direct mail and email blasts. Our previous service manager who was let go at the end of September 2022, had run the exact same offers every month.. for the past year. Going forward the offers will be refreshed monthly, and tracked to see which offers gain the most traction. Our next plan is to increase our S.E.M budget to block out our aftermarket competitors from buying out the Google search terms related to maintenance and repair of Subaru vehicles, as well as inform people we service all makes and models. In addition to that we plan on filming service specific videos that we will upload to Youtube, Google Business and our website. These videos will give tips and useful information related to servicing their Subaru, in addition to give introductions to our service team and what to expect when servicing their vehicle with us. Lastly, we will be implementing a customer loyalty program that will incentivize customers to continually service their vehicle with us into the future. After 90 days of implementation, we will evaluate these changes for their effect on appointments, page views and overall changes to our overall gross.

Cost of Labor:

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 209,932	\$ 159,142	75.81%	61.23%
Customer Truck			0%	0%
Customer Other			0%	0%
Warranty	\$ 64,259	\$ 52,015	80.95%	18.74%
Warranty Other			0%	0%
Internal	\$ 68,648	\$ 52,880	77.03%	20.02%
NVI / Road Ready			0%	0%
Adj. Cost Of Labor			0%	0.00%
Total	\$ 342,839	\$ 264,037	77.01%	100.00%

Currently, the dealership has a Sales to Gross ratio of 77% which is just below guide of 80%. Our main line technicians up until this point have been paid flat rate, which has ranged from \$20-\$42 per hour based on their experience and training attainment with the factory. Our Express technicians are paid hourly clock time. Our plan is to increase our sales to gross ratio thru a couple of different methods.

First change is to increase our labor rates to make up for the increases in labor costs, Our new targeted rate is \$165 for customer pay, up from 158.82. In addition to this we will be adding a bonus for proficiency for technicians weekly, for every 10% over 100% proficiency they will receive a \$1 per hour retro to hour 1. So a technician who sells 60 hours with 40 hours clock time will receive a \$5 per hour bonus... Flat Rate technicians who chose to work additional time will not have their clock times over 40 hours count against their proficiency... So if a technician works 48 hours and sells 48 hours but scheduled for 40 hours, their proficiency will still show 120%. We feel this will incentivize technicians to come in on their day off or stay later during the week. We will be evaluating these changes by continuously tracking our sales to gross ratio on our Financial statement...

Changes in Expense Structure:

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 263,410		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	\$ 146,591	55.65%	
Semi-Fixed Expense	\$ 50,046	19.00%	
Fixed Expense	\$ 32,791	12.45%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 229,428	87.10%	
Net Profit	\$ 33,982	12.90%	

Currently the Service Department pays its fair share of expenses, the issues of of profitability for the department are more based on not selling out of our available time and our proficiency. To change this, we have added additional advisors and let go of advisors who were not productive or were "Cancerous" to the morale of the service drive. These changes have already lead to a increase in productivity for our technicians and morale of the service drive. In

addition to this we have also added 2 more mainline technicians and increased our daily appointment availability. These changes we feel will have a positive impact on the department profitability even without a decrease in our monthly expenses.

Productivity:

NADA ACTUAL SERVICE ANALYSIS					
Performance					
	<i>Labor Sales / Month</i>		<i>Hourly Labor Rate</i>		<i>Hours Billed</i>
Customer Car*	\$ 209,932	÷	114.00	=	1841.5
Customer Truck*		÷		=	0.00
Customer Other*		÷		=	0.00
Warranty	\$ 64,259	÷	135.00	=	476.0
Internal	\$ 68,648	÷	158.82	=	432.2
New Vehicle Prep		÷		=	0.00
Total	\$ 342,839				2749.7
POTENTIAL					
	\$ 342,839	÷	2749.74	=	\$ 124.68
	Total labor sales for month		Total hours billed		Effective Labor Rate
	15.00	x	8	x	24
	# Service mechanical technicians		# Hours/Day		Working Days/Month
	2,880.0	x	\$ 124.68	=	\$ 359,080
	Clock Hours Available		Effective Labor Rate		Labor sales potential
How proficient are your technicians ?					
	2,749.7	÷	2,880.00	=	95.48%
	Hours Billed		Hours Available		Tech Proficiency
Customer labor divide by the Customer Effective Labor rate from the R. O. Analysis					

Currently our tech proficiency via this calculation is lower than actual because our ELR is lower on internal than what is calculated (this has been corrected with a new Service and Used Car Manager hired). Our normal proficiency runs between 101 and 110%, which is still lower than where we want to be (125%). As stated earlier our plans to increase proficiency starts with the proficiency bonus plan, however that is not the only change we are making to increase our proficiency and overall productivity.

Additional changes include changing our dispatching method. Previously we had team leader technicians, who oversaw dispatching to their teams of techs, dispatch work to apprentice techs who were not fully versed in the repairs they were being asked to do as a learning experience. However, this dramatically reduced their proficiency and lowered the shop's available time. We have adopted the "Right Tech, Right Job) method of dispatching and have the shop foreman take over dispatching. In addition to this we are also hiring a in shop parts person, who will deliver and take orders from the technicians for parts, reducing technician latency times while waiting at the parts counter.

Facility:

FACILITY POTENTIAL	
Number of Bays	17
	x
Number of Days	24
	x
Number of Hours	8
	x
Effective Labor Rate	124.68
FACILITY POTENTIAL	\$ 406,956

FACILITY UTILIZATION	
Total Labor Sales	\$ 342,839
	÷
Facility Potential	\$ 406,956
	<i>equals</i>
FACILITY UTILIZATION	84.24%

As shown in the above calculation, we are currently only generating 84% of the facility's potential for our hours we are operating at currently. One of the biggest reasons for this shortfall is how we have approached Saturday scheduling for technicians. Currently we have only been scheduling 2 main line technicians and 4 express technicians, with limited scheduling on Saturday. While most of our Saturday work is and was maintenance and express services, we unfortunately did not have the ability to upsell consistently as the technicians didn't have time to complete the repairs or additional maintenance items. In order to change this, we are implementing several changes.

First change we made is add technicians to our Saturday schedule, so we are not turning away work because of scheduling deficiencies. In addition to the scheduling of additional techs we have begun allowing techs not scheduled to come in on Saturdays and add to their proficiency bonus's. After that we hired 2 additional A level technicians which opens up an additional 80 hours of clock time for scheduling and potentially 100 hours of production at 125% proficiency. We will be closely monitoring facility utilization each month going forward via the financial statement.

100 Repair Order Analysis:

Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis
Competitive	\$ 5,361 ÷	56.60 =	94.72	FRH Average
Maintenance	\$ 7,226 ÷	65.10 =	111.00	FRH Average
Repair	\$ 3,781 ÷	22.00 =	171.88	FRH Average
Totals	\$ 16,368 ÷	143.70 =	113.91	Customer ELR
		Target Labor Rate	137.00	Per FRH
Total Ro's in Sample	100	Difference	-23.09	Per FRH

Cost of Labor

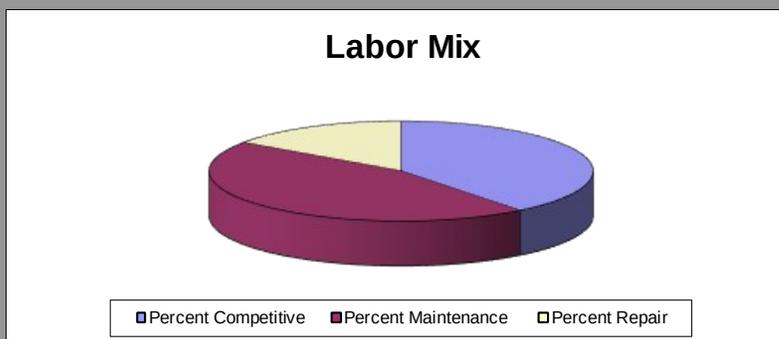
Total Cost of Labor	3119.65 ÷	Total Sales	=	19.06%	Percent Cost of Sales
Total Cost of Labor	3119.65 ÷	Total FRHs	=	21.71	Cost per FRH

Repair Order Measurements

Total Labor Sales	16,368.28 ÷	Total ROs	=	163.68	Avg Labor per RO
Total FRHs	143.70 ÷	Total ROs	=	1.44	Avg FRH's per RO
Menu Sales		Total ROs	=		Percent Menu Sales
Competitive FRHs	56.60 ÷	Total FRHs	=	39.39%	Percent Competitive
Maintenance FRHs	65.10 ÷	Total FRHs	=	45.30%	Percent Maintenance
Repair FRH	22.00 ÷	Total FRHs	=	15.31%	Percent Repair
One item ROs	15 ÷	Total ROs	=	15.00%	Percent One Item RO

Model Year Analysis

2023	2022	2021	2020	2019	2018	Older	Total
0	12	14	15	13	8	38	100
0.00%	12.00%	14.00%	15.00%	13.00%	8.00%	38.00%	



Based on the results of the R.O analysis I am left with a couple of conclusions. First, our average hours per R.O is low at 1.44, while this can be attributed to a large number of basic services such as a oil change and tire rotation, it is also showing that our advisors are not being effective at upselling. With 74% of our R.O's being written on vehicles 3 years and older our R.O's should have more upsells than what could be seen in these R.O's.

Second, our ELR is only \$114 per hour, which is much lower than our warranty rate of \$135. Our goal is to be at \$137 overall going forward and we plan to achieve this by increasing our ELR in areas such as maintenance where it should be closer to \$140 per hour helping make up for the lower rates that come with competitive maintenance. One of the reasons we see this is excessive discounting on by the advisors. They have motivation to do this as they are paid on hours produced vs gross, so selling a \$140/hr job reduced to \$95/hr job pays them the same. To combat this we have taken away the advisors ability to discount without the Service Managers authorization, and required physical proof of a coupon, if a code is used to coupon a sale.

SWOT Analysis:

Strengths:

1. Facility, we have a great facility that is less than 2 years old with the largest customer waiting area in the country, and great amenities. Customers seem to really like it even if they have to wait.
2. Tech Training. We have the most amount of fully trained techs in St Louis and management pushes everyone to go to class and improve their skills.
3. Friendly staff, everyone wants genuinely to make customers happy and have a good experience.
4. Employee satisfaction, all employees survey'd stated how happy they are working for the organization.
5. Team mentality, employees feel part of a team and feel their co-workers are happy to help them with problem solving or pickup the slack if they are being overwhelmed.
6. The sales department has been on a tear and helping grow the Subaru customer base dramatically in the area over the last 4 years. Our department will benefit greatly from that since those cars from 4 years ago are now coming in for bigger maintenances and repairs which is growing our department!

Weaknesses:

1. Our software systems do not communicate well with each other. iService doesn't send the multipoint to the advisor so we don't know what the customer has been recommended half the time. We are looking forward to new software that will integrate better.
2. Training, most our new advisors are brand new to the industry and don't know yet how to sell service at a consistent level. Plus when there is an issue the service manager has to get involved since the advisors are unsure of how to take care of a customer during those moments.
3. Workload, often times we can get overwhelmed with the amount of work to do. Sometimes just as we are starting to catch up a slew of appointments show up and we are back to being behind again.

4. Communication between techs, advisors and parts department, Our building logistics are challenging with the service drive and shop being far away and on different levels... Plus parts often times doesn't tell us when a part has arrived delaying repairs and impacts customer service.
5. Time to complete work, work takes too long to get thru the shop. Express service can take 2 or 3 hours instead of 30 minutes like it should.

Opportunities:

1. Market ourselves as a just as more than just a Subaru Service Department for maintenance
2. UIO is growing, we need to capitalize on it
3. Start selling maintenance plans in F&I
4. Take advantage of all training offered by the manufacturer
5. Our Effective Labor Rate is low and needs

Threats:

1. Availability of parts and delays is upsetting customers and possibly impacting customer retention
2. Multi Point market and we currently have the longest days to an appointment in the city according to the metrics from the factory
3. Technicians have been shortcutting some of the basics of the multipoint such as adjusting tire pressures. Multiple customers have complained of the fact that their tire pressures hadn't been adjusted and they question what other work was not completed
4. Wait times from Express Service is taking too long, and upsetting customers who are waiters and expect the oil change to take under an hour.
5. Retention of some of lower positions has been a struggle, they play an important role in keeping our operation moving, but has been a revolving door adding pressure on other employees to keep things moving.
6. Transition to electric cars and their reduced maintenance intervals.

Objectives:

1. Raise our Effective Labor Rate to over our Warranty Rate
2. Increase our proficiency to 125%
3. Better utilize our facility's capacity
4. Slow the turnover rate of the porter position
5. Lower the cycle times on Express Service
6. Increase our customer retention

Strategies:

1. Remove the ability of the Advisors from unilaterally reduce the cost of labor on R.Os and require physical copies of any coupons used.

2. Bonus technicians on proficiency, and get them away to want to turn more hours vs relying on their guarantees.
3. Optimize express teams to lower cycle times, increasing customer satisfaction thru lower wait times and allowing more work to enter the shop
4. Bring in additional technicians to increase our technician hours available, and fill up our bays
5. Increase hours per R.O for customer pay thru additional upselling
6. Improve communication between the Shop, Drive and Parts Department

Tactics:

1. Hire a trainer to come in and train our service advisors on customer handling and selling skills.
2. Advertise to existing customer base that we can service all makes and models, so they can come to one location for all their automotive needs.
3. Change CDK so that only the Service Manager can discount labor.
4. Have a weekly meeting between the Service Manager, Shop Foreman and Parts Manager to review open R.O's and the statuses of each.
5. Install Xtime with Video to help smooth communication between Parts and Service as well as with customers.
6. Increase Advertising budget for Service Search Engine Marketing.
7. Review Pay of Porters and make sure its competitive

Action Plan:

Task	Role	Completion Date
Hire 2 Additional Technicians	Service Manager	November
Install X-Time	Service Manager	December
Institute Proficiency Bonus for Technicians	Service Manager	December
Weekly Meeting GM, Service and Parts	GM	December
Increase Service Marketing Budget	GM	January
Hire a Service Advisor Trainer	GM	February
Review and Revise Porter Pay to increase retention	Service Manager	December
Hire a parts staff member to deliver and order parts direct to the technician	Parts Manager	January
Hire Additional Express Technicians	Service Manager	January

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Synopsis:

After reviewing everything it is apparent that our Effective Labor Rate combined with a low hours per R.O having a negative effect on our profitability in Service. If we had an ELR at our target at \$137 we would be wildly more profitable in the department. We firmly believe

bringing in a trainer to work with our advisors will have a dramatic impact on their customer handling and improve their selling skills.

Focusing on Facility Utilization really pushed us to add technicians on Saturday's along with hiring 2 additional A level technicians. We feel both those will really open up additional hours allowing us to reduce our amount of time needed to make an appointment, increasing our customer satisfaction.

Hiring a additional express technicians and retaining our porter who runs vehicles from the service drive to the shop will help reduce our cycle times and increase our customer satisfaction. Currently only 50% of our Express customers are able to complete their visit in under a hour. We are forecasting that with these personnel additions we should be able to reduce our cycle times down to 90% less than a hour wait.

Lastly with replacing our current service software (Autoloop scheduling, iService Video and Electronic Multipoint) with XTime we expect to see a more streamlined process for communication between departments. Right now our advisors do not see a copy of the multipoint inspection until after the customer has seen it which has had a negative impact on their selling ability, in addition to that there is a lack of communication directly from the technician to the service advisor, and between Service and Parts. With the changeover to Xtime coming, we expect that having all the information in one area, and the inclusion of parts tracking should allow us increase our speed from Diagnosis to approval, and getting parts involved earlier in the process, so they know what needs to be picked automatically.

With these changes we anticipate that our service department can become much more efficient and increase our sales and gross, while having a positive impact on customer satisfaction.