

Service Department Post Class Assignment



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Class N407

RISK
OPTIMIZATION
RANKING
BUSINESS PLACEMENT
INTERNET
ADVERTISING
TRAFFIC
ENGINE
MARKETING
RISK
SEO
SALE
COMMERCE
E-MAIL

Marketing Strategies

- Market to our data base of customers
 - Create custom coupons based on buckets of when customers have last been in for service (0-60 days) (180+ days) (365 days +) to drive them in to see us
 - Email blast campaign to ALL data base offering a “complimentary” winter inspection of their vehicles
 - Offer a “Valet” service to our highline customers (Volvo & Mercedes) and include a Trade Value of their current vehicle
 - Give all technicians business cards to hand out to their family and friends
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- Advertise service more on our websites & pay for Google ad words and boosts
 - Send video out to all sold customers introducing them to the service manager & advisors



Cost of Labor Analysis

The service department pays our technicians per job using All Data to determine the hours which works well so we won't be making any changes there.

In looking at the Customer Pay vs Internal work we are almost the same at 76% (which meets NADA Guide) but the Gross and Sales are much less for the Internal. In talking with the Service Director and Service Manager we are going to make a bigger push on Customer pay to try and move the % of sales contribution to 60% Customer Pay or better and push Internal % to 45%. We also want to try to not discount the Internal as much or at all to try and bump the Internal sales and grosses slightly.

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 91,645	\$ 70,263	76.67%	50.78%
Customer Truck			0%	0%
Customer Other	\$ 2,140	\$ 1,726	80.65%	1.19%
Warranty	\$ 19,922	\$ 13,328	66.90%	11.04%
Warranty Other			0%	0%
Internal	\$ 66,784	\$ 51,279	76.78%	37.00%
NVI / Road Ready			0%	0%
Adj. Cost Of Labor		\$ (13,968)	0%	0.00%
Total	\$ 180,491	\$ 122,628	67.94%	100.00%

In analyzing our expense structure for November, we are not too terribly far off the mark. Our personnel expense just sneaks under the max guide of 50% but we may need to look at increasing productivity for a few of the techs and advisors or eliminating one Advisor or technician all together.

Our semi-fixed/Fixed expenses are just over the guide of 30% so upon looking into that we were paying for uniforms for techs that are no longer here, and we re-negotiated that contract as well as for some of the shop supplies that we use. So that should account for the 4% we are over.

Our total expense is just over the 80% guide so I think adjusting the few things we did and improving our tech proficiency will help even everything out. We will reassess at the end of December and make changes accordingly.

Service Department Profit Centering			
Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 122,628		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	\$ 60,206	49.10%	
Semi-Fixed Expense	\$ 12,746	10.39%	
Fixed Expense	\$ 30,041	24.50%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 102,993	83.99%	
Net Profit	\$ 19,635	16.01%	

Changes in Expense Structure



In analyzing our technician shop proficiency for November, we fell slightly below the guide of 87.5% by **3.7%**. Upon a closer look we saw that one of the Master Techs was on vacation the week of Thanksgiving through that weekend, so we were short hours and productivity there for sure. In talking with the Parts Manager, we also discovered that one of his counter guys and one of the lube techs spend a lot of time “talking” at the counter instead of running parts and working so we corrected that as well.

So, in summary we came away with the following changes:

- Verify proper staffing to account for vacations & missed hours
- Rearranged the parts counter to eliminate “talking” unnecessarily to techs
- Have extra counter guy take parts out to the techs so they do not stop working
- Created a cart in the middle of the shop with common supplies (oil filters, cabin filters, etc.) to eliminate the back-and-forth walking
- Have set parking for lot cars so techs can find them faster instead of searching for them

NADA ACTUAL SERVICE ANALYSIS						
Performance						
	Labor Sales / Month		Hourly Labor Rate		Hours Billed	
Customer Car*	\$ 91,645	÷	133.18	=	688.1	
Customer Truck*		÷		=	0.00	
Customer Other*	\$ 2,140	÷	133.18	=	16.1	
Warranty	\$ 19,922	÷	147.28	=	135.3	
Internal	\$ 66,784	÷	136.67	=	488.7	
New Vehicle Prep		÷		=	0.00	
Total	\$ 180,491				1328.1	

POTENTIAL						
	\$ 180,491	÷	1328.11	=	\$ 135.90	
	Total labor sales for month		Total hours billed		Effective Labor Rate	
	9.00	x	8	x	22	= 1,584.0
	# Service mechanical technicians		# Hours/Day		Working Days/Month	Clock Hour Avail
	1,584.0	x	\$ 135.90	=	\$ 215,266	
	Clock Hours Available		Effective Labor Rate		Labor sales potential	

How proficient are your technicians ?						
	1,328.1	÷	1,584.00	=	83.84%	
	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	12
	x
Number of Days	22
	x
Number of Hours	8
	x
Effective Labor Rate	135.49
FACILITY POTENTIAL	\$ 286,155

FACILITY UTILIZATION	
Total Labor Sales	\$ 180,491
	+
Facility Potential	\$ 286,155
	<i>equals</i>
FACILITY UTILIZATION	63.07%

FACILITY POTENTIAL	
Number of Bays	12
	x
Number of Days	22
	x
Number of Hours	8
	x
Effective Labor Rate	135.49
FACILITY POTENTIAL	\$ 286,155

FACILITY UTILIZATION	
Total Labor Sales	\$ 213,491
	+
Facility Potential	\$ 286,155
	<i>equals</i>
FACILITY UTILIZATION	74.61%

**Includes
\$10k
increase
in Gross in
all 3
categories**

In reviewing the Facility Potential and Utilization in November, we are greatly underperforming at 12% less than the NADA guide of 75%. In order to improve these metrics, we need to focus on getting more customers in the door as well as capitalizing on the ones we have. To improve this, we need to do the following:

- Focus on GROSS!!
- Perform a good walk around with every customer to help set the stage for what their vehicle will need
- Menu every customer and try to upsell more to them
- Run a warranty/recall campaign to try and drive more customers in for recalls and warranty work to move that needle a little
- Make sure technicians have all the equipment, tools, software updates, Wi-Fi, etc. that they need to do their jobs efficiently

By increasing our mix of business by \$10,000 more in all 3 categories (Customer Pay/Quick Lube, Warranty and Internal) we can achieve that 75% benchmark. Our plan to achieve this in December is to take a closer look at the Advisor performance and set goals for them to achieve as well as look at what tech is getting what job to make sure we are maximizing there as well. We are confident we will be at **75%** utilization in December.

100 RO ANALYSIS



Repair Order Analysis Summary Report							
	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 4,883	÷ 60.10	= 81.25	FRH Average			
Maintenance	\$ 14,098	÷ 75.80	= 185.98	FRH Average			
Repair	\$ 12,061	÷ 71.90	= 167.75	FRH Average			
Totals	\$ 31,042	÷ 207.80	= 149.38	Customer ELR			
			Target Labor Rate	149.28	Per FRH		
Total Ro's in Sample	100	Difference		0.10	Per FRH		
Cost of Labor							
Total Cost of Labor	6684.80	÷ Total Sales	= 21.53%	Percent Cost of Sales			
Total Cost of Labor	6684.80	÷ Total FRHs	= 32.17	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	31,042.12	÷ Total ROs	= 310.42	Avg Labor per RO			
Total FRHs	207.80	÷ Total ROs	= 2.08	Avg FRH's per RO			
Menu Sales		÷ Total ROs	=	Percent Menu Sales			
Competitive FRHs	60.10	÷ Total FRHs	= 28.92%	Percent Competitive			
Maintenance FRHs	75.80	÷ Total FRHs	= 36.48%	Percent Maintenance			
Repair FRH	71.90	÷ Total FRHs	= 34.60%	Percent Repair			
One item ROs	35	÷ Total ROs	= 35.00%	Percent One Item RO			
Model Year Analysis							
2023	2022	2021	2020	2019	2018	Older	Total
0	4	6	4	11	17	58	100
0.00%	4.00%	6.00%	4.00%	11.00%	17.00%	58.00%	



The first 50 RO's had way more Gross and Hours Booked, but also DOUBLE on the One Item RO's

ROs 1-50	Totals	3,353.63	33.60	10,153.48	56.30	9,148.78	52.40	4,722.15	23
Date of Study:		C Labor		M Labor		R Labor		Total Cost of Labor	One Item Repair Order
Study Compiled by		Labor Sales	Flat Rate Hours	Labor Sales	Flat Rate Hours	Labor Sales	Flat Rate Hours		

RO's 51-100	Totals	1,529.70	26.50	3,944.05	19.50	2,912.48	19.50	1,962.65	12
Date of Study:		C Labor		M Labor		R Labor		Total Cost of Labor	One Item Repair Order
Study Compiled by		Labor Sales	Flat Rate Hours	Labor Sales	Flat Rate Hours	Labor Sales	Flat Rate Hours		

100 Repair Order Evaluation

- ❑ Timeline is 11/15/2022- 12/15/2022
- ❑ High Number of one-line RO's **at 35%**. Guide is 10-15%
- ❑ We do a lot of older model, higher mileage vehicles which is why our Maintenance is relatively high at 35% and is an easy sell to these customers.
- ❑ Total ELR is \$149.38 which hit the target of \$149.28. (Door rate is \$190)
- ❑ I noticed there was quite a bit of repair work being declined by the customers. Need to build more value
- ❑ Implementing the Missed Opportunity meeting and having the Service Manager call the customer before their vehicle is complete and possibly offering a discount should help improve the Repair category which will help us make more GROSS! We are slightly below the Guide of 40% in the Repairs category **by 5%**
- ❑ Evaluating our walk-arounds and menu process to help upsell more work on the One-line Ros should help move that needle as well.
- ❑ Possibly posting competitive pricing in the shop will help build value for the customer and help the Advisor with upselling
- ❑ Overall is a pretty good mix. Need to focus on Repair and Upselling on the people coming in for just an oil change.

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WEAKNESSES

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THREATS

STRENGTHS

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OPPORTUNITIES

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STRENGTHS

- Experienced Technicians
- Fully staffed with 4 Advisors and a Service Manager
- Supportive Service Director
- Valet/loaner program for customers
- Low comebacks and high First Time Fixed Right
- TEAMWORK!

WEAKNESSES

- Poor Communication between Service and Parts
- Poor Communication between Advisors and Customers
- Poor Scheduling system for appointments
- Challenging website with broken links
- No Google Business Page for Service

OPPORTUNITIES

- Young Technicians who are trainable and have longevity for employment
- Create better Apprentice program
- More OEM Training options
- Adding more specialty equipment
- Upselling- putting a good process in place
- New Dealer in the area. Capture new business that the previous owner lost

THREATS

- Landlocked; no room for expansion to add more bays or lanes for quick lube
- Space Constraint for Parts Dept expansion
- Hard to recruit highline Master Techs for Volvo and Mercedes. Only have 1 of each currently
- High Unapplied Time

OBJECTIVES

- ❑ Improve RO count per advisor to create more opportunities for work
- ❑ Improve Customer Pay Gross and Upselling. No DISCOUNTING!
- ❑ Improve tech efficiency by giving the right work to the right technician
- ❑ Improve communication between Parts & Service

STRATEGIES

- ❑ Set realistic goals with each advisor and track their progress
- ❑ Morning shop meetings to discuss current jobs and upcoming jobs
- ❑ Service Manager ONLY can-do discounting
- ❑ Gets Parts and Service on the SAME page!
- ❑ Be TEAM minded

TACTICS

- ❑ Morning meeting with Advisors to review missed opportunities (just like sales dept)
- ❑ Advertise Specials for 30 days to drive in more customer opportunities
- ❑ Weekly meetings with Parts Manager, Service Manager and General Manager to discuss issues or problems
- ❑ Manage walk-ins for oil changes. Try to set appt. to manage expectations.

Action Plan

Task	Role	Completion Date
Review Service Hours to potentially match Sales	Service Manager/Service Director	January 1, 2023
Look at possible swing shift schedule for techs to maximize facility ability	Service Manager/Service Director	January 1, 2023
Create new marketing campaign to drive more service business	Service Manager/Service Director/General Manager	Monthly Basis to start January 1st
Daily Shop Meetings	Shop Foreman/Service Manager	Daily Task effective immediately
Service Department & Parts Department Meetings	General Manager	Weekly Task effective immediately
Eliminate Discounting	Service Manager	Daily and ASAP
Review missed opportunities/Lost Sales with Advisors	Service Manager/Shop Foreman	Daily Review and Monthly Report. Effective ASAP
Get Business Cards for all Technicians	Service Manager/Marketing Manager	ASAP!

Synopsis

My biggest takeaway from a deeper dive into the service department is that we have a lot of great policies and procedures currently in place, but we are missing the mark slightly. Being a new dealer, we had some obstacles to overcome with the current staff and getting them on board with change.

We recently took a pole of the technicians and advisors to see if they would be open to expanding the shop hours or doing swing shifts and they are. That was a HUGE STEP 1 ACCOMPLISHMENT for us. So, we are looking to adjust the schedule we have and extending our hours a few hours M-F and on Saturday. With adjusting the hours and schedules we should be able to make sure we are fully staffed daily to maximize the hours available which will in turn make us more productive and profitable.

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We also are focused on fine tuning the process for the advisors to maximize their opportunities with customers. We are creating a board in the service managers office with everyone's goals that will be updated daily. Having 4 competitive advisors should help create a positive environment for them to be successful and goal oriented. Also having the daily reviews of missed opportunities or declined work and having the Service Manager call the customer personally to try and get them back in or offer a possible discount to try and gain that business will also help move the needle.

As we saw in the Facility Potential slide, we just need to move the needle \$10,000 a month in Customer Pay, Warranty and Internal to achieve that 75% mark. This breaks down into \$2500 per Advisor a month and \$114 dollars a day. Very achievable. We also have a CSI bonus kicker for the advisors and Service Manager so they do not become so focused on gross that we forget to take care of our customers.

We are excited to see these change in processes coming together and are anxious to see how December ends up!

