

Service Department Analysis for Twin Cities Performance Ferrari

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Class # 406

Strengths

1. Our ownership group is extremely supportive and understanding of the struggles of opening a new point in a new market.
2. The Staff is dedicated to growing with the business.
3. We have a geographic advantage with regards to competition since the next closest Ferrari dealer is over 400 miles away.
4. Ferrari has a great reputation locally and nationally. Client expectations are that they will receive a luxury experience and that is the way we are built.
5. Our dealer group is highly respected in the market with regards to customer service.
6. Our roll off enclosed flat bed truck and our 3-car long distance enclosed hauler allows us to provide services that are not available to any local competitors. i.e. Maserati, Bentley, Aston Martin.
7. We are fortunate to have landed 3 highly experienced Ferrari techs that either live in the area or were moving to the area.
8. Ferrari clients understand that ownership is not cheap. They know there will be high costs and are ok with paying.

Weaknesses

1. Indoor space is limited and makes efficiency difficult.
2. Ferrari as a manufacturer isn't exactly dealer friendly. Communication is difficult and many processes are not defined.
3. Given our geographical location, winter weather will make colder months difficult to drive efficiency.
4. As a new dealer, we have had to undergo several construction projects in the shop to become more in line with Ferrari's expectations.
5. Ferrari as a brand struggles with its reputation regarding reliability and ease of warranty claims.
6. Since Ferrari has not been represented in this market, we are finding out that many owners have either sold their Ferrari due to lack of available service or have developed a relationship with other dealers across the country to handle their service work. We will need to get units in to operation to grow our base.
7. Even with the addition of a third technician, we are still scheduling 3 weeks out.
8. Not having a warranty admin pushes more work onto the manager and advisor preventing them from being more productive

Opportunities

1. After our first year in business, we were finally able to receive a warranty labor rate increase. We are now just \$29 short of our CP door rate.
2. We have planned a door rate increase for January 1st of 2023 as we are still not yet near our justifiable price.
3. Since there has never been a Ferrari dealer in the area, we have the opportunity to set the standard.
4. The ownership group has invested in a 48 car off site storage facility that we can rent out for off season storage, long term service project storage, and oversized tool storage.
5. Once the construction is done, we will have the space to add an additional tech.
6. With the addition of an alignment rack, we will be able to sell and perform far more alignments vs trying to utilize other shops rack.
7. Knowing that we are scheduling 3 weeks out, gives us an opportunity to grow. There are far more services that we need to complete with each car than we can currently provide in the space we had prior to the construction.

Threats

1. We operate a very limited staff that does not allow for much sick time or PTO. It is very easy for the shop to come to a standstill.
2. There is no room for error with regards to our reputation. Word travels fast in such a small market.
3. Even with the additional off-site storage, we struggle with space. It is difficult to work on multiple cars at once with no place to put cars that are waiting for parts.
4. Wild swings in the market value of exotic vehicles can create a lack of driving exotic cars which in turn slows the need for maintenance as well as the occurrence of breakdowns.
5. Winter weather can make every part of our job difficult. It creates a very limited driving season which can cause us to be overwhelmed with work at some points of the year. Since its weather related, we have very little control over this.

Objectives

1. Increase ELR on Customer pay and internal.
2. Have a more consistent process of communication from the techs to the parts counter.
3. Streamline the process of getting cars to and from the off-site storage.
4. Ensure the fixed ops management team including managers, advisors, and parts counter are driven to grow the department together.
5. Remove warranty admin work from the Service Manager and Service Advisor so they have more time to focus on client experience and upselling.
6. Streamline the process of getting cars in and out the shop.

Strategies

1. Utilize our techs so that they work to their strong suits.
2. Develop a luxury experience playbook for all employees to follow.
3. Create two schedules, one for maintenance and simple repairs. And one for complex long-term projects.
4. Develop a procedure to utilize the existing tools we have to measure tread depth and alignment so we can sell more alignments.
5. Create labor and parts lists for complex jobs to minimize parts ordering mistakes and down time.

Tactics

1. Increase Door rate to help offset high labor costs.
2. Create a pool pay plan for the techs to have them all working towards the same goal.
3. Hire a full-time service assistant/runner
4. Change comp plan of the service manager, advisor, and the parts manager so that they all get paid on the overall fixed profitability.
5. Hire a warranty admin.
6. Create a weekly fixed ops "Save an R.O." meeting with the parts and service manager to keep both departments well informed.

Action plan.

Task	Responsibility	Completion date
Promote lead tech to Partial working Foreman	S.M./ G.M.	Jan 31st 2023
Increase door rate to \$269	S.M	Feb 1st 2023
Place ad for Warranty Admin	G.M.	Dec 15th 2022
Write new comp plans for the Manager, Advisor, and parts	G.M.	Dec 15th 2022
Schedule weekly Fixed ops meeting	G.M.	Dec 1st 2022
Place ad for service assistant/ runner	S.M.	Feb 1st 2023

1. Marketing

a. Currently

- i. We have sent email blasts to purchased list of potential clients. We have our offerings on our website. With multiple places to contact us

b. Goals.

- i. Grow our reach to surrounding states
- ii. Create enough business to need another tech

c. Plans to achieve goals

- i. Attend events in other surrounding markets
- ii. Promote our long distance drop off and pick up service
- iii. Connect with out of state Ferrari clubs

d. Plans to evaluate changes

- i. YOY comparisons of cars we did not deliver that service with us
- ii. Did we hire another tech?
- iii. If not, did we expand hours to accommodate additional workload

2. Cost of Labor

a. Currently

- i. We have 3 techs with 1 working Foreman. With the brand we represent, there is no need for a light duty tech, so all techs do all jobs

b. Goals

- i. Increase ELR to be in guide with our new Warranty Labor rate

c. Plans to achieve goals

- i. Increase door rate
- ii. Minimize down time transitioning between jobs by upgrading hoists
- iii. Install in house Alignment rack so we are not restricted by the Porsche schedule

d. Plans to evaluate changes

- i. Measure ELR from before and after door rate increase
- ii. Measure average number of tickets written per month from before and after changes.
- iii. Calculate the number of Alignments from before and after the installation of the rack.

3. Expense structure

a. Currently

- i. 5 Hoists, 3 tech, 1 flat bay
- ii. Current hoists are not suitable for the height and width of Ferraris.
- iii. This is limiting the number of cars we can process since all cars not being actively worked on are off site.

b. Goals

- i. Increase Proficiency by 10%

c. Plans to achieve goals

- i. Install hoists that are easier and more efficient to use
- ii. Install an additional hoist
- iii. Install an alignment rack to increase the number of alignments as well as the time it takes to perform them.

d. Plan to evaluate changes

- i. This should be fairly easy as we will see an uptick in the number of R.O.s per month and the number of Alignments per month.

4. Productivity

a. Currently

- i. The techs are limited by the tools they have at their disposal.
- ii. All warranty admin is performed by the advisor and manager. Which does not allow for adequate upselling

b. Goals

- i. Create an easier means of processing each R.O.

c. Plans to achieve goals

- i. Hire a warranty admin
- ii. Adopt a group pay plan in an effort to allow multiple techs to work on a car to increase the speed in which they complete each R.O..

d. Plan to evaluate changes

- i. We should be able to compare the number of R.O.s sold each month.
- ii. Advisors should have increased add on sales with having more time to focus on sales vs warranty admin.

Synopsis

There are several factors that stand out here. The first is that our Target Labor rate is making my ELR look better than it real is. As of December 20th of 2022, we received a Warranty Labor rate increase to \$200 per hour. Taking that into the equation, we are around \$12 per hour behind our target. We also have an opportunity on Competitive pricing. With our isolated location, we don't have real competition for most work. There are only two independent shops in town that work on Ferraris and they focus on performance modifications. Our limited menu pricing needs to be addressed. With all basic maintenance covered by Ferrari for the first 7 years, our core business is on repair hours. This is a big advantage for us sine we are the only shop in town that works on Ferraris that we more than 10 years old. Our cost per labor hour is quite high however that is to be expected since we don't employ any light duty techs. Overall, we have a sound service department that needs more units in operation. The simple tasks that many shops take for granted such as loading a car on and off a hoist need to be remedied so we can evaluate how efficient we truly are. With the increase in capacity and labor rate we should be able to see drastic changes with the new year.

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 299,960	\$ 235,958	78.66%	56.36%
Customer Truck			0%	0%
Customer Other			0%	0%
Warranty	\$ 72,084	\$ 54,100	75.05%	13.54%
Warranty Other			0%	0%
Internal	\$ 160,180	\$ 124,437	77.69%	30.10%
NVI / Road Ready			0%	0%
Adj. Cost Of Labor		\$ (41,849)	0%	0.00%
Total	\$ 532,224	\$ 372,646	70.02%	100.00%

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 372,646		
Variable Expense	\$ 49,721	13.34%	
Selling Expense		0.00%	
Personnel Expense	\$ 543,208	145.77%	
Semi-Fixed Expense	\$ 235,296	63.14%	
Fixed Expense	\$ 295,603	79.33%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 1,123,828	301.58%	
Net Profit	\$ (751,182)	-201.58%	

NADA ACTUAL SERVICE ANALYSIS

Performance

	<i>Labor Sales / Month</i>		<i>Hourly Labor Rate</i>		<i>Hours Billed</i>
Customer Car*	\$ 299,960	÷	229.00	=	1309.9
Customer Truck*		÷		=	0.00
Customer Other*		÷		=	0.00
Warranty	\$ 72,084	÷	166.00	=	434.2
Internal	\$ 160,180	÷	229.00	=	699.5
New Vehicle Prep		÷		=	0.00
Total	\$ 532,224				2443.6

POTENTIAL

\$ 532,224	÷	2443.59	=	\$ 217.80	
Total labor sales for month		Total hours billed		Effective Labor Rate	

3.00	x	9	x	21	=	567.0
# Service mechanical technicians		# Hours/Day		Working Days/Month		Clock Hour Aval

567.0	x	\$ 217.80	=	\$ 123,495	
Clock Hours Available		Effective Labor Rate		Labor sales potential	

How proficient are your technicians ?

2,723.0	÷	6,237.00	=	43.66%	
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

6

x

Number of Days

21

x

Number of Hours

567

x

Effective Labor Rate

194

FACILITY POTENTIAL

\$ 13,859,748

FACILITY UTILIZATION

Total Labor Sales

\$ 532,224

÷

Facility Potential

\$ 13,859,748

equals

FACILITY UTILIZATION

3.84%

Repair Order Analysis Summary Report

	Sales in Dollars	FRH's on RO's	Averages	Analysis
Competitive	\$ 15,554 ÷	128.85 =	120.71	FRH Average
Maintenance	\$ 36,203 ÷	179.90 =	201.24	FRH Average
Repair	\$ 59,345 ÷	275.47 =	215.43	FRH Average
Totals	\$ 111,102 ÷	584.22 =	190.17	Customer ELR
Target Labor Rate			168.00	Per FRH
Total Ro's in Sample	84	Difference	22.17	Per FRH

Cost of Labor

Total Cost of Labor	21714.73 ÷	Total Sales =	19.54%	Percent Cost of Sales
Total Cost of Labor	21714.73 ÷	Total FRHs =	37.17	Cost per FRH

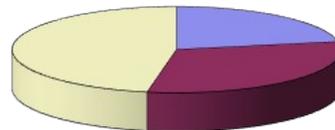
Repair Order Measurements

Total Labor Sales	111,102.34 ÷	Total ROs =	1322.65	Avg Labor per RO
Total FRHs	584.22 ÷	Total ROs =	6.96	Avg FRH's per RO
Menu Sales		Total ROs =		Percent Menu Sales
Competitive FRHs	128.85 ÷	Total FRHs =	22.06%	Percent Competitive
Maintenance FRHs	179.90 ÷	Total FRHs =	30.79%	Percent Maintenance
Repair FRH	275.47 ÷	Total FRHs =	47.15%	Percent Repair
One item ROs	63 ÷	Total ROs =	75.00%	Percent One Item RO

Model Year Analysis

2024	2023	2022	2021	2020	2019	Older	Total
0	1	10	2	4	3	64	84
0.00%	1.19%	11.90%	2.38%	4.76%	3.57%	76.19%	

Labor Mix



Percent Competitive
 Percent Maintenance
 Percent Repair