

FINANCIAL MANAGEMENT HOMEWORK – ACTION PLAN

- S** Specific
M Measurable
A Achievable
R Relevant
T Time bound

What is your goal? What do you want to achieve? From what metric? To what metric? By what date?
 Example: "I will decrease my 5K run time from 30 minutes to 21 minutes by June 15, 2020."

S M T

My SMART Goal is to increase Service department gross profit return on sales to 75% minimum by fiscal year end October 31 2023

How does this goal align with or support your dealer’s vision?
 What are the BENEFITS of achieving your goal? What are the CONSEQUENCES if you don’t?
 Why is this goal important to you?

R

The goal of increasing Service Gross profit return on sales aligns perfectly with our larger Dealer vision as our Dealer Principle set an absorption goal with our OEM for Fiscal year end. In dissecting what makes up absorption with the ATD financial management exercises it's clear to see where we are missing the target with respect to absorption and that would be the Service Department Gross Profit return on sale. Upon deeper investigation it was very beneficial for us to look at our Service gross profit return on sales by Customer (IE. Customer pay, internal, Warranty). Upon completing this exercise it was alarming to me to discover our biggest areas of weakness in terms of profit return happen to be with the 2 internal customers... Warranty and Internal, thus should be the quickest to correct. Our current snap shot of Service GP is as follows:
 Customers pay 74.3% / Internal 71.2% / Warranty 64.2% for an average of 69.9%.
 You can very quickly see what we need to do as a group to bump up are over all Service profitability. Some of the major consequence we will face if we decide to do nothing about this are as follows.
 1) Performing a warranty repair in the shop verses working on a customer pay job is actually costing us money. 2) We need to have a Meeting with our Corp Service DSM and challenge our Warranty payable rate as it is costing us money and is far below guide. 3) We need to address as to why internal customer is less than 75% as our New and Used truck departments pay full door rate. In Summary this goal is important to me as the exercise in class showed me key areas of improvement within our service department as it relates to profitability and ultimately being the underlying denominator to move the absorption needle for the Dealer Principal in the right direction. We are also living in a time where technicians wages are constantly going up to try and retain them which is fine, but already being far below bench mark for GP return makes it harder to afford those wages. I am confident that if I successfully see my goal though that this will help my dealer principal reach his goal.

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How will you track your progress? Where will you find the information? How often will you check in?



Once the changes have been made to Customer, Internal, and Warranty labor rate, we will monitor daily by using our business systems DOC to maintain our margin. Service Writers will have a margin expectation thresh hold in place where they will need a manager approval over ride to be allowed to bill an invoice under 75% margin regardless of customer. In addition to these 2 fail safes we will have a month end review per each location to determine and analyze the results with the formulas ATD provided. If the expectation was not met, then a deeper conversation will be had with the service manager, foreman, and service writer at that specific Dealership with the VP of fixed ops to determine why they missed the mark. The process with remain in place until all locations are constantly hitting 75% across the board.

Potential Obstacles?



Corp Service DSM not accepting a Warranty audit.

Increasing wages on the floor after we calculate new door rate will be counter productive and cause us to miss our mark with respect to GP%

Potential Solutions?



With Kenworth we are only aloud to challenge our warranty payable rate twice a year, our next available time is no sooner then July, thus taking a bit longer to catch up on the warranty side. Unfortunately nothing we can do about it unti July due to an OEM Policy

We will need to first calcualte and distrubte nessary pay increases to all service personell prior to determining our top line door rate so that we ensure our new door rate is enough to compensate for the pay increases meanwhile also being able to hit our 75% GP target. Doing it in reverse could cause a major problem.

BOTTOM LINE! What is the financial impact (expressed in dollars) of achieving your goal?



If we are able to successfully reach 75% GP across the board in Service based on last years financials sitting at 70.3% GP that would make for a gross profit increase of \$472,769.00 !!!

CONGRATULATIONS! You’ve accomplished your goal! You added or adjusted policies, procedures, and behaviors. Now what? How will you ensure you and your staff do not fall back into the previous habits that produced poor results? Be specific.



Compensation will be tied more directly to GP performance, IE if not at 75% for the current month service personell bonuses will not be paid out. Daily operating control will be reviewed by service managers / supervised by VP of Fixed ops
Reviewed at month end Via VP of fixed ops, if target not met at a specific location VP will hold a management meeting at that location to determine why.