

KEIOIKE NUTTER N409 / GERRY LANE BUICK GMC
 FIXED OPERATIONS 2 SERVICE HOMEWORK

data used from January 2023 financial statement (month)

MARKETING

Our current practices for marketing the dealership service department includes the following: commercials, front license plate and Gerry Lane decals on the rear of the vehicles sold which gives the customer free oil changes for the life of the vehicle as long as they own it. My goal is to improve the stores potential and retention above the industry's average of 35%. I plan to achieve that by including the non- dealer customer survey in the dealerships service department as well as on the dealership website. The sales department will introduce the customers to the service department 100% of the time after their vehicle purchase. I would also like to implement the service advisors building rapport and finding out the additional vehicles that may be within the household that are not GM vehicles and make the customer aware that we can service those vehicles as well. Including prepackaged maintenance options on the night drop service envelopes. The plan to evaluate these changes will come directly from the monthly R.O report that the Service manager will be required to run monthly. The monthly R.O report will allow us to properly evaluate the customers that were serviced and it will allow us to identify if they are new customers and if they are our current customers that we have retained and how long they have been a customer of ours.

ANALYZE COST OF LABOR

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 154,143	\$ 120,194	77.98%	56.48%
Customer Truck			0%	0%
Customer Other			0%	0%
Warranty	\$ 66,941	\$ 54,398	81.26%	24.53%
Warranty Other			0%	0%
Internal	\$ 31,667	\$ 17,194	54.30%	11.60%
NVI / Road Ready	\$ 20,178	\$ 20,123	99.73%	7.39%
Adj. Cost Of			0%	0.00%

Labor				
Total	\$ 272,929	\$ 211,909	77.64%	100.00%

We currently pay our technicians by the hour per job based on the hours that are required for the job. My goal is to maximize the work/ hours that we are getting out of each technician. The goal is to maximize the gross in relation to the cost of labor. I will keep the technician pay the way it is but include a proficiency bonus.

CHANGES IN EXPENSE STRUCTURE

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 320,450		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	\$ 155,278	48.46%	
Semi-Fixed Expense	\$ 43,916	13.70%	
Fixed Expense	\$ 19,896	6.21%	
Unallocated Expense	\$ -	0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 219,090	68.37%	
Net Profit	\$ 101,360	31.63%	

The service department currently is not selling all of the available hours. The first thing of importance is to look at maximizing the gross first, not changing the expenses. The goal is to hold 76% gross. One of the most important things to implement is accountability. The service manager making the technicians accountable is the first step. Based on the information collected the personnel expense is within the 45-50% guideline. The Semi- fixed is currently below the 25-30% guideline. The net profit guide is 20% and its currently at 32%. The service department will continue to focus on accountability and selling all the hours that are available. This will be tracked by the Service manager as it currently is.

PRODUCTIVITY

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate	=	Hours Billed
Customer Car*	\$ 154,143	÷	145.00	=	1063.1
Customer Truck*		÷		=	0.00
Customer Other*		÷		=	0.00
Warranty	\$ 66,941	÷	125.00	=	535.5
Internal	\$ 31,667	÷	75.00	=	422.2
New Vehicle Prep	\$ 20,178	÷	125.00	=	161.4
Total	\$ 272,929				2182.2

POTENTIAL

$$\begin{array}{r}
 \boxed{\$ 272,929} \div \boxed{2182.23} = \boxed{\$ 125.07} \\
 \text{Total labor sales for month} \qquad \qquad \qquad \text{Total hours billed} \qquad \qquad \qquad \text{Effective Labor Rate}
 \end{array}$$

$$\begin{array}{r}
 \boxed{15.00} \times \boxed{12} \times \boxed{23} = \boxed{} \\
 \text{\# Service mechanical technicians} \qquad \qquad \text{\# Hours/Day} \qquad \qquad \text{Working Days/Month} \qquad \text{Clock Hour Avail}
 \end{array}$$

$$\begin{array}{r}
 \boxed{4,140.0} \times \boxed{\$ 125.07} = \boxed{\$ 517,784} \\
 \text{Clock Hours Available} \qquad \qquad \qquad \text{Effective Labor Rate} \qquad \qquad \qquad \text{Labor sales potential}
 \end{array}$$

How proficient are your technicians?

$$\begin{array}{r}
 \boxed{2,182.2} \div \boxed{4,416.00} = \boxed{49.42\%} \\
 \text{Hours Billed} \qquad \qquad \qquad \text{Hours Available} \qquad \qquad \qquad \text{Tech Proficiency}
 \end{array}$$

Our current technician proficiency is 49% which is unacceptable. Our service department can increase the technician Proficiency first recognizing the motivation and skills of the technicians that we currently have. The technicians that are highly skilled but unmotivated will need an incentive to get them going. The higher the proficiency the less technicians we will need. We can also increase the technician proficiency by improving the activities in the parts department. Increasing the RO fill rate, stocking the most frequently used parts and prepackaging repetitive parts. The service manager can evaluate the changes in proficiency monthly, to ensure that we are tracking in the right direction and if we aren't we can continue to make adjustments.

FACILITY

FACILITY POTENTIAL

Number of Bays		27
	X	
Number of Days		23
	X	
Number of Hours		12
	X	
j'		125.41
FACILITY POTENTIAL		\$ 934,555

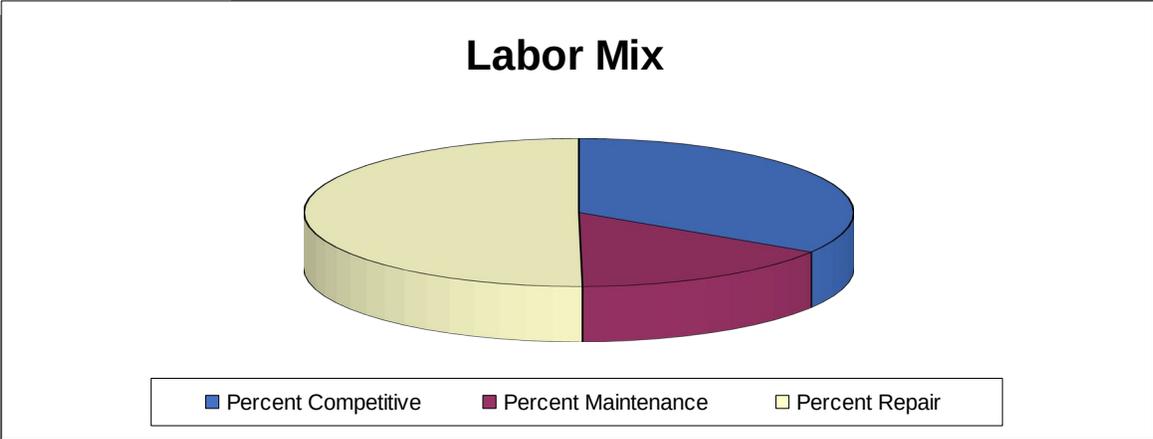
FACILITY UTILIZATION		
Total Labor Sales	\$	272,929
	÷	
Facility Potential	\$	934,555
		<i>equals</i>
FACILITY UTILIZATION		29.20%

The current facility utilization is 29.20%. The Facility utilization guide is 75%. The plan is to increase the facility utilization as much as possible, with the goal being the nada guide of 75%. Opening the service department for an additional hour until 6pm. Studies have shown that extending the service department for an additional hour per day will increase revenue and doing a double shift will double the revenue. We will be able to evaluate the changes by simply computing our total labor sales monthly and divide them by the facility potential to see if we are on track.

100 REPAIR ORDER ANALYSIS

Repair Order Analysis Summary Report							
		Sales in Dollars	÷	FRH's on RO's	=	Averages	Analysis
Competitive		\$ 4,629	÷	56.50	=	81.92	FRH Average
Maintenance		\$ 3,393	÷	26.30	=	129.00	FRH Average
Repair		\$ 10,539	÷	83.50	=	126.21	FRH Average

Totals	\$ 18,560	÷	166.30	=	111.61	Customer ELR
					Target Labor Rate	126.49
Total Ro's in Sample	100				Difference	-14.88
						Per FRH
						Per FRH
Cost of Labor						
Total Cost of Labor	4058.00	÷	Total Sales	=	21.86%	Percent Cost of Sales
Total Cost of Labor	4058.00	÷	Total FRHs	=	24.40	Cost per FRH
Repair Order Measurements						
Total Labor Sales	18,560.15	÷		=	185.60	Avg Labor per RO
Total FRHs	166.30	÷	Total Ros	=	1.66	Avg FRH's per RO
Menu Sales		÷	Total Ros	=		Percent Menu Sales
Competitive FRHs	56.50	÷	Total FRHs	=	33.97%	Percent Competitive
Maintenance FRHs	26.30	÷	Total FRHs	=	15.81%	Percent Maintenance
Repair FRH	83.50	÷	Total FRHs	=	50.21%	Percent Repair
One item Ros	94	÷	Total Ros	=	94.00%	Percent One Item RO
Model Year Analysis						
2024	2023	2022	2021	2020	2019	
0	1	10	19	13	8	
0.00%	1.00 %	10.00%	19.00%	13.00%	8.00%	



Based on the RO analysis. The service department has too many one item Ro's. The high percentage of one item Ro's is telling me that we are not offering everything to the customer that is recommended. We are missing several opportunities to sell the customer services that they are in need of. The free oil change, lube and filter for the life of the vehicle that is offered is definitely affecting our competitive percent. The correct customer pay work mix includes competitive being the lowest at 20% and maintenance and repair at 40%. Our service department does not have the proper mix based on the analysis. The nada guide is 10- 15% for

one-line items. This is truly affecting the revenue and gross in the service department. The highest percentage of FRH's is currently repair at 83%, competitive is 56% and maintenance is 26%. The repair labor rate is averaged at \$126 in comparison to the door rate at \$145. This could be a direct reflection of labor being discounted. There are several things that need to be improved. Selling more services / hours per RO. We have updated the DMS so that only the service manager can authorize a discount.

SERVICE DEPARTMENT ANALYSIS FOR GERRY LANE BUICK GMC KEIOIKE NUTTER N409-12

QUALITATIVE ANALYSIS - STRENGTHS

1. Gerry Lane Buick GMC has a great reputation and our management team is filled with employees that has a long tenure.
2. Our service department is made up of experienced personnel.
3. The service department has low turnover with technicians.
4. The service department is experienced in handling high volume.
5. The majority of the personnel throughout the dealership has a strong work ethic.
6. The service department manager is someone that cares and asserts himself and will help in any way that he can.

QUALITATIVE ANALYSIS- WEAKNESSES

1. The service department shop closes an hour earlier than the actual service department.
2. The service department hours do not mirror the sales department.
3. The service advisors need to do a better job at collecting the correct information from the customers.
4. Service advisors overpromising customers.
5. Technician poor to wrong diagnosis.
6. Parts department need to stock more common parts.
7. Comebacks in the service department.
8. Training or lack thereof.
9. Staff relying on someone else to their job.
10. Parts availability
11. Service department and the parts department working together as a team vs independently.
12. Non dealer competitive pricing displays.
13. Lack of multi- point inspection videos.

QUALITATIVE ANALYSIS- OPPORTUNITIES

1. Better marketing for the service department.

2. Potential to learn the automotive technology for more advancement in comparison to the aftermarket environment.
3. Marketing the service department ability to work on all makes and models.
4. Installing a display for brakes, filters etc. in the service department.
5. Non- dealer competitive pricing in service.

QUALITATIVE ANALYSIS- THREATS

1. Declining interest to become technicians.
2. Losing business to Aftermarket independent repair shops.
3. Service advisors not appreciating the customer and their business as if the customer is obligated to service their vehicle at our dealership.
4. Issues with part availability and it affecting the customers experience and possibly resulting in losing a customer which will ultimately affect the dealerships retention.

OBJECTIVES

1. Improve the technician productivity, proficiency and efficiency.
2. Increase Labor Sales.
3. Decrease the number of one item RO's.
4. Increase the facility utilization.
5. Improve gross on customer pay RO's.
6. Improve motivation of technicians.
7. Increase gross profit

STRATEGIES

1. Consistently check pricing on all parts and ensure that we are pricing competitively.
2. Devise a system to ensure that the service advisors are offering all of the additional services that are recommended to the customer from the technician.
3. Hold a meeting with service advisors and parts sales to discuss how to handle pricing when speaking with the customer over the phone.
4. Put the non-dealer competitive pricing in the service lane.
5. Create a scheduling system that will allow the service department to be able to handle the volume.

TACTICS

1. Adjust technician pay to include bonuses for proficiency % and uploading multi point inspection videos.

2. Advertise special discounts on packaged services.
3. The parts manager must authorize parts discounts and continuously check the pricing of the parts to ensure that the parts markup is maximized
4. The service manager is the only person that is authorized to discount labor pricing.
5. Have weekly Tuesday meeting with the parts manager to discuss the emergency purchases, the stock of the 100 most requested/ordered parts and gross profit percentages. If we are where we need to be how do we keep continued success and if we aren't what adjustments do we need to make?
6. Have weekly Tuesday meeting with the service manager to discuss the gross profit, current labor sales, tech proficiency and customer satisfaction index. If they are where they need to be how do we keep the continued success and if we aren't what adjustments do we need to make?

EXAMPLE ACTION PLAN

TASK	ROLE	COMPLETION DATE
Create bonus for tech proficiency.	GM/ Service Manager	May 1, 2023
Extend service shop hours of operation	GM/ Service Manager	May 1, 2023
Weekly Tuesday meeting with service manager	GM	Weekly
Weekly Tuesday meeting with parts manager	GM	Weekly
Install parts display for service maintenance	Service Manager	April 1, 2023
Install non-dealer competitive pricing board	Service Manager	April 1, 2023
Adjust parts requiring markup adjustments	Parts Manager	April 1, 2023
Disable discounting setting in DSM for labor	Service Manager	April 1, 2023
Disable discounting setting in DSM for parts	Parts Manager	April 1, 2023

SYNOPSIS

The service department is open until 6pm and the service shop is open until 5pm.The service shop hours should definitely mirror the service department.

One additional hour per day in the shop will definitely make a difference in the gross profit, labor sales and total revenue.

Including the new hours and the non-dealer competitive pricing board on the dealership website as well as in the service lane will definitely help educate and add value to the services for the customer. Also including the parts display in service will make a huge difference. Most customers are visual, this along with the prepackaged maintenance will definitely help with labor sales.

The technician proficiency and the facility utilization will be monitored and tracked daily. The added bonus for technician proficiency will motivate the technician to strive for a higher proficiency percentage. The bonus for the multi point video inspection will yield a higher return of multi point inspections and as a result there will be an increase in recommendations and sales. There is a higher approval percentage for customers that were given a video of their multi point inspection with recommendations.

The service advisors as well as the parts counter sales representatives need formal training. Training is extremely important being that they are the main form of contact with the customers in service and parts. The customers need to feel that we care and they are most important. Whether in person or over the phone they should be trained to handle the customer at the highest level and deliver the best customer service which results in a great customer experience. This is the type of experience that is talked about and as a result will drive more business into the service lane.

I am truly excited about the growth potential for our service and parts department. We are truly a team and the better we work together to improve each department as a whole we will be better, more profitable and more successful overall.