

NADA Fixed Ops 2(Post class homework)

Brad Zielinski-Class 332-17

Gurley Leep GM Giant

All Calculations are based on March 2018 Financial Statement

- a. Advertising: Our service advertising strategy centers around direct mail, email blasts, and web banners. Occasionally we will run direct mail for sales and include service coupons as well. Below is an example of an email blast coupon we sent out recently.

Pot Hole Special

Includes:

- Alignment
- Tire Rotation
- Inspect Suspension
- Multi-Point Inspection

\$10.00 off

Must present when service order is written. One coupon per customer. May not be combined with other offers. Not applicable to prior purchases. Not responsible for typographical or printing errors. Other restrictions may apply. Expires 04/14/2018 ALN-015B

The internet advertising is as follows:

We offer competitive prices on popular vehicle services such as oil changes, brakes, and tires.

SERVICE OFFERS AND PRICING

[VIEW SERVICE OFFERS](#)

6-QUART OIL CHANGE, 4-TIRE ROTATION, AND MULTI-POINT INSPECTION*	8-QUART OIL CHANGE, 4-TIRE ROTATION, AND MULTI-POINT INSPECTION**	BRAKE PADS INSTALLED ACDELCO ADVANTAGE
\$49.95 ACDELCO DEXOS1 FULL SYNTHETIC. More than 6 quarts of oil extra.	\$59.95 ACDELCO DEXOS1 FULL SYNTHETIC. More than 8 quarts of oil extra.	\$99.95 PER AXLE ON MOST ACDELCO ADVANTAGE BRAKE PADS INSTALLED*
<small>*Tire balancing, tax, and more than 6 quarts of oil extra. Excludes diesel engines. See dealer for eligible vehicles and details. Offer ends 12/31/18.</small>	<small>** Tire balancing, tax, and more than 8 quarts of oil extra. Excludes diesel engines and medium-duty trucks. See dealer for eligible vehicles and details. Offer ends 12/31/18.</small>	<small>Includes rotor inspection, 12-month/unlimited-miles parts and labor limited warranty. ** Select ACDelco Advantage Rotors Installed (per axle) can be added for an additional \$184.95 or less*** on trucks, mid-size SUVs, and full-size SUVs. ***Turning or replacing rotors, all other services, and tax extra. Excludes medium-duty trucks, high-performance pads, and other select vehicles. See dealer for eligible vehicles and details. ***To the original retail purchaser. Parts and labor included on Dealer installed parts. See dealer for full limited warranty details. ****Tax extra. Excludes Advantage Coated rotors. Visit mycertifiedservice.com/rotors for model pricing. Offer ends 12/31/2018.</small>

Seasonally we advertise via direct mail for A/C services, winterization, pot hole specials etc. We also market our customers based on how long it has been since their last visit(12 months or greater etc....) Based on how long it has been will determine what coupon/special we send them. One of our key elements currently is our service retention. We also want to continue to search out new customers from other makes and models and also competitive franchises.

- b. Marketing: We are currently working with our Fixed Operations director to refocus our efforts in regards to getting signage for servicing other makes and models. We are located on a main road near the local hospital and we are focusing on these customers specifically . We are discussing a banner as well as direct contact with the hospital for service. We already provide discounting on auto purchases however I would like to set up a drop off and delivery service for these customers as well. Currently most of our marketing is focused towards the customers that have not been in our facility in the last 12 months. We also are looking at direct mail and email blasts to market ourselves to competitive customers. We have the three colored tires in our service lane for increased tire sales.





Certified Service

What Color are
Your Tires?
7/32 to 4/32

CAUTION

GUARANTEE

Certified Service



We also have tire racks in the service lane with pricing for Good, Better, Best levels of tires.

I also have attached the NADA non-dealer survey that was completed in February to show our maintenance pricing. Our pricing appears higher however after discussing with our fixed operations director he feels as if our overall service experience will allow for us to keep the pricing where it is. We also have 7 stores locally and he wants us to stay consistent with the groups pricing strategy.

Non-Dealer Competitive Maintenance Pricing
Summary Survey

- This survey is designed for independent, or non-dealer stores.
- Make sure to include parts and labor.

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Prices

							Totals (Sum Rows)
Zolmans							
256-2011	39.95	9.95	29.95	89.95	69.95	159.95	399.70
Town & Country							
258-5545	19.95	Free	19.95	49.95	59.95	99.95	249.75
Perrys							
252-7272	29.95	19.95	49.95	101.99	79.55	129.55	411.31
Fire Stone							
807-3352	19.95	Free	22.95	89.95	49.95	89.95	272.75
Competitor Averages	27.45	14.95	30.75	95.46	64.95	119.95	345.81
My Dealership	49.95	Free	59.95	139.95	109.95	159.95	519.75

Heidi
2/26

Michelle
2/26

Jim
2/26

Steve
2/26

c. Facility:

FACILITY POTENTIAL	
Number of Bays	12
	x
Number of Days	24
	x
Number of Hours	10
	x
Effective Labor Rate	95.1
	<i>equals</i>
FACILITY POTENTIAL	\$ 273,888

FACILITY UTILIZATION	
Total Labor Sales	\$ 140,707
	÷
Facility Potential	\$ 273,888
	<i>equals</i>
FACILITY UTILIZATION	51.37%

- Currently our facility has 12 bays in which 10 have lifts. Based on the fact that we are utilizing only 51.37% of our facility we have tons of room to grow.
- d. Productivity: Our Tech proficiency for March was 77.06 which leaves room for improvement based on the guide of 120%. We have had some improvements over the last few months since I have taken over so we are moving in the right direction. The total hours billed is insufficient at 1479.65 and a big opportunity is in customer pay hours per ro. We recently have started using Xtime, which will help based on their program. We also are taking a serious look at who we are dispatching the mix of work to. If we have a tech on payroll we need to be utilizing them to the best of their abilities. We had way too much unapplied time in March.

NADA ACTUAL SERVICE ANALYSIS

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Performance

	Labor Sales / Month	Hourly Labor Rate	Hours Billed
Customer Car*	\$ 61,086	÷ 92.86 =	678.5
Customer Truck*	\$ -	÷ =	0.00
Customer Other*	\$ -	÷ =	0.00
Warranty	\$ 27,376	÷ 108.80 =	251.6
Internal	\$ 43,958	÷ 92.86 =	473.4
New Vehicle Prep	\$ 8,287	÷ 108.80 =	76.2
Total	\$ 140,707		1479.6

POTENTIAL

\$ 140,707	÷	1479.65	=	\$ 95.10
Total labor sales for month		Total hours billed		Effective Labor Rate
10.00	x	8	x	24 = 1,920.0
# Service mechanical technicians		# Hours/Day		Working Days/Month Clock Hour Avail
1,920.0	x	\$ 95.10	=	\$ 182,582
Clock Hours Available		Effective Labor Rate		Labor sales potential

How proficient are your technicians ?

1,479.6	÷	1,920.00	=	77.06%
Hours Produced		Tech Proficiency		

- e. Production Method: Currently we are using a conventional method with flat rate hours for our technicians. The only twist to this is we partner a veteran tech with a more inexperienced tech by putting them side by side in stalls of in the event of any questions they are right there to assist. There is no additional pay or split pay based on helping. Our service advisors are expected to work together as a team however they are paid based on the hours they produce individually. They do however get paid on franchise CSI so it is important to work together to keep customers happy.
- f. Analyze cost of labor:

Service Department Sales And Gross (Labor Only)

page A-3

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 61,086	\$ 44,135	72.25%	43.41%
Customer Truck			0%	0.00%
Customer Other			0%	0.00%
Warranty	\$ 27,376	\$ 21,218	77.51%	19.46%
Warranty Other			0%	0.00%
Internal	\$ 43,958	\$ 36,939	84.03%	31.24%
NVI / Road Ready	\$ 8,287	\$ 6,339	76.49%	5.89%
Adj. Cost Of Labor		\$ (9,256)	0%	0.00%
Total	\$ 140,707	\$ 99,375	70.63%	100.00%

The cost of labor for March was 29.39%, this is too much as the guide for gross profit retention is 72%, thus leaving 28% for cost. So we were slightly over but very close.

- g. Changes in expense structure:

Service Department Profit Centering pageA-7

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 100,750		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	\$ 52,460	52.07%	
Semi-Fixed Expense	\$ 17,673	17.54%	
Fixed Expense	\$ 17,705	17.57%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 87,838	87.18%	
Net Profit	\$ 12,912	12.82%	

Our expenses were too high in March. Guide tells us that we need to be at 45-50% personnel expense and we were at 52.07% which is the difference between being in line at 80% total. Had we been at 45% we would have been fine. One of the concerns here is we increased our number of advisors to 4 in March which increased our personnel expense. We did not see the lift we needed in labor sales that would be necessary to cover the expense of the fourth advisor. So we need to improve labor sales and gross to accomplish this. If not we must say goodbye to an advisor.

- h. Pay plans: Attached are the pay plans for the service manager(Alan Royce) and our service advisor pay plans, all advisors are paid the same so I used one for Kevin Chlebowski. There is a Presidents club that the advisors can qualify for. Presidents club begins at \$75,000 in labor sales. The bonus is \$250 for achieving this. If they hit \$90,000 in sales they qualify for elite status which pays a \$750 bonus.

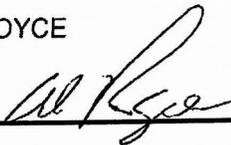
Our technicians are paid anywhere from \$12.00-\$28.00, presidents club(Tea with Z) qualifiers start at 50 hrs per week for the entire month. These qualifiers get \$100, if they average 55 hours they get \$150. All presidents club qualifiers both advisors and Tea with Z(techs) have a luncheon celebrating their performances at which point we have multiple giveaways as well. Sporting events or concert tickets and additional money.

Sample Pay Plan

Note: Sample only to demonstrate calculations

TOTAL GROSS		\$117,737
60% FACTOR		<u>\$70,642</u>
BASE SALARIES		<u>\$4,680</u>
ABSENTEE COMPENSATION		\$1,646
ADVERTISING		\$4,750
TRAINING		\$1,500
COMPANY VEHICLES		\$1,100
OFFICE SUPPLIES		\$800
OTHER SUPPLIES		(\$4,100)
POLICY WORK		\$1,200
OUTSIDE SERVICES		\$4,200
DATA PROCESSING		\$6,000
FREIGHT (77F)		<u>\$2,500</u>
TOTAL EXPENSES		\$24,276
FIXED POOL		\$46,366
VALUE PER SHARE	1,000 SHARE DIVISOR	<u>\$46.37</u>
FIXED SHARES	160	\$ 7,418.59
CSI BONUS		\$1,000.00
TOTAL BONUSES		\$ 8,418.59
LESS DRAW		<u>\$4,000.00</u>
FINAL BONUS CHECK		\$ 4,418.59

ALAN ROYCE

X 

P

THE GURLEY – LEEP AUTOMOTIVE FAMILY

PLAN SUMMARY - Alan Royce

POSITION

Service and Parts Director – GM GIANT

PAY PLAN START DATE
COMPENSATION

January 2, 2013

DRAW: \$923.08 Weekly (\$4000.00 Monthly avg)
FIXED BONUS: 160 Shares (fixed)
(Calculation based on share value outlined in attachment)
CSI BONUS: \$ 1000.00 if franchise is at or above National 3 month avg Q 16
\$ 0 if franchise is below National (paid monthly)

BENEFIT PACKAGE

VACATION See Employee Handbook.
INSURANCE COVERAGE See Employee Handbook.
401 K PACKAGE See Employee Handbook.

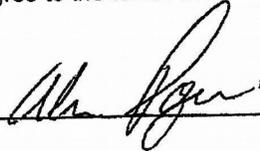
The information contained in this document is confidential and not to be discussed outside of yourself and executives of Gurley Leep Automotive.

We do reserve the right to change this pay plan as well as the Commission Structure from time to time as business conditions dictate. The Commission Structure is calculated within the discretion of the Dealership and may not reflect actual costs. The actual and assigned costs would include, but not necessarily be limited to, volume discounts and other packs of products purchased. Finally, this pay plan is not intended to be an "employment contract" or a contract for any particular term.

ACKNOWLEDGEMENT

A sample Pay Plan was reviewed and explained to me.
I have read and agree to the terms of the foregoing description of the current Pay Plan.

Signature



Date

1-4-2013

THE GURLEY – LEEP AUTOMOTIVE FAMILY

PLAN SUMMARY - Kevin Chlebowski

POSITION

Service Advisor – Gurley Leep GM

PAY PLAN START DATE

January 1, 2014

COMPENSATION:

5.5 % of individual sales based off total on 3611 reports
Calculated and paid weekly
Internals to be split between all advisors

CSI BONUS:

1.0% of individual monthly sales if franchise(s) is at or above
National Average

.5% of individual monthly sales if individual monthly score is at or
above National Average

Calculated and paid monthly based on month end total on 3611
report
0% if both scores are missed

BENEFIT PACKAGE

VACATION

See Employee Handbook.

INSURANCE COVERAGE

See Employee Handbook.

401 K PACKAGE

See Employee Handbook.

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Signature _____

Date _____

- i. Detail performance programs: Every day there is a shift meeting with all advisors and technicians to go over all key metrics from the previous day/month to date. In these meetings the service manager reviews RO count/hrs per RO, CSI, any potential concerns with scheduling or workflow. They communicate as to what each day looks like, who will be doing what when possible. They review the current trends with the month, how are we tracking, what do we need to make up in order to stay on pace. Potential pitfalls when it come to difficult situations/customers. Overall communication is key when working with so many moving parts to service department.
- j. Level of current training: All of our employees in our service department are to be 100% trained each quarter as this is required for us to collect our Essential Brand Elements money.

Job Title	Quarter 3	Quarter 1
BOC Manager	Green	Green
BOC Representative	Green	Green
Business F&B Manager	Green	Green
Customer Contact/Trainer - Certified Cadillac	Green	Green
Customer Experience Equip - Certified Cadillac	Green	Green
Customer Experience Manager	Green	Green
Digital Marketing Manager	Green	Green
General Manager	Green	Green
General Manager - Certified Cadillac	Green	Green
General Support	Green	Green
Office Manager/Coordinator	Green	Green
Parts & Service Director	Green	Green
Parts Consultant	Green	Green
Parts Manager	Green	Green
Sales Consultant	Green	Green
Sales Consultant - Certified Cadillac	Green	Green
Sales Consultant - Certified Pre-Demot	Green	Green
Sales Manager - Certified Cadillac	Green	Green
Sales Manager - Certified Pre-Demot	Green	Green
Subst Manager - New	Green	Green
Service Advisor - Certified Cadillac	Green	Green
Service Consultant	Green	Green
Service Manager	Green	Green
Service Manager - Certified Cadillac	Green	Green
Technology Expert - Certified Cadillac	Green	Green
Technology Expert - Sales	Green	Green
Technology Expert - Service	Green	Green
Warranty Admin	Green	Green

- k. Special tools: Special tools are kept in the back of the service department in a separate closet. They are organized by size and type.



DT-36893 W-CASE

BREAKOUT Box
BREAKOUT Box
DT-48218
XZT MAGNA TRANNS KIT
Storage Case

NV64500 TRANS KIT
S-29143
HM282 TRANNS KIT
V-T
138716 GREAT WALL

EN 46124
HIGH FEATURE ENGINE
TOOLS
13553 CATERPILLER
TRANS STORAGE CASE

Various other toolboxes and equipment on shelves, including blue storage bins and metal cases.



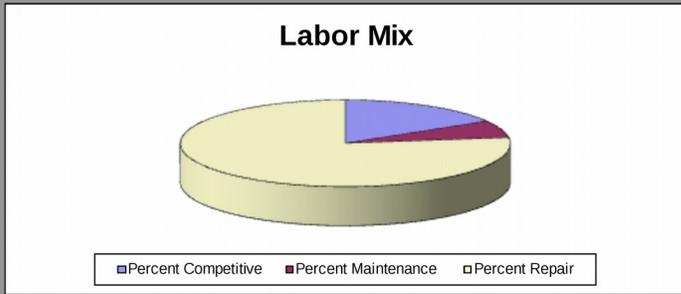




I. 100 RO analysis

On our analysis the effective labor rate was \$114.03 which is very good in my opinion. Our mix of competitive and maintenance vs repairs is not in line, NADA recommends that 60% come from competitive and maintenance and 40% from repairs. On these 100 RO's our repair was 77.07% vs 22.93% for competitive and maintenance. On the analysis we find that both competitive and maintenance are less than our ELR, this has been typical of all of the reports I have ran. We had a better than average March so I feel these numbers are a little higher than what they typically are in regards to ELR. Our hours per RO are 2.25 which is above guide so that is a win as well. My biggest concern on the analysis is the one item RO percentage is 69%. Guide is 10-15%, we have recently began a transition to Xtime which should help reduce the number of 1 item RO's based on the Menu presentation. We also had 65% of the vehicles on this analysis that were 2013 or older which also helps the repair percentage as these vehicles are typically out of warranty and need more repairs.

Repair Order Analysis Summary Report							
	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 3,835	÷ 37.00	= 103.65	FRH Average			
Maintenance	\$ 863	÷ 14.60	= 59.13	FRH Average			
Repair	\$ 20,958	÷ 173.40	= 120.86	FRH Average			
Totals	\$ 25,656	÷ 225.00	= 114.03	Customer ELR			
			Target Labor Rate	110.80	Per FRH		
Total Ro's in Sample	100	Difference		3.23	Per FRH		
Cost of Labor							
Total Cost of Labor	5517.70	÷ Total Sales	= 21.51%	Percent Cost of Sales			
Total Cost of Labor	5517.70	÷ Total FRHs	= 24.52	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	25,656.00	÷ Total ROs	= 256.56	Avg Labor per RO			
Total FRHs	225.00	÷ Total ROs	= 2.25	Avg FRH's per RO			
Menu Sales		÷ Total ROs	=	Percent Menu Sales			
Competitive FRHs	37.00	÷ Total FRHs	= 16.44%	Percent Competitive			
Maintenance FRHs	14.60	÷ Total FRHs	= 6.49%	Percent Maintenance			
Repair FRH	173.40	÷ Total FRHs	= 77.07%	Percent Repair			
One item ROs	69	÷ Total ROs	= 69.00%	Percent One Item RO			
Model Year Analysis							
2019	2018	2017	2016	2015	2014	Older	Total
0	1	7	6	10	11	65	100
0.00%	1.00%	7.00%	6.00%	10.00%	11.00%	65.00%	



m. S.W.O.T analysis

Strengths:

- Veteran service manager of 30 years
- 10 technicians have a combined 174 years of experience
- Established franchises that have been the backbone of our organization for 40 years
- Increased new vehicle sales over the last 5 years will continue to increase customer base.
- Parts manager has been with our company for 17 years
- We have 4 advisors one has been with our company since 1987, one since 1990, the other two are new and have been doing it for 1 year each

Weaknesses:

- CSI is horrible. So much of what I am implementing is in relation to customer experience and service. We must treat our customers as if they are not “work” to us. We must manage our own attitudes to keep the experience at a world class level. With all of the experience we have in this department it should not be a concern. We become bored with our job and that cannot happen. We must provide for our customers to increase our retention and CSI scores. Since I have been here it has been moving in the right direction both retention and CSI. We must get to the top and stay there.
- Communication must be improved. One of the number one downfalls of a service department is communication. We must get more involved with updating our customers both up front and during their visit. We need to under promise and over deliver. Too many times we find ourselves doing the opposite and it takes down both CSI, customer experience, and retention. If we tell someone it is going to be an hour and we disappear for 2 hours and do not update them they will never come back. We must get better at this.
- Service department hours do not mirror sales
- Need non-dealer pricing board in service drive, as well as “why” to service with Gurley Leep board
- Need to limit one line RO's.....65% on analysis

Opportunities:

- Market us repairing all makes and models
- CSI....improving the customer experience will improve our CSI levels, which in turn will increase retention.
- Develop better communication both with the sales department to make the service department run smoother, and with our current customers in the service drive thus increasing customer experience.
- Continuous training on Xtime to maximize customer experience as well as providing a better menu selling process to increase hours per RO

Threats:

- One of the largest threats we have is the independent shops such as Belle Tire, Zolman Tire etc....They offer more convenient hours and Sunday hours at this point which in itself will take customers out of our hands.
- With some of the new implemented practices we need immediate results. If they do not come they will consider some of the things we are changing as wasted time and energy. Many of the veteran employees are not forward thinking and they feel as if what they have always done is good enough in today's world. Not the case.
- GM products providing maintenance to some of the vehicles, customers feel as if they are "covered".
- Concerns with new factories being built in our area taking away quality technicians

Objectives:

- Continuous improvement to be above GM retention levels
- Increase customer pay RO's monthly
- Continuous improvement on CSI to get us over both Zone and National averages
- Reduce number of 1 line RO's to guide of 15%

Strategies:

- Increase advisor training with the new Xtime tool to provide a better customer experience thus increasing hours per RO and decreasing one line RO's
- Service BDC to work with the Xtime scheduling system to generate more incoming appointments at the customers convenience not necessarily the advisors
- More marketing campaigns geared towards competitive customers
- Increased training for the service drive "presentation" as well as phone training for advisors

Tactics:

- Implement a "why service here" board for service, this shows customers why they should spend their hard earned money with our dealership
- Have weekly meeting with service manager going over daily shift meeting info, also tracking where we are at in regards to monthly goals
- follow up with advisors individually to track performance(let them know I am paying attention)weekly
- Improved scheduling and menu selling due to the implementation of Xtime
- Update customer waiting area with better technology(larger tv, better connectivity)already in the process of.....
- with Xtime, Ipads are implemented to do better walk arounds with customer prior to writing up vehicle

Action Plan:

- Improve service department CSI above zone and national average by 6/1/2018. GM and service manager are in charge of this task
- weekly meeting with advisors to go over all numbers for the prior week, also to discuss the trends and progress of the month. This will

be implemented the first week of May 2018. It will be performed by the GM and service manager

-Implement a new first service process using Xtime. Training is week of May 14th, implementation of new process to follow week of May 21st. This will be a task for the general manager and sales managers

-reduce unapplied time from \$8000 to 6000 by May 1, from \$6000 to \$4500 by 7/1. This task is to be taken on by the Service Manager.

Synopsis:

The most important part of a franchised dealership is its service department. The old saying, sales gets the first deal and service gets all of the rest is very true. In a world where a customer's lifetime value is \$517,000 we must have a service department that is providing the best customer experience possible. This will not only improve a store that has struggling CSI, it also will improve all of the other financial aspects as well. Gross will increase as will hours per RO. When you sell more service parts sales and profits increase as well. We have recently changed to Xtime scheduling and systems to help improve both our number of RO's but also the gross and hours attached to these RO's. With a great process in regards to a customer friendly greeting and an improved walk around we will be setting the stage for the customer experience designed to increase all numbers. Once the customer has the experience we just mentioned they will be more open to spending more money with people they like and trust thus allowing our tenured technicians the ability to provide the proper recommendations to our customers. We are focusing a lot of energy on improving our retention as well. I firmly believe that the main component of retention is proper customer service. I know that is the number one thing I have been speaking on however, I am very passionate about this topic. Treating people the right way is the way to improve everything within any department. Successfully implementing the Xtime process is imperative to the success of this department. They will provide the tool, we will provide the customer satisfaction, and then the service department numbers take care of themselves. There are other items we will be doing as well. The service manager will be having daily shift meetings with both technicians and advisors to keep them up to speed as to the progress of our month. Weekly I will meet with the advisors to also follow their progress and let them

know that I am following their numbers as well. Another component of the action plan is to reduce the unapplied time here at the dealership. Recently we took two technicians off of their guarantees. This should show in our April statement. We also want to continue to grow our customer pay RO's by attacking the competitive segment which includes all makes and models. We are communicating with GM as to what type of signage we can use and stay compliant with EBE standards. With all of the ideas we are currently working on implementing and the solid action plan attached I feel as if we can take the service department to the next level both in customer experience and store profitability.