

John Porter  
Reliable  
Chevrolet  
GMC  
N418  
Service  
Homework



# Marketing

- We will do a better job of advertising that we service all makes and models. This will include on tv, radio, newspaper ads.
- We will also have a banner posted outside the dealership displaying that we service all makes and models.
- We are going to get our competitive non dealer survey turned into a sign(or multiple to be displayed in the service drive and also showroom advertising our pricing compared to our local competition. There is a common misconception that as a dealer, we are always going to be higher. We have take advantage of these opportunities that we have to change how we are viewed among potential customers.
- We are going to do a better job of collaborating with local businesses(a local hospital for example) to expand our reach, making them aware of our service programs. We can offer free pick-up, shuttles, discounts for first time customers, ect.

# Cost of Labor

- Our gross as a % of sales for the month of March was 73.01%, which is right at NADA guide of 73%.
- We are good about staying above guide for our gross as a % of sales percentage.
- Our internal gross is below guide and working to bring that up will help our overall gross profit percentage.

**Service Department Sales And Gross (Labor Only)**

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Pay (6,21)	\$ 78,849	\$ 59,867	75.93%	83.49%
Customer			0%	0.00%
Customer Other			0%	0.00%
Warranty (6,27)	\$ 9,574	\$ 7,501	78.35%	10.14%
Warranty Other			0%	0.00%
Internal (6,28)	\$ 5,005	\$ 3,261	65.15%	5.30%
NVI / Road Ready/ PDI (6,29)	\$ 1,010	\$ 798	79.01%	1.07%
Adj. Cost Of Labor		\$ (2,480)	0%	0.00%
<b>Total</b>	<b>\$ 94,438</b>	<b>\$ 68,947</b>	<b>73.01%</b>	<b>100.00%</b>

# Facility

- We are currently well below the guide of 75% for facility utilization. We sit at 29.61%
- This was an eye opening number for us. We inquired with our service manager on why this number is so low. He stated that a lot of it has to do with certain parts being on back order, and big jobs like engines/transmissions being held up from being completed.
- Another reason is we have a lot of one line ROs, which is hurting our Facility Utilization. We have be more consistent in being thorough in our free multi-point inspections and getting our labor hours up on each RO with upsells.
- We are still in need of another good technician. If we could get one in place, it would also help with our facility utilization.

FACILITY POTENTIAL	
Number of Bays	13
	x
Number of Days	23
	x
Number of Hours	8
	x
Effective Labor Rate	\$ 133.34
	<i>equals</i>
FACILITY POTENTIAL	\$ 318,954

FACILITY UTILIZATION	
Total Labor Sales	\$ 94,438
	÷
Facility Potential	\$ 318,954
	<i>equals</i>
FACILITY UTILIZATION	29.61%

# Productivity

Our technician proficiency is well below the the NADA guide of 120%. We need to do a better job in several areas to get this number a lot higher, including

- Investing more money in training programs for technicians to enhance their skills and keeping them up to date with the latest automotive technology
- Implementing a performance monitoring service to assess technician productivity, efficiency, and quality of work. This includes setting a performance goal for a weekly/monthly basis
- Us doing a better job of making sure technicians have easy access and understanding of service manuals, bulletins, special tools ect.
- We need to do a better job of stocking high turn parts that would hurt tech proficiency numbers. There is also a lot of downtime for technicians waiting on parts from the parts counter. One method that we are planning on putting into place is hiring a parts runner to bridge the gap in that wait time.

## SERVICE INVENTORY ANALYSIS

	Labor Sales / Month		Effective Labor Rates		Hours Billed
Customer Pay	\$ 78,849	÷	135.00	=	584.1
Customer	\$ -	÷		=	0.00
Customer Other	\$ -	÷		=	0.00
Warranty	\$ 9,574	÷	120.25	=	79.6
Internal	\$ 5,005	÷	135.00	=	37.1
New Vehicle Prep	\$ 1,010	÷	135.00	=	7.5
<b>Total</b>	<b>\$ 94,438</b>				<b>708.2</b>

### POTENTIAL

$$\begin{array}{l}
 \boxed{\$ 94,438} \div \boxed{708.24} = \boxed{\$ 133.34} \\
 \text{Total labor sales for month} \quad \text{Total hours billed} \quad \text{Effective Labor Rate} \\
 \\
 \boxed{6.00} \times \boxed{8} \times \boxed{23.0} = \boxed{1,104.0} \\
 \text{\# Service mechanical technicians} \quad \text{\# Hours/Day} \quad \text{Working Days/Month} \quad \text{Hours Available to Sell} \\
 \\
 \boxed{1,104.0} \times \boxed{\$ 133.34} = \boxed{\$ 147,209} \quad \boxed{\$ 184,011.77} \\
 \text{Hours Available to Sell} \quad \text{Effective Labor Rate} \quad \text{Labor sales potential @100\%} \quad \text{Labor sales potential @ 125\%}
 \end{array}$$

How proficient are your technicians ?

$$\boxed{708.2} \div \boxed{1,104.00} = \boxed{64.15\%} \\
 \text{Total Hours Billed} \quad \text{Hours Available to Sell} \quad \text{Tech Proficiency}$$

# Changes in Expense Structure

- Our expenses are below guide for all areas.
- Our total expenses are over 15% lower than guide, but we still have to make sure we are doing everything we can to keep personnel and semi-fixed expenses low.
- We need to make sure we are doing a better job of selling all our available hours to keep the personnel expense below guide.
- We have too many one line R.O.s, and cutting down on those will help us sell these additional hours.
- Our net profit % is well above NADA guide, so keeping our expenses in check will keep that number up.

## Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 68,947		
Variable Expense	\$ -	0.00%	
Selling Expense		0.00%	
Personnel Expense 4,17	\$ 28,835	41.82%	
Semi-Fixed Expense 4,40	\$ 10,106	14.66%	
Fixed Expense 4,55	\$ 4,265	6.19%	
Unallocated Expense 4,60	\$ 1,275	1.85%	
Dealer's Salary		0.00%	
Total Expenses	\$ 44,481	64.51%	
Net Profit	\$ 24,466	35.49%	



# SWOT Analysis

## Strengths

- Not much staff turnover. Most of our employees have been with us for many years and all are close friends.
- Technicians are very knowledgeable of our products along with other vehicle lines.
- Only locally owned dealership in a smaller community
- Strong Customer Service
- Loyal customer base with Chevrolet and GMC

## Weaknesses

- Limited space and not a lot of room for future expansion at current location.
- Certain technicians are always negative and have bad attitudes.
- Not stocking the proper highest turning parts on a regular basis leads to less tech proficiency and longer customer wait times.
- No proper flow of vehicles being distributed to certain technicians.



# SWOT Analysis Continued

## Opportunities

- Not much staff turnover. Most of our employees have been with us for many years and all are close friends.
- Technicians are very knowledgeable of our products along with other vehicle lines.
- Only locally owned dealership in a smaller community
- Strong Customer Service
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## Threats

- Hard to find good technicians in this area.
- Local service centers poaching our techs
- We are in a smaller area with a population that is declining
- Uncertainty of the future of EVs with the general population

# Action Plan

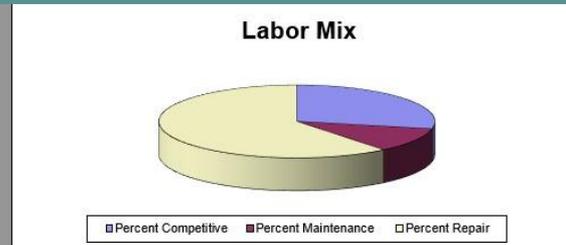
- Implement proper phone etiquette training for advisors and continue keeping them up to date on regular training courses
- Do a better job performing a full multi point inspection on all ROs, helping to cut down on so many one line ROs that we have coming in.
- Create a new position for a parts runner, helping to improve tech proficiency and less downtime sitting around waiting on a part.
- Update our website, service boards, and brochures with our competitive non dealer survey showing how reasonable our pricing really is compared to others.
- Add advertising badging signs around dealership stating how we service all makes and models and never turn a customer away. This will also be implemented on our radio and TV ads.
- Do a better job of staying up to date on training to make sure the technicians know the most efficient methods of repairing vehicles.

# R.O. Analysis

## 100 Repair Orders

- The first thing that sticks out to us is that we are way over the guide of 10-15% one line ROs. We are currently at 59%. This is pretty telling that we have customers coming in and only getting fixed what they initially came in for, and not adding any services. This is consistent with the fact that we have a huge quick lube service.
- Our hours per RO is showing an AVG of 1.25, which is also below guide and lines up with our above statement about quick lube.
- Our target labor rate is \$127 is well below our Customer ELR of \$101.61.
- This is showing our advisors are doing a poor job of creating more opportunities on one line ROs. We need to train our advisors on creating more opportunities for additional repair and add incentives to our technicians for upselling services.

Repair Order Analysis Summary Report							
	Sales in Dollars	FRH's on RO's	Averages	Analysis			
Competitive	\$ 1,877	+ 35.40	= 53.03	FRH Average			
Maintenance	\$ 1,116	+ 13.70	= 81.42	FRH Average			
Repair	\$ 9,731	+ 76.12	= 127.83	FRH Average			
Totals	\$ 12,723	+ 125.22	= 101.61	Customer ELR			
			Target Labor Rate	127.00	Per FRH		
Total Ro's in Sample	100	Difference		-25.39	Per FRH		
Cost of Labor							
Total Cost of Labor	2890.51	+ Total Sales	= 22.72%	Percent Cost of Sales			
Total Cost of Labor	2890.51	+ Total FRHs	= 23.08	Cost per FRH			
Repair Order Measurements							
Total Labor Sales	12,723.37	+ Total ROs	= 127.23	Avg Labor per RO			
Total FRHs	125.22	+ Total ROs	= 1.25	Avg FRH's per RO			
Menu Sales		+ Total ROs	=	Percent Menu Sales			
Competitive FRHs	35.40	+ Total FRHs	= 28.27%	Percent Competitive			
Maintenance FRHs	13.70	+ Total FRHs	= 10.94%	Percent Maintenance			
Repair FRH	76.12	+ Total FRHs	= 60.79%	Percent Repair			
One item ROs	59	+ Total ROs	= 59.00%	Percent One Item RO			
Model Year Analysis							
2024	2023	2022	2021	2020	2019	Older	Total
0	0	7	5	7	5	76	100
0.00%	0.00%	7.00%	5.00%	7.00%	5.00%	76.00%	



# Service Department Flow

- Service Manager
- 2 Service Advisors
- 6 Technicians
- 1 Apprentice

# Service Department Flow Continued

- When a vehicle comes into the service drive, we do not have a dispatcher to allocate the jobs.
- Our advisors will look at a RO and decide at that time which technician should get the job based on skills and availability.
- Our service manager monitors technician hours on a daily basis, and will keep advisors posted if a technician is lacking behind on his expected hours.
- Between dealing with customers and techs at the same time, having a middle man like a forman may be something we look more into just to cut down on confusion and miscommunication.
- As stated before, adding a parts runner into the fold will also help make our service workflow a lot smoother.

# Service Objectives

- Increase Facility Utilization by improving technician proficiency.
- Decrease One Line ROs. This is one of our biggest hurdles that we need to address. The calculations that we did were eye opening for our service department
- Provide phone etiquette training as soon as possible. Our advisors need to act in a more professional manor to customers/potential customers
- Improve communication between technicians and advisors to improve service flow and decrease confusion throughout.

# Synopsis

Even though our numbers are doing well against the NADA guides, there are still many things our service department needs to improve on. Our advisors are very good with customers in person, but there is training that needs to be done on phone etiquette. First time customers may not feel as welcomed over the phone and they don't do the best job collecting information. There will be some training we will do with both of them to start correcting this immediately.

It is very clear we are leaving hours on the table by not selling as many hours as we could. The number of one line R.O.s really stuck out to us when we did the calculations. This is another opportunity for training for our advisors. After that, we are hoping they will see all the chances to sell these additional hours. Sales of these additional hours will help our department's gross profit and is an easily identifiable way to increase profit.

Our tech proficiency needs to improve. We have plans in place to start correcting this. Adding a parts runner to cut down on wasted time will help. Also, making sure techs are spending a lot of time chatting with each other and on social media will cut down on wasted time. With this extra time, we will be able to get through repairs quicker and make our techs more proficient.