

MAY 28, 2023

GREEN SUBARU N418 FIXED OPS: MICHAEL BOSSMANN

DEALERSHIP ANALYSIS





MARKETING STRATEGY:

We currently employ a singular Marketing Manager who runs the specifics for our facility however I do not feel we focus enough of the resources to our service departments.

Here are a few ways we could market our service department more effectively.

- **Facebook Advertising with monthly service specials**
- **POR Material throughout service lanes and waiting area which shows how we stack up to our local independent competitors.**
- **Sponsor Internship with local community college**
- **Create YouTube/Instagram Video which tours our service department and the employees. In video discuss the benefits of servicing with us. Make it fun yet informative.**

I believe we can achieve these changes immediately with our Marketing Manager. After these changes have been made we will watch our R.O. count for the next 90 days to see if we have achieved an increase from the prior quarter. We will poll our customers after every visit to see which marketing source brought them in to our facility. After 90 days we will look to see what is generating the most customers into our shop increase spending on those platforms while also tweaking the areas with least generated traffic.

ANALYZE COST OF LABOR:

Service Department Sales And Gross (Labor Only)					
Category	Sales	Gross	Gross as % of Sales	%Sales Contribution	
Customer Car	\$ 31,100	\$ 21,604	69.47%	16.10%	
Customer Truck			0%	0%	
Customer Other	\$ 81,076	\$ 61,420	75.76%	41.97%	
Warranty	\$ 14,107	\$ 9,685	68.65%	7.30%	
Warranty Other	\$ 49,506	\$ 36,136	72.99%	25.63%	
Internal	\$ 17,403	\$ 13,660	78.49%	9.01%	
NVI / Road Ready			0%	0%	
Adj. Cost Of Labor			0%	0.00%	
Total	\$ 193,192	\$ 142,505	73.76%	100.00%	

We currently implement a Flat-Rate Time with our Main Shop Techs due to the fact that price quotes are made easier for the advisors and customers. Our GP% is close to NADA guide of 76% so I do not believe we need to change or labor pricing strategies. Our biggest area of improvement to get above guide needs to come from our Customer Pay Category. I have noticed a trend of discounts for Labor on Customer Pay R.O.s and I believe our Advisors are taking the easy way out when they have misquoted Labor Time to our customers. Our Service Manager plans to implement a weekly training program with the Advisors and our top performing Sales Reps so that they can learn the skills needed to be more confident in selling discussions with our customer base.

CHANGES IN EXPENSE STRUCTURE:

Service Department Profit Centering			
Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 142,505		
Variable Expense	\$ 45,757	32.10%	
Selling Expense		0.00%	
Personnel Expense	\$ 98,727	69.30%	
Semi-Fixed Expense		0.00%	
Fixed Expense	\$ 30,163	21.20%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 174,647	122.60%	
Net Profit	\$ (32,142)	-22.60%	

Our overall Net Profit continues to suffer in comparison to our Department Gross. After completing another R.O. Analysis we continue to fail at selling all our available hours which is leading to less Labor Sales \$\$ and Department Gross.

I believe we have adequate amount of staffing for our dealership however with our Personnel Expense eating into almost 70% of our Net Profit I believe we need to start looking at the amount of production we are getting from current staff.

For the month of April we had 416 available clock hours not utilized. Our goal effective immediately is not to fire anyone however to make better use of the personnel we have. We have done away with a Dispatcher and moved to a BDC Dept that works with X Time to schedule our appointments. We fill this will allow our Advisors more time with the customers so that can properly disclose and recommend repairs from the multi point inspections. We have also divided our Advisors into teams one Team specializing in Subaru and the other with our Kia brand. We feel that the more training

we can get our Advisors in a specialized brand the more knowledge they will obtain on what the requirements/maintenance schedules are for that manufacturer. The more knowledge they have the more confident they can begin to sell services. I also feel this will benefit our customers so they are dealing with the same familiar faces when coming in for maintenance thus developing more rapport and trust.

PRODUCTIVITY RESULTS:

NADA ACTUAL SERVICE ANALYSIS						
Performance						
	<i>Labor Sales / Month</i>		<i>Hourly Labor Rate</i>		<i>Hours Billed</i>	
Customer Car*	\$ 31,100	÷	89.39	=	347.9	
Customer Truck*	\$ - 0	÷		=	0.00	
Customer Other*	\$ 81,076	÷	89.39	=	907.0	
Warranty	\$ 14,107	÷	105.36	=	133.9	
Warranty Other	\$ 49,506	÷	105.36	=	469.9	
Internal	\$ 17,403	÷	78.47	=	221.8	
Total	\$ 193,192				2080.5	
POTENTIAL						
	\$ 193,192	÷	2080.45	=	\$ 92.86	
	Total labor sales for month		Total hours billed		Effective Labor Rate	
	13.00	x	8	x	24	= 2,496.0
	# Service mechanical technicians		# Hours/Day		Working Days/Month	Clock Hour Avail
	2,496.0	x	\$ 92.86	=	\$ 231,780	
	Clock Hours Available		Effective Labor Rate		Labor sales potential	
How proficient are your technicians ?						
	2,080.5	÷	2,496.00	=	83.35%	
	Hours Billed		Hours Available		Tech Proficiency	
Customer labor divide by the Customer Effective Labor rate from the R. O. Analysis						

Productivity has been a topic of discussion this quarter in our Managerial Meetings. My area of expertise has been on the Variable side of the dealership for 15+ years. When sitting in Fixed Ops meetings my thought process was that of many it seems which was in order to obtain more Labor Sales \$\$ we need to hire more Techs!

After taking this course it has opened my eyes to some other areas to address before jumping to the hiring process. Our Tech Proficiency levels are well below Nada guide our initial goal will be to move our Techs to a Proficiency level of 95%.

We know that keeping Techs happy and in their bays is the best way to increase proficiency and generate more Sales \$\$. We actively working on ways to keep morale up with our Techs. Here are a few things we are now doing: Bi-weekly adjustments/ massages with local Wellness Center, Employee Recognition Party once a quarter which we give out gift cards and a traveling trophy, top 5 Techs in turned hours are treated to dinner/drinks after hours at establishment of their choosing. Like any employee the better your outlook and morale the more productive you will become.

To keep our Techs in their bays we did away with Dispatcher position however implemented a parts runner who acts as the liaison for Techs and Parts Personnel. We have a Porter which pulls cars out of bays when jobs are finished and pulls next job in for Tech with parts for that job located in trunk. Before we close up service shop Porters look at next day appointments and have any vehicles on grounds in the Techs service bays ready to begin work next morning. We have a beverage & snack bar on the service lane dedicated to Techs/Runner/Porter to limit the time to vending machines or drink stations located near sales floor.

Our Service Manager is going to review Proficiency Levels every month and hold service meeting with team as well as conduct one on ones. Service job rotations will tailored to the Techs that are most proficient with their time, simply put the more proficient you are the more R.O.s & work you will be rewarded with. Had we achieved a proficiency level of just 95% last month we would have generated 2371 hours and nearly \$27,000.

FACILITY UTILIZATION AND POTENTIAL:

FACILITY POTENTIAL	
Number of Bays	13
	x
Number of Days	24
	x
Number of Hours	8
	x
Effective Labor Rate	92.86
FACILITY POTENTIAL	\$ 231,779

FACILITY UTILIZATION	
Total Labor Sales	\$ 193,192
	÷
Facility Potential	\$ 231,779
	<i>equals</i>
FACILITY UTILIZATION	83.35%

In order to utilize our service facility in a more productive manner we have recently moved from a Conventional Shop Group to that of a Lateral Support Group. We are already noticing the benefits of the Advisor involvement to get work to the proper tech.

The overall organized chaos as I like to call it seems to be much more functional and cohesive. Now that we have our Advisors with a defined brand and defined team we have notice an increase in their morale. I believe they will do a better job keeping their team of techs motivated.

REPAIR ORDER ANALYSIS:

Repair Order Analysis Summary Report							
	Sales in Dollars		FRH's on RO's		Averages	Analysis	
Competitive	\$ 3,055	÷	36.40	=	83.94	FRH Average	
Maintenance	\$ 4,434	÷	44.15	=	100.43	FRH Average	
Repair	\$ 2,168	÷	23.70	=	91.46	FRH Average	
Totals	\$ 9,657	÷	104.25	=	92.63	Customer ELR	
Target Labor Rate					103.67	Per FRH	
Total Ro's in Sample	98		Difference		-11.04	Per FRH	
Cost of Labor							
Total Cost of Labor	2903.30	÷	Total Sales	=	30.06%	Percent Cost of Sales	
Total Cost of Labor	2903.30	÷	Total FRHs	=	27.85	Cost per FRH	
Repair Order Measurements							
Total Labor Sales	9,656.96	÷	Total ROs	=	98.54	Avg Labor per RO	
Total FRHs	104.25	÷	Total ROs	=	1.06	Avg FRH's per RO	
Menu Sales		÷	Total ROs	=		Percent Menu Sales	
Competitive FRHs	36.40	÷	Total FRHs	=	34.92%	Percent Competitive	
Maintenance FRHs	44.15	÷	Total FRHs	=	42.35%	Percent Maintenance	
Repair FRH	23.70	÷	Total FRHs	=	22.73%	Percent Repair	
One item ROs	67	÷	Total ROs	=	68.37%	Percent One Item RO	
Model Year Analysis							
2024	2023	2022	2021	2020	2019	Older	Total
0	10	11	13	15	11	38	98
0.00%	10.20%	11.22%	13.27%	15.31%	11.22%	38.78%	

My Service Manager, GM and I sat down to Analyze this batch of 100 R.O.s so that collectively see our area of strengths and weaknesses. I would like to focus on the areas we feel need the most improvement right away.

Weaknesses:

- **Average Flat Rate Hours only 1.06**
- **68% One Item R.O.**
- **Only 39% of our R.O.s are on vehicles 5 years or older.**

The Flat Rate Hours and Total Labor Sales will increase if we can address and fix both our % of One Line R.O. and if we can increase the amount of work we do on older vehicles.

As I stated previously in an effort to help our Advisors sell more services we are now holding weekly training meetings with ALL Advisors and our Top Producing Sales Reps. Along with this training we just enrolled our Service Team with a video platform app called SnapCell to perform our Multi Point Inspections. Our Service Advisors will now be sitting down with customers in a private quiet office to gain customers full attention when reviewing MPI. In this office they will use a full color printed MPI report and the SnapCell video to go over recommended maintenance work.

When conducting the Non Dealer Survey I found that our Dealership Maintenance pricing was either lower or right in line with other local competition. This is why one of our new Marketing Strategies is to get POR material displayed on service lanes and service lounges so that the customer can visually see the pricing comparisons. We are working on a "Why Service With Us" tab on our websites in which one of the videos will be dedicated to customers with older vehicles out of warranty. This video will discuss the benefits of having our Factory Trained Techs work on their vehicles and show how a little maintenance \$\$ now could save a ton of repair \$\$ later.

We need to be the service facility that pops in minds when a customer hears a strange noise or one of those scary warning lights randomly pops on.

SWOT ANALYSIS:

SWOT Analysis

Subject: N418 FINAL SERVICE FIXED OPS

Strengths (+)	Weaknesses (-)
<ul style="list-style-type: none"> -WE HAVE PLENTY OF EMPLOYEES AVAILABLE TO RUN OUR DEPT/MAKE IT SUCCESSFUL -DEDICATED MANUFACTURER TEAMS -DEALER GROUP BRAND AWARENESS THAT IS FAMILY OWNED & OPERATED -WILLINGNESS TO SPEND MONEY ON TRAINING -CLEAR PATH FOR TECH ADVANCEMENT 	<ul style="list-style-type: none"> -SHOP MORALE -SERVICE HOURS CONVENIENT FOR EMPLOYEES BUT NOT FOR CUSTOMERS 8-5 MON-FRI AND 8-1 SAT. CLOSED SUN -PARTS MGR SET IN HIS WAYS AND LACK THE KNOWLEDGE OR CONCERN TO PROPERLY STOCK INVENTORY -ADVISORS ABILITY TO DISCOUNT JOBS -TARGETING COMPETITIVE PRICING AWARENESS WITH NON DEALER GROUPS -PHONE SKILLS -TECHS PROFICIENCY BELOW 100% -SEVERAL OPEN R.O.S ON WIP REPORT
<ul style="list-style-type: none"> -APPROACH MARKETING IN SERVICE DEPT AS WE DO IN OUR SALES DEPT -CREATE AND INSTALL POR MATERIAL FOR COMPETITIVE NON DEALER PRICING -RE-STRUCTURE THE STAFF IN TEAMS THAT WILL OFFER THE FLEXIBILITY OF LONGER SERVICE HOURS -GROWING USED CAR MARKET -IMPROVE EMPLOYEE APPRECIATION PERCEPTIONS 	<ul style="list-style-type: none"> -OLDER & DATED DEALERSHIP -LARGE ACTIVE MARKET OF INDEPENDENT GROUPS THAT ARE AVAILABLE TO OUR CUSTOMER BASE AT TIMES WE ARE NOT -ELR SUBSTANTIALLY LOWER THAN OUR DOOR RATE -FINDING NEW AND CREATIVE WAYS TO ATTRACT SELF MOTIVATED PERSONNEL TO WORK WITHIN OUR DEALERSHIP
Opportunities (+)	Threats (-)

Write your goal statement:

OUR OVERALL GOAL IS TO ACTIVELY INCREASE THE # OF R.O.s WITH A BETTER MIX OF MAINTENANCE/REPAIR WORK ON BRANDS OUTSIDE OF OUR OEM. MAXIMIZE ALL AVAILABLE HOURS.

OBJECTIVE:

- **Increase Daily R.O. Counts**
- **Improve Morale and Motivation for Techs & Advisors**
- **Increase level of proficiency for Techs**
- **Increase % of R.O. work on models 5+ years of age**

STRATEGIES:

- **Implement Dedicated Service BDC that works directly with Service Manager to maximize service scheduling.**
- **Conduct another Non Dealer Survey and create competitive pricing materials which will be displayed in service lanes and lounges.**
- **Engage Parts Runner/Porter that will decrease “dead time” for Techs**
- **Increase Overall Effective Labor Rates with more consistent increase in maintenance/repair work**

TACTICS:

- **Service Manager will dedicate hour at the end of each work day to work directly with BDC Manager on proper scheduling.**
- **Weekly Goals for Advisors which include \$2500 daily sales per advisor and 27 FRH per Advisor. Review during one on one sessions by Service Manager Friday evening.**
- **Eliminate Advisor ability to discount with Service Manager Approval**

- **Have Parts Manager conduct updated pricing tape and check with current mark up factors. Adjust accordingly**
- **Host an offsite maintenance event (Worship Service, Local Sporting Event, College Campus) with special discounts to promote shop awareness and generate new clientele.**

ACTION PLAN:

TASK	ROLE	COMPLETION DATE
1. All Service Personnel Meeting	Service Mgr/GM	June 30th
2. Ensure Parts Pricing Structure Current	Parts Mgr	June 30th
3. Create Organized Tech Teams	Service Mgr	June 30th
4. Create & Advertise New Hours of Operation		
To Capture More Comp. Clients	Service Mgr/GM	July 30th
5. Create Non Dealer Comp. Pricing Material	Marketing Mgr	June 30th
6. Display New POR Material in Service Lanes	Service Advisors	July 1st
7. Service Facility Tour on all Used Cars Sold	Salespeople	July 1st
8. Monthly Employee Recognition Party during off hours	Service Mgr	July 30th
9. Create Tech/Advisor Bonuses based on Proficiency Increases	Service Mgr/Gm	June 30th
10. Weekly Parts/Service Manager Meetings to review #s	GM	July 30th

SYNOPSIS:

I firmly believe that dealership needs to address the large amounts of One Line Item R.O.s which would increase both our overall Labor Sales, our Parts Sales and create a more Proficient Team of Techs with boosted morale levels.

If we can increase our Service Hours to mirror our Sales Hours which our open until 7pm weekdays and open until 6pm on Saturdays we would stand to gain more of those customers outside of our OEM Brands. We need to quickly adopt the thinking of being conveniently available for these customers by finding ways to say yes to being open as opposed to finding ways to say no.

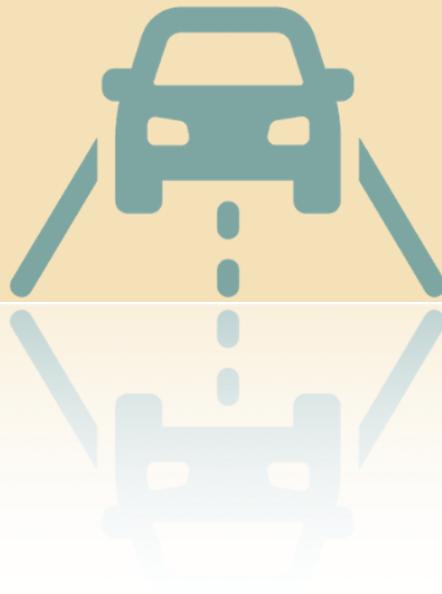
With the Sales Sales conducting a Service Facility Tour on ALL customers and having every customer watch the newly created "Why Service With Us" YouTube Video we should be able to attract customers from various makes and models. This mixed with the Competitive Pricing Displays should start to move the needle in a positive direction for our store.

The additional training for our Advisory Team and the use of private MPI video should get the increase we are looking for in the mix of maintenance and repair work. This increase work should boost morale for Techs and eliminate any complacent thoughts or actions.

Overall I believe we have a great Service Manager who embraces construction criticism and wants to adapt with the market to better serve our customers. Change will not happen all at once nor overnight however I believe with the tools learned in this class we can be better prepared to attack our weak areas.



MAINTENANCE TIPS



COME SEE OUR TEAM OF HIGHLY SKILLED TECHS AT GREEN SUBARU

WE WILL CARE FOR YOUR CARE LIKE IT'S OUR OWN!

