

Fixed Operations 2: Service Homework

Paul Clark Ford
Paula Clark
Class N333-39

*Calculations Based on April 2018 (YTD) Financial Statement

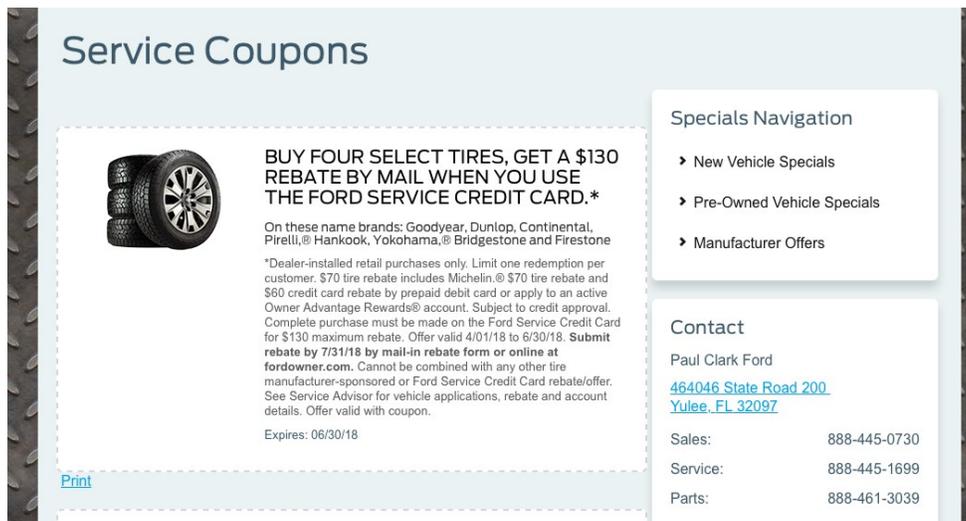
A. Advertising: Currently we have a page on our website describing basic facts about our service department and then a Facebook page that rarely mentions our service department. We send out mailers advertising our Quick Lane and do some email advertising.

We have a Quick Lane website that we made independently from the required Ford site and it does a great job showcasing our services and prices to customers. However, it does not get as much viewership as our main website with the service department information.

Our dealership focuses a lot more on advertising for sales than they do for service. After attending the service class, I have realized we need to focus more on advertising the service department. We should ramp up our Google AdWords for Service as well as have a better presentation on our website of what our service department has to offer.

We plan on signing up to be included in the local mailer they send to people who move to the area. We believe this will help establish our Service Department as a great option to new residents of Fernandina Beach, FL.

We also need to start a campaign on all platforms that really focus on the top ten reasons why an authorized dealer provides the best service.



Service Coupons



BUY FOUR SELECT TIRES, GET A \$130 REBATE BY MAIL WHEN YOU USE THE FORD SERVICE CREDIT CARD.*

On these name brands: Goodyear, Dunlop, Continental, Pirelli, Hankook, Yokohama, Bridgestone and Firestone

*Dealer-installed retail purchases only. Limit one redemption per customer. \$70 tire rebate includes Michelin. \$70 tire rebate and \$60 credit card rebate by prepaid debit card or apply to an active Owner Advantage Rewards® account. Subject to credit approval. Complete purchase must be made on the Ford Service Credit Card for \$130 maximum rebate. Offer valid 4/01/18 to 6/30/18. **Submit rebate by 7/31/18 by mail-in rebate form or online at fordowner.com.** Cannot be combined with any other tire manufacturer-sponsored or Ford Service Credit Card rebate/offer. See Service Advisor for vehicle applications, rebate and account details. Offer valid with coupon.

Expires: 06/30/18

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- ▶ Pre-Owned Vehicle Specials
- ▶ Manufacturer Offers

Contact

Paul Clark Ford
[464046 State Road 200
Yulee, FL 32097](#)

Sales: 888-445-0730
Service: 888-445-1699
Parts: 888-461-3039



- \$189.95 – Front Brake Service
- \$189.95 – Rear Brake Service
- \$379.90 – Front & Rear Brake Service
- \$40.00 – Per axle addition if vehicle is a Super Duty

***Before tax.

Whether you need new rotors, pads or a complete brake job, Quick Lane of Yulee has you covered. We provide brake services for all makes and models. Come in now to speak with one of our Service Advisors and get back on the road safely. No appointment necessary!

Stop by Quick Lane[®] if you notice:

- Squeaking or grinding
- A burning odor
- A hard-to-press or “squishy” pedal
- Shuddering or vibration in your steering wheel
- Rusting or flaking in your brakes or rotors
- Your brake system warning light goes on

Call Quick Lane

Show sidebar (904) 225-3684 info@quicklaneofyulee.com

Quick Lane
TIRE & AUTO CENTER of Yulee

Home Maintenance Brakes Tires About Blog Contact Us

Welcome To Quick Lane of Yulee

Hours: Mon – Fri: 7AM – 6 PM, Sat: 8AM- 4PM, Sun: Closed

Services: Brakes – Tires – Batteries – Battery Testing – Alignments – Vehicle Maintenance

No appointment necessary. Service on evenings and weekends. Any make or model.

Trusted brands like Motorcraft[®]. Name-brand tires from Goodyear, Continental Tire, Michelin and more.

Give us a try and you'll see why life is better in the Quick Lane.

B. Marketing- Non-Dealer Survey:

Common perception is that the dealership service department has higher overhead and charges more than independent shops. After I completed the surveys I found that our dealership had the lowest prices around for menu maintenance items and the lowest price per labor hour compared to other dealerships in surrounding areas. After this finding we have decided to increase our prices slightly and increase our labor rate from \$112 (lowest in the county) to \$115 (right below the county average). We do not put forth an effort in advertising our low prices even though they are the lowest in our area.

We plan on creating a bulletin board to display in the showroom, service write up area, service waiting area, and Quick Lane showing our prices as lower than all our competitors. We also plan to make a digital banner comparing the prices to display on both our websites.

We also plan on training our service advisors and Quick Lane advisors to mention how low our prices are when setting up appointments over the phone to help the customer feel like they are making the right choice by visiting Paul Clark Ford.

We plan to incorporate a board that educates customers on different maintenance intervals and why they are worth the money.

C. Facility - Capacity and Utilization:

FACILITY POTENTIAL	
Number of Bays	23
	x
Number of Days	25
	x
Number of Hours	8
	x
Effective Labor Rate	111.8
	<i>equals</i>
FACILITY POTENTIAL	\$514,280

FACILITY UTILIZATION	
Total Labor Sales	\$363,816
	÷
Facility Potential	\$514,280
	<i>equals</i>
FACILITY UTILIZATION	70.74%

As of our April 2018 (YTD) statement, our facility utilization is close to guide. We need to improve by approximately 5% to be at guide. We hope to improve this by utilizing more advertising materials in the write up area (price comparisons and maintenance tables) as well as training the service advisors to have a streamlined walk around process that leaves no sales opportunities untouched.

We currently aim to book 12 appointments each day. We recently acquired 2 technicians but have not increased our daily appointment goal. We should increase our appointment goal so that we reach full capacity because we cannot rely on walk-ins to keep us afloat. The technicians are hugely dissatisfied when relying on walk-ins (which are sporadic) because it causes them to have down time during the workday.

Our service department needs to utilize the online Ford scheduled maintenance tables in FMC Dealer to make sure they are informing the customer of each suggested maintenance interval. We need to start implementing our multi-point inspection on every customer ticket with no exceptions. Our technicians only do these about 25% of the time in the repair shop. Our Quick Lane does the multi point inspection every time. When the

technicians in the repair shop skip the multi point inspections not only is that unfair to the customer who trusts the dealer (and may not have been to the Quick Lane recently) but it also allows the department to miss out on much-needed sales dollars. These missed sales are critical because we are overstaffed in non-technician positions, which are tearing into our profits. We have 3 techs for every service advisor in the repair shop instead of 5 techs for every service advisor (guide).

We have 10 technicians in our 23 bay shop. This allows each one to have around 2-3 bays at their disposal. We believe this helps the technician feel better about choosing our dealership because they can work on multiple jobs at once and have plenty of room to work. We believe this helps contribute to why our facility utilization is close to guide.

D. Productivity - Tech Proficiency

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	\$ 213,305	÷	112.00	=	1904.5
Customer Truck*	\$ -	÷		=	0.00
Customer Other*		÷		=	0.00
Warranty	\$ 119,621	÷	116.76	=	1024.5
Internal	\$ 30,890	÷	95.00	=	325.2
New Vehicle Prep		÷		=	0.00
Total	\$ 363,816				3254.2

POTENTIAL

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Total labor sales for month Total hours billed Effective Labor Rate

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Service mechanical technicians # Hours/Day Working Days/Month Clock Hour Avail

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Clock Hours Available Effective Labor Rate Labor sales potential

How proficient are your technicians ?

$$\frac{1,220.0}{\text{Hours Produced}} \div \frac{1,807.00}{\text{Hours Available}} = 67.52\% \text{ Tech Proficiency}$$

Customer labor divide by the Customer Effective Labor rate from the R. O. Analysis

Our technician proficiency is at 67.52% April 2018 (YTD) which is almost half of guide. We currently have the service advisors take all incoming calls and scheduling appointments. The only current guidelines are to take up to 12 appointments a day and block them into the front half of day. There are no guidelines regarding when to schedule the work depending on the job and who it may be assigned too. A lot of our scheduling is a guessing game which is why some days we are over loaded with work while others we do not have enough work to keep the technicians happy. We want to hire an appointment specialist who is trained properly on getting all applicable information from the customer up front so that we can schedule efficiently and make sure there will be more work to give the technicians. We would also like to give this person the responsibility of calling all future appointments to confirm so that we can eliminate the number of no shows.

We also want to work with the parts department and get them to track lost sales. This way there will be less chance of a technician having to wait on a part to get the job done. We also have had only one parts staff member for the last two months and the service department needs two parts people to properly serve the technicians. We hope to hire another parts counter person this month to help with proficiency.

E. Production Method - Conventional, Work Group or Team

Our current production style is conventional. We have 6 licensed technicians and one “trainee”. He is currently making \$500 a week and half of his pay is provided by the hours produced by the technician he is currently serving his rotation with. He is a hard worker and passionate about being a technician. We hope to keep rotating him through all 6 technicians until it is time to start his schooling towards master certification.

We currently have one master certified technician. We had two master certified technicians, but one was recruited for a 30% raise by a nearby dealer who had no master certified technicians. We have two diesel technicians. We prefer the conventional system because each of our technicians have a specialization. We have one who we dispatch all the transmission work to, etc. We believe this creates a better-quality service for our customers because they are getting an expert in the required area to repair their car. However, the downside to this is when we have turnover we have to give the work to someone who is not as familiar with that repair which leads to a decrease in proficiency.

Heading towards a work group or team style in the future would be beneficial. This may be difficult to implement because all our technicians pay plans are based off of the hours they turn on their own, so it would be a major adjustment to make them work in teams. We would have to create a positive culture and convince the technicians to want to try a team style or they may leave and work at other shops in the area who are currently willing to pay them comparable if not greater rates than the make here.





F. Analyze Cost of Labor

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 213,305	\$ 149,641	70.15 %	58.63 %
Customer Truck			0%	0.00%
Customer Other			0%	0%
Warranty	\$ 119,621	\$ 91,592	76.57 %	32.88 %
Warranty Other			0%	0.00%
Internal	\$ 30,890	\$ 21,633	70.03 %	8.49%
NVI / Road Ready			0%	0%
Adj. Cost Of Labor			0%	0.00%
Total	\$ 363,816	\$ 262,866	72.25 %	100.00 %

NADA guide for gross as a percentage of sales is 68%. We are at 72.25% April 2018 YTD. We believe we reach this number because we pay technicians a fair rate for a rural area which allows us to keep some gross. Whereas a lot of metro areas may have to pay the technicians inflated rates due to the cost of living etc.

We also increase our warranty rate frequently. As you can see, our warranty gross as a % of sales is the strongest metric because of our frequent increases.

We can improve our gross as a percent of sales by changing our internal labor rate to the same as our customer pay rate. Currently our internal labor rate is discounted at \$95/hour. We also do minimum internal work. We could improve our volume of internal work by creating a better relationship with sales. Currently the sales department is reluctant to give the service department a lot of work because we prioritize our customers work over internal work and sales believes it takes too long to get the vehicle back out on the lot. By raising the internal rate, we could prioritize sales with our regular customers and obtain more sales and better results from our labor spent.

G. Changes in Expense Structure:

Service Department Profit Centering

Expense Category	Dollar Amount

Department Gross	\$	% of Gross	Profile
	258,465		
Variable Expense	\$ 84,606	32.73%	
Selling Expense		0.00%	
Personnel Expense	\$ 128,639	49.77%	
Semi-Fixed Expense		0.00%	
Fixed Expense	\$ 108,417	41.95%	
Unallocated Expense		0.00%	
Dealer's Salary	\$ 14,577	5.64%	
Total Expenses	\$ 336,239	130.09%	
Net Profit	\$ (77,774)	-30.09%	

Our expenses are currently 130% of gross YTD. They should be at guide of 80%. Our personnel expense is at the very top of guide at 49.77%. We need to work on finding ways to cut expenses and we need to sell more hours to become profitable. Of the two the first one we should focus on is selling more hours. We need to double our sales to be within guide. With the recent hire of two more technicians we should be taking in as much work as possible to offset our expense load. We hope the additional technicians will help us achieve this goal.

We want to focus on limiting our shop ticket and making sure all parts are billed correctly on every ticket. We want to hold our technicians accountable for their shop supply usage. We may need to increase our shop supplies percentage per ticket to help our expenses as well.

Even though we have high expenses we do not spend very much on advertising. We would like to find a way to advertise more on a limited budget to where it is worth our while but that will also not knock our expenses out of line even more. If we advertise correctly we may be able to sell more which would also help eliminate our issue.

H. Pay Plans

Currently our pay plans focus on production and customer satisfaction. Technicians are paid a flat rate per hour. Some have been granted guarantees to keep them at our shop or to recruit them in the first place. Our service advisors pay plans are focused on hours sold, Ford customer reviews and hours per repair order. Our service managers pay plan is focused on gross of the department. We have decided to keep the technicians pay plans the same but focus the service advisor and service managers pay plans on hours sold and operating profit. Because the service manager is paid on gross he has not made the

significant changes needed within the department for it to make money. I believe his current pay plan has allowed him to get by and run a department (8 years) that must be kept afloat financially by the sales department. I deem this no longer acceptable and would like to keep the service manager accountable for operating profit and give him more authority regarding the service department expenses, so he can move towards profitability.

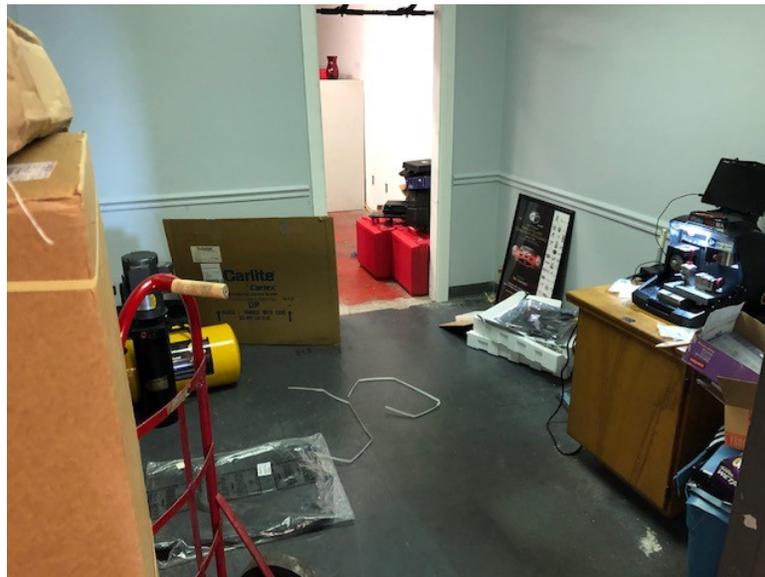
I. Detailed Performance Programs

Our service department lacks detailed performance programs and coaching. Currently the technicians are not held to any plans (except the one trainee). They are just paid their flat rate per hour. They are not formally coached on comebacks or proficiency at frequent intervals. Our service advisors have a monthly meeting about how many repair orders they opened and how many hours they sold. However, there is not adequate coaching on how to improve these metrics. I would like to implement a performance program based on the profitability minus service policy of the service department that allows the advisor to significantly improve his or her compensation. We would like to establish a set of metrics that is communicated daily so that the advisors and technicians can strive towards their goals with opened eyes instead of doing what they can to get by and then being told where they stand every 30 days.

J. Level of Current Training

We currently have 6 technicians. One is a first-year apprentice. One we hope to start on an apprenticeship because after hiring him we are finding that he needs more formal training and his certifications do not line up with his actual skill level in the shop. He is not cranking out hours at a normal rate, so we hope to mentor him instead of cutting him loose because of his many diesel certifications. We have one master certified technician. Another who is close but needs some encouragement to continue. Then we have another technician who is very skilled at repairs but struggles with the tests and does not want to be certified. We hope to become established at the local high school, so we can feed workers into our Quick Lane and ultimately train them to be technicians. This method is preferred over recruiting certified technicians because it helps keep our personnel expense down. Two of our current repair shop technicians were promoted from the Quick Lane because of their positive attitude and satisfactory work ethic.

K. Special Tools



Unfortunately, our tools are older and unorganized. We recently purchased a new top of the line alignment machine but other than that our technicians are not happy with the current condition of our tools. We hope to catalog and organize all tools soon as well as repair some of our aged existing tools. We currently have only one evacuate and recharge machine in operation and it would help the technicians if we acquired another. We also have not equipped the advisors with any up-sell tools for the service drive. We hope to have our Parts Manager do an inventory of all the tools, clean house and invest in new tools by the end of the year.

L. 100 Repair Order Analysis

Repair Order Analysis Summary Report

		Sales in Dollars		FRH's on RO's		Averages		Analysis	
Competitive		\$ 2,831	÷	27.50	=	102.94		FRH Average	
Maintenance		\$ 6,615	÷	33.70	=	196.29		FRH Average	
Repair		\$ 51,116	÷	231.80	=	220.52		FRH Average	
Totals		\$ 60,562	÷	293.00	=	206.70		Customer ELR	
				Target Labor Rate		118.76		Per FRH	
Total Ro's in Sample	100			Difference		87.94		Per FRH	

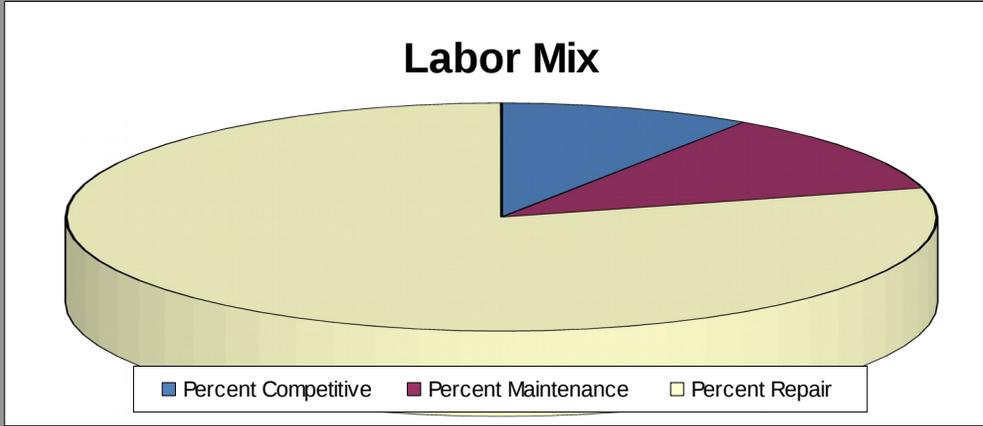
Cost of Labor

Total Cost of Labor	7631.95	÷	Total Sales	=	12.60%	Percent Cost of Sales
Total Cost of Labor	7631.95	÷	Total FRH's	=	26.05	Cost per FRH

Repair Order Measurements

Total Labor Sales	60,562.30	÷	Total RO's	=	605.62	Avg Labor per RO
Total FRH's	293.00	÷	Total RO's	=	2.93	Avg FRH's per RO
Menu Sales		÷	Total RO's	=		Percent Menu Sales
Competitive FRH's	27.50	÷	Total FRH's	=	9.39%	Percent Competitive
Maintenance FRH's	33.70	÷	Total FRH's	=	11.50%	Percent Maintenance
Repair FRH'	231.80	÷	Total FRH's	=	79.11%	Percent Repair
One item RO's	0	÷	Total RO's	=	0.00%	Percent One Item RO

Model Year Analysis							
2019	2018	2017	2016	2015	2014	Older	Total
0	3	8	8	9	16	56	100
0.00%	3.00%	8.00%	8.00%	9.00%	16.00%	56.00%	



For my repair analysis I used repair orders in sequential order from the service department only and not the Quick Lane. I had to do it this way because the repair orders have different write up numbers entirely, are filled separately and I was unable to combine them to make it a sequential analysis. After completing the 100-repair order analysis we have come to the following conclusions:

- Our cost of labor as a percentage of cost of sales is in line with NADA guide for the repair shop.
- Our maintenance rate is higher than our warranty rate which is good according to guide. This is satisfactory for our repair shop considering our warranty rate is increased every year.
- Our repair labor rate comes out greater than our posted door rate in the repair shop specifically.
- There is minimal discounting in the service department.
- The average flat rate hours per repair order are 2.93 for the repair shop.
- The percent of one-line repair orders are 36% which is above guide and shows that the repair shop advisors are not upselling enough and not doing a multi-point inspection every time.

M. SWOT Analysis

Strengths

- Experienced technicians and one experienced writer

- High CVP scores in recent months
- Plenty of bays for the technicians
- Family business culture where employees work life balance is a priority
- Great location in growing area
- Team culture where people are willing to help each other
- Technicians are willing to help out
- Good working relationship between parts and service departments
- Customers always come first
- Transmission specialist
- Two Diesel specialists
- Only 1-2 comebacks a month
- Majority are long tenured technicians
- Many years of experience within the shop

Weaknesses

- Lack of trained advisors and supporting staff
- Not enough appointments per day to keep technicians busy
- Having to wait on parts for a lot of repair orders
- Low moral at times
- Lack of adherence to rules and programs
- Lack of communication
- Poor policy enforcement
- Poor shop equipment maintenance
- No full-time dispatcher or shop foreman to monitor work in process
- Parts department understaffed
- Service manager not being present, not being on time and not doing his job
- Letting Quick Lane pass their work onto the Service side and get credit for hours
- Quick Lane technicians have a lot of turnover
- Quick Lane advisors writing up work that should go to the repair shop
- Parts department not tracking lost sales
- Parts department operates on pen and paper with no electronic estimates/orders
- Parts department does not deliver parts to technician's bay to eliminate down time
- Facility is dated with messy bays and unorganized tools
- Poor antiquated phone systems that allow customer calls to be ignored
- No appointment coordinator to manage proper scheduling of appointments
- No accountability for service advisors to pick up calls while in shop
- No pleasant online scheduling option for customers
- No late hours or weekends to create convenience for customers
- Waiting room has dated furniture, old magazines and subpar coffee
- Customers left on hold for too long due to undertrained advisors
- Do not call or email the customer the day before their appointment

- Lack of advertising/educational seminars for customers benefit related to service
- Sales vehicles get pushed behind customers which impacts internal business
- Do not offer loaners for customer convenience
- Do not offer repair shop hours during nights or weekends

Opportunities

- Have a larger emphasis on training and promoting within
- Start opening on nights and weekends to make it convenient for service
- Hire a working shop foreman to assist with dispatching and moving jobs
- Growing area with the possibility to have a fresh large customer base
- Two to three rookie technicians that are passionate and ready to learn
- Modify systems to streamline efficiency
- Create better processes for making appointments and getting work done
- Upgrade current technology like software, phone system, website and tools

Threats

- Dated equipment can lead to technicians wanting to work at a different facility
- Not scheduling enough work in the shop to keep technicians busy
- Not answering the phone could lead to lost business
- Not extending hours causes customers to go to other shops
- Hard to find trained technicians that don't ask for inflated pay because the labor pool of good technicians is becoming so small
- Poor dispatching of work
- Bad attitudes from idle time in the shop because of needing parts or work
- Being able to serve all the growth in Nassau County
- Unsatisfied customers posting on social media about their bad experience

Objectives

- Have a clean modern facility with organized tools and equipment
- Update all equipment needed to serve customers
- Be more convenient for customers to have repairs done
- Have a comfortable modern waiting room that customers enjoy
- Change service advisor and service manager pay plans
- Continue to improve hours sold and proficiency
- Work on increasing accountability among employees to follow policy and procedure
- Increase line items per repair order
- Improve processes within the shop

Strategies

- Communicate performance daily to technicians and advisors

- Ensure advisors do not miss phone calls
- Give advisors cell phones so they can be reached anywhere
- Extend hours to nights and weekends
- Ensure there is a walk around process in the drive thru
- Remind customers of their appointments the day before
- Ensure all multi point inspections are getting done
- Ensure all employees arrive and leave their job on time
- Enforce pay plans based on operating profit
- Enforce call monitoring for service advisors

Tactics

- Post non-dealer competitive pricing board
- Start working on all makes and models
- Start offering loaner vehicles as a courtesy
- Start answering every phone call
- Start scheduling appointments online
- Hold a shop meeting to discuss equipment needs and cleanliness
- Hold service manager accountable for having ample work in the shop and working their expected schedule
- Eliminate the ability for advisors to adjust labor prices
- Increase advertising on the internet for service prices/benefits

Action Plan

Tasks	Completion Date	by Whom
Showcase a Dealership Value Display	6/5/18	Service Manager
Improve Service website/ add online scheduling	6/10/18	Service Manager
Incorporate digital banner of Non-dealer survey	6/8/18	Service Manager
Ensure multi-point inspection happens every time	6/15/18	Service Manager
Increase appointment goal to 20 daily appointments	6/30/18	Service Manager
Provide maintenance interval handout to customers	6/15/18	Service Manager
Hire an appointment specialist	6/30/18	Service Manager
Hire 4 more technicians	7/30/18	Service Manager
Hire master certified shop foreman	6/30/18	Service Manager

Hire another parts counter person	6/30/18	Parts Manager
Start a monthly meeting to review/cut expenses	7/15/18	Service Manager
Increase internal rate to customer pay rate	6/5/18	Service Manager
Start a recruitment program with high school	7/15/18	Service Manager
Advisor/manager pay plan on profit/hours sold	7/30/18	General Manager
Have a training focused culture	7/1/18	Service Manager
Update equipment with 20K/year until modern	6/1/2020	Service Manager
Update phone system and scheduling software	7/1/18	General Manager

Synopsis

The biggest issue within our service department is that we are not profitable. Because there will be another economic downturn soon we need to focus diligently on selling more service, providing a better customer experience and being the backbone of the store instead of a weakness.

We need to focus on scheduling more appointments with improved software and phones. Once we reach profitability we should hire an appointment specialist to maximize our scheduling. We need to change the perception that our service department is “hard to reach”.

We need to become more proficient in the shop by hiring a shop foreman who will dispatch full time and coach the appointment specialist on how to load up the day for more hours turned. The foreman will also stay on top of the technicians by making sure they are focused and have the tools they need. He will keep them accountable for being in their bay and maximizing their time. This will free up the service advisors to focus on calling their work in process that we hope to double by adding an appointment specialist, extending hours, and increasing advertising.

Because hiring additional staff will increase our expenses, the service manager needs to focus primarily on cutting expenses. Especially because our expenses were over guide by 50%. He needs to focus on this instead of dispatching work like he has in the past. Second, he needs to focus on communicating employee performance metrics, coaching/training processes and enforcing company/employee policy. He also needs to make more of an effort at establishing relationships to help hire more technicians. He needs to focus on obtaining a 5 technician to 1 advisor ratio.

I believe we can reach profitability by implementing these major changes.

