FREDERICTON
TOYOTA

Choose
Happiness.

SERVICE DEPARTMENT ANALYSIS

FREDERICTON TOYOTA

Geoff Phinney

NADA N333-44

A: Advertising

Fredericton Toyota is just celebrating it 2^{nd} Anniversary since the purchase of this store back in 2016. I have been with Fredericton Toyota since July 2017 as a General Sales Manager.

In December just prior to Christmas break the announcement was made that I would take over as General Manger.

There have been many changes so far with many more exciting changes to come.

With limited advertising so far, this is truly an opportunity for us going forward.

We have enlisted the services of a business development center (BDC). We have seen an up swing in shop load since the start of BDC services. The BDC is currently doing both inbound and outbound calls to clients both past and present. The BDC also is calling for all recall and safety campaigns.

B: Marketing

I used a 2012 Camry SE with 79,015 kms on it to complete the Non-Dealer Survey. As you will see there are many fluctuations throughout the report.

Non-Dealer Competitive Maintenance Pricing Summary Survey

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

Competitor Name	Lube, Oil & Filter	Rotate Tires	Balance Tires	Align Front End	Service A/C	Replace Front Disc Pads	Totals (Sum Rows)
Wonder Auto and Tire	0W20 $64.95 + Tax	$28.00 + Tax	$39.80 + Tax	89.95 + Tax	N/A	105.00 + Tax	$328.85
Swifty's	0W20 90.95 Tax Inc.	N/A	N/A	N/A	N/A	N/A	$90.95
Speedy's Auto Service	0W20 89.93	$20.00	$55.96	$79.99	N/A	N/A	$203.89
Napa Auto Pro	0W20 $80-$100	$37.50	$32.00	$79.95	N/A	N/A	$239.45
Walmart Tire and Lube	0W20 $69.00 + Tax	$20.00	$40.00	N/A	N/A	N/A	$99.00
Coast Tire	$69.29 + Tax	$28.95	$40.00	$89.95	N/A	$129.95	$358.80
Competitor Averages	$79.10	$26.89	$41.55	$84.95	N/A	$177.00	349.49
My Dealership	$79.95	$24.95	$59.96	$99.95	$129.95	$99.95	494.70

C: Facility

FACILITY POTENTIAL	
Number of Bays	13
	x
Number of Days	21
	x
Number of Hours	8.5
	x
Effective Labor Rate	98.5
	equals
FACILITY POTENTIAL	$ 228,569

FACILITY UTILIZATION	
Total Labor Sales	$ 206,535
	÷
Facility Potential	$ 228,569
	equals
FACILITY UTILIZATION	90.36%

The facility was at 90.36 % utilization and it was evident that there was still some opportunity to create more hours and work. Through the increased efforts of the BDC we should see a lift in Total Labour sales as the work towards 100% Facility Utilization.

D: Productivity

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	$ 135,029	÷	99.95	=	1351.0
Customer Truck*	$ -	÷		=	0.00
Customer Other*	$ -	÷		=	0.00
Warranty	$ 23,754	÷	88.60	=	268.1
Internal	$ 47,752		99.95	=	477.8
New Vehicle Prep		÷		=	0.00
Total	$ 206,535				2096.8

POTENTIAL

$ 206,535	÷	2096.83	=	$ 98.50		
Total labor sales for month		Total hours billed		Effective Labor Rate		
13.00	x	9	x	21	=	2,320.5
# Service mechanical technicians		# Hours/Day		Working Days/Month		Clock Hour Aval
2,320.5	x	$ 98.50	=	$ 228,566		
Clock Hours Available		Effective Labor Rate		Labor sales potential		

How proficient are your technicians?

2,152.0	÷	2,083.00	=	103.31%
Hours Produced		Hours Available		Tech Proficiency

E: Production Method

Fredericton Toyota’s production method is a lateral support team.

TEAM A TEAM B TEAM C TEAM D-Internal

Advisor Advisor Advisor Advisor

Darcy Doug Melissa Ann

Tech Tech Tech Tech

Rob Steve Josh Yvon

Frank Mike Kris Raymond

Michael Eric Chad Colton

F: Cost of Labour

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	$ 135,029	$ 98,436	72.90 %	65.38 %
Customer Truck	$ -		0%	0.00%
Customer Other	$ -		0%	0.00%
Warranty	$ 23,754	$ 17,831	75.07 %	11.50 %
Warranty Other	$ -		0%	0.00%
Internal	$ 47,752	$ 36,946	77.37 %	23.12 %
NVI / Road Ready			0%	0%
Adj. Cost Of Labor			0%	0.00%

Total	$ 206,535	$ 153,213	74.18 %	100.00 %

G: Expense Structure

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 155,994		
Variable Expense	$ 22,831	14.64%	
Selling Expense		0.00%	
Personnel Expense	$ 59,326	38.03%	
Semi-Fixed Expense		0.00%	
Fixed Expense	$ 14,623	9.37%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	$ 96,780	62.04%	
Net Profit	$ 59,214	37.96%	

H: Pay Plan

Labour %		**4%**
Customer Pay		$ -
Warranty		$ -
Internal		$ -
Total		$ -

Labour %	$0.00
Labour Sales Level	$0.00
ELR Bonus	$0.00
TSE Bonus	$0.00
Total	**$ -**

TSE Bonus		
92.0 - 92.9	=	$100
93.0 - 93.9	=	$200
94 - 94.9	=	$400
95 - 95.9	=	$600
96 - 96.9	=	$800
97 +	=	$1,000

Customer Labor Sales			
Minimum (>=)	Maximum (<)		
$0	$ 25,000		$0
$ 25,000	$ 27,000	$	300
$ 27,000	$ 29,000	$	350
$ 29,000	$ 31,000	$	400
$ 31,000	$ 33,000	$	450
$ 33,000	$ 35,000	$	500
$ 35,000	$ 37,000	$	550
$ 37,000	$ 39,000	$	600
$ 39,000	$ 41,000	$	650
$ 41,000	$ 43,000	$	700
$ 43,000	$ 45,000	$	750
$ 45,000	$ 47,000	$	800
$ 47,000	$ 49,000	$	850

ELR Bonus		
$70 - $75	=	$100
$75.01 - $80	=	$150
$80.01 - $85	=	$200
$85.01 - $90	=	$250

$90.01 - $95	=	$300
$95 +	=	$350

$ 49,000	$ 51,000	$ 900
$ 51,000	∞	$ 1,000

I: Detail Performance Programs

The service advisors are on a commission pay plan. The pay plan pays 4% of Labour sales. They also receive bonus pay based on ELR and TSE (Toyota Service Experience). We are also now tracking hours per RO per advisor for the group and posting it at both Toyota stores. This has been done to shed light on the importance of the HRS/RO and a future change or addition to the existing pay plan.

J: Level of Current Training

Our current level of training is subpar at best and needs to be examined farther. Currently we are training via Toyota Canada and Service Manager daily huddles after returning from FOP2.

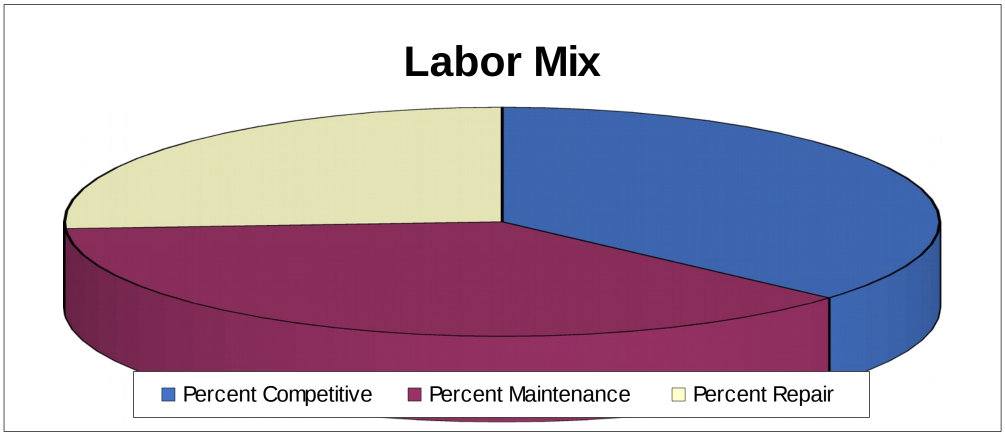
K: Special Tools.

As we fight for space we fight to keep things as organized as possible and not a rat's nest but rather neat and organized.

L: 100 Repair order Analysis

	Sales in Dollars		FRH's on RO's		Averages	Analysis
Competitive	$ 3,627	÷	45.10	=	80.41	FRH Average
Maintenance	$ 4,166	÷	46.20	=	90.18	FRH Average
Repair	$ 3,204	÷	32.02	=	100.06	FRH Average
Totals	$ 10,997	÷	123.32	=	89.17	Customer ELR
			Target Labor Rate		90.60	Per FRH
Total Ro's in Sample	100		Difference		-1.43	Per FRH
Cost of Labor						
Total Cost of Labor	2323.43	÷	Total Sales	=	21.13%	Percent Cost of Sales
Total Cost of Labor	2323.43	÷	Total FRHs	=	18.84	Cost per FRH
Repair Order Measurements						
Total Labor Sales	10,996.99	÷	Total ROs	=	109.97	Avg Labor per RO
Total FRHs	123.32	÷	Total ROs	=	1.23	Avg FRH's per RO
Menu Sales		÷	Total ROs	=		Percent Menu Sales
Competitive FRHs	45.10	÷	Total FRHs	=	36.57%	Percent Competitive
Maintenance FRHs	46.20	÷	Total FRHs	=	37.46%	Percent Maintenance
Repair FRH	32.02	÷	Total FRHs	=	25.96%	Percent Repair

One item ROs	35	÷	Total ROs	=	35.00%	Percent One Item RO



Model Year Analysis

2019	2018	2017	2016	2015	2014	Older	Total
0	3	13	13	10	10	51	100
0.00%	3.00%	13.00%	13.00%	10.00%	10.00%	51.00%	

Next Up

SWOT ANALYSIS….

M: SWOT Analysis

INTERNAL FACTORS	
STRENGTHS (+)	**WEAKNESSES (-)**
Plenty of Service bays Staffing Vin Retention Cost of Labour Facility Utilization Apprentice Techs Good Wholesale Business Quality DMS Loyal Customer base New Car volume increases Used car Volume increases	Lack of Parking Staffing Parts Mix Obso Parts to Labour Sales Dispatching Training TSE
EXTERNAL FACTORS	
OPPORTUNITIES (+)	**THREATS (-)**
New DMS Improvement of Gross Process Training Product Knowledge Training Tracking Lost Sales Net Increase Capitalize on missed sales	Open RO’s Obso Lost Sales Wrong inventory mix Receivables Outside service facilities

Strengths

1. We have a strong facility utilization currently. We have the ability to sell more service. We will be going through a complete renovation in the next 12-24 months. This will help modernize our facility and sell more service.
2. Our staff is a nice mix of new and old both as techs and service advisors. We feel this to be very important as we are starting to see younger buyers service with us. We currently have 300 years of experience in Parts and Service.
3. We currently have a strong VIN retention @ 49.6 for 10-year VIN retention.
4. We have invested in a new DMS system to help streamline, track and report on current service trends.
5. We are Growing in Variable operations and this in turn helps parts and service grow as well.
6. We have a nice mix of Apprentice to Certified Techs.
7. Parts Manager has really started to take the job more seriously and is starting to perform and work towards the areas we want to improve.

Weakness

1. Service Hours to not mirror or EXCEED Sales.
2. Some staff are still holding on to the way the previous owner use to operate.
3. We have just recently sent in a special request for a parts return on items that are outside of the OBSO policy of Toyota. This has been granted and we are waiting for the results. This is a one time shot due to the BUY/SELL.
4. We lack in training our advisors. We train our sales people but don’t do a very good job in training our Advisors.

5. Toyota Service Experience(TSE) has been very low. We have made some adjustments since coming home and have seen an uptick.
6. Our current parts mix is a work in progress and through tracking lost sales and fill rate we will turn this around.
7. Although our average hour pay per tech is low our Service Manager still needs to do a better job of making sure the right work goes to the right tech at the right time.

Opportunities

1. We have a fantastic opportunity to increase our net profit through education and process.
2. With the investment of the new DMS we are yet to use it to its true capacity and capitalize on the tracking and reports that the system can generate.
3. There are plenty of opportunities at Fredericton Toyota, we will see big growth just by offering all recommended services. We are missing sales everyday just by not offering everything the OEM recommends.
4. Sales training and Product Knowledge training is long over due and will help take us to where we want to be.

Threats

1. We are contending with an open RO issue that could lead to lost revenue if not carefully monitored.
2. With the inheritance of the parts department after the purchase we have an OBSO issue that could result in writing down parts and losing money if we need to dispose of them.
3. We were not tracking lost sales.
4. Not tracking lost sale led to a parts mix that did nothing but create more lost sales.
5. We had an issue when we switched DMS’ and this created a lag in invoices going to wholesale clients.

6. There is a perception that we are more expensive than the independent down the street and if not fixed could pose a problem to our business.

__Objectives__

1. Improve Hrs. per RO
2. Increase Facility Utilization
3. Increase gross on CLS
4. Increase parts to Labour sales
5. Track Lost Sales
6. Track fill rate
7. Educate Service Advisors
8. Increase internal Labour gross

__Strategies__

1. Pre-print all Ros the night before loaded with OEM recommended maintenance.
2. Pre-load an alignment on any car that is over 12 months 20,000kms.
3. Pre-load any work that was declined last visit.
4. Replace vs Repair when warranted.
5. Have BDC stagger the appointments through out the day to allow for right sell and avoid bottle necks.
6. Brake Service to be recommended on all service 2s.
7. Discuss Lost sales with Parts, Service and General Manager to track some opportunity to phase in certain parts.
8. Created a Tech committee to help communicate to the entire tech team.

Tactics

1. Install parts matrix
2. Install labour matrix
3. Shut off ability to discount
4. Advertise
5. Weekly Fixed Ops meeting. Manage activities and make sure we are on pace. If we are not what must be done to get back on track.
6. Advisor report daily. Praise and educate where necessary.
7. Train daily, weekly and monthly.
8. Install TV with competitive pricing.

Action Plan

Task	**By Whom**	**Date**
Install Parts Matrix	Parts Manager	June 5, 2018
Install Labour Matrix	Service Manager	July 3, 2018
Track lost sales & Fill Rate	Parts Manager	Daily
Disable Discounts on DMS	Service Manager	June 5, 2018
Pre-Print loaded Ros	Service Advisors	Daily
Weekly Fixed Ops Meeting	General Manager	Weekly
Advisor Report Daily	GM, Service Manager	Daily
OBSO Return	Parts Manager	July 3, 2018
DMS Report	Parts Manager	Monthly
Create a SA training program	GM<SM<PM	July 23, 2018

Weekly Parts Manager Meeting	GM	Weekly
Weekly Service Manager Meeting	GM	Weekly
Post HRS per RO by advisor	Service Manager	Monthly

Synopsis

It is obvious that the lack of training and accountability is having an adverse effect on the overall profitability of the department. With proper process and measures put in place than both the Parts and Service department can and will be profitable.

With the addition of the parts matrix and the labour matrix along with pre-loading of ROs the night before will make right selling much easier and will help to increase the HRs per RO.

The current pay plan the Advisors are on is commission based and is relatively new to them. Once the above steps are implemented and they see the possibility to increase their own paychecks it will make things easier as we transition into more ways to improve sales dollars.

By measuring the lost sales and fill rates we will have our parts mix in line and be able to sell and do work the day of as opposed to trying to get people back to do work.

With proper training and measuring the activities the results should take care of them selves and Fredericton Toyota will be prosperous for many years to come.

Choose Happiness!!