

Service Department Analysis and Action Plan /April 2018

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Precision Toyota

A. Advertising and Merchandising

Advertising

I've always thought we do a fairly good job advertising our Service Department with our monthly Service reminder letters, weekly banner ads in the local newspaper, daily 15 second radio ads that are tagged on to our sales advertising.

Once I got back to store I wanted to see the process on email capture with our service advisors and to my surprise we haven't collected any and had a meeting the following day to let the advisors know what I expect from them. I started to track it starting May 1st and we have had a good success in month one at 68% our goal is a 90% capture rate. This will help the dealership in the long run if we can cut down the expense of mailing customer reminders, promotions etc.

Merchandising Displays

We currently don't have any merchandise displays in our showroom with the exception of the 10 sets of winter tires we display in showroom with monthly payments. This is something we will improve on as we transition to new facility in 2019. We did design a tire and accessories center in our new drive through. As seen in the pictures below this is what it will look like and will make it easier for advisors to show and recommend customers options which today we don't have.





Advertising SWOT Analysis

Strengths

- Our monthly service letters keep us top of mind with our customer base.
- Our weekly service banner ad in local paper promoting 5% price match on tires and service specials.

Weaknesses

- Our email capture is non-existent and we were only contacting them via mail/phone.
- Website has very little information about our Service Department in general.

Opportunities

- Asking all customers for an email address at check-in so we can improve our communication with them and eliminating expense buying stamps.
- Have more information about our Service department on our Website and social

media channels. Sales, promotions, tire deals

Threats

- Only real threat we have our competition (quick lube) advertising they work on all makes and models and taking business away from us.

B. Marketing

We are a single market dealer that has no shortage of independent shops and other make dealers. From what I can gather nobody is really capturing the service business against us in our area. I search 'Oil change near me' and we come up 3rd on the google behind two independents or search Toyota

service and we are 1st on the list. This in my books is a win as I don't have to spend advertising dollars. In saying that we have to do a better job on our website showing the value of using factory trained technicians and the benefits of using OEM parts compared to aftermarket.

Non-competitor survey

This is something we have had in our store for years unfortunately we cannot put the competitors name on the comparison but as you can see below we are by far the best value in our area to get these common services done and it also outlines the benefits

of using us. We leave this in our customer waiting area so everyone has to see it at one point during their visit.

Experience Toyota Service Advantage+

Services	Our Price	Local Independent	Local Independent	Local Independent	Why Precision Toyota?
Oil and Filter Service - Synthetic Regular oil changes help keep your engine running efficiently	\$ 66 ⁹⁵	\$ 84 ⁹⁵	\$ 89 ⁰⁰	\$ 90 ⁰⁰	<ul style="list-style-type: none"> + Toyota Genuine Parts + Toyota Certified Technicians
Engine Coolant Replacement Ensures optimum cooling and heating efficiency of your Toyota	\$ 80 ³⁵	\$ 100 ⁰⁰	\$ 90 ⁰⁰	\$ 90 ⁰⁰	<ul style="list-style-type: none"> + Maintenance Menu + Customer Shuttle
Brake Pad Replacement Helps ensure smooth and quiet stopping and gives you peace of mind	\$ 189 ⁹⁵	\$ 228 ⁰⁰	\$ 230 ⁰⁰	\$ 230 ⁰⁰	<ul style="list-style-type: none"> + Tire Storage Available + TSM Certified Dealer
Cabin Air Filter Replacement Removes airborne pollen, dust and allergens before they enter the passenger compartment	\$ 34 ⁹⁵	\$ 47 ⁹⁹	\$ 50 ⁰⁰	\$ 40 ⁰⁰	<ul style="list-style-type: none"> + Complimentary Car Wash + Toyota Touch Detailing Services + Complimentary Coffee

Vehicle equipped with 2011 4-cylinder automatic transmission with 62,000 mi.
*Comparative prices based on telephone survey conducted between November 05-10, October 8, 2011.
**Local independent prices are based on the following: 1) lowest advertised price; 2) lowest price per unit.
†Price and availability subject to change without notice. Price and availability may vary.
††Price subject to manufacturer's list price.

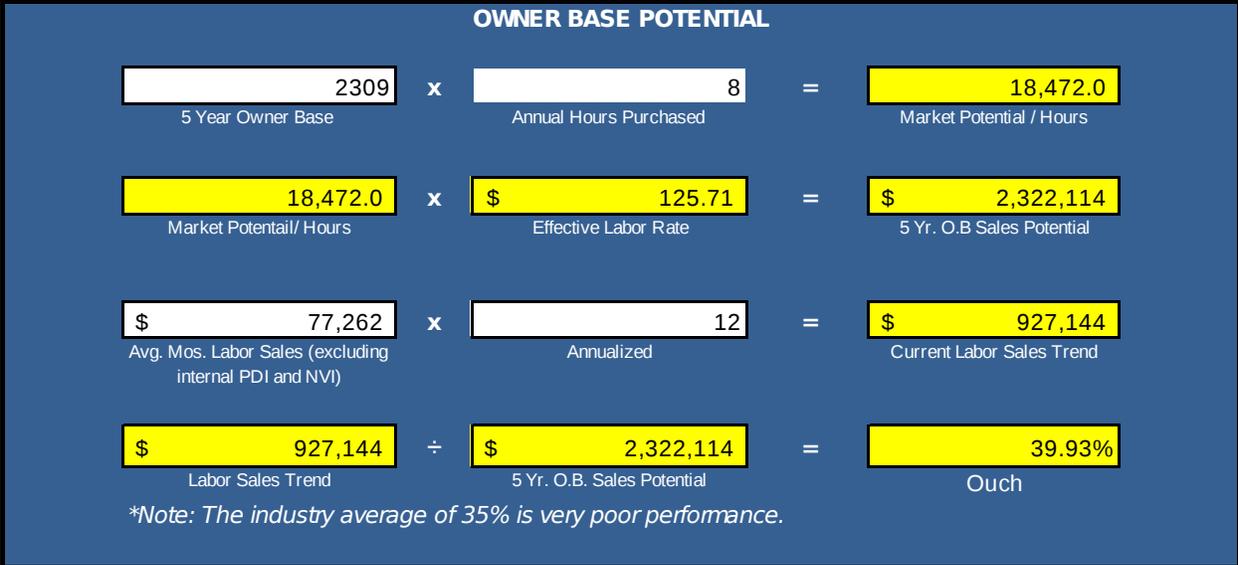
TOYOTA

Service hours

We have done some minor changes to our service hours by extending them from 8am to 5:30pm to 8am to 6pm Monday to Friday and keeping the 9-12pm Saturday hours. Looking at most of our competition they all run same hours with the exception on Canadian Tire and Jiffy Lube 8am-7pm. This will be reviewed again as we transition into new facility.

Customer Retention

When I looked at our current sales to owner-based vehicles from our store it didn't surprise me we were low. We have a trading area of 150 miles or better and a lot of those customers tend to service in their local community rather than driving to us. We have and will continue to market to these lapsed customers hoping we can generate some business and increase our potential.



Marketing

One thing we have started to do again is introduce all the customers to available advisors and managers at time of sale. This should make the customer feel more welcome when they come in for service or just need a question answered and in turn increase the customer retention which is running at 59% as of the end of May. We are a small store and that family feel we give is the best marketing you can do! People don't want to be thought

of as a number and saying their name as they walk in is key.

Once we move into our new facility next year having quarterly second deliveries (owner clinics) to get people into store and get more familiar with staff. Like I said we want people who come to our store to feel welcomed and are like family and I do think these will help.

Marketing SWOT Analysis

Strengths

- We have a price edge on all of our competition using Genuine Toyota parts.
- We make you feel like family when you enter our store.

Weaknesses

- We are not doing proper walk arounds
- We were not introducing clients to service staff or setting up first service.

Opportunities

- Intruding the clients to our service staff always and making sure the staff ask if they have any questions and offer to setup first service.

Threats

- Our biggest threats would be the independents in our area advertising warranty approved service.
- Our trading area which puts customers out of reach for us to service them.

C. Facility

- When I looked at our utilization for April I was pleasantly surprised at 83.95% to a NADA guide of 75%. Considering when I reviewed the SWOT survey the biggest complaint from techs was how the work was distributed but this calculation tells

me they may be doing a better job than the tech thinks they are. I do believe we don't need to do any major changes as of today as it seems to be working but we always look to improve moving forward.

FACILITY POTENTIAL		
Number of Bays		7
	x	
Number of Days		21
	x	
Number of Hours		9
	x	
Effective Labor Rate		104.5
		<i>equals</i>
FACILITY POTENTIAL		\$ 138,254
FACILITY UTILIZATION		
Total Labor Sales	\$	116,068
	÷	
Facility Potential	\$	138,254
		<i>equals</i>
FACILITY UTILIZATION		83.95%

Facility SWOT Analysis

Strengths

- Our facility utilization is strong

Weaknesses

- We have outgrown our current facility and need more room for future growth.

Opportunities

- Construction of a new facility with 11 working bays and an alignment bay for additional revenue. (currently sublet Alignment's)

Threats

- Losing business because of booking too far out.

D. Productivity

Productivity is normally very strong in our store because we are normally a busy shop for the most part throughout the year. This data below is for April that our Tech Proficiency was 119.35% to a NADA guide of 120%. I do think the additional training that we have provided to Advisors with lessening the 1-line repair orders to 56% in April from 87% in March, this increased our hrs per RO from 0.8hrs to 1.3hrs in April which is a step in the right direction at NADA guide of 1.5-1.7 hrs per RO.

NADA ACTUAL SERVICE ANALYSIS page B-1

Performance

	Labor Sales / Month	÷	Hourly Labor Rate	=	Hours Billed
Customer Car*	\$ 64,213	÷	129.00	=	497.8
Customer Truck*	\$ -	÷		=	0.00
Customer Other*	\$ -	÷		=	0.00
Warranty	\$ 18,136	÷	110.52	=	164.1
Internal	\$ 33,719	÷	129.00	=	261.4
New Vehicle Prep	\$ -	÷		=	0.00
Total	\$ 116,068				923.3

POTENTIAL

\$ 116,068	÷	923.26	=	\$ 125.72
Total labor sales for month		Total hours billed		Effective Labor Rate

6.00	x	8	x	21	=	1,008.0
# Service mechanical technicians		# Hours/Day		Working Days/Month		Clock Hour Avail

1,008.0	x	\$ 125.72	=	\$ 126,721
Clock Hours Available		Effective Labor Rate		Labor sales potential

How proficient are your technicians ?

1,246.0	÷	1,044.00	=	119.35%
Hours Produced		Hours Available		Tech Proficiency

Productivity SWOT Analysis

Strengths

- Tech Proficiency is 119.35%

Weaknesses

- Still below NADA guide for hrs per RO

Opportunities

- Generate more work for techs to increase productivity.
- Decrease 1-line RO to generate additional work

Threats

- Techs getting burnt out and quitting.

E. Organization and Production Methods

We are currently a conventional shop that has 2 Service Advisors that distribute the work to our techs as they see fit. In the past we have always had trouble with work distribution as the advisors had to walk past one of the senior techs with work orders who would cherry pick and bully the Advisor. This was one of the major concerns from the SWOT survey and has been addressed this has helped us evenly distribute work and make the shop more productive.

I do understand running a conventional shop could lead to Advisors or even Managers having some favoritism towards a certain tech or techs but I should be able to keep a handle on it studying the hrs per tech produced and during our service meetings.

F. Cost of Labor and Gross Profit Structure

When I look at our overall cost of labour for April this is right where we like to be somewhere around 74-75% NADA guide line is 68% so we are doing well above the suggested guide. As we transition into a new facility in 2019 it is very important that we keep the gross as a percent of sales at 74% and above as it will be the lifeline to a successful dealership.

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	\$ 64,213	\$ 46,309	72.12%	55.32%
Customer Truck			0%	0.00%
Customer Other			0%	0.00%
Warranty	\$ 18,136	\$ 13,903	76.66%	15.63%
Warranty Other			0%	0.00%
Internal	\$ 33,719	\$ 25,823	76.58%	29.05%
NVI / Road Ready			0%	0.00%
Adj. Cost Of Labor			0%	0.00%
Total	\$ 116,068	\$ 86,035	74.12%	100.00%

The Picture	
Customer Pay Gross Profit %	72.12%
Total Service Dept. G.P. %	74.12%

Looking at the individual categories we are at all NADA guide lines with the exception of Customer Car but I'd give that one a pass as we are .75 of a percent off. In saying that I would like to see customer pay mirror that of Internal and Warranty. Stopping the advisor's ability to discount should put us in a good position to generate more revenue.

G. Expense Structure

When going into the expense structure I was amazed on the results. After looking into the data, I was making some sense of it. Firstly, we have a partner that has his wage (\$11000) monthly posted to Personnel Expense that should be spread out throughout all four departments instead of one. As it sits today our personal expense is high compared to guide at 50% but removing $\frac{3}{4}$ of that wage at 49% as I posted below. But even with that change we are still falling short \$23,057. May is normally our strongest service month because of winter tire changeovers. So, I am

assuming this will improve, I don't have the data as of today to compare. Looking at our tech proficiency for April at 119% we clearly need to look our grosses as they are out of line and need to increase to make department profitable.

Example #1

Service Department Profit Centering pageA-7

Expense Category		Dollar Amount			
Department Gross	\$	86,035	% of Gross	Profile	
Variable Expense			0.00%		
Selling Expense			0.00%		
Personnel Expense	\$	49,659	57.72%		
Semi-Fixed Expense	\$	56,396	65.55%		
Fixed Expense	\$	10,371	12.05%		
Unallocated Expense			0.00%		
Dealer's Salary			0.00%		
Total Expenses	\$	116,426	135.32%		
Net Profit	\$	(30,391)	-35.32%		

Example #2 (Adjusted)

Expense Category		Dollar Amount			
Department Gross	\$	86,035	% of Gross	Profile	
Variable Expense			0.00%		
Selling Expense			0.00%		
Personnel Expense	\$	42,325	49.20%		
Semi-Fixed Expense	\$	56,396	65.55%		

Fixed Expense	\$ 10,371	12.05%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	\$ 109,092	126.80%	
Net Profit	\$ (23,057)	-26.80%	

H. Pay Plans

Service Advisors

Currently all of my Service Advisors are paid an hourly rate of \$15.00 with a bonus system. First If we meet our monthly customer satisfaction target from Toyota Canada I pay them both an additional \$500.00 and secondly one we started in May is they can earn an additional \$500 at 1.5hrs per repair order for the month. This should give them the motivation so sell more work and be compensated for it.

Service Manager

The service manager is paid a salary of \$1960 and gets 5% on labour sales and 1% of parts

gross. We had to structure it this way so he has a guarantee. I have no worries for complacency and the majority of his wage comes from the labour side of his bonus and he has done a good job for us in the 30 plus years he has been with us.

Pay Plans SWOT Analysis

Strengths

- Service manager that has the best interests of dealership
- Reasonably paid service Advisors

Weaknesses

- The salary aspect of Service Manager

Opportunities

- Look a different way to adjust Service Manager's salary into a bonus system
- Advisors wages to drive them for more sales and revenue.

Threats

- Advisors leaving because pressure.
- Manager leaving if pay plans are changed to 100% performance based.

I. Performance Enhancements Programs

As of now I do not have any plans to do a bonus program for our techs. I had just increased their wages starting in January and it seems to have them motivated for the time being. In saying that I could look at some bonus programs next year once we are in new facility.

J. Training

Technicians:

Training for our Technicians is always ongoing through Toyota University as all of our journeyman are Toyota Master Technicians

that get up to date training on a monthly basis.

Advisors:

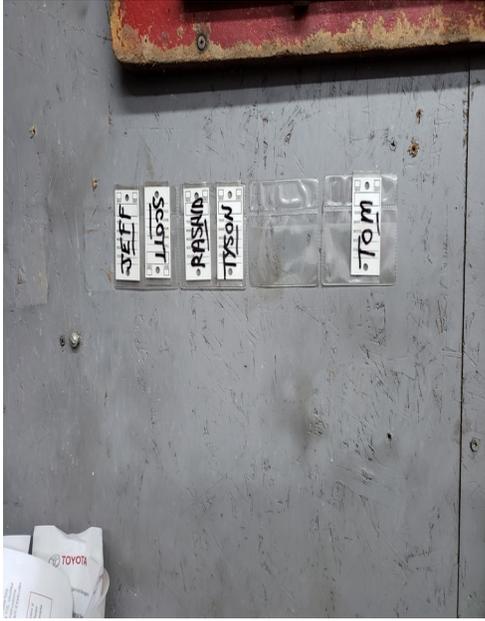
After the Service week we have had all front-end staff dedicate time to Toyota University to learn the skills and procedures to be a successful advisor. Our Service Manager has to spend time 1 on 1 weekly to coach and review what they have learned that week of training. We will expect them all to be Gold Standard trained by years end and I expect to see positive results from this.

K. Special Tools

Our Special tool room is severely undersized as it was built 20 years ago and we obviously didn't require the space we need today. As seen in the pictures below it was a disaster. We have been aware of this for some time and have made our new tool room 5x bigger than our current tool room in our new facility currently under construction.



In the meantime, we have spent some time organizing and made it easier to track down tools if they go missing with techs using a tag system.





Special Tools SWOT Analysis

Strengths

- Tools all seems to be in good condition and accounted for

Weaknesses

- Tool room is undersized and unorganized

Opportunities

- Have the tool room cleaned and organized weekly

Threats

- When cluttered makes it hard to find special tools which leads to wasted time.
- Would be easy to steal when unorganized

L. 100 R.O. Analysis

This Analysis is a tool that will be very vital to our operation. It gives us a very good outlook on what is happening in our service department. First thing I had noticed is that 52% of the work we are performing is on pre-2013 model year and with just over half 56% of one-line repair orders we are clearly not doing a good enough upselling required services. In saying that when we did a small sample in class we were at 90% one-line repair orders so with some basic training which we are providing it seems we are progressively getting better at selling and

have set a goal to be at NADA guide of 10-15%.

When I look at FRH per R.O. we see some positive growth at 1.29 hrs which is still not near NADA guide of 2.2-2.5hrs but considering when I looked at our March data at 0.8hrs we are trending in the right direction and a combination of reducing one-line repair orders and doing a proper workaround we should see the needle move in the right direction.

Looking at our Customer pay labour mix at 61.41% which looks to be in line with NADA at 60% but less grossing item because we have to stay competitive leaving us with the remainder 38.59% to selling higher grossing repair work which we average \$111.22 compared to competitive at \$70.02.

One glaring issue I did notice is the model mix of cars in the sample size as 94 were Toyota and the remaining 6 were off make. I think just adding simple reminders in our advertising and customer invoices stating we work on all makes and model would at least give us a chance at getting a few more opportunities which we don't do today.

Repair Order Analysis Summary Report							
	Sales in Dollars		FRH's on RO's		Averages	Analysis	
Competitive	\$	3,088	+	44.10	=	70.02	FRH Average
Maintenance	\$	3,337	+	35.00	=	95.36	FRH Average
Repair	\$	5,528	+	49.70	=	111.22	FRH Average
Totals	\$	11,953	+	128.80	=	92.80	Customer ELR
					Target Labor Rate	112.52	Per FRH
Total Ro's in Sample		100		Difference		-19.72	Per FRH
Cost of Labor							
Total Cost of Labor		3345.44	+	Total Sales	=	27.99%	Percent Cost of Sales
Total Cost of Labor		3345.44	+	Total FRHs	=	25.97	Cost per FRH
Repair Order Measurements							
Total Labor Sales		11,952.75	+	Total ROs	=	119.53	Avg Labor per RO
Total FRHs		128.80	+	Total ROs	=	1.29	Avg FRH's per RO
Menu Sales			+	Total ROs	=		Percent Menu Sales
Competitive FRHs		44.10	+	Total FRHs	=	34.24%	Percent Competitive
Maintenance FRHs		35.00	+	Total FRHs	=	27.17%	Percent Maintenance
Repair FRH		49.70	+	Total FRHs	=	38.59%	Percent Repair
One item ROs		56	+	Total ROs	=	56.00%	Percent One Item RO
Model Year Analysis							
2019	2018	2017	2016	2015	2014	Older	Total
0	2	11	11	17	7	52	100
0.00%	2.00%	11.00%	11.00%	17.00%	7.00%	52.00%	

Service Department analysis
Precision Toyota

Scott Ball - 334-18

Strengths

1. Teamwork- everyone works well together and helps each other out
2. Flexible for personal and family needs
3. Long term knowledgeable techs and management.
4. Everyone shows up on time ready to work.
5. Family like atmosphere
6. Customer retention is very good and we see a lot of returning customers.

7. The rapport we have built with our loyal customer base
8. Good work environment
9. Shop is normally busy and productive but hope we gain more work when we move into our new facility next July.
10. Full employee benefits

Weaknesses

1. Poor scheduling of work in shop
2. Competitive atmosphere *to get jobs/uneven dispersal of work*
3. *Techs complaining about not enough work, but then complain when there's too much work.*

4. No help with customers during busy times from Service management.
5. Lack of training for advisors
6. Scheduling in sold vehicle's during busy times of year.
7. Better time management of booking work throughout the day.
8. Service hours don't match sales hours
9. Parts department always has to order parts. Do a better job stocking correct parts.
10. Service advisors' ability to discount work without a manager's approval.

11. Sales not introducing customers to service department at time of sale.
12. Too many one-line RO's which is affecting hrs per repair order.

Opportunities

1. Upgrading facility with 8 car drive through (July 2019)
2. Monthly training of front end staff to help with upselling and overall better customer service.
3. Do a better job marketing the service department.
4. 100% penetration of walk arounds

5. Service manager spending more time coaching and helping advisors be better at their job.
6. CSI needs to improve to Toyota Canada's set target of 91.3%
7. Website has very little information about Service Department.

Threats

1. Longer service intervals which in time will lessen the amount of opportunities you see customer.
2. Improper scheduling which leads to rushed jobs and lost sales.
3. Service writers rushing through customers and not doing a good enough job building repour.
4. Dated building that looks old and tired

Objectives

1. Tracking lost sales

2. Decrease the amount of one line

Repair orders to generate more gross on parts and labour sales.

3. Improve the tech's productivity, efficiency and proficiency by making sure work is being booked in properly so we have a steady flow throughout the day which in turn should generate more revenue.

Strategies

1. Increase the number of hours produced per tech by reducing

- the amount of one-line repair orders.
2. Eliminating and reviewing the ability for Advisors to discount any parts or labour sales without a manager's permission.
 3. Review the quick lube bay for opportunities to generate additional revenue.
 4. Service Manager to have weekly meeting with advisors and techs on tracking and pace for current month.
 5. General Manager to sit in month end meeting to hear

any positive or negative feedback from past month.



6. Give advisors at least 1 hour per week of service training through Toyota University.



7. Monitoring lost sales through a daily email report generated by R and R sent to General manager daily to track results.

8. Implement a bonus plan for service advisors to sell recommended services and hrs per RO.

Tactics

1. Utilize our database with in store specials via email for lapsed customers that haven't been at store within 12 month or months.
2. Use your social media channels (Facebook/Twitter/Instagram) to advertise promotions and generate additional service business.
3. Service Manager or General Manager must authorize and sign any parts or labour discounting.

4. Implement a bonus plan for service advisors to sell recommended services and hrs per RO increases.

5. Have weekly meetings with both Parts and Service managers to see where we are tracking for month and what needs to be done if we are falling behind.

6. Make sure our matrix pricing is up to date and we are capturing maximum gross profit.

7. Give techs an additional \$1 per hr bonus when shop runs at 120% proficiency.

Action Plan

1. **Task** - Extend service hours to reflect sales hours 7:30 am to 6pm

By Whom - General Manager

Completion Date - June 1st 2018

2. **Task** - Do a better job with time management booking shop throughout day

By Whom - Service Manager

Completion Date - May 9th 2018

3. Task – Turning off the discounting feature for Parts and Service Advisors

By Whom – Service Manager/General Manager

Completion Date. April 30th 2018

4. Task – Making sure that all customers are introduced to Service team at time of delivery of new or used vehicle.

By Whom – Sales Manager/Service Manager/ F and I Managers.

Completion Date – April 30th 2018

5. Task – Get Service Advisors the training they need to be successful

By Whom – General Manager/
Service Manager

Completion Date – June 1st 2018

6. Task – Create a bonus program for Techs when they reach 120% shop proficiency

By Whom – General Manager

Completion Date – June 1st 2018

7. Task – Weekly meetings with Parts and Service Advisors tracking sales and pace

By Whom – Service Manager/
Assistant Parts Manager

Completion Date – April 30th 2018

8. Task – Have weekly meetings with Service Manager to get an idea where the department is headed for the month.

By Whom – General Manager

Completion Date – May 1st 2018

9. Task Tracking Lost Sales to make sure we have the right parts mix.

By Whom – Service Manager/
Assistant Parts Manager

Completion Date – Reviewed Daily for SM/APM weekly for General Manager

10. Task – Create an effective marketing plan to capture all makes and models to generate more revenue for Department

By Whom – Advertising Manager/ General Manager.

Completion Date – June 1st 2018

11. Task – Have website company develop a better-looking Parts and Service page on website with coupons/specials etc.

By Whom – Service Manager/ General Manager/ IT Manager

Completion Date – August 1th 2018

Synopsis

It was very obvious our service department was lacking badly in the training department with zero to no training. We took the proper steps to correcting this by utilizing Toyota University guild training program which I have seen improvements

in very little time as one-line repair orders decreased substantially!!

Also changing the service and shuttle hours to reflect the closing hours of the sales department at

6pm should help booking additional service hours and improve Customer Satisfaction as it's been an issue in the past.

But for the most part we have a pretty good service department that just needs a little support and I'm sure they will meet all the goals I've set out for them.

