

NADA Service Homework



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Marketing

- Current Strategy:
 - We depend on OEM provided monthly service specials and promotions to post on our Website
 - OEM ultimate oil service specials and \$50 off alignment Coupon on website
- Improvement Plan:
 - Monthly 1 day service clinic inviting previous clients with 4 years and older BMW for complementary inspection.
 - Monthly mailer / email blast to customers in our database and PMA with expired warranty offering internally created monthly specials
 - Matching competitors promotions and offers
- Evaluation:
 - Analyze the performance from one year to the next
 - Analyze mailer / email blast performance



\$50 OFF ALIGNMENT SPECIAL

\$50 off

Analyze Cost of Labor

- Performance:
 - Total GP% is above NADA guide of 76%
 - All 4 categories of labor are above guide on gross as % of sales
 - Unapplied time is an issue
- Improvement Plan
 - Continue to insure jobs get distributed by tech level based on labor type
 - Look into unapplied time monthly and what is causing it (further analysis needed)
- Evaluation:
 - Monitor all 4 categories of labor GP% monthly
 - Create action plan to minimize unapplied time

| Service Department Sales And Gross (Labor Only) | | | | |
|---|------------------|------------------|---------------------|---------------------|
| Category | Sales | Gross | Gross as % of Sales | %Sales Contribution |
| Customer Car | \$238,579 | \$187,855 | 78.74% | 47.54% |
| Customer | | | 0% | 0% |
| Customer/MPU | \$68,336 | \$56,478 | 82.65% | 13.62% |
| Warranty | \$133,520 | \$108,830 | 81.51% | 26.61% |
| | | | 0% | 0.00% |
| Internal | \$61,386 | \$47,983 | 78.17% | 12.23% |
| NVI / Road Ready | | | 0% | 0% |
| Adj. Cost Of Labor | | \$(8,597) | 0% | 0.00% |
| Total | \$501,821 | \$392,549 | 78.22% | 100.00% |

Changes in Expense Structure

- Performance:
 - Personnel Expense is 63% of Gross. Personnel Expense should amount 45-50% of the gross.
 - We have recently hired a second service manager second shop foreman as well as 3 service drive attendants, resulting in over \$30,000/month increase in personnel expenses.
- Improvement Plan
 - INCREASE GROSS PROFIT!!
 - Monitor operating expenses
 - INCREASE GROSS PROFIT!! (tactics in Action Plan slide16)
- Evaluation:
 - Weekly and monthly review of expenses
 - Weekly review of sales and GP
 - Monitor all personal hired within the last 90 days make sure they fit our culture. If they are not a good fit we must terminate them before 90th day.

| Service Department Profit Centering | | |
|-------------------------------------|---------------|------------|
| Expense Category | Dollar Amount | % of Gross |
| Department Gross | \$394,446 | |
| Variable Expense | \$10,130 | 2.57% |
| Selling Expense | | 0.00% |
| Personnel Expense | \$249,254 | 63.19% |
| Semi-Fixed Expense | \$146,331 | 37.10% |
| Fixed Expense | \$79,869 | 20.25% |
| Unallocated Expense | \$- | 0.00% |
| Dealer's Salary | \$- | 0.00% |
| Total Expenses | \$485,584 | 123.11% |
| Net Profit | \$(91,138) | -23.11% |

Productivity

- Performance:

- Technicians are operating at 41% proficiency
- Customer pay ELR is \$202. this is \$50 below our door rate.
- Extremely low tech proficiency % combined with customer pay ELR of 25% below door rate.
- Technicians are wasting lots of valuable time locating the vehicle they are trying to work on.

- Improvement Plan

- Monitor unsold labor hours monthly
- Determine if we have unproductive techs and how many (Can we save them or should they go?)
- Train all advisors on sales and closing skills
- Reassign one of the service drive greeters to assist technicians by locating the vehicles that need to get worked on to improve proficiency.

- Evaluation:

- Deeper analysis recommended with GM, Service Director, Service Manager and Shop Foreman on tech proficiency, unsold hours and ELR issues.

| NADA ACTUAL SERVICE ANALYSIS | | | | | | |
|---------------------------------------|----------------------------------|---|------------------------------|---|-----------------------------|------------------------------|
| Performance | | | | | | |
| | Labor Sales / Month | | Effective Labor Rate | | Hours Billed | |
| Customer Car* | \$238,579 | ÷ | 201.75 | = | 1182.5 | |
| Customer Truck* | | ÷ | | = | 0.00 | |
| Warranty MPU* | \$68,336 | ÷ | 222.56 | = | 307.0 | |
| Warranty | \$133,520 | ÷ | 222.56 | = | 599.9 | |
| Internal | \$61,386 | ÷ | 176.75 | = | 347.3 | |
| New Vehicle Prep | | ÷ | | = | 0.00 | |
| Total | \$501,821 | | | | 2436.8 | |
| POTENTIAL | | | | | | |
| | \$501,821 | ÷ | 2436.83 | = | \$205.93 | |
| | Total labor sales for month | | Total hours billed | | Effective Labor Rate | |
| | 27.00 | x | 10 | x | 22 | = 5,940.0 |
| | # Service mechanical technicians | | # Hours per day for one tech | | Working Days/Month | Clock Hour Avail |
| | 5,940.0 | x | \$205.93 | = | \$1,223,238 | 1529047.27 |
| | Clock Hours Available | | Effective Labor Rate | | Labor sales potential @100% | Labor sales potential @ 125% |
| How proficient are your technicians ? | | | | | | |
| | 2,436.0 | ÷ | 5,940.00 | = | 41.01% | |
| | Hours Billed | | Hours Available | | Tech Proficiency | |

Facility

- Performance:
 - Facility Utilization is horrendous at under 31% way below NADA guide of 75%
 - Some Bays are being used as parking spaces
 - Lots of room for improvement
- Improvement Plan
 - Meet with Technicians and Service Director to work on productivity and improve facility utilization
 - Restructure technician's work schedule to improve facility utilization.
- Evaluation:
 - Closely monitor technician's proficiency
 - Develop a detailed action plan to continue improving our facility's utilization.

| FACILITY POTENTIAL | |
|----------------------|-------------|
| Number of Bays | 36 |
| | x |
| Number of Days | 22 |
| | x |
| Number of Hours | 10 |
| | x |
| Effective Labor Rate | \$205.93 |
| FACILITY POTENTIAL | \$1,630,984 |

| FACILITY UTILIZATION | |
|----------------------|---------------|
| Total Labor Sales | \$501,821 |
| | ÷ |
| Facility Potential | \$1,630,984 |
| | <i>equals</i> |
| FACILITY UTILIZATION | 30.77% |

Repair order analysis

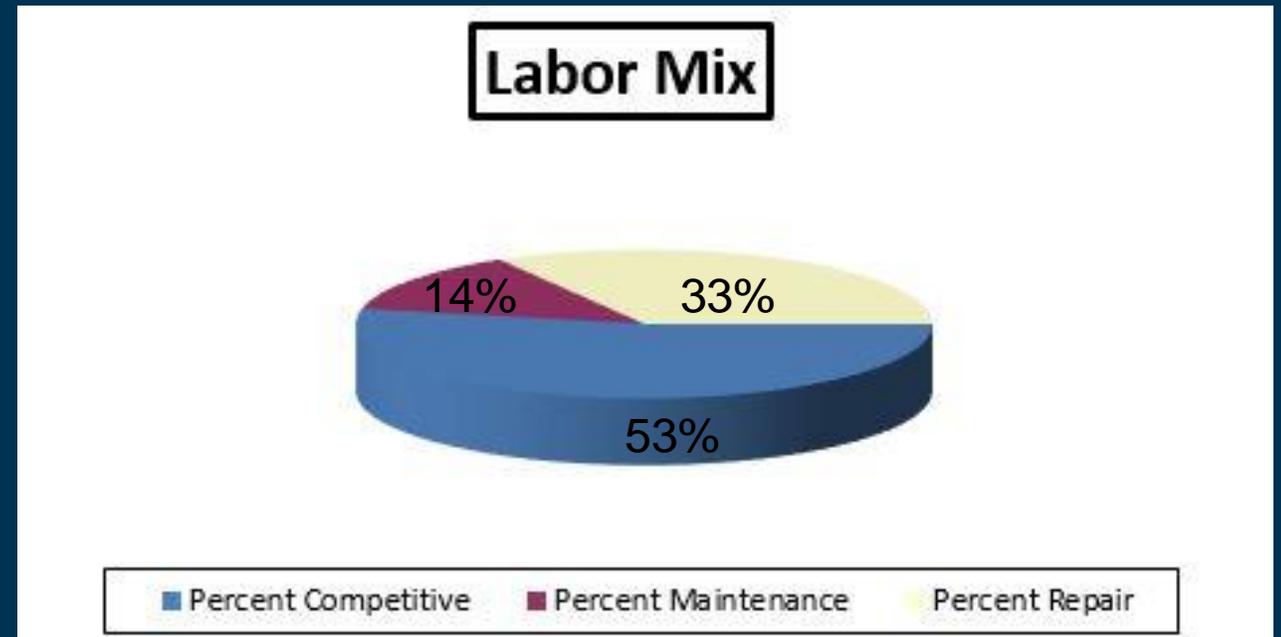
- Performance:
 - 47 of 99 RO's were one item = 47% of our RO that's 37% over NADA guide of 10%
 - ELR is \$59 below target labor rate of \$252
- Improvement Plan
 - Train technicians on proper MPI focusing on vehicles with expired manufacture's warranty and minimizing 1 line RO's
 - Train advisors on proper vehicle check in inspection
 - Train advisors on closing techniques
 - Service Manager/Director must review all 1 item RO's as well as all declined repairs.
- Evaluation:
 - Monitor technician recommendations per RO
 - Monitor advisor's close ratio
 - Develop action plan for improving 1 item RO%. 47% is unacceptable!!

| Repair Order Analysis Summary Report | | | | | | | |
|--------------------------------------|------------------|---------------|-------------------|-----------------------|---------|--------|-------|
| | Sales in Dollars | FRH's on RO's | Averages | Analysis | | | |
| Competitive | \$16,883 | 119.80 | 140.92 | FRH Average | | | |
| Maintenance | \$7,457 | 30.00 | 248.57 | FRH Average | | | |
| Repair | \$18,981 | 75.00 | 253.08 | FRH Average | | | |
| Totals | \$43,321 | 224.80 | 192.71 | Customer ELR | | | |
| | | | Target Labor Rate | 252.00 | Per FRH | | |
| Total Ro's in Sample | 99 | Difference | | -59.29 | Per FRH | | |
| Cost of Labor | | | | | | | |
| Total Cost of Labor | 9246.50 | Total Sales | 21.34% | Percent Cost of Sales | | | |
| Total Cost of Labor | 9246.50 | Total FRHs | 41.13 | Cost per FRH | | | |
| Repair Order Measurements | | | | | | | |
| Total Labor Sales | 43,320.50 | Total ROs | 437.58 | Avg Labor per RO | | | |
| Total FRHs | 224.80 | Total ROs | 2.27 | Avg FRH's per RO | | | |
| Menu Sales | | Total ROs | | Percent Menu Sales | | | |
| Competitive FRHs | 119.80 | Total FRHs | 53.29% | Percent Competitive | | | |
| Maintenance FRHs | 30.00 | Total FRHs | 13.35% | Percent Maintenance | | | |
| Repair FRH | 75.00 | Total FRHs | 33.36% | Percent Repair | | | |
| One item ROs | 47 | Total ROs | 47.47% | Percent One Item RO | | | |
| Model Year Analysis | | | | | | | |
| 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | Older | Total |
| 0 | 3 | 10 | 10 | 13 | 16 | 47 | 99 |
| 0.00% | 3.03% | 10.10% | 10.10% | 13.13% | 16.16% | 47.47% | |

RO Analysis Labor Mix

- **Competitive: 53%**
 - 24 of 99 RO's sampled had \$189.95 alignment paying tech 2 labor hours while only collecting \$189.95
 - 39 of 99 RO's sampled had tire install @\$50/intstall while paying tech .50 hour labor while only collecting \$50
 - (this significantly impacts the ELR for CP RO's but it is necessary to stay competitive with tire shop next door trying to attract our service customers to buy tires and perform alignments at there facility)
- **Maintenance: 14%**
 - Bringing in older BMW's with expired factory Maintenance will help us improve maintenance % (Service Clinics will improve this) Independent shop analysis proved to us pricing is very similar now we must educate those customers going to independent who think they are saving \$)
- **Repair: 33%**
 - Below guide of 40%. On RO analysis.
 - (ELR rate was \$253 1 dollar above \$252 door rate. Are we hitting customers to high causing them to decline work? Further analysis needed)

NADA Guide is
60% Competitive and Maintenance
40% Repair



SWOT Analysis

- Strengths

- Technicians are well trained by factory
- Equipment is new and well maintained
- Tool Room underwent \$80k remodel
- Facility is equipped for growth 27 techs 36 bays.
- We offer advanced diagnostics
- We offer original manufacturer parts
- Massive 120 BMW loaner fleet for our service customers
- Over 14,000 BMW's have been retailed at Century West BMW the last 6 years.
- Prime location only 4 miles from affluent Beverly Hills and West Hollywood
- Located next to Warner Bros,NBC, Telemundo and Univeral.

SWOT Analysis

- Weaknesses

- Technician proficiency poor
- Recommendations per RO low
- Lots of service Advisor turnover last 2 years new hires do not have BMW brand experience or training
- Disconnect between High Level Techs and Service Director
- Moral is low among many technicians.
- Lots of Customer frustration with Service Advisors not returning there calls.
- Vehicles are sitting in the shop for days without being looked at
- Space is an issue causing technicians to waste lots of time trying to get to vehicles they are trying to work on
- Service customers have a hard time trusting the Service Advisor since they have not dealt with them in the past. No rapport (3 visits 3 different service advisors)

SWOT Analysis

- Opportunities

- Customer upsells have lots of room for improvement
- Unfilled shop capacity
- Opportunity to take customers away from surrounding BMW centers since we have a large fleet of BMW loaners. Public BMW stores around us provide them with a basic non BMW rental
- Lots of Independent shops around us servicing BMW's. Based off the Competitive Maintenance Survey conducted for Week 3 our Dealer offers very similar pricing to these independent shops (these customers servicing at independents are not aware it is our job to make them aware)
- over 14,000 New and Pre Owned BMW's retailed the last 6 years we have a large customer base.
- Lots of room for improvement with Facility Utilization as well as tech proficiency

SWOT Analysis

- Threats

- Other BMW Centers pay technicians full healthcare insurance
- Other BMW Centers are offering Technicians Signing Bonus of \$5000 to join
- Tesla opened a service center 5 miles from us and they have been recruiting technicians in the area.
(3 technicians from our Mini store defected to them, word spreads quickly with technicians)
- Lots of competition around us. BMW of Beverly Hills 4 miles south Pacific BMW 5 miles east Sherman Oaks BMW 4 miles west and Valencia BMW 12 miles north. If we don't offer our customers premium and transparent service we run the risk of losing them
- Last month 40% (35) of New Vehicles we retailed were BEV's. We currently only have 2 out of 27 technicians certified by BMW to work on BEV vehicles

SWOT Analysis

- Objectives
 - Increase technician proficiency
 - Will increase technician morale and help lower unapplied time
 - Increase service department gross profit
 - Will increase service department profitability and help draw expenses in line GROSS GROSS GROSS. We are above 76% on GP as a % of sales we just need more gross
 - Increase customer pay ELR with a \$59 dollar variance from door rate CP ELR this needs to be addressed. We are being competitive with alignments and tire install fee. The work mix needs to improve
 - CP Repairs needs to be over 40% which is guide. This will improve our ELR rate.
 - Get 1 line CP RO's closer to 10% Guide

SWOT Analysis

- Strategies
 - Increase Technicians recommendations per RO
 - Doing so will allow the advisors more opportunity to sell, decreasing technician down time and increasing sales per RO
 - Increase advisor close ratio
 - Allows for increased sales and will help improve shop proficiency
 - Monthly weekend service clinics
 - Will bring into our service department older BMW's 4 years and older which have a better chance of needed repairs
 - Based off our independent shop survey conducted in conjunction with NADA week 3 fixed ops the independent shops are charging pretty much the same amount if not more to repair BMW's without providing BMW courtesy vehicle as well as being required to use Original manufacturer parts. We must educate this customer base and make them aware of this
 - Monthly service mailers in our PMA making them aware of this.
 - Monthly Expenses Meeting to monitor expenses
 - Monthly meeting to brainstorm ways to generate more gross for the department

SWOT Analysis

- Tactics
 - Teach technicians proper MPI procedures
 - What to recommend and when
 - Train/Teach advisors selling techniques
 - Create value in the services we offer
 - Overcoming objections
 - Sales closing techniques
 - Utilize the extensive knowledge in the sales department
- Have new service manger monitor one line RO's with technician and Service Advisor need to decrease this % 47% is unacceptable
- Have Service manager go over declined RO's and see what can be done to get customer to approve previously declined repairs
- Make sure Service Director is well versed on reading the financial statement and controls his controlable expenses such as lot damage, overtime, unapplied time etc

SWOT Analysis

- Action Plan

| TASKS | Position Responsible | Check-in |
|---|---|---|
| Training for Service Advisors and Technicians working together on selling and upselling | Service Manager Service Director Shop Forman's | Bi Monthly in teams |
| Strategies to help improve technician Proficiency | Service Manager Service Director Shop Forman's | Every Monday will review previous week |
| Facility Utilization | Service Manager Service Director Shop Forman's | 1 st or 2 nd of the month |
| Getting 1 line RO's closer to 10% NADA Guide with Technicians & Service Advisors | Service Manager Service Director Shop Forman's | Every Monday will meet 7am to brainstorm and review |
| Planning and Organizing service clinics | GM Service Manager Service Director Shop Forman's | 1 st or 2 nd of the month For upcoming month |

Homework Synopsis

- Synopsis
- The Service Department faces three key challenges:
 - Proficiency of our technicians currently at 41%
 - Adequacy of training for our service advisors.
 - Underutilization of our facility for generating higher gross revenue.
- To effectively address these challenges, a comprehensive training initiative is imperative for both Technicians and Service Advisors. Firstly, we must enhance the proficiency of our technicians by providing them with the necessary skills to conduct thorough Multi-Point Inspections (MPIs). This will result in an increase in recommendations per Repair Order (RO). Subsequently, our service advisors must be trained to articulate these recommendations effectively, adeptly addressing any objections that may arise from clients.
- Furthermore, we need to optimize our technicians' workflow by minimizing non-essential tasks, such as unblocking vehicles they are trying to work on around the facility, allowing them to focus on their core responsibilities inspect and repair BMW's. Continuous training and improvement should be monitored on a daily basis by both the Service Manager and Service Director.
- By improving these operational facets, we can anticipate significant enhancements in technician proficiency, an increase in the number of lines/RO in the Customer Pay (CP) Labor category, and, ultimately, a substantial boost in our overall Gross Profit. We need to take the Service Department from Red to Black