

Have You Been Gambling with Your Service Department Profits?



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**Have You Been Gambling with Your
Service Department Profits?**

What Will You Take Home?

1

What are my opportunities to increase gross profit?

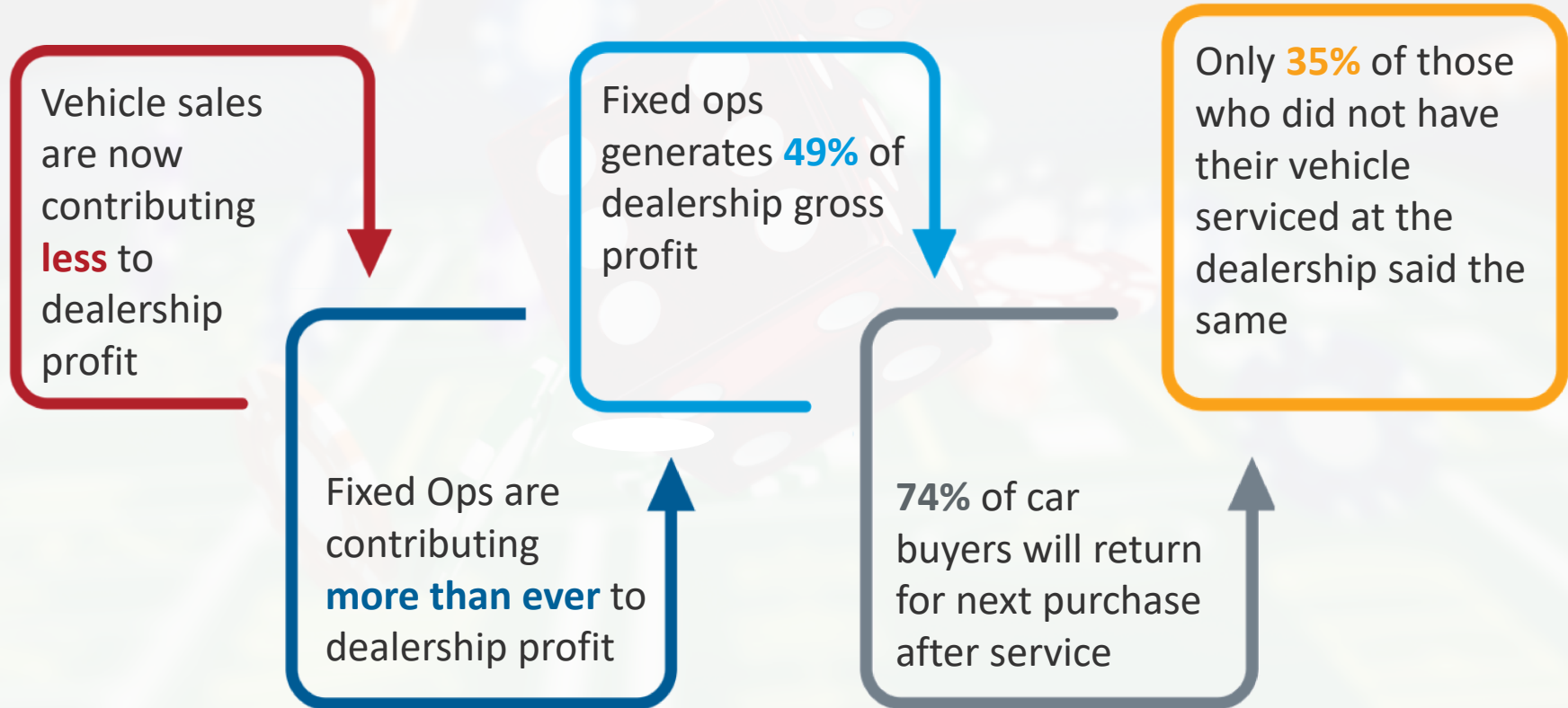
2

Why should I measure and track unsold hours, proficiency, and lost time?

3

How can I improve my service department's profitability?

11 Fixed Ops Are Contributing More to Dealership Profits



Are you playing with all your available inventory?





Kyle

Raymond

Antonio

Labor Hours

**Why do we gamble with this
inventory?**





**Time
Best Practices
Process
Leadership**

**Why do we gamble with
this inventory?**





Stop rolling the dice.

**Unsold Hours
Performance Measurement
Lost Hours
Leadership**



Unsold Hours = Money Left on the Table

Calculating Money Left on the Table from Unsold Hours

The average technician works 50 weeks/year

$50 \text{ weeks} \times 40 \text{ hours/week} = 2,000 \text{ hours/year}$

$2,000 \text{ hours} \times \text{Your Effective Labor Rate } (\$120) =$

\$240,000/year left on the table



Unsold Hours = Money Left on the Table

Calculating Unsold Hours

6.5

Number of service technicians		15
Number of hours/day one technician works	×	8
Working days of the month	×	24
Hours available to sell	=	2,880
Total hours billed	−	2,364
Unsold hours for month	=	516
Annualize	×	12
Unsold hours for one year	=	6,192
Annual hours worked by one technician	÷	2,000
Number of technicians with unbilled time	=	3.1



Unsold Hours = Money Left on the Table

Calculating Money Left on the Table from Unsold Hours

\$240,000/year left on the table × 3.1 technicians

=

\$743,040/year



Unsold Hours = Money Left on the Table

Causes of unsold hours

- Service Advisor sales training
- Incomplete vehicle walkarounds
- Inconsistent multi-point inspections
- Waiting on approvals
- Lack of ownership



What is the technician's...

81.3%

138.5%

112.5%



Lack of Measurement = Money Left on the Table

Measuring Technician **Productivity**

Productivity
81.3%

=

Hours Worked
6.5

÷

Hours Available
8.0

NADA Guide
87.5%



Time Clock Method

- **Wasted time**
- **Breaks**
- **Shop Parts counter**
- **Tool truck**

Measuring Technician Efficiency

Efficiency
138.5%

=

Hours Produced
9.0

÷

Hours Worked
6.5

NADA Guide
130-150%



Encourage technicians to beat labor time published in factory labor time guide or flat rate manuals.

Measuring Technician Proficiency

Proficiency
112.5%

=

Hours Produced
9.0

÷

Hours Available
8.0

NADA Guide
120%



Why measure
proficiency?

Lack of Measurement = Money Left on the Table

Causes of low proficiency

- Communication at Service Advisor level
- Insufficient training for technicians
- Poor facilities and equipment
- Morale, store culture, poor leadership
- No defined goals
- Interruptions (tool truck, breaks, etc.)
- Parts Department
- Tool Room



Lost Hours = Money Left on the Table

**Service Department Return
Average Dealership**

**NADA
Guide**

Effective Labor Rate

\$91.26

Gross Profit Percentage Labor

74%

73%

Gross Profit Parts RO – Mechanical

38%

41%

Parts-to-Labor Ratio

90%

100%



Lost Hours = Money Left on the Table

Dealership Return for Each Dollar of Labor Sales

	Sales		Gross Profit
Labor Sales	\$1.00	➡	\$0.74
Parts Sales	\$0.90	➡	\$0.34
Total Sales	\$1.90	➡	\$1.08



Lost Hours = Money Left on the Table

Dealership Lost Gross Profit for Every Six Minutes that is Wasted

	Sales		Gross Profit
Labor Sales	\$9.13	➔	\$6.75
Parts Sales	\$8.21	➔	\$3.12
Total Sales	\$17.34	➔	\$9.87



Lost Hours = Money Left on the Table

Calculating the Impact of Lost Hours

Number of service technicians	×	15
Increase by 3/10 of an hour (18 minutes)	×	0.3
Working days of the month	×	24
Monthly sales (24 days × ELR of \$91.26)	×	\$ 9,856
Annual labor sales (\$9856 × 12 months)	=	\$118,273
Annual labor gross profit (\$118,273 × 74% GP)	=	\$ 87,522
Additional annual parts sales (\$118,273 × 90% ROS)	=	\$106,446
Additional parts gross profit (\$106,445 × 38% GP)	=	\$ 40,449
Additional gross profit (labor + parts)	=	\$127,971



Lost Hours = Money Left on the Table

Causes of lost hours

- Process
- Training
- Lack of clearly-defined goals
- Inefficient WIFI
- Poor lighting
- Lack of Parts and Service department collaboration
- Disorganized toolbox





Labor

What is the inventory in your Service Department?



**How is the morale in your Service Department?
What can help?**



Leadership



Stop rolling the dice.

Stop Rolling the Dice

1 What will I focus on first?

- Unsold Hours
- Performance measurement
- Lost Hours
- Leadership

2 How will I approach the challenge?

- Measure and track hours
- Sell more hours
- Improve processes
- Improve facilities and equipment
- Manage your inventory

3 How will I evaluate my progress?

4 When will I start and finish?

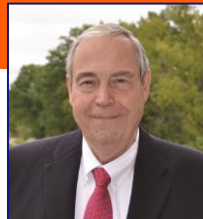
Questions

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