

Alderson Consulting
We get results.

Service Manager Training Manual

Session One

Fixed Operations Overview

Let's talk about your store and your philosophies



Hoped for Outcomes:

- Greater net profit
- Consistency without burnout of the team



Cost Cutting:

- Traditionally a way to greater profit
- Already done such as:
 - Policy
 - Spending
 - Advertising



Frozen Capital:

- 5 spark plugs for a V6 in stock
- 1 brake rotor in stock
- We do measure real costs
- We do not measure lost opportunities



Changes:

- Take courage: short run higher costs
- Compare to new and used car departments
- We have been holding back on the wrong inventory
- We need to maximize our return eligibility

Flat Rate vs. Straight Time

- Goal: Get technicians run to their own businesses
- Goal: Encourage technicians to go their own way
- We have been taught:
 - Straight time → bad = communism
 - Straight time → for lazy people
 - Straight time → only new junior people
- We are looking for an average of 200 hours sold in a 160 hour month
- To get them to work on time: mandatory 8am Toolbox Meetings; for early birds: perhaps give them a key
- Learn their life and family situations: making it work

Effective Labour Rate

ELR = \$ of hours sold divided by number of hours paid

- Door rate = \$130
- $\$130 / 1.3 \text{ hours} = \100 ELR
- $\$130 / 1.6 \text{ hours} = \81.25 ELR



If our Goal = 70% GP, can we change enough to make that happen?

Major Problem in Our Industry

- An empty hoist (we see its potential)
- Every Tech wants two stalls
- Which scenario makes the most sense?



Common Bottlenecks

Issues of appointment coordinators (entry level):

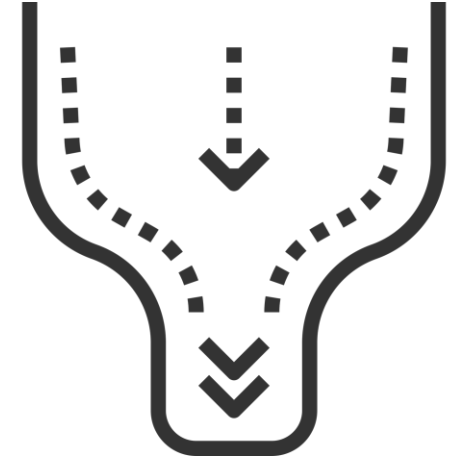
- Estimation of appointments may be based on false logic like 80% of time for jobs: do a store analysis by month and season
- How much time do you set up for diagnosis? An hour?
- Understanding the type of work coming in the door
- Opportunity for upsell on phone may not be taken
- Appointment deferral from today = no shows (67%)

Fixes:

- Using Job Aids on the phone call
- Create a sense of urgency
- What is our phone process? Turn off voicemail
- Every position should have a backup
- Dispatching requires bravery

Tech Cost Per Minute:

- \$110 ELR @ 130% = \$150 Labour Sales + \$150 Parts
- \$300/hour = \$5 per minute Think about that



Opportunities

Goal: properly inspect, sell and perform the upsold work

- Let's also tell the customer what isn't wrong with their vehicle
- We have to take the responsibility to be the voice of the vehicle
- What % of customers know what's going on under the hood?
- As an example, have you looked at using something like True Video?

Alignments Cost Less Than Tires!

- \$120/1.1 hours = \$110 ELR
- \$120/0.6 hours = \$200 ELR
- 2nd or 3rd year apprentice with retro \$2/hr pay plan

Common Opportunities Using Menu Pricing Where Possible

- Oil leaks and brakes
- Spare tire inspections
- Differential went in the water service
- Transmission flushes at 120K

Over 50,000 kms:

- Objective: Maximize flow of inspections and diagnosis
- Encourage customers to leave vehicles all day
- Annual inspections: \$99 - \$219 (seasonal) What do you do at your store? It definitely gets customer attention and focus



The Theory of Constraints

Step 1. Identify the goal

Step 2. Calculate the capacity

Step 3. Allocate resources to bottlenecks

TOC: 200 hours is the target

- There will always be a bottleneck
- Bottlenecks move constantly
- There's always another to fix
- Fixing bottlenecks is awesome



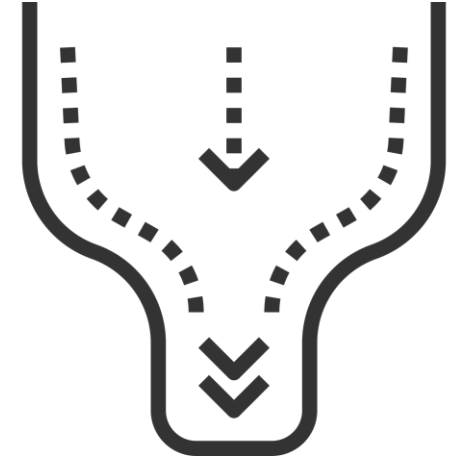
Recall Strategies

We Need Good Recall Processes

- Keep silly stuff out of the shop
- No key cutting and time wasters in the shop
- Common fixes are often low skill
- With some manufacturers, competency is not a requirement

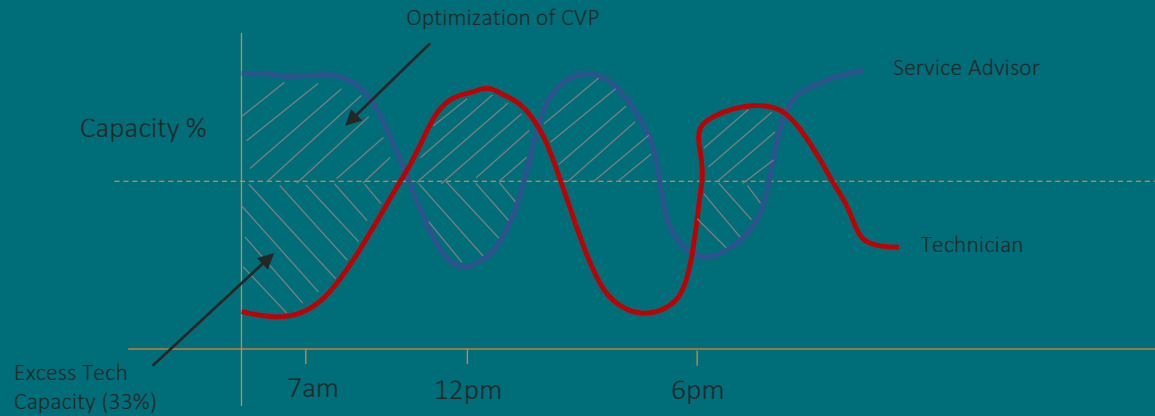
Let's Train Specific Individuals on Specific Fixes

- This is an opportunity to speed up
- Recalls can turn into a great retention tool
 - We can do oil changes at the same time
 - We can pull customers back from the Mr. Lubes
 - Recalls are also often after the warranty period
 - Let's show off our expertise



Time Wasting

- Waiting for back counter parts
- Pushing no-starts in to shop



We should:

- Prepare pre-game plans night before: filter out foolishness, look for opportunities in the history
- Pre-fill stalls the night before and before Technicians start work in the morning
- Junior SA's <50,000 kms; Pro SA's >50,000 kms
- Maximize work flow as early as possible
- Design demand to true demand:
 - Inspections and Diagnosis in the AM; Upsells and Repairs in the PM
- Reduce appointment coordinators → increase advisors
- Upsell on incoming calls



Time Wasting

As customers approach the end of their warranty period, the opportunity for conflict rises significantly:

- Sub 50K: Personality of SA = building rapport
- Post 50K: Personality of SA = **pro**: more technically knowledgeable

Under 50k Entry Level Service Advisor:

- Educate customer on maintenance mentality
- Priority on charisma: outgoing/positive
- Baristas, hotel front desk = not sales
- Target quick, efficient, accommodating service
- Emphasize value in prep: prior history/recalls
- Customize maintenance schedule for upsells

Primary focus: tires, alignments, 6 month returns
Make this scripted



History Review

- Kms per month
- Km interval
- Pattern behavior W/I/CP
- Service location history
- Oasis/ previous inspection (MPI?)
- Review hard copy of last inspection for additional tech notes
- Focus on outstanding cautions
- The more time the Service Advisors spend on preparation, the less time they have to spend with the customer!

Service Advisors

- First impressions set the tone
- Key to success: Hire by personality skills
- Find right personality and teach them
- Outsource customer follow-up

Advisor Rules:

- Greeted within 90 seconds
- Three rings
- Designate CVP champion with access to discounts policy
 - Critical role
 - Excellent communication skills
 - Organization and attention to detail
 - Gets the difference: empathy vs. sympathy
 - Choose to use policy for right results
 - Train for conflict management



Discussion

Definitions

- Productivity = hours clocked on the job / hours available for work
- Proficiency = hours sold / hours available for work
- Efficiency = hours sold / hours clocked on the job
- Crucial for Analysis = hours worked / hours available for work
- Unapplied Time = hours available for work not clocked on
- Shop Capacity = 200 hours x 11 months = 2200 hours x \$100 per hour = \$22,000 x number of Technicians

Gross Profit must be a priority

- Maximize limited resources
 - Fill from the bottom up: decide on your strategy and stick with it
 - Encourage hunter gatherers!
- Why are techs paid by specialities knowledge versus production?
 - Get out of this vicious circle by cross training
- Make more money: free = no value
 - Spend \$5,000 on rentals this month
 - Generate \$30,000 of work

Challenges

- Inconsistent work availability and value of carryovers
- Using our heads dispatching work
- Hoist usage dilemma
- Filling bays early a night before
- Technical proficiency: is it controlled by technicians?
- Are Technicians available for work 8 hours per day?



Success of the Day is Set by 9am

- Stacking jobs = motivation
- Carryover allows stacking by 9am and suggestions
- Management review of tomorrow's appointments for Service Advisors → preparation is key. This cannot be left to chance



Key to a TOC Shop

1. Match shop to the work, not work to the shop. Dispatching the right jobs to the right Technicians.
2. Maximize phone upsell.
3. Advisor dispatch with same principles as tech dispatch: match job to advisor.
4. Increase staff levels to enable front loading and pre-11am authorization.
5. All ROs over 50k appraised by Dispatch for lost opportunity.

Key to a TOC Shop

6. Maintenance and Repair: make late appointments.
We lose 30% of appointments not made on customer day of choice.
7. Dispatch by logic, not emotion.
8. Impetus to rush should be a signal to slow down.
9. PDI internal should be for flow management, especially non journeymen.
10. Decisions about support labour levels should be seen through \$5 per minute lens
11. An open hoist will increase top Technician's hours by more than the production of the lowest Technician ... but will it be more than two?

Discussion: Charging for Diagnosis

- Level 1 →

Constant problem: all the time
\$149 pays 0.8

- Level 2 →

Under certain circumstances:
Every time without road test
\$279 pays 1.5

- Level 3 →

Random and intermittent: happens sometimes
Go away: bring back job aid sheet
\$595 for 3.5 hours



Optimal Dispatch Strategy

1. Ensure shop pre-loading to keep Flat Rate Techs productive at start of shifts.
2. Review all work orders manually for missed opportunities and review with Advisor prior to dispatch.
3. Schedule 100% of all diagnostic and inspection work to arrive before maintenance and light repair.
4. Use 11 & 2 rule for communication and upsell. Authorization critical for maximum flow. By 2pm we should be calling with finish time.



Optimal Dispatch Strategy

5. Review Dispatch Process to ensure the best tech for the job.
6. Split ROs: Dispatch by RO line.
7. Extending customer vehicle visit gives more opportunities.
8. Prioritize jobs which can complete today.
9. Use shop foremen for triage.
10. Vulcan mentality: Needs of many outweigh the needs of the few.



Dispatch: do you have a priority system?

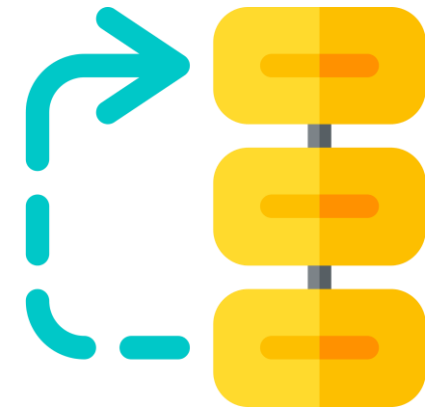
Idea One to maximize work flow by:

- Diagnosis:
 - Get parts ordered
 - Can upsell
- Inspections:
 - Parts in stock
 - Can upsell
- Comebacks
- Repairs
- Maintenance

We believe work should go to the best available technician not the most available technician

Manage growth of Senior Apprentices through these areas:

- EEC
- General
- Front End
- Transmission



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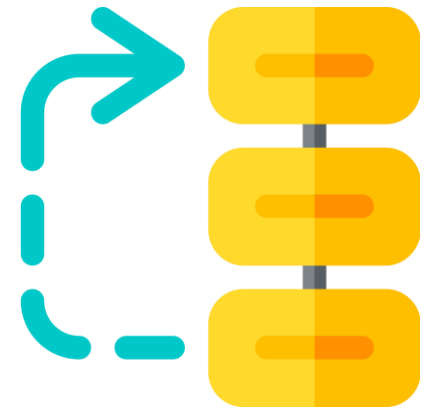
Idea Two to maximize work flow by: Four Shops

- Quick Lane
- Maintenance; Repair; Warranty & Comebacks
- Commercial & Fleet
- New Vehicle PDI's & Used Vehicle Reconditioning

Again, we believe work should go to the best available technician not the most available technician

Again we recommend you manage growth of Senior Apprentices through these areas:

- EEC
- General
- Front End
- Transmission



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Thank You