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Increase Service Profits by Increasing Proficiency

Gary Edwards
President
Edwards & Associates Consulting, Inc.
Charlotte, NC
(800) 708-7587
gary@edwardsconsult.com

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Introduction
Auto Dealerships and Truck Dealers measure Service Managers by how many hours their Department produces each month. Measuring a Manager's performance based upon what each Technician and your Facility produces is the better measure. A changing dynamic in our industry is to think about how many hours your Facility could produce if you had a productive Technician in every Stall. This calculation is better known as facility potential.

Facility Potential
To determine facility potential, calculate the number of Stalls:

- Alignment Stalls
- Lube Stalls
- Trim Stalls
- Detail Stalls

Example:

	Number of Service Stalls	20
×	Hours per Day	8
×	Days per Month	21
=	Potential Hours	3,360
×	Labor Rate	$125
=	Monthly Labor Potential	$420,000

Facility Utilization

	YTD Labor Sales =	$2,102,000
	÷	by 12 Months
	=	$175,166.67 Monthly Labor Sales

$175,166.67 ÷ $420,000.00
= 42% Facility or Stall Utilization

Knowing How You're Doing
In the previous example, our opportunity per Stall has the ability to produce $21,000 *vs.* our current performance of $8,758.33.

Measuring Technician Performance
You cannot manage what you do not measure. You should be tracking total Shop and individual Employee production, since service hours are available to sell only once.

Understanding Proficiency: Proficiency measures the combination of a Technician's Productivity and Efficiency.

Productivity: To calculate this you take the clock hours available and divide it by the hours the Technician was actually in the Stall producing billable Labor.

	7 Billed Hours
÷	8 Clock Hours
=	87.5% Productivity

Factors that Impact Productivity

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Where was the one hour lost?

- Looking for keys
- Looking for vehicles
- Waiting for R/O's from Management
- Waiting for additional repair authorization
- Waiting for parts

Additional Factors that Impact Productivity

- Incomplete repair instructions
- Incomplete estimates
- Breaking early for lunch
- Taking extended breaks

Efficiency: Calculate this by taking the Billed hours and dividing it by the hours the Technician was actually working.

9.5 Billed Hours
÷ 7 Hours Actually Worked
= 136% Efficiency

Factors that Impact Efficiency

Where did the Technician pick up 2.5 billed hours?

- Technician's knowledge of the Repair Process
- Ability to accurately diagnose problems
- Availability of physical assistance when needed
- Use/availability of special tools

Proficiency: Combines productivity and efficiency measurements into one quick and simple formula**.** Take the billed hours, then divide it by the clock hours available to produce Labor.

9.5 Billed hours
÷ 8 Clock hours available
= 119% Proficiency

Industry Proficiency Averages

Collision Shops = 130% - 150%
Mechanical Shops = 95% - 120%
Utilizing conventional production methods

Labor Sales

How much Labor must Hometown Truck Center sell to pay Expenses and make a Net Profit?

- Utilizing proficiency as a measurement

Calculating Labor Sales

The formula for determining Labor Sales required to break even is current monthly Expenses divided by current Gross Profit.

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Example:

$135,000 Expenses
÷ 71% Divisor
= $190,141 Labor Sales to break even

The formula for determining Labor Sales required to produce a desired 20% Net Profit is current total Expenses, divided by current Gross Profit percentage, minus desired Net Profit percentage.

Example:

71% Labor Gross Profit
- 20% Desired Net Profit
= 51% Divisor for total Sales needed

Desired Net 20%:

$135,000 Expenses
÷ 51% Divisor
= $264,706 Labor Sales to Net 20%

Proficiency Effects on Labor Sales

As discussed in this Workshop, understanding your Shop's potential and measuring utilization is important. Now let's look at how proficiency will affect your ability to achieve your Shop's needs.

Hometown Truck Center

Labor Sales Required to Produce A Profit	
Average Monthly Labor Sales	$175,167
Average Monthly Expenses	$135,000
Average Gross Profit % on Labor	71.00%
Current Effective Labor Rate	$100.00
Current Number of Technicians	10
Current Technicain Proficiency	**73%**
Tech. Hours Worked Per Day	8.0
Average Tech. Hours Produced Per Day	5.8

		Addl. Req.
Labor Sales Required to Produce 20% Net	$264,706	$89,539
Labor Hours Required to Produce 20% Net	2647	895
Addl. Tech's Required @ Current Proficiency	7	

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Hometown Truck Center

Labor Sales Required to Produce A Profit	
Average Monthly Labor Sales	$175,167
Average Monthly Expenses	$135,000
Average Gross Profit % on Labor	71.00%
Current Effective Labor Rate	$100.00
Current Number of Technicians	10
Current Technician Proficiency	**110%**
Tech. Hours Worked Per Day	8.0
Average Tech. Hours Produced Per Day	8.8

		Addl. Req.
Labor Sales Required to Produce 20% Net	$264,706	$89,539
Labor Hours Required to Produce 20% Net	2647	895
Addl. Tech's Required @ Current Proficiency	5	

Understanding

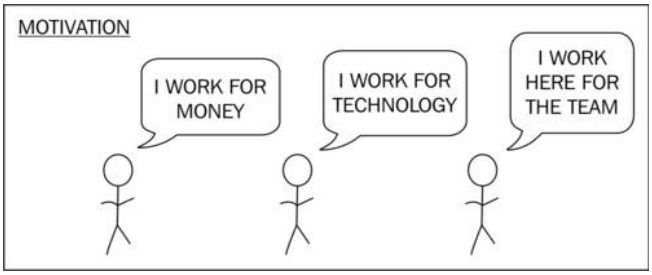
This Workshop has covered areas for each of you to better understand your Dealership in the following areas:

1. Facility potential
2. Utilization
3. Technician proficiency, efficiency, and productivity
4. Labor Sales needed to provide Net Profits

Effective Managers define a vision of the future, set goals for all Employees to achieve, monitor and communicate results.

Motivating & Coaching Technicians

Managers must identify how their Staff is currently performing in order to effectively coach them to do a better job. Effective Managers are nothing more than a "coach" who is calling the plays day in and day out to ensure that departmental goals are achieved. Typically, Technical Staff is motivated by performance driven pay plans. NOT all Technicians are motivated by money, some appreciate the "*atta boy/girl*" approach. Managers, much like a coach, should sit down with Employees and use a questionnaire to determine what their short-term and long-term goals are. They should ask where they see themselves in two years, five years, and ten years.



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Sample Questionnaire

Questions to understand employees

1. Speaking of your performance at your job, do you feel you give the time required to be the best employee at all times?
2. Is there any training you feel as a company we can provide you to improve your technical or social skills? Which?
3. Do your feel we provide you with the tools and equipment to do your job?
4. Do you have any hobbies that you enjoy doing? Boating, Four Wheelers, etc.?
5. Based on your long term and short-term goals - Where do you see yourself in 2 years? 4 years? 10 Years?
6. What motivates you as a person? What motivates you as an employee? Recognition, reward for hard work?
7. Are you in the position you see yourself for the entirety of your career? Is there something else you want to do within our company in the future?
8. What's more important to you – money or more time off?

Whether you have an hourly, salary, or an FRH Shop most Technicians can be motivated through a bonus plan.

Example 1: Lateral Support/Team Structure-
Pay the Technician Leader a bonus to ensure that all Technicians are productive from A to D-levels like the following. Pay the lead Technician a bonus for every hour each Technician in their group produces-

A-Technician $2.00
B-Technician $3.00
C-Technician $4.00
D-Technician $5.00

Example 2: Hourly Shop's that need more emphasis on proficiency can be motivated based on tiers as seen here-

	Flagged Hours		
Bonus Tier	Lower Limit	Upper Limit	Bonus Amount for Every Flagged Hour Over 25
Tier 1	25.01	30.00	$5.00
Tier 2	30.01	35.00	$6.00
Tier 3	35.01		$7.00

Technicians are paid their normal hourly rate with a reason to produce hours, the more they produce the lower your Cost of Labor will be.

Coaching & Communicating: Each job position has clearly defined *objectives*, *duties*, and *responsibilities*. Each Employee knows what their individual performance objectives are

- *Daily* - *Weekly*
- *Monthly* - *Annually*

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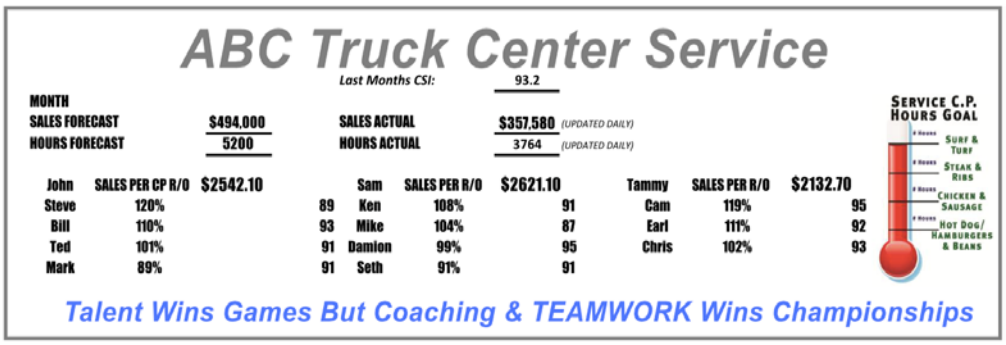
TECH NAME	Sum of SOLD-HOURS	Sum of LABOR$	Clock Time	Tech Productivity
JUSTIN	233.6	$17,711.17	192	121.7%
RONALD	205.5	$13,704.00	192	107.0%
MATT	185	$12,204.63	192	96.4%
SAM	141.7	$12,120.52	192	73.8%
KEVIN	634.3	$49,440.59	192	330.4%
MIKE	132.9	$14,204.58	192	69.2%
JIMMY	261.3	$23,642.16	192	136.1%
TIM	29.4	$1,850.13	192	15.3%
JAMES	178.6	$15,171.45	192	93.0%
KEN	226.5	$14,165.56	192	118.0%
JOHN	209.3	$14,527.11	192	109.0%
DAVID	482.5	$32,917.46	192	251.3%
LUBE,0	699.2	$30,736.47	1344	52.0%
CHASE	315.9	$27,687.06	192	164.5%
SHANE	311.1	$21,317.55	192	162.0%
RJ	97.6	$9,536.73	192	50.8%
DANNY	203.5	$19,424.82	192	106.0%
RUSSELL	403.45	$34,107.50	192	210.1%
SMITTY	154.15	$8,514.63	192	80.3%
JEFF	154.4	$15,052.42	192	80.4%
KRISTOF	134	$12,403.79	192	69.8%
BRETT	138.3	$12,032.06	192	72.0%
Grand Total	5532.2	$412,472.39	5376	102.0%

You must post the results for people to see. This approach makes the Organization's goal become every Technician's goal within your Organization.



The best way to overcome resistance is by posting proficiency.

Six Steps to Increase Proficiency

Develop an action plan to *increase proficiency* in your Shop

Step 1- Measure now
Step 2- Compare to benchmarks
Step 3- Determine area(s) needing attention
Step 4- Establish goals
Step 5- Communicate goals
Step 6- Monitor performance

Step 1- Measure Now

- Daily
- Weekly
- Monthly

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Step 2- Compare To Benchmarks
Collision Shops = 130% to 150%
Mechanical Shops = 95% to 120%

Step 3- Determine Area(s) Needing Attention
- Productivity
- Efficiency
- Both

Step 4- Establish Goals

Performance Goals
- Write legible R/O'S
- Write more complete estimates
- Pre-pull parts for R/O's
- Eliminate excessive breaks

Measurable Results
- Increase billed hours to X hours per week
- Achieve break even by (date)
- Produce (XX)% Net on Labor Sales this year
- Increase billed hours

Step 5- Communicate Goals: Hold regularly scheduled Shop meetings to communicate goals and review progress.

Step 6- Monitor Performance: Utilize daily tracking to monitor your Shop's performance.

Implement
Education is the key to knowledge, however implementation is the key to success. You must implement all six steps if you want to achieve success.

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