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Service Challenges Every Dealer Faces

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Strategy Development

Fully integrated consulting and training firm and industry leader in MPS

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Objective

- Identify common challenges
- Provide ideas to improve

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Common Challenges

- **Service Margin** –focus needs to be on *sustainable* GP gains that contribute to the bottom line
- **Metrics** – most use some form of performance metrics, BEI Services data underutilized for benchmarking – parts spend, labor cost, etc.
- **Staffing** - over staffed, but don't realize it
- **MPS** – uncertain of support, fear of change
- **Leverage** - poor process to leverage existing business, lack of sales/service team approach
- **Leadership and Management Effectiveness** – minimal training and development investment

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YOU'RE NOT ALONE AND NOW IS THE TIME TO RESPOND

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Maximize Profitability

Productivity, Effectiveness, Efficiency

- Key indicators
    - ✓ Service GP – 52%+
    - ✓ Labor Cost % of Rev <25.5%
    - ✓ Parts Cost % of Rev <17%
    - ✓ FCE – 82% +
    - ✓ Gross calls/day/tech – 4.8+
    - ✓ Net calls/day/tech – 4.0+
    - ✓ Rescheduled calls (parts, assistance) – 8% or less
    - ✓ Recalls – 10% or less
    - ✓ Avg repair time/call – <1hr
    - ✓ Avg productive time/day/active tech – >7hrs
    - ✓ Overall technician productive time % - >87%

Maximize Profitability

Common reasons for *not* meeting profitability benchmark:

- Staffing to current level of inefficiencies (you are staffed perfectly to support the results you are getting)
- Low FCE – excessive callbacks and incomplete calls
- Lack of a full work day – late arrival, early departure
- Under utilization of national benchmarking data
- Unaware of unprofitable accounts
- Effects of base churn

Maximize Profitability

Critical focus areas:

- Callbacks (technician effectiveness)
- Incomplete Calls (car stock effectiveness & technical support)
- Productive Time (expectation & inspection)
- Parts spend targets
- Contract review
- Multiple listening posts for client feed back

OK, you have the reports. What are you doing to improve these areas?

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Service Staffing

- Many service organizations are not sure of what their staffing should be = overstaffed

- Staffing to current level of inefficiencies (you are staffed perfectly to support the results you are getting)

- Low FCE – excessive callbacks and incomplete calls

- Lack of a full work day – late arrival, early departure

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Service Staffing

Technician Staffing – how many do I need?

1. How much workload demand (call time + travel time) do I have (actual) vs should I have (benchmark)?

- actual vs benchmark* – very important!

- Benchmark wrkld hrs (demand) = benchmark calls per mo x (benchmark repair time per call + travel time per call)

- Example: Current active machine base (pop & vol) has a <u>benchmark</u> workload demand of 3,000 hrs/mo

*Benchmark = Targeted= Planned

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Service Staffing

Technician Staffing – how many do I need?

2. **What is my workload capacity (total <u>available</u> productive hrs) given the number of techs I have?** (your mileage may vary). Example: current staffing of 26 technicians.

<u>**Available Productive Hours/Tech Calculation**</u>

Annual Paid Hours/Tech	2,080 hrs	
Less: Vacation -10 days	-80	
Sick/personal – 6 days	-48	
Holidays – 6 days	-48	
Meetings – 2 hrs/mo	-24	Non-productive time
Inventory – 2 hrs/qtr	-8	
Training – 10 days	-80	
Misc – 4 hrs/mo	-48	
Available CAT hrs/ tech	**1,744 hrs/year or 145 hrs/mo**	
Tot available hrs @ 26Techs =	**3,770 hrs/mo**	

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Service Staffing

Technician Staffing – how many do I need?

3. **How many techs do I actually need to support my benchmark workload?**

   – Required Techs = benchmark workload hrs/mo ÷ available productive hrs/tech/mo

   – Required Techs = 3,000 bnchmrk wrkld hrs ÷ 145 hrs per tech = **21 techs**

   – Actual Tech staffing = **26**

   – Overstaffed by **5**

   But wait, there's more…………….

   – What is my targeted avg response time?

   In order to achieve avg targeted response time consistently you must adjust available hrs for additional non-productive time (R.T. loading hours)

Service Staffing

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Technician Staffing – how many do I need?

4. **How many techs do I actually need to support my planned workload <u>and deliver targeted avg response time.</u>**

Avg R.T.	Adj available hrs
2 hr	94 hrs
3 hr	111 hrs
4 hr	**119 hrs**
5 hr	125 hrs
6 hr	130 hrs
7 hr	135 hrs
8 hr	139 hrs

- Required Techs = benchmark workload hrs/mo ÷ <u>adj</u> available productive hrs/tech/mo
- Required Techs = 3,000 wrkld hrs ÷ 119 hrs per tech = **25 Techs**
- Actual Tech staffing = **26**
- Overstaffed by **1**

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The Cost of Response Time

- Same example: Workload = 3,000 CAT hrs/mo
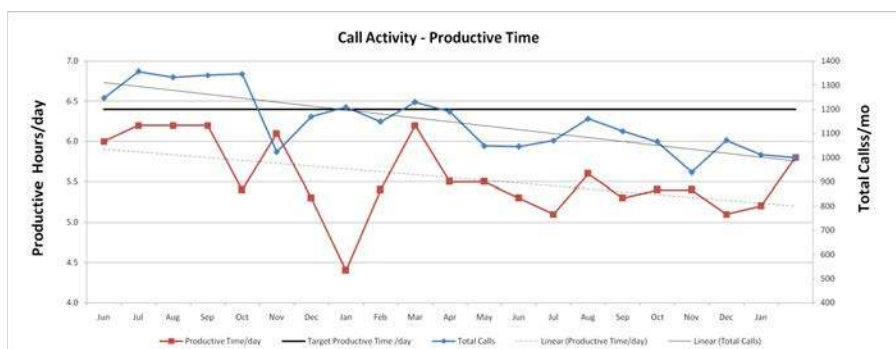 - 3.0 hrs avg R.T. requires 27 Techs
  - 6.0 hrs avg R.T. requires 23 Techs

  4 Techs @ $32K annual salary = $128,000 yr

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Service Staffing

Technician Staffing – how many do I need?

- How much workload demand do I have vs should I have?
  (remember – actual vs benchmark)

- What is my workload capacity (total available productive hrs) given the number of techs I have? (your mileage may vary).

- How many techs do I actually need to support my benchmark workload and deliver targeted avg response time?

  Required Techs = benchmark workload hrs/mo ÷ <u>adj</u> available productive hrs/tech/mo

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Service Staffing

What happens without staffing right sizing………..

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Service Staffing

- A common observation………

Tech Activity Report

Tech	Assigned Time per Day	Avg 1st Call Arrival Time	Avg 1st Call Duration	Number of Work Days	Avg Calls Per Day	Avg Response Time
1	6:02	8:46	1:45	19	4.8	8:32
2	5:14	8:46	2:25	19	3.1	0:00
3	7:16	8:42	1:50	23	3.8	3:04
4	6:44	8:07	1:19	20	4.8	4:06
5	6:16	8:22	2:06	23	2.9	3:07
6	5:24	9:54	2:01	16	3.1	4:25
7	5:39	8:25	1:28	22	3.4	4:13
8	6:11	8:38	3:14	23	2.8	4:27
9	5:33	9:07	2:17	17	2.6	3:52
10	6:09	8:30	1:39	23	4.7	4:05
11	6:40	8:35	2:06	19	3.2	2:29
12	6:36	8:43	1:46	19	3.8	4:19
13	6:26	8:15	2:10	21	3.4	5:24
14	5:35	8:49	1:13	20	4.1	3:35
15	5:21	8:47	2:06	23	3.0	3:47
16	6:39	8:39	2:01	22	3.2	4:56
17	5:33	8:58	1:48	18	3.4	3:03
AVG	**5:27**	**8:50**	**1:53**	**19**	**3.4**	**4:16**

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MPS Support

How can I possibly support all of these printers?

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MPS Support

- Which printers are most common and easiest to support?
  (parts, training, tech support, cost effective)
  - -HP, Lexmark

- Which printers should be avoided?
  - -Ink jets, most are repair by replace
  - -Drum based printers, unless you are an authorized dealer

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MPS Support

MPS Service Delivery Considerations

- Higher productive hrs/available hrs

- Route Service – client/tech relationship

- Call Avoidance – Help Desk

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MPS Support

What service processes are in place to:

- …distribute technical information to your field staff?

- …allow your technical staff to research products while in the field?

- …escalate field issues? (sales collaboration)

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MPS Support

What inventory processes are in place to:

- *…*evaluate potential inventory based on a projected sales, or a known fleet?

- *…*select parts and supply vendors?

- *…*manage and track warranty returns?

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Leverage Existing Business

Do you have a process to foster sales for?

- Poor performing equipment

- Excessive serviced units

- Unprofitable contracts

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Leverage Existing Business

Sales & service cohesiveness is vital in providing a "united front" for the client.

- Both teams should have an escalation plan should an issue arise.
- Attend each other's meetings to discuss key accounts, issues/opportunities, & any changes
- Key team members should attend client meetings for important sales/service opportunities.

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Training and Development

There is more to training and development then technical schools.

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Training and Development

Service management training areas:

- financial analysis
- benchmarking
- employee development
- business plan development and execution
- succession planning

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Training and Development

- Are career paths in place?
- Can team members progress, **_or digress_**, depending on their productivity?
- Do you have a coaching process to develop your team?
- Is a management training criteria part of the review process for team leads and middle mgrs.?
- If you are a VP, or Director, who are you developing for your role?
- Are you continually recruiting?

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Key Areas for Success

- Benchmark – financially and operationally
- Review your staffing levels every quarter to 6 months.
- MPS – get the units under contract
- Leverage existing business - "united front"
- Develop your staff – create career paths
- Execute your plan

Service Challenges

Thank You!

Questions?

Strategy Development – Service Consulting

What I do for companies……

I help companies optimize all aspects of their service operations
by advising them on critical success factors:

- Target service metrics and goals
- Performance management
- Technology application
- Service growth strategies
- Compensation and incentive plans

BTA Service Management University

Service Consulting

I also deliver MPS, Leadership & Management training designed
for the service professional.

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