

As a Service Manager, your role is pivotal in driving the profitability and efficiency of your dealership's service department. This guide will provide you with an in-depth understanding of the seven key controllables that form the foundation of a successful service operation. By mastering these elements, you'll be equipped to make informed decisions, optimize your department's performance, and significantly impact your bottom line.

1. **Expenses:** Understanding and managing expenses is crucial for maintaining a healthy profit margin.

Key Areas to Focus On:

- **Service Policy:** Monitor what's being charged to this account and why. Look for patterns in repairs covered and opportunities to reduce costs through better quality control or customer education.
- **Outside Service:** Review sublet work and specialized services. Ensure you're only outsourcing when necessary and at competitive rates.
- **Shop Supplies:** Implement systems to track usage and minimize waste. Consider bulk purchasing for frequently used items.
- **Personnel Expenses:** Regularly review staffing levels to ensure they align with workload. Consider cross-training to improve efficiency.
- **Uniform Expenses:** Negotiate favorable terms with providers and implement policies to reduce loss or damage.
- **Equipment Maintenance and Depreciation:** Plan for regular maintenance to avoid costly breakdowns and budget for equipment replacement.

Action Steps:

- Conduct monthly expense reviews, analyzing each category in detail.
- Implement a system for approving expenses above a certain threshold.



- Train your team on the importance of expense management and their role in controlling costs.

2. **Gross Profit:** Gross profit is a key indicator of your department's financial health and operational efficiency.

Components of Gross Profit:

- Revenue: Total sales from service work, parts sales, and other direct services. b) Cost of Goods Sold (COGS): Primarily labor costs and parts expenses.

Strategies for Improvement:

- Optimize pricing: Regularly review your pricing strategy. Ensure you're charging appropriately for your services while remaining competitive.
- Improve efficiency: Streamline processes to reduce labor hours per job.
- Manage parts inventory: Implement just-in-time inventory practices to reduce carrying costs.
- Focus on high-margin services: Promote and upsell services with higher profit margins.
- Train service advisors: Enhance their ability to communicate value to customers, reducing the need for discounts.

Action Steps:

- Calculate and review gross profit weekly, broken down by service type and technician.
- Set gross profit targets and track progress regularly.
- Conduct quarterly pricing reviews, considering both market conditions and internal costs.

3. **Clock Hours Worked:** Maximizing the productivity of your technicians' time directly impacts your bottom line.

Key Considerations:

- Billable vs. Non-billable Time: Aim to maximize the ratio of billable to non-billable hours.
- Workflow Optimization: Minimize downtime between jobs through effective scheduling and preparation.
- Training: Invest in ongoing training to improve efficiency and reduce errors.



Action Steps:

- Implement a system to track billable vs. non-billable hours for each technician.
- Conduct time studies to identify and eliminate common time-wasters.
- Establish a regular training schedule for technicians, focusing on both technical skills and efficiency techniques.

4. **Percent of Productivity:** This metric measures how efficiently your technicians are utilizing their time.

Calculation: (Actual hours billed to customers / Hours technicians are clocked in) x 100

Strategies for Improvement:

- Efficient Work Distribution: Train service advisors to match jobs with the most appropriate technicians.
- Shop Layout: Optimize your facility layout to minimize wasted motion and improve workflow.
- Tool and Equipment Management: Ensure all necessary tools are readily available and well-maintained.
- Communication: Establish clear channels for technicians to quickly resolve issues or get answers to questions.

Action Steps:

- Set individual and team productivity targets.
- Implement a daily productivity report and review it with your team.
- Conduct regular workflow audits to identify and address bottlenecks.



5. Days Worked in a Month: Balancing workdays and time off is crucial for maintaining high productivity and employee satisfaction.

Considerations:

- Standard vs. Extended Hours: Analyze the benefits and costs of operating extended hours or on weekends.
- Seasonal Adjustments: Consider adjusting your schedule based on seasonal demand fluctuations.
- Employee Work-Life Balance: Ensure your scheduling practices support a healthy work-life balance for your team.

Action Steps:

- Analyze customer demand patterns to optimize your operating hours.
- Implement a rotating schedule for weekend or extended hours if necessary.
- Regularly review and adjust your scheduling practices based on productivity data and employee feedback.

6. Effective Labor Rate (ELR): ELR is the average rate you actually collect after all discounts, adjustments, and warranty work are factored in.

Calculation: Total labor sales / Number of hours billed

Strategies for Improvement:

- Strategic Discounting: Develop a clear policy for when and how discounts are applied.
- Warranty Work Management: Assign your most efficient technicians to warranty jobs to minimize time spent on lower-paying work.
- Menu Pricing: Implement menu pricing for common services to maintain a consistent ELR.
- Value Communication: Train service advisors to effectively communicate the value of your services, reducing the need for discounts.



Action Steps:

- Calculate and review your ELR daily.
- Implement a discount approval process to control random discounting.
- Regularly review and adjust your menu pricing based on costs and market conditions.

7. **Calendar Utilization:** Efficient scheduling is key to maximizing your department's output and profitability.

Key Factors:

- **Department Capacity:** Understand your true capacity, considering technician skills and equipment availability.
- **Load Leveling:** Distribute work evenly throughout the day and week.
- **Service Mix:** Balance quick services with longer, more complex repairs.
- **Buffer Time:** Build in small gaps between appointments to account for unexpected complications.

Action Steps:

- Implement a triage system for incoming vehicles to optimize scheduling.
- Use scheduling software to visualize department capacity and track technician productivity.
- Conduct weekly schedule reviews to identify patterns and opportunities for improvement.

Conclusion:

Mastering these seven controllable is an ongoing process that requires constant attention and adjustment. By focusing on these areas and understanding how they interrelate, you can significantly improve your service department's efficiency, customer satisfaction, and profitability. Remember, small improvements in each area can lead to substantial gains overall. Stay committed to ongoing learning and improvement, and you'll see the results in your department's performance and your dealership's bottom line.



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