



Fixed Operations Digest

May, 2015

In this Issue

- Larry's Ramblings...
- Developing Pay Plans for Service Consultants
- Upcoming Fixed Operations College Courses
- "Just Added" Service Manager College in Las Vegas

[Join Our Mailing List!](#)

Larry's Ramblings...

It looks like the winter weather in January and February have most Service and Parts operations running behind last year's first quarter results. On the other hand, this weather was very good for Dealerships with Collision Shops most of the ones we are tracking are way ahead of the same period last year. Approximately 35% of the Dealership statements we are analyzing are ahead of last year and the rest are below last year's first quarter results.

One bright spot is repairs on vehicles over 7 years old. The population of vehicles age seven and older has been growing steadily for the last few years as more and more people are finding it more worthwhile to pay the repair cost to keep older vehicles running than make payments on a new one.

Most Aftermarket shops target vehicles from three to seven years old. These shops do not have the training tools and technology to perform "repair work", their target is maintenance and light repairs.

Aftermarket shops are referring these older vehicles to Dealers for the repairs they need. Repairs like, timing belts, transmissions, drivetrain, and electrical. In many cases dealerships are the only shops in their market who have the trained Technicians and tools needed to perform these repairs.

Dealership Service Managers should review their 100 R/O surveys each month and chart their sales growth in vehicles over seven years old. I looked at fifteen 100 R/O surveys this week and discovered that nearly 50% of the vehicles on the surveys were over seven years old and over 65,000 miles.

Dealerships who are experiencing a significant increase in older vehicle repairs can increase sales to these customers by offering 90 day same as cash financing through their primary New vehicle lenders and or the Manufacturer Programs.

Do you have a plan to market to vehicles over seven years old?

"Opportunities are never lost; someone, will take the ones you miss"
Andy Rooney

Developing Pay Plans for Service Consultants

How much money should a good Service Consultant make? They range from \$35,000 to \$75,000 annually. If you look at these numbers you immediately ask yourself, how can someone making \$35,000 per year be as good as someone making \$75,000. It is because they are in two completely different areas of the country. It has nothing to do with abilities; it has everything to do with your market area. Instead of comparing yourself to your market area, a much better way to establish pay plans for these key positions is to base it on a percentage of their total parts and labor sales potential.

E&A's guide is that Service Consultant's total compensation should not exceed 5% of their total individual Parts & Labor sales. We strongly recommend that you pay your consultant on sales and not on gross. When you pay your Consultant on gross you are encouraging them to over charge your customers or under flag your technicians in order to improve gross margins. Selling service is not the same as selling cars... Service Managers are the only ones who should be controlling gross profit in the service department. If you want to pay your Employees as a Team to encourage them to work together the same 5% rule applies. However, you must split the 5% between all of these employees. For example, if you have three Consultants you would divide 5% by 3, and the guide would now be 1.67% of total Parts & Labor Sales each.

How should you split the 5%? Do you put it all on salary or part salary and part commission? If you choose commission, then what do you base it on? We recommend that their pay be straight commission and that you also give them a minimum guarantee so they have a safety net in case something

unusual happens and they do not reach their sales goals for a particular month. The minimum guarantee should not exceed 60% of expected earnings.

How do you arrive at the total compensation figure? There are two ways;

1. Begin with the number of repair orders you want the Consultant to handle each day. For example we recommend a consultant handles no more than 12 Customer Warranty and Internal repair orders per day. And, we want them to sell 1.8 hours per R/O at the desired shop effective labor rate. This should be at least \$110.00. Now that's 12 R/O's times 1.8 hours, times \$110.00. That comes out to \$2,376.00 per day in labor sales. Don't forget parts. I want a one-to-one parts to labor ratio so I take the labor number and double it for Parts sales the total daily sales goal equals \$4,752.00. Now I want them to repeat this 21 times each month, so if I multiply \$4,752.00 by 21 I get a monthly sales goal of \$99,792.00. 5% of this is \$4,989.60 per month in total potential compensation.
2. Take the number of technicians this writer will be writing for and multiply out their Parts & Labor sales potential. My rule of thumb is that you should have one Writer for every three Technicians, so let's use my rules for this example. Three technicians working eight hours per day and producing at 100% Proficiency would produce 24 Billable hours each day. If we multiply this by my desired Labor rate of \$110.00 per hour it comes out to \$2,640.00 in Labor sales. Again, we have to double Labor sales to get our desired Parts & Labor sales. So our daily sales goal for four techs is \$5,280.00. Now we multiply this by 21 working days and we have a monthly potential Parts & Labor sales of \$110,880. 5% of this works out to \$5,544.00 per month.

If your Writers are not hitting these sales numbers today it is probably because you are not achieving a \$110.00 per hour Labor rate and / or your technicians are not producing at 100%. Or, you may have your Writers writing 20 plus repair orders each day, and they are only able to take orders and do not have any time to actually sell.

Remember, this pay plan will reward top performance only when it is achieved!

Do not forget the incentives! I usually take one to one and one half percent away for incentives such as spiffs on maintenance menu sales, flushes etc. You have several options here on how to split their compensation up, but the ones I find most effective work something like this.

- 2.0% of total Customer, Warranty and Internal Parts & Labor sales
- An additional 2.0 % if the Writers individual 90 day average CSI scores are above the target you set (usually Regional average)
- If the CSI target is achieved additional commissions can be earned
 - .25% if you sell more than 50 menus in a given month
 - .25% if your C.P.E.L.R. is \$100.00 per hour or more

Potential total commissions = 5%

On the Incentives I like to move the bar around on these by offering them a different incentive programs every month or at least every quarter. Some of the things that I include in the pay plan are;

- Menu Sales
- Flushes
- CSI
- Multi Point Inspections Run
- Sales from Multi Point Inspections
- Accessories Sold
- Specific services such as a Brake Flush
- Clean work area
- One item repairs or lack of them

You decide which two or three items you want to spiff this month, then you decide how many of each item you want them to sell, for example, two per day. You then divide your desired amount into the dollars you have to spend and you have the amount of spiff you can pay per item. One of the great things about this plan is that it keeps the Writers focused on the Four key performance variables that we need them to accomplish in order for us to achieve our goals.

Developing pay plans to help you achieve your desired objectives should not be a difficult task. You just need to decide, what your objectives are, and then do some simple math to determine how much potential you have in your shop.

The number one problem I encounter is Dealerships that are expecting their Writers to handle more Customers than is practical every day. Or, they have too few Writers for the number of Technicians. In my opinion, many Dealership Service Departments are under staffed with Service Consultants! And, as a result, they are doing their Customers and themselves a dis-service because the consultant cannot spend an adequate amount of time with each Customer. This is evidenced by the fact that the more Tickets a Writer writes each day, the less hours they sell on each ticket!

You can use these same guidelines to develop pay plans for Body Shop Estimators. I find that the 5% compensation rule works very well in the Collision Shop.

Fixed Operations Manager College still has seats available!

Fixed Operations Manager College Course is all new for 2015! Instead of five intense, jam-packed days, the course has been split into two, three-day courses. This will allow students an opportunity to go back to their Dealership and implement the items they learned in the first session, and then return four months later to benefit from three *additional* days of learning. This course also includes six months of personal coaching *from me*. If you purchased the coaching alone, it would cost you *over* \$15,000! [Click here to enroll today.](#)

Want *More* Profit in Your Fixed Operations?

Enroll in an E&A Manager College Course Today...

Upcoming Seminar Schedule:

- Fixed Operations Manager Course I of II May 12 - 14, 2015
Charlotte, NC; Click here to [Enroll Now](#)
- Parts Manager's College Course June 23 - 25, Charlotte, NC; Click here to [Enroll Now](#)

- Collision Manager College Course July 21 - 23, Charlotte, NC; Click Here to [Enroll Now](#)
- *Just Added* Service Manager College Course in Las Vegas July 28 - 30; Click here to [Enroll Now](#)

Executive Learning Resource for Top-of-the-Line Fixed Operations Managers or Those Who Want to Be

A Publication of Edwards & Associates Consulting, Inc.

5615 Harrisburg Industrial Park Drive, Charlotte, NC 28075

Telephone 1-800-708-7587

Volume 150, May, 2015

www.edwardsconsult.com

A free monthly newsletter about Automobile Dealership Fixed Operations. Based upon the Consulting, Training and Research work done by Edwards & Associates and its Chairman, Larry Edwards CMC.

©copyright 1999 - 2015 Edwards & Associates Consulting, Inc. & Larry Edwards CMC All rights reserved.

If you would like to get on our free Subscription list, send an e-mail to me (larry@edwardsconsult.com) and ask me to put you on my Subscriber list. If you do not wish to receive this Free publication and you never want to hear from me again, send an e-mail to me

(larry@edwardsconsult.com) and ask me to UN-subscribe you from my list.

[Forward this email](#)



This email was sent to larry@edwardsconsult.com by larry@edwardsconsult.com | [Update Profile/Email Address](#) | Rapid removal with [SafeUnsubscribe™](#) | [About our service provider](#).



| PO Box 621360 | Charlotte | North Carolina | 28262