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Larry's Ramblings

Why does a Service Advisor, who is paid on "straight commission", believe that they must give every customer a DISCOUNT? I am sure you are probably thinking "*my Advisors are not giving discounts.*" Just to be sure, why don't you run a Service Exceptions Report it will tell you every discount, every price that was changed from your pricing guide, and every Technician flag time that was changed.

A word of caution, do not run this report for a full month... You may not have enough paper to print all of the exceptions this report will have. An Exceptions Report is one of the first reports I look at when I visit a Dealership. I have learned from experience to only pull the report for a couple of days, otherwise this report could run into a hundred pages, or more.

The Exceptions Report records every change that was made to a Repair Order. It shows discounts, labor time changes, Labor Rate changes, and parts price changes. One of our Consultants was working in a Ford Dealership earlier this year and discovered that the Service Advisors were given permission to change parts prices and even take parts off Repair Orders. He also discovered that these same Advisors were paid on Service Labor Gross Profit only (no pay for parts gross). Guess what the Exceptions Report showed was happening over 90% of the time? The Advisors were reducing the parts retail prices and increasing the labor prices.

Of course the Dealer thought his idea to pay the Advisors on Labor Gross

Profit was a *genius idea* because after he changed their pay Service Labor Gross Profits went up significantly! The reason we were called in by this Dealer was to figure out why his Parts Department Gross Margins were much lower than his 20-Groups numbers.

Long time readers of my Newsletter have heard me say this before. Service Advisors are responsible for sales. Service Managers are responsible for gross. The above mentioned Dealers largest mistake was to assume that if he paid his Advisors on Gross they would try to maximize Gross. And, he was correct, unfortunately because of the poor way his Service and Parts System was set up the Advisors were able to increase Labor Gross Profit by reducing Parts Gross Profit! The Advisors were more concerned about generating additional sales and they discovered the easiest way to increase sales was to reduce prices. If the Service Manager fails to monitor Advisor sales activities, Advisors will always attempt to increase their sales by reducing the Dealerships prices.

Gross Profit is the result of two things, Service Department costs to produce labor and the prices Service charges for labor. The person who should be (and must be) in charge of both of these is the Service Manager. Not the Service Advisor!

It's NOT too late to
Enroll in *E&A's*
Collision Manager
College Course

December 6-8, 2016*
Deadline is November 11, 2016

Click here to
ENROLL

**This class is already confirmed*



Do You Have A Merchandising Plan?

Number of vehicles for every Service Bay in the U.S. has increased significantly from 180 vehicles per bay in 2005 to 201 vehicles per bay in 2016. Lang projects that by 2018 there will be 226 vehicles per bay.

The number of bays in the U.S has shrunk significantly over the last six

years. The Auto recession alone accounted for a decline of nearly 50,000 bays. Smaller independents, gas stations and specialty garages also lost bay count.

Source: *The Lang Aftermarket Report*

What does this mean for Dealership Service Departments? In order to handle the increased demand for service, Dealers have two options:

1. Build more Service Stalls
2. Use current Stalls more hours each week

Keep in mind that Service Bays are available to produce labor 24 hours a day, 7 days a week, or 168 hours per week. Most Dealerships only use their existing Service Bay 60 hours per week or less. E&A finds that putting your Service Department on a four day work week allows your Employees to work a 40 hour work week and keep your shop open 60, 80, or more hours each week. The other great thing about the four day work week is that every three weeks the Employees get five days in a row off.

This chart demonstrates how this is accomplished:

Four Day Work Week Schedule with Staggered Shifts						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sun
7am - 6pm	7am - 6pm	7am - 6pm	7am - 6pm	Off	Off	Off
Off	Off	9am - 8pm	9am - 8pm	9am - 8pm	7am - 6pm	Off
9am - 8pm	9am - 8pm	Off	Off	9am - 8pm	7am - 6pm	Off
Off	Off	7am - 6pm	7am - 6pm	7am - 6pm	7am - 6pm	Off
7am - 6pm	7am - 6pm	9am - 8pm	9am - 8pm	Off	Off	Off
9am - 8pm	9am - 8pm	Off	Off	9am - 8pm	7am - 6pm	Off
7am - 6pm	7am - 6pm	Off	Off	7am - 6pm	7am - 6pm	Off
9am - 8pm	9am - 8pm	9am - 8pm	9am - 8pm	Off	Off	Off
Off	Off	9am - 8pm	9am - 8pm	9am - 8pm	7am - 6pm	Off

This chart also shows how the Shop can employ staggered work shifts to be open from 7am until 9pm every day. This type of "flexible" work schedule is extremely appealing to younger (millennial) workers. We find that the average age of Service Employees in Shops with a four day work week is as much as 15 years younger than Shops on the traditional work schedule.

However if you decide to approach this upcoming increased demand for service keep in mind this simple fact; if you fail to service your customer's vehicles when they want it done, your competitors will!

For a complimentary *Profit Potential Analysis (PPA) Report* on your Service, Parts, or Collision Department click below

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[Parts](#)

[Collision](#)

**Executive Learning Resource for Top-of-the-Line Fixed Operations Managers
or those who want to be *Volume 168, November 2016***

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.

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