

Motor Dealer Services

Service Department Fundamentals It's all in the Hours

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2009 will continue to be a challenging year. In these times Service Departments need to reflect and apply key basic principles to ensure their performance is maximised and contributes to the overall success of the dealership.

The Service Department sells hours, which are a “perishable” product – once the hour has passed so has the opportunity to sell it. Accurately measuring and tightly controlling hours is vital. The key hours to measure are: Available Hours, Clocked Hours and Sold Hours.

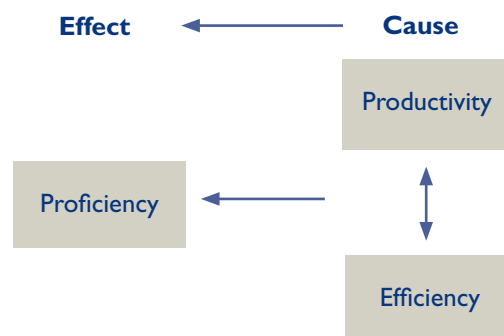
These hours give us the following Key Performance Indicators (KPIs) and their benchmarks:

KPI	Calculation	Benchmarks
Productivity	Clocked Hours / Available Hours	95%
Efficiency	Sold hours / Clocked Hours	105%
Proficiency	Sold hours / Available Hours	100%

On examination there is a close relationship between the 3 KPIs:

Proficiency = Productivity x Efficiency

Proficiency is the result of how productive and efficient the Service Department is – it is a “cause-effect” relationship.



*“Tough
times never
last, but
tough
people do”*

Robert Schuller

The drivers of success are Productivity and Efficiency. So what can the Service Department focus on to improve these KPIs? Following are a few areas to consider.

Productivity = Clocked Hours / Available Hours (Target = 95%)

Clocked Hours are hours clocked only to “income producing” Repair Orders (Internal, Retail, Fleet, Warranty). Hours clocked to activities such as cleaning, repairs and maintenance are “expense” items and should not be used in the productivity calculation.

- Accurate Technician clocking to Repair Orders is not only a primary responsibility of the Technicians, but also of the Foreman/Workshop Controller.
- Clocking to a Repair Order can only occur if the work is there. Who has responsibility for ensuring the work is there? Service Management (Marketing & Customer Retention activities) and Service Reception (Customer Service and Selling)!

Available Hours are the hours the Technician attends and is ready to work.

- Available Hours needs to be adjusted daily in the DMS to reflect any changes to the standard work day such as overtime, sickness, and training.
- If not adjusted inaccurate Productivity and Proficiency will result.

Efficiency = Sold Hours / Clocked Hours (Target = 105%)

Sold Hours are the hours invoiced to the customer (Internal, Retail, Fleet, and Warranty) with justification from the Repair Order.

- The aim is for Technicians to carry out service and repair work in a clocked time which is equal to or less than the sold time.
- Factors that impact on efficiency include technician skills, tooling & equipment, space, job allocation, supervision, technician job planning, technician “story” on the Repair Order and parts procurement.
- Service Reception needs the skills and a positive approach with customers to “sell” the hours at R/O Opening and the upselling of justified work as found during maintenance and repair.
- Both Workshop and Service Reception must work together to achieve the best results.

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5 Tips for Success

1. Ensure **all** Service Department staff understand the KPIs – Proficiency, Productivity and Efficiency - and how they influence the result.
2. Communicate progress against goals regularly. Tell it as it is avoid “fudging” the figures.
3. Increasing Efficiency can lead to a decrease in Productivity. To increase both KPIs requires controlling and adjusting workshop loading to meet the hours available.
4. Look for the “Non Value Added” activities of Technicians – walking, talking, waiting, poor planning. Can these activities be eliminated or reduced? The KPI Goals will be achieved when a technician has “a spanner in hand” working on a vehicle.
5. Adopt a continuous improvement focus across the Service Department – what are the 1% improvements we can make each day.

Summary

Success with **Productivity** and **Efficiency** relies on Service Reception and the Workshop working together and maximising performance in their respective areas to affect the outcome (**Proficiency**).

$$\text{Proficiency} = \frac{\text{Sold Hours (Service Reception)}}{\text{Available Hours (Workshop)}}$$

This article was provided by Rob Petersen and Martyn Southall from Boyle Consulting. Boyle Consulting has in excess of 50 years experience and works globally in Aftersales Development with Dealerships and Manufacturers. They can be contacted on (07) 3870 4166.

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