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# Managing the Essential Eight Controllables to Maximize Service Absorption



Presented by:  
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# About Ken Barnes

Ken was born and raised in a small town in Northeast Oklahoma and grew up working on cars. So, it was natural that he would continue his education at nearby Pittsburg State University where he graduated with a Bachelor's degree in Automotive Technology and a minor in Business Administration. Prior to DealerPRO Training, Ken spent 25 years in Fixed Operations Departments, working for franchised auto dealers – first as a Technician, then Shop Foreman, and, ultimately, Fixed Operations Director for a large dealer organization overseeing 300 employees, grossing over \$900,000 per month in Fixed Ops. Currently, he is the Director of Sales Operations for DealerPRO Training, where he has worked with hundreds of Auto and RV dealerships for the last 15 years. Ken's vast experience in the US and Canada, helping dealers increase profits in Fixed Operations and improve their overall performance, has brought him to the forefront as being one of the industry's most knowledgeable guest speakers. He presents workshops at NADA, Performance 20 groups, ATD, NATDA, RVDA, NTP Stag and Hunter Engineering-sponsored workshops amongst others.

DealerPRO Training is the largest Performance-Based Fixed Operations Training Organization in North America. Our exclusive Performance Driven Training builds your team into top customer retention specialists. Our proven, in-dealership performance driven training initiatives have produced additional gross profits for our dealers that beat their previous year's performance by up to 30% or more. We've accomplished these remarkable results by NOT being "consultants" in your dealership. But by being Trainers....teaching and coaching your dealership service team to provide every customer with the highest level of service they possibly can on each and every visit.

## Voted #1 Fixed Ops Training Company in the U.S.



- Announced in June 2017 by Auto Dealer magazine, DealerPRO Training was voted #1 in the category of Fixed Ops Training. Over 2,600 Dealers participated in the "write-in" survey.
- Given the modest size of our company, as well as our small marketing/advertising budget, this speaks volumes about the impact our training has on Dealers, their Dealership's profitability and their employees, all over the U.S. and Canada.
- We believe it's also because we understand the retail service operation like no one else...and achieve results...like no one else!



# Where are we Today

- ✓ Collectible Efficiency Below 60%
- ✓ Booked Out Two Weeks in Advance
- ✓ Can't Find Technicians
- ✓ Repair Cycle Times Excessive
- ✓ Low Profit Margin on Labor & Parts
- ✓ Missed Opportunities with Chassis Work
- ✓ Substandard Customer Satisfaction
- ✓ Lack of Up-Sell by Service Advisor
- ✓ Lack of Accountability for Performance
- ✓ Low Service Absorption

## Service Absorption

**Definition:** The percentage of dealership expenses, (less New & Used Unit Sales departments variable expenses), that are absorbed by the fixed operations departmental gross profit.

*What does 100% Service Absorption mean to the Dealership's profitability?*

No New or Used Unit Sales Dependency

## How to Increase Absorption

- ✓ Reduce Expenses
- ✓ Increase Parts & Labor Profit Margins
- ✓ Increase Sales per Repair Order
- ✓ Increase the Number of Repair Orders

**“If you continue to do what you’ve always done, you’ll continue to get what you’ve always got.”**

# The Essential Eight Controllables



- Controllable #1: Working Days
- Controllable #2: Calendar Utilization
- Controllable #3: Hours Available
- Controllable #4: Technicians Available
- Controllable #5: Technician Productivity
- Controllable #6: Effective Labor Rate
- Controllable #7: Gross Profit Margin
- Controllable #8: Control Expenses

# Controllable #1: Working Days

## *What are the Options?*

- Open Saturday and/or Sunday
- Open Holidays

## *How to Implement?*

- 4 Day Work Week @ 10 Hours per Day
- Production Groups (3 Rotating Shifts)
- Lateral Support
- Simple Support
- Production Teams

## Three Week Rotation Schedule

Teams/Groups 4 day 10 Hour Schedule							
W e e k 1	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
	Team 1	Team 1	Team 1	Team 1	Off 1	Off 2	Off 3
	Off 4	Off 5	Team 2	Team 2	Team 2	Team 2	Off 1
	Team 3	Team 3	Off 1	Off 2	Team 3	Team 3	Off 1
W e e k 2	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
	Off 4	Off 5	Team 1	Team 1	Team 1	Team 1	Off 1
	Team 2	Team 2	Off 1	Off 2	Team 2	Team 2	Off 1
	Team 3	Team 3	Team 3	Team 3	Off 1	Off 2	Off 3
W e e k 3	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
	Team 1	Team 1	Off 1	Off 2	Team 1	Team 1	Off 1
	Team 2	Team 2	Team 2	Team 2	Off 1	Off 2	Off 3
	Off 4	Off 5	Team 3	Team 3	Team 3	Team 3	Off 1

# Controllable #2: Calendar Utilization

*Typically the Least Managed Controllable*

Calendar Utilization is a measure of the days *actually worked* as a percentage of the available work days.

Calendar Utilization is Affected by:

- Vacation
- Sick Leave (Deer Season & Harvest Time)
- Replacement Time (Turnover)
- Training
- Seasonal Closings

## Calendar Utilization Calculation

Formula:

$$\frac{\text{Work Days} - \text{Vacation} - \text{Training} - \text{Sick} - \text{Replacement} - \text{Seasonal}}{\text{Work Days}}$$

*What Opportunities do You see for Improvement in Your Store?*

		NOW	CHANGES	Difference	Annualized
<b>1</b>	<b>Work Days Per Month</b>	X 21	25	4	
<b>2</b>	<b>Calendar Utilization %</b>	X 85.0%	90.0%	5.0%	
<b>3</b>	<b>Hours Available Daily</b>	X 8	8	0	
<b>4</b>	<b>Techs Available Daily</b>	X 8	8	0	
<b>5</b>	<b>Tech Productivity %</b>	X 55.0%	55.0%	0.0%	
	Monthly Hours Produced	= 628.3	792.0	163.7	
<b>6</b>	<b>Effective Labor Rate Overall (CWI)</b>	X \$135.00	\$135.00	\$0.00	
	Monthly Labor Sales	= \$84,823	\$106,920	\$22,097	
<b>7</b>	<b>Gross Profit Margin (Labor)</b>	X 70.0%	70.0%	0.0%	
	Monthly Labor Gross Profit	= \$59,376	\$74,844	\$15,468	
	Parts to Labor Ratio %	X 60.0%	60.0%	0.0%	
	Monthly Parts Sales	= \$50,894	\$64,152	\$13,258	
	Gross Profit Margin (Parts)	X 30.0%	30.0%	0.0%	
	Monthly Parts Gross Profit	= \$15,268	\$19,246	\$3,977	
<b>8</b>	<b>Monthly Service Expenses</b>	- \$34,935	\$41,122	\$6,187	
	Expenses as a Percent of Gross (Guide 80%)	58.8%	54.9%	-3.9%	
	Monthly Parts Expenses	- \$8,907	\$10,498	\$1,591	
	Expenses as a Percent of Gross (Guide 70%)	58.3%	54.5%	-3.8%	
	Monthly Service NET	= \$24,441	\$33,722	\$9,281	\$111,368
	Monthly Parts NET	= \$6,361	\$8,748	\$2,386	\$28,637
	<b>Combined Parts &amp; Service NET Profit/Loss</b>	= \$30,802	\$42,470	\$11,667	\$140,005

# Controllable #3: Hours Available

## Opportunities for Improvement

- 6 Days @ 10 Hours each With Three Groups
- 5 Days @ 9 Hours Each
- Second Shift
- Production Teams (Multiple Technicians per Bay)

# Controllable #4: Technicians Available

## What type of Technicians do you Need?

- Lower Skilled Technicians (Maintenance)
- PDI Technicians
- Chassis Technicians

## Where do you find them?

- Aftermarket Service Facilities
- Handymen (Carpenters, Plumbers & Electricians)
- Repairmen (Heating, Cooling & Appliances)
- Other RV & Auto Dealers

			NOW	CHANGES	Difference	Annualized
1	Work Days Per Month	X	21	25	4	
2	Calendar Utilization %	X	85.0%	90.0%	5.0%	
3	Hours Available Daily	X	8	10	2	
4	Techs Available Daily	X	8	10	2	
5	Tech Productivity %	X	55.0%	55.0%	0.0%	
	Monthly Hours Produced	=	628.3	1237.5	609.2	
6	Effective Labor Rate Overall (CWI)	X	\$135.00	\$135.00	\$0.00	
	Monthly Labor Sales	=	\$84,823	\$167,063	\$82,239	
7	Gross Profit Margin	X	70.0%	70.0%	0.0%	
	Monthly Labor Gross Profit	=	\$59,376.2	\$116,943.8	\$57,567.5	
	Parts to Labor Ratio %	X	60.0%	60.0%	0.0%	
	Monthly Parts Sales	=	\$50,894	\$100,238	\$49,344	
	Parts Gross Profit Margin	X	30.0%	30.0%	0.0%	
	Monthly Parts Gross Profit	=	\$15,268	\$30,071	\$14,803	
8	Monthly Service Expenses	-	\$34,935	\$57,962	\$23,027	
	Expenses as a Percent of Gross (Guide 80%)		58.8%	49.6%	-9.3%	
	Monthly Parts Expenses	-	\$8,907	\$14,828	\$5,921	
	Expenses as a Percent of Gross (Guide 70%)		58.3%	49.3%	-9.0%	
	Monthly Service NET	=	\$24,441	\$58,982	\$34,541	\$414,486
	Monthly Parts NET	=	\$6,361	\$15,243	\$8,882	\$106,582
	Combined Parts & Service NET Profit/Loss	=	\$30,802	\$74,225	\$43,422	\$521,068

# Controllable #5: Technician Productivity

**Formula:** # of Technician hours Billed on the Repair Order divided by # of Technician Hours Worked

*How to Increase Productivity to 100%?*

- Install Performance Based Pay Plans
- Measure Productivity Daily
- Dispatch Based on Skill Level

*Special Order Parts Process*

- What is the Primary Mission of a Parts Department?

*Support the Technicians*

*Improve Work Mix Retail vs. Warranty*

- Maintenance Menus (Low Skill & High Return)
- Inspection Process for Maximum Reliability
- Service Advisor must "Advise"

*Utilize a Flat Rate Labor Time Guide*

*Schedule For Off-Season*

## Hourly Technician Pay Plan

Hourly Technician Performance Bonus												
Hourly Wage	Hours Worked	Weekly Pay	Weekly Pay Increase	Average Productivity	Average Hours Produced	Cost of Sale	ELR	Sales Produced	Sales Increase	Gross Profit	Gross Profit Increase	Gross Profit Margin
\$18.00	40	\$720.00	N/A	32%	12.8	\$56.25	\$135.00	\$1,728	N/A	\$1,008	N/A	58.3%
\$20.00	40	\$800.00	\$80.00	50%	20	\$40.00	\$135.00	\$2,700	\$972	\$1,900	\$892	70.4%
\$22.00	40	\$880.00	\$160.00	75%	30	\$29.33	\$135.00	\$4,050	\$2,322	\$3,170	\$2,162	78.3%
\$24.00	40	\$960.00	\$240.00	100%	40	\$24.00	\$135.00	\$5,400	\$3,672	\$4,440	\$3,432	82.2%

Annualized Gross Profit Increase with 5 Technicians = \$892,320

If I'm wrong by 50%, = \$446,160



# Controllable #6: Effective Labor Rate

**Definition:** The Actual Labor Rate paid by the Sales department, the Manufacturer & the Retail Customer for Services Performed

**Formula:** Total Labor Sales divided by Total Hours Billed on the Repair Orders = Effective Labor Rate

**Question:** Why is the Effective Labor Rate typically less than the Posted Retail Rate?



- o **Answer:** Discounting

# Controllable #7: Gross Profit Margin

**Gross Profit** = The Sale Amount of a Product or Service Minus the Cost of Sale

**Gross Profit Margin** = The Gross Profit divided by the Sale Amount

<i>Sale Amount</i>	<i>Cost of Sale</i>	<i>Gross Profit</i>	<i>Margin</i>
\$100-Labor	\$23-Tech	\$77	77%
\$100-Part	\$60-Supplier	\$40	40%

		<b>Essential Eight Pro Forma</b>					
		NOW	CHANGES	Difference	Annualized		
<b>1</b>	<b>Work Days Per Month</b>	X 21	25	4			
<b>2</b>	<b>Calendar Utilization %</b>	X 85.0%	90.0%	5.0%			
<b>3</b>	<b>Hours Available Daily</b>	X 8	10	2			
<b>4</b>	<b>Techs Available Daily</b>	X 8	10	2			
<b>5</b>	<b>Tech Productivity %</b>	X 55.0%	80.0%	25.0%			
	Monthly Hours Produced	= 628.3	1800.0	1171.7			
<b>6</b>	<b>Effective Labor Rate Overall (CWI)</b>	X \$135.00	\$145.00	\$10.00			
	Monthly Labor Sales	= \$84,823	\$261,000	\$176,177			
<b>7</b>	<b>Gross Profit Margin</b>	X 70.0%	70.0%	0.0%			
	Monthly Labor Gross Profit	= \$59,376	\$182,700	\$123,324			
	Parts to Labor Ratio %	X 60.0%	60.0%	0.0%			
	Monthly Parts Sales	= \$50,894	\$156,600	\$105,706			
	Parts Gross Profit Margin	X 30.0%	30.0%	0.0%			
	Monthly Parts Gross Profit	= \$15,268	\$46,980	\$31,712			
<b>8</b>	<b>Monthly Service Expenses</b>	- \$34,935	\$84,265	\$49,330			
	Expenses as a Percent of Gross (Guide 80%)	58.8%	46.1%	-12.7%			
	Monthly Parts Expenses	- \$8,907	\$21,592	\$12,685			
	Expenses as a Percent of Gross (Guide 70%)	58.3%	46.0%	-12.4%			
	Monthly Service NET	= \$24,441	\$98,435	\$73,994	\$887,931		
	Monthly Parts NET	= \$6,361	\$25,388	\$19,027	\$228,325		
	Combined Parts & Service NET Profit/Loss	= \$30,802	\$123,824	\$93,021	\$1,116,256		

# Controllable #8: Control Expenses

## Shop Policy Adjustment

- Lot Damage
- Comebacks

## Tools & Shop Supplies

- Charge Out Supplies @ 8-10% of Labor (State Laws?)
- Store & Dispense Supplies in the Parts Department (Log)

Personnel (1 Support Person for every 2 Productive)

## Parts Obsolescence (S. O. Parts not Installed)

- Maintain a Special Parts On Order Sheet
- Parts Department Notifies Advisor when Parts Arrive
- Service Advisor Calls Customer to Schedule Appointment

## Warranty Write-Offs

- Improper Submission (Time & Three C's)
- Lack of Follow-Up (Warranty Log)

		NOW	CHANGES	Difference	Annualized
<b>1</b>	<b>Work Days Per Month</b>	X 21	25	4	
<b>2</b>	<b>Calendar Utilization %</b>	X 85.0%	90.0%	5.0%	
<b>3</b>	<b>Hours Available Daily</b>	X 8	10	2	
<b>4</b>	<b>Techs Available Daily</b>	X 8	10	2	
<b>5</b>	<b>Tech Productivity %</b>	X 55.0%	85.0%	30.0%	
	Monthly Hours Produced	= 628.3	1912.5	1284.2	
<b>6</b>	<b>Effective Labor Rate Overall (CWI)</b>	X \$135.00	\$145.00	\$10.00	
	Monthly Labor Sales	= \$84,823	\$277,313	\$192,489	
<b>7</b>	<b>Gross Profit Margin</b>	X 70.0%	75.0%	5.0%	
	Monthly Labor Gross Profit	= \$59,376	\$207,984	\$148,608	
	Parts to Labor Ratio %	X 60.0%	60.0%	0.0%	
	Monthly Parts Sales	= \$50,894	\$166,388	\$115,494	
	<b>Parts Gross Profit Margin</b>	X 30.0%	35.0%	5.0%	
	Monthly Parts Gross Profit	= \$15,268	\$58,236	\$42,967	
<b>8</b>	<b>Monthly Service Expenses</b>	- \$34,935	\$94,378	\$59,443	
	Expenses as a Percent of Gross (Guide 80%)	58.8%	45.4%	-13.5%	
	Monthly Parts Expenses	- \$8,907	\$26,094	\$17,187	
	Expenses as a Percent of Gross (Guide 70%)	58.3%	44.8%	-13.5%	
	Monthly Service NET	= \$24,441	\$113,606	\$89,165	\$1,069,979
	Monthly Parts NET	= \$6,361	\$32,142	\$25,780	\$309,366
	Combined Parts & Service NET Profit/Loss	= \$30,802	\$145,748	\$114,945	\$1,379,344

**All You Need is Training!**

# Let's Compare to Sales Department Performance

## Essential Eight NET Profit Potential

\$114,945 per Month

**\$1,379,344 per year**

*If I'm Wrong by 50% you Still Get  
\$689,672 NET Profit*

That Equates to Selling an Additional 138 Units at  
\$5,000 Gross Profit per Retail Unit

## Essential Eight Controllables Strategy for Implementation

- ✓ Evaluate your Essential Eight Opportunities
- ✓ Build your Plan for Implementation
- ✓ Sell your Employees on the Benefits of your Plan
- ✓ Measure their Performance Daily
- ✓ Compensate to Motivate
- ✓ Get Ready for Change
- ✓ Start Training Program
- ✓ Hold Your People Accountable!

**"It's time to get Serious about Service!"**



Exclusive Offer for RVDA Attendees...

**FREE**  
***Technician Gross Profit***  
***Calculator &***  
***Profit Improvement Plan***

**OFFER EXPIRES December 31st, 2024**  
**email: [kbarnes@dealerprotraining.com](mailto:kbarnes@dealerprotraining.com)**  
**or call 614-582-0674**





## Business Plan For Achieving 100% Service Absorption

DealerPRO Training will perform a 2 Day, In-Dealership Profit Potential Analysis of your Service and Parts Operation, focusing on the key measurable retail profit opportunities in your dealership for achieving 100% Service Absorption.

### Identify Your Opportunities for Profit Improvement

Service Advisor's Sales Performance  
Labor Gross Profit Per Repair Order  
Scheduling Processes  
One Item Repair Order Analysis  
Production Structures  
24 Month Retail Trend Analysis

Technicians' Productivity Analysis  
Parts Gross Profit Per Repair Order  
Profit Margins  
Quick Lube Sales Analysis  
Selling More Appointments  
Telephone Processes



## BETTER TRAINERS. BIGGER RESULTS.

Your Name: \_\_\_\_\_ Title: \_\_\_\_\_

Dealership Name: \_\_\_\_\_

Dealership Address: \_\_\_\_\_

Add'l Dealerships:

City, State, Zip: \_\_\_\_\_

No \_\_\_\_\_ # \_\_\_\_\_  
Yes \_\_\_\_\_

Best Number to Reach You: \_\_\_\_\_

Best Time to Call: \_\_\_\_\_

Your Email Address: \_\_\_\_\_

# of Service Advisors: \_\_\_\_\_ # of Technicians: \_\_\_\_\_

Approx. CP RO: \_\_\_\_\_

Signature: \_\_\_\_\_

List your preferred evaluation date: \_\_\_\_\_

Notes: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### ATTENDEE SPECIAL OFFER

In-Dealership 2-day Profit Improvement Plan - NO CHARGE\* \*Dealer pays minimal travel expenses

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Phone: 888-553-0100

Fax: 614-471-8306

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## **DealerPRO Performance Improvement Plan (PIP)**

### **Unleash Your Dealership's Full Potential**

DealerPRO Training's Performance Improvement Plan (PIP) is specifically tailored for RV dealerships seeking to elevate their fixed operations. This strategic solution is designed to boost profitability and customer satisfaction in your service and parts departments through meticulous analysis and proven methodologies.

#### **Program Highlights**

##### **1. On-site Evaluation:**

- **Two-Day Comprehensive Review:** Dive deep into your fixed operations with a 24-month analysis of service and parts financials, customer pay repair order analysis, and direct feedback from service advisors and managers.
- **Performance Assessment:** Receive a detailed evaluation of your current practices to identify critical areas for improvement.

##### **2. Customized Improvement Plan:**

- **Tailored 8-Page Report:** Benchmark your performance against industry standards with customized strategies to achieve your goals.
- **Actionable Strategies:** Specific recommendations to enhance productivity and profitability, grounded in real data.

##### **3. Key Focus Areas:**

- **Growth Strategies:** Innovative approaches for both service and parts departments to expand and thrive.
- **Employee Development:** Motivation and retention strategies that foster a high-performance team culture.

##### **4. The DealerPRO Advantage:**

- **Increased Profitability:** Sharpen your operations to significantly improve profit margins and ensure sustainable growth.
- **Boost Customer Retention:** Deliver superior service experiences that keep customers coming back, enhancing loyalty and reputation.
- **Operational Excellence:** Streamline processes for peak efficiency, enabling you to serve more customers without compromising on quality.

#### **ACT NOW FOR A THRIVING FUTURE**

Don't miss the opportunity to transform your RV dealership into a benchmark of success in the industry. Complete this form on the back and return to DealerPRO Training to schedule your Performance Improvement Plan evaluation and start on the path to remarkable profitability and service excellence.

# SERVICE TRAINING

For as low as  
**\$495/month**

- > **IMPROVE SERVICE PROCESSES FOR BETTER SCHEDULING AND SHOP PRODUCTIVITY**
- > **SELLING SKILLS THAT HELP CUSTOMERS MAKE INFORMED CHOICES AND INCREASE SALES**
- > **EFFICIENT CALL HANDLING AND TIME MANAGEMENT**
- > **INCREASE CUSTOMER SATISFACTION WITH AN OVERALL BETTER SERVICE EXPERIENCE**

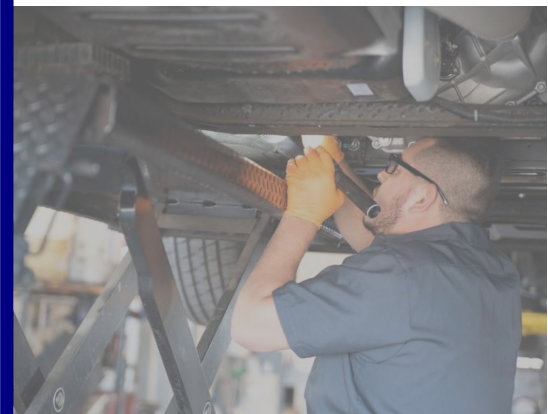
**Purchase today, and start training tomorrow!**



**WHEN WAS THE LAST TIME YOUR SERVICE PERSONNEL HAD PROFESSIONAL TRAINING?**



- ✓ **SERVICE ADVISORS**
- ✓ **SERVICE MANAGERS**
- ✓ **GENERAL MANAGERS**
- ✓ **OWNERS**



All Training Programs qualify as credit hours with the



# Get Dealer *PRO*-Certified Service Training In-Store, Online, or attend a Workshop

Dealership: \_\_\_\_\_

Your Name: \_\_\_\_\_

Title: \_\_\_\_\_

Best Number to Reach You: \_\_\_\_\_

Email Address: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

# of Advisors: \_\_\_\_\_ # BDR's \_\_\_\_\_ # of Technicians: \_\_\_\_\_

Tentative Dates: \_\_\_\_\_

CREDIT CARD PAYMENT OPTIONS: (Please circle one.) MC VISA AMEX

I authorize Dealer*PRO* Training to charge my credit card \$\_\_\_\_\_.

Primary Cardholder Name: \_\_\_\_\_

Billing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Card #: \_\_\_\_\_

Exp. Date: \_\_\_\_\_ Security Code: \_\_\_\_\_

Signature of Cardholder: \_\_\_\_\_

Email Address of Cardholder: \_\_\_\_\_



## \$5,995\*

### 3 Day In-Dealership Advisor Training

3 Days, In-Dealership  
Selling Skills,  
time management,  
customer service skills

\*Plus travel expenses

## \$1,495/ \$2,495

### Advisor/Manager Course

2 Day Advisor  
3 Day Manager Workshop  
Columbus, OH

## \$495

### Online Advisor/ Manager Training

88 chapters, testing,  
certification; train in your  
store, no travel