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THE MOTOR DEALER REPORT FROM AUSWILD & CO
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CATCHING THE MISSED OPPORTUNITIES IN YOUR SERVICE DEPARTMENT

A review of the following areas each week will assist you in your role as a General Manager or Dealer Principal in identifying the barriers to capitalising on your dealership's service opportunities.

Work In Process (WIP)

In the service department this refers to the number of customer vehicles that are currently undergoing repairs or maintenance at the dealership but have not yet been completed or delivered back to the customer.

These repair jobs are actively in the repair process, with mechanics/technicians working on them, parts being ordered, or diagnostics being performed.

WIP is often tracked as an asset on the company's balance sheet, representing the value of labour and parts already invested in the ongoing repairs.

Managing WIP effectively is important to ensure that repairs and maintenance are completed in a timely manner, and that customers are satisfied with the service they receive. A high WIP inventory can indicate bottlenecks or inefficiencies in the service process, while a low WIP inventory may indicate that the department has excess capacity and can handle more work.

Unapplied Time / Unsold Labour

This refers to hours paid to technicians that are not directly billed to a repair. Unapplied time affects the dealership's bottom line as it represents labour costs that are not "sold" or offset by revenue from repair orders. Managing unapplied time effectively is crucial for maintaining profitability and ensuring that technicians' time is utilised productively and efficiently.

Carry Overs

Carry overs refer to repair jobs that were not completed within the expected timeframe and are carried over to the next day or next work period for completion.

Carry overs can occur due to a variety of reasons such as unexpected delays in receiving parts, unexpected repair issues or complications, or changes in the customer's requirements. This can cause inconvenience to the customer and disrupt the dealership's service schedule, resulting in a backlog of work-in-process (WIP) inventory. It is important to know why vehicles are carry overs as it might suggest an improvement in your process or staffing is required.

Effective management of carry overs ensures that customer service expectations are met, and that the dealership's service operations run smoothly. To manage carry overs, service departments may prioritise carry over vehicles for service the next day, allocate additional resources to handle carry overs, or communicate effectively with customers to manage their expectations and minimise the inconvenience caused by carry overs.

Reducing the number of carry overs is a key goal for a dealership service department, as it improves customer satisfaction, increases service department efficiency, and maximises the use of available resources.

Open Repair Orders

When a Service Advisor opens a repair order, it creates a record of a transaction in the dealership's DMS. Until that repair order is closed and any needed charges are settled, the repair order will remain "open" in the system. Whilst it is not abnormal to have a number of open repair orders in the system, the challenge for your weekly review is to make note of number of open repair orders and whether or not that is a reasonable number relative to the size of your dealership and the number of technicians.

Open repair orders can hide losses and are not always to be considered "Work in Process."

Discuss with Service Management any discrepancies or hints of a hidden issue.

Suggested Repairs Declined by Customers

Part of the dealership service process is an inspection of the customers' vehicles for any issues or problems requiring maintenance or repair that were not apparent, highlighted or agreed to by the customer at the time the repair order is written. Typically, the service advisor will contact the customer with an estimate of the cost of the additional work and seek the customer's approval for the work to be carried out.

If the customer declines the additional work, these become potential sales that are not realised and are therefore a missed opportunity.

Some declines are inevitable for a variety of customer reasons. However, if the items suggested represent a safety or continued vehicle operation problem, it is likely that the customer will ultimately take the vehicle to a competitor who will gain the benefit of the sale.

Reviewing the number of "declines" on a weekly basis will again keep you abreast of what is typical for your dealership and open a discussion with service management about what, if anything, can be done to overcome these "declines" – for example, does the service manager diarise these declines for a subsequent follow-up?

Service Advisor Discounts Used

Some dealerships will give the service advisor the autonomy to offer discounts to customers. Usually there will be a limit, or budget, for this type of transaction taken by the service advisor without seeking any higher approvals.

It is important to keep the "normal" amount of discounted repair orders in the weekly discussion. If you know what is normal and typical, this will give you the basis to question unusually high discounting and an opportunity to address the causes and possible corrections to your process.

Manage the Exceptions

Keeping your eye on these 6 areas weekly will help you gain a needed insight into what is going on in the service department – somewhat beyond the KPIs you would review on the financials.

For additional information, please contact your
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