

TOP DEALERS
SHARE THEIR EFFICIENCY SECRETS

10 BEST PRACTICES
FOR A STRONGER SERVICE DEPARTMENT


Boating INDUSTRY

JANUARY 2009 e-WHITE PAPER

TRUSTED SOURCE. PROVEN SOLUTIONS.
REAL RESULTS.

Driving efficiencies and profitability in your

SERVICE DEPARTMENT

- 
- Is measuring efficiency worthwhile?
 - The link between efficiency and profitability
 - How you can optimize your processes
 - Why service could be your only path for survival
 - **10 tips** for a stronger service department
 - Identifying and eliminating un-needed steps

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3M

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For many years in the marine industry, a focus on servicing boats has placed great emphasis on developing efficiencies. Chalk it up to turning boats around for customers as quickly as possible or to developing greater profitability from this high-margin profit center – it doesn't matter because they're both extremely important.

These days, as the industry experts on the following pages will explain, such a focus has become critically important not just to your daily business, but indeed to its overall survival. Boat sales have plummeted, and while marine dealers seek to cope with that reality, they've turned quickly to their service department.

Unfortunately, throughout those same years of talking about efficiencies, little has been done in most dealerships to actually improve on efficiency, and therefore achieving realistic levels of profitability remains but a dream for those businesses.

Take for instance, your average northern-based marine dealer. His service department technicians most likely toil around the 40- to 50-percent efficient mark, and if you listen closely to even the owner's reasoning, he'll offer, for them, a host of excuses that don't do much other than beg for sympathy. In fact, experts believe that your average marine dealer, no matter where they reside, records no better than a 60-percent efficiency mark – and even that figure is generous.

At the other end of the spectrum, however, the best marine dealers have the efficiency battle figured out. They've analyzed their processes, and they've taken the down time out of their schedules through myriad efforts, ranging from departmental promotions to bonus programs that reward high-performing techs.

Those are the very reasons you're reading this latest e-white paper from *Boating Industry* magazine. We began this project by identifying a need, along with 3M's marine division, to help dealers and boat yards understand the critical importance of developing efficiencies in their service departments. And we've done our best, through the sharing of expert advice and best practices on the pages that follow, to demonstrate the connection between service department efficiency and profitability. It's up to you to employ this sound advice in order to avoid having to make those aforementioned excuses. Indeed, your business' very survival may depend on it.

We hope these efforts prove to offer you a winning combination of advice and solutions for your business today.

Matt Gruhn
Editor-in-Chief
Boating Industry magazine

Measuring service department efficiency...is it worthwhile?

By David Parker, Parker Business Planning

It is definitely worthwhile to measure the efficiency of your dealership service department. Measuring billed labor efficiency opens the door to increasing productivity, which translates directly to more income for the dealership. Also known as billable efficiency, it is calculated as follows:

$$\frac{\text{Hours of billed labor for retail, warranty, rigging}}{\text{Hours paid to the service technician, rigger}} = \text{Billed Labor Efficiency percent}$$

In other words, divide the hours of billed labor by the hours of paid labor. For example, on a daily basis, if a technician produced five billed hours and was paid for eight hours of work, divide five by eight to calculate a 62.5-percent billable efficiency.

Dealerships that have not been measuring their service efficiency will generally have a 30- to 40-percent annual rate. Dealerships that measure, manage and focus on improving income and efficiency can achieve annual rates of 60- to 70-percent or more. The reason this number is not 100 percent is it takes into account holidays, sick days, vacations, and service school days that do not produce any income. Also, in order to hit the higher efficiencies on an annual basis the techs/riggers will need to be at 100 percent or more in season.

If your billed labor efficiency is 40 percent per tech/rigger and your average labor rate is \$90 then each tech/rigger is producing \$74,880 of billed labor annually (40 hours per week x 52 weeks = 2080 paid hours) x 40 percent billable efficiency equals 832 hours of billed labor produced). If these same techs can increase the billable efficiency to 70 percent (which is very doable by utilizing the items listed below), then the billed labor per tech would increase to \$131,040 (2080 x 70 percent = 1,456 hrs x \$90 per hr. = \$131,040). This is an increase of \$56,160 of dealership revenue per tech. Here's how it breaks down:

BILLED LABOR EFFICIENCY

Work Hrs/Yr.	2080	2080	2080
Efficiency	40%	50%	70%
Work Hrs Billed	832	1040	1456
Labor Rate /Hr	90.00	90.00	90.00
Billed Labor \$	74,880	93,600	131,040
Increase / Tech		18,720	56,160

Billed labor efficiency is usually discussed in annual terms. However, to effectively manage and increase efficiency, it is necessary to measure and post the numbers

on a daily basis. Simply posting in the service department each technician's daily efficiency rate will generally increase efficiency at least 10 percentage points.

To get another 5- to 10-point boost (or more), pay an incentive bonus per billed hour or a bonus for attaining a benchmark efficiency rate each week. However, before you start this part, make sure the rest of your service paper flow, parts requisitions, and flat rate systems are working smoothly. Otherwise the techs/riggers will be upset because their income making ability will be hampered.

Flat rate billing is another great way to improve productivity and add more income to your bottom line. You can generate your own flat rate menu by determining how long a job should take, then multiplying that number of hours by your labor rate. Do not use the manufacturers' warranty flat rates as they are not generous enough to be profitable. Productivity increases as the technicians are able to do the jobs in less time than the flat rate. If you don't want to create your own flat rate manual, Spader sells a really good one.

To make sure your labor rate is sufficient to carry the expenses and produce a profit, calculate the service technician annual expense ratio, also known as the AER. Divide total shop compensation by total billed labor (retail, warranty and rigging) income to produce the AER. A good target AER is 30 percent. If it's 40 percent or more, you may need to raise your labor rates.

The most productive service departments allow each technician to work in two side-by-side bays so the technician can work on two boats at one time. For example, the tech can access the parts needed for Boat A and turn in the parts requisition order. While those parts are being pulled, the tech accesses Boat B, then ideally, when turning in the requisition for Boat B, picks up the parts for Boat A. If parts have to be ordered, another boat is pulled in and the process is repeated.

Measuring the efficiency in your shop can make a significant difference in the production of billed labor, especially when combined with flat rate billing and incentive pay. ■

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Service: your only path to survival?

By Noel Osborne, Yamaha Marine University

The marine industry as a whole is in a state of crisis and, unless you have taken refuge under a rock someplace, you're well aware of that. As part of the Yamaha Marine University staff, I have been preaching to marine dealers for many years on the necessity of making a profit and saving it for a rainy day. I have suggested that you should have a minimum of six months operating expenses in the bank. The fact is that very few dealers were so fortunate to actually have that.

We also stressed, at these symposiums, the importance of a strong service department that produces at least 20 percent of your dealerships total gross revenue. Many dealers have regarded their service department as a necessary evil that was not capable of producing any profits. It has also been shocking to talk to a significant number of dealers who do not know whether their service department was profitable.

This article is not meant to be an indictment of the entire industry because there are those that do understand that service is a critical element of the total picture and have taken steps to ensure that their service departments are profitable. Unfortunately, their numbers are not in the majority, as I see it.

I know there are dealerships out there where the service department produces higher gross profits than those derived from the sales department, even though the sales department produces four-times more gross sales than service. This has become more prevalent since the industry has entered one of the worst sales slumps in history.

Traditionally, dealers have been able to hold gross margins on new units around 20 percent. Now, many are finding it difficult to produce 16 percent gross profits on new boats.

If you own or manage a dealership with \$5 million in gross revenue and the sales department produces 80 percent of that number, or \$4 million, with a gross profit of 16 percent, then your gross profit from sales is \$640,000. If your service department produces the remaining gross sales of \$1 million, at an acceptable gross profit of 70 percent, then that gross profit of \$700,000 exceeds what your boat sales department produced. I would say that is pure and simple math.

How profitable should your service department be? I am asked this question routinely and my stock answer is that your level of profitability depends on a number of factors.

You need to remember that your service department is a company within a company. I know that you do not want to own a company that is not profitable, even though many of you find yourself in that position at this point in time.

You still have time to experience maximum profitability from your service department, though, if you take the steps required to address the areas I have outlined below. We know one thing for sure: You cannot manage what you do not measure. You must proactively track every item within your service department that will lead you to profitability. Failure to do that will result in lost profits and lost sales.

Here are the areas you should focus on and the questions you'll need to answer.

1. SYSTEM FUNCTIONALITY

Is your parts department easily accessible by your technicians? Or do they have to take a five-minute walk every time they need a part?

Do you have the most-used parts in stock? Or do they have to take the boat back to the lot until the part they need comes in?

Do you have an excellent scheduling system? Or is the customer who screams the loudest the one who gets his boat worked on first?

Is the physical layout of your shop efficient? Or does one technician have to wait until another technician finishes using the air hose?

2. EFFICIENCY

Do you monitor your technician efficiencies? Or do you not know which technician is producing for you?

Do your technicians know what their efficiency levels are? Or do they simply punch in and out daily without knowing how they helped make the company profitable?

Are your technicians compensated for the billable hours they produce for the company? Or do you pay everyone the same regardless of what they produce for the company?

Is every labor item flat-rated? Or do some of your customers pay more for the same repairs depending on who the technician is?

3. SERVICE REPUTATION

Why is that some dealerships service departments are busy all of the time while others are laying off employees? Could it be that your service reputation is less than stellar?

Do you survey your service customers to ascertain whether they are happy with your service department? Or do you simply think they are happy with you even though they may not be?

4. SEASONALITY

Are you actively planning on how to keep your service staff busy in the off-season? Or do you simply accept that it is OK to pay them even though they are not producing billable hours? ■

Noel Osborne is a seasoned marine industry veteran with more than 35 years of boating experience. He has owned and operated more than 10 dealerships during that time. Noel has been a key contributor to the success of Yamaha Marine University and Performance 500 educational series for the past eight years. He can be reached at 239/594-8873 or janinedog@aol.com.

The link between efficiency and profitability

By John Spader and Patrick Kennedy, Spader Business Management

How using overlapping processes in your service department can propel you to profitability.

“Service is a necessary evil.” How many times have we all heard that statement from frustrated dealers? In fact, given the expense, complexity and difficulty most dealers have with their service departments, it’s no wonder they feel that way.

Most service departments are not profitable, and it is generally not because of a lack of available service work, or lack of effort on the part of the employees, or even lack of high enough labor rate.

So if we have people lined up who want our service, our techs work hard, and we’re charging enough, why aren’t most service departments profitable? The truth is that most service departments are not profitable because of a lack of technician efficiency. Or, more precisely, Collect-able™ efficiency (Editor’s note: “Collect-able” is a pending Spader trademark, based on the company’s belief that it reminds dealers that Collect-able hours are those for which you are “able to collect” money outside the business.)

Collect-able efficiency, along with proper labor rates and expense controls, is one of the most important determinants in service department profitability. Collect-able hours are hours that are billed outside of the dealership: rigging, warranty and customer-paid labor. Collect-able efficiency is the percentage of hours paid to a technician that are Collect-able. Internal billing for policy or other work not paid by someone from the outside may affect a technician’s productivity, but not his Collect-able efficiency.

Spader experience tells us that high Collect-able efficiency comes primarily from service management understanding and implementing a process-driven system. Too often, though, instead of taking the effort and discipline required to implement quality processes that survive turnover of people, dealers change service management staff in the hope that the new person will somehow be better than the last.

At the end of the day, there are simply too many moving pieces in a service department for any individual to maintain profitability (or sanity) for any measurable amount of time without committing to a systemic solution for scheduling, dispatching, and service writing that drives a satisfactory Collect-able efficiency.

You’re charging what?

At first glance, Collect-able efficiency has the appearance of being an effort issue. After all, if a technician is being paid \$22 per hour and the shop rate is \$89, it seems counterintu-

itive to say we’re not making money at that rate. It must be that they’re just not working hard enough.

Typically, though, Spader finds that technician effort only accounts for 10 to 20 percent of the factors that make him inefficient. Not that individual initiative isn’t important, but there are other factors that are far more determinant. For example: How the work is scheduled; immediate availability of parts; weather; travel time to the unit or time to get the unit into the shop; access to manufacturer or customer for approval of more time; and inaccurately written service orders, among other factors. These are just a few of the factors totally out of the control of the techs. So, most of the time, it is likely not the technician effort level that is the core issue.

The picture gets a little clearer when we start thinking about effective labor rate. Another way of looking at Collect-able efficiency is to use it to measure how much we’re actually collecting for each hour we are paying our technicians. In the example above, for instance, if the technician was 52 percent efficient, his effective labor rate (the average amount the business actually collected for every clock hour he was paid) is only \$46.28.

Retail Labor Rate	x	Collect-able Efficiency Percentage	=	Effective Labor Rate
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$\$89 \times .52 = \46.28 effective labor rate

Add in another 20 percent of his direct wage of the \$22 to cover other payroll-related expenses (payroll taxes and employee benefits), and it suddenly becomes very clear where the problem is: More than 50 percent of every dollar we collect is going just to pay his wages, taxes and benefits. And we haven’t even begun to pay for the service administrative team, the allocated dealership management personnel expenses, or other personnel expenses, not to mention the shop supplies, tools, or even the shop itself.

Looked at from this perspective, it is easy to see that with low Collect-able efficiency, the shop labor rate can almost not be high enough to cover expenses. A high labor rate will not ensure profitability.

Let’s look at Collect-able efficiency in the context of the entire department, and see what effect it has on departmental profitability. For this example, imagine a service department

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The link between efficiency and profitability

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with six technicians, one service adviser, one porter and one service manager.

The technicians earn an average of \$20 per hour each for an average of 2,300 hours per year and a grand total of \$276,000 for the group. ($\$20 \times 6 \times 2,300 = \$276,000$.) The adviser makes \$40,000 annually, the porter \$24,000 and the service manager \$50,000.

There are allocated expenses from accounting and general management of \$40,000 per year. So the total wages supported by this department are \$430,000. Add in payroll taxes and employee benefits (20 percent of wages) of \$86,000, and that brings the total personnel expense to \$516,000.

The variable costs of the department (advertising, office supplies, training, travel, etc.) are \$88,000, and the fixed overhead is \$120,000. The total of all expenses of the department is \$724,000.

With this information, we can and should ask several questions. First, what profit do we want to make? Second, what labor rate do we need? Finally, and critically, what efficiency will we produce?

To the first question, Spader research shows that high-performing marine service departments routinely make a net profit of 15 – 20 percent of sales. Unfortunately, many dealers are barely breaking even or even losing money in service – a tremendous drag on the business in a time when boat sales are very slow.

Spader advises that after you have determined all of your costs of doing business, the only way to determine what labor rate and efficiency you need is to add a minimum net profit onto the other costs just as if it were another expense. Only then will you have a complete picture of your overhead.

If we add a net profit of \$85,000 onto the existing costs of \$724,000, we come to a new total expense structure, including all overhead and profit, of \$809,000.

From this point we can start determining what labor rate and Collect-able efficiency we need. We know there are six technicians, and that they will each clock 2,300 hours in the year, for a total of 13,800 hours. By dividing the number of hours available to sell (13,800) into the total dollars needed (\$809,000) we quickly determine that we need a labor rate of \$58.62 in order to cover all costs and profit.

But there's only one problem: this assumes a 100-percent Collect-able efficiency rate. That would be nice, for sure, but is almost impossible to obtain. In the real world, dealers generally operate in the 55- to 65-percent range, with some high-performers above that ... but many other dealers lower.

To bring this illustration into the category where we find most dealers, let's assume a Collect-able efficiency of 60 percent. By dividing the labor rate required at 100 percent efficiency (\$58.62) by the proposed efficiency (60 percent), we can now set a more realistic labor rate of \$98 per hour.

Expenses (Including Profit)	÷	Hours Paid	÷	Collect-able™ Efficiency	=	Target Labor Rate
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$$\$809,000 \div 13,800 \div .60 = \$97.71 \text{ (round to } \$98)$$

So, if everything works out according to plan, this sample service department should have around \$810,000 in sales and a net profit of \$86,000. Pretty tidy.

But let's put a little more reality into this. What if this service department was highly dependent on rigging boats for its volume, and boat sales are off quite a bit? Since in the past the department has focused so heavily on serving the sales department, they haven't developed good systems for generating additional customer paid labor from their regular service customers. They don't have a menu-driven sales program for every customer bringing a boat in for service, don't routinely attach estimates of needed body work onto every customer work order, still quote their jobs by hours and labor per hour, instead of total cost, and haven't spent any time marketing to their out-of-warranty customers.

The result? No big deal, their Collect-able efficiency drops by 10 percentage points to 50 percent. Are they still profitable?

Let's take a look. We still have the six techs. They still are being paid for the 13,800 hours. The labor rate is still \$98 per hour, but now we are only 50 percent Collect-able efficient. So instead of collecting \$809,000, the shop now only collects \$676,200. In other words, by not being prepared to replace the rigging hours coming from the sales department with customer paid hours, this department just went from making \$86,000 to being a cash drain of \$47,800 on a business that is already struggling in the sales department.

Unfortunately, this scenario is all too real, and we are seeing it played out every day in dealerships. The worst part is that it is usually avoidable.

The good news is that the solution is available without investing in new equipment, new employees, or a new computer system: it just requires a new way of thinking and managing.

Almost every shop can become more Collect-able efficient than it is by working to develop the discipline to follow a service selling, scheduling, and dispatching system. A properly managed service department is not dependant on one individual to control everything and everyone. Rather, it is a series of overlapping processes – from checking in clients to ordering parts to scheduling work to finalizing service orders – that is clearly understood and followed by all employees. ■

Optimize your service process map

By Mike Davin, Boating Industry

Expert outlines 3M's Process Optimization Program in its simplest terms.

Jim Christenson, a 3M sales professional and process optimization expert, says you'd be surprised how many areas there are in a typical boat service shop where you can reduce waste.

Jim's experience is derived from training and hands-on experiences gained from Lean Six Sigma tools and methodologies, as well as other efficiency-focused techniques. He now shares his knowledge through 3M's Process Optimization Program, helping other businesses with individually tailored advice on how to improve processes. The company's program is very specific to the businesses it serves – "Different places have different sources of pain," Christenson says – but the basic principles behind the program and other Lean Six Sigma-based methods can be boiled down into a few basic tasks.

If a service department wants to improve efficiency, for example, it's wise to step back and look at the entire process from the time the department is contacted until customers pick up their boats. The first step in improving your business, Christenson says, is to create a process map that provides a thorough account of every activity in the shop. Who answers the phone? How many people answer the phone? Does everyone say the same things?

"Map the entire dealership," he says, "but then map the process within the dealership."

After completely documenting the processes at

work in the shop, find ways to measure those activities and turn them into data in order to move to the next step: creating a baseline. Measurements could be hours spent on the phone or hours spent on billable work – as long as they are quantifiable numbers. Christenson

"How do you know if you've improved, if you don't know where you're at now?"

Jim Christenson, 3M sales professional and process optimization expert

notes that process optimization won't work without data, and you can't chart improvement without first creating a baseline.

"How do you know if you've improved," he says, "if you don't know where you're at now?"

After determining where you're starting, you need to

5 STEPS TO AN OPTIMIZED WORKFLOW:

You can improve the efficiency of your shop in a few easy steps. According to 3M process optimization expert Jim Christenson, the following basic steps – based on the principles behind Lean Six Sigma and – can help create a more efficient business.

- Thoroughly map all the of the activates in your shop
- Find ways to quantify those processes, such as time or frequency
- Determine areas for improvement
- Implement changes with the help of experts if necessary
- Control your changes and ensure they last by setting clear standards

perform a frank analysis of your operation. Is your process acceptable or are there areas for improvement? In most cases, Christenson notes, there's room for improvement.

This is the point where you look for ways to improve the baseline numbers you recorded. If necessary, you can bring in experts, such as 3M or another company with experience in process optimization, to suggest changes to your system.

In general, identify non-value added activities – things that you don't get paid for but that have to be done – and eliminate as many as possible. Identifying waste is an important tenant of Lean principles, which Toyota developed to make their operation as efficient as possible and programs such as 3M's are based on.

Optimize your service process map
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Optimize your service process map

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Christenson also recommends knowing your customer's expectations. He says if you're spending time to create something that is far beyond what the customer wants or expects, you are wasting time and energy.

"Figure out how good it has to be," he says, "and hit that mark."

Once problem areas and waste have been identified, management must step in and implement changes.

Changes might mean rearranging the layout of the shop, creating workstations that are more effective or any number of other energy-saving techniques. According to Christenson, "Change the workflow. Change the parking lot. Change the show floor."

To prevent against backsliding once the changes have been made, Christenson advises creating a control plan. Agreeing on ways to maintain improvements is necessary to prevent shops from having to go back and implement the same changes every year.

The plan should include standard operating procedures (SOPs), which can be illustrated with posters if necessary. Christenson says workers respond best when they have a goal — whether it is based on time, efficiency or some other measure.

As part of the control plan, implement regular training and ensure there is a place, such as a three-ring binder, where all of your processes are clearly spelled out. Creating an SOP for every major activity helps a business to be more profitable, Christenson says.

"It's a fair amount of work to do that," he notes, "but once you have that, they're priceless."

Christenson admits his techniques aren't always easy to translate to a service environment, and that it's possible to become paralyzed by analyzing too much. He says you shouldn't be afraid to exercise common sense and say, "We don't need to use Lean Six Sigma to make this decision." However, the steps listed here outline a relatively simple way to monitor the progress of your business and determine ways to make it more efficient. ■

BP BEST PRACTICE

Pride's priority

For many boat dealers, there exists an internal conflict of prioritization. All dealers want to satisfy the needs of their boat-buying customers first and foremost. And very few have the desire, let alone the operational capability, to satisfy anyone outside of that limited group.

The conflict is both rewarding for the satisfaction of these dealers' long-time customers and severely limiting when it comes to the dealers' short-term revenues and long-term growth potential.

Even when dealers find ways to service those outside of their boat-buying customers, their prioritization methods are hit-and-miss, at best, oftentimes forcing boat-buyers to wait an extended period of time before their boats are serviced, and the new service customers they so dearly need to convert to boat-buyers are left unimpressed with their service experience.

At Pride Marine Group, however, the company's service department prioritization method is among the most effective in the marine industry. The company uses a five-tier prioritization program that labels customers as bronze, silver, gold, platinum and platinum plus. Platinum plus, for example, is defined as a customer who has bought multiple boats from Pride and has done business with the company for quite some time. A platinum customer has bought at least a single boat from Pride; a gold customer has all of his service work performed with the dealership; a silver customer stores his boat with PMG; and a bronze customer is someone who simply has become a regular parts and accessory store purchaser.

Once the customer's "priority level" is established — by a simple keystroke — all of the discretion of a service writer is removed from the process, and the customer is fit into the service schedule through a hard-and-fast system. The service writer may start at day 5 for a bronze customer, whereas they may start with "today" or "tomorrow" for a platinum plus customer. And in order to ensure that "today" remains an option for those highest-priority customers, the service department schedules no more than six hours of labor, per technician, each day. That way, if a platinum plus customer has a breakdown or emergency, two hours of tech time are readily available and can be committed. If no such need arises, two hours of gold, silver or bronze work can be pulled forward from the next day's schedule. — *Matt Gruhn*

10 tips for a stronger service department

By Valerie Ziebron, VRZ Consulting and Yamaha Marine University

In tough times like these, it is natural to make an effort to bolster your service department in an attempt to maximize cash flow. As consumers are putting money into what they've got, rather than buying new, there are many dealers marketing their service departments to take advantage of every available boating dollar.

As you consider leaning on your service department for survival, there are 10 things to consider:

1 Involve the team in marketing and promotions to ensure that you don't promote something that is difficult or impossible to deliver. Promotions may involve more staff, hours or parts, and these needs should be run past the departments responsible for providing the service. I've seen some great ideas that come from involving the team, such as using the boat show to hand out discount cards for new service customers that do work with you during the slow season, or launching education clinics on the effects of ethanol and what services can be done to prevent problems.

2 This is no time to have your tech plunging toilets or changing the oil in your car. Review all the things that are keeping your techs from turning wrenches and work at removing these revenue robbers.

3 Parts and paperwork need to be organized now more than ever. Track the open repair orders, the job status, the sublets, and organize the boats on the lot so you can get to the jobs with minimal effort.

4 Remember the old Queen song, "We Are the Champions," and apply it to your service department. The people who work in service and parts tend to be very motivated by recognition for their ability to "get'r done" when times are tough. Let them know they are your champions, and they are likely to pull harder for you.

5 Customer communication is vital. If you stay in touch, you can charge \$1,500, and the customer will be happy; but if that same customer doesn't hear from you, you could knock \$500 off the bill and they will still be mad. So much money can be made by staying in touch and offering additional work to the tickets you currently have open.

6 Track each technician and their efficiency, and the total shop hours billed daily. Share this information with them to keep the communication and labor hours flowing. Tracking efficiency is as simple as looking at how many hours you are able to bill, including internal work, warranty work and customer pay work, compared to how

many hours we were at work today. It does not have to be fancy or complicated.

7 Crank up the hours per R.O. (repair order). This is a number that, along with efficiency, should be reviewed regularly. What else can we sell? What else does this boat need? Pull the service history on the boat, run a recall and TSB info report and look at the boat as if it were yours. What would be a nice upgrade? Some new electronics? A prop? Just a good solid detail? Every boat you see has something else it needs if you would only find it and sell it.

8 Dig through this past year's work orders history to see what work was not done that you had documented as a need. There are so many reasons why the work was not done. It could be due to parts not being available, no time to do the work, customer wanted the boat back asap, etc. Dig and find the available hours. Some may be jobs we already spent the time diagnosing and creating a parts list for. It is time to collect.

9 Go on a "treasure hunt," looking for all available dollars floating around the service and parts department: warranty work, parts, claims, unpaid work orders, the pile of scrap metal that can be taken to the dump. There is bound to be something back there.

10 Lastly, you may need to revisit the job descriptions of your team. Have you cut staff? Have you put additional responsibility on certain peoples' plates? Make sure the job descriptions reflect this – even if it is only temporary.

The work we do tweaking our service and parts efficiency and attracting new customers to our service department can really help us to gain market share when things turn around. No matter what the market is doing, it is always beneficial to have a service and parts department that you can count on. ■

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Identifying and eliminating waste

By Mike Davin, Boating Industry

Maybe it's the name, Lean Six Sigma, or the lingo, like "black belt" and "kaizen blitz." Maybe it's the level of training required, or just the simple fear that a lot of math is involved. Whatever it is, many small business owners are afraid of the mere thought of Lean Six Sigma, its tools or any discussion surrounding it for that matter.

But wait. Before you jump to write it off, let us give you the simple overview, explain the value and demonstrate how industry partner 3M Marine can help not only simplify the concept but also create efficiencies – and profitability, of course – in your company by employing its methods.

In its most basic form, Lean Six Sigma is a process of identifying and eliminating waste from business processes. Typically used in manufacturing processes, where quantities and specific dollar and time measurements can be analyzed against results, Lean Six Sigma can be applied to other, more qualitative business processes, such as workflow within your service department, through its Lean tools.

You don't need to be an expert on the concept to benefit from the value it could add to your business, however. Through a historically informal program at 3M Marine, the company reaches out to industry partners to help those businesses get over their anxieties, offering guidance on how to implement its principles. The collaborations, according to Sam Lamers, marketing manager at 3M Marine, occur because the company is interested in expanding its reach in sharing tools and best practices that can benefit the industry.

Amy McLaughlin, a manager at 3M, says that in these collaborations, 3M and the customer – oftentimes dealership service departments and boat yards – work together around a joint goal. Successful projects, she explains, help these businesses improve the quality of their systems, make them more consistent in their repeatability and ultimately improve the services to a point where they can realize additional profitability and customer satisfaction.

A key to the process is helping the dealership define value from its customers' perspective. In other words, is the customer willing to pay for what you're doing? For example, a customer may think it's reasonable to pay an established fee for a repair, but unwilling to be charged for the cost of pick up and/or delivery of their boat.

Their efforts also focus on eliminating non-

value-added activities and reducing the variation in processes. Non-value-added activities that destroy efficiency and profitability in your service department could be anything from having a tech waiting around to use a tool to spending unnecessary time trying to locate a boat in the parking lot.

Becoming more efficient through the elimination of such unnecessary, time-wasting steps, McLaughlin points out, allows you to improve not only productivity but quality as well. And it's critically important, especially in these economic times, to question each and every part of every single one of your processes when looking for the areas that aren't adding to the bottom line.

"Is it the way you schedule your work?" Lamers explains. "Is it the turnaround, which is a function of how you schedule the work? Is it that you don't have a good parts ordering system in place? Is it as simple as customer satisfaction, where the customer shows up and doesn't have someone at the door to greet them and understand how to work them through the process of the parts counter and getting their boat in and out of the dealership in a reasonable fashion?"

"It's looking at processes the marine dealers and yards use in their everyday business," McLaughlin adds, "and trying to find areas of inefficiency."

It's this level of depth and insight that 3M Marine currently offers to its partners, and it's the company's goal to expand its reach.

All of 3M's field reps have been green belt trained in Lean Six Sigma principles, which Lamers says is a big part of what 3M has to offer. Reps who understand the industry but also have a background in Lean Six Sigma can help locate the disconnects that are affecting customer satisfaction, he says, or key in on areas that aren't delivering value to a company's overall plan. Often, Lamers says, the reps are also simply able to share best practices gleaned from their broad experience in the industry.

Identifying and eliminating waste
CONTINUED ON PG 12

Six Sigma: Coined by Motorola to describe the state of quality representing zero defects in its products or services, Six Sigma uses data and statistical analysis to measure and improve operational performance, practices and systems. Tools focus on reducing the variables in existing processes that result in defects as well as developing new processes and products at the Six Sigma quality level.

Kaizen blitz or event: "Kaizen" is Japanese for "improvement." A core Lean process, the Kaizen blitz or event is a two- to 10-day project focused on a particular process. It typically combines training with observation and analysis to determine ways to eliminate waste and results in a solution that can be immediately implemented.

Black Belt: Team leaders responsible for Six Sigma projects, Black Belts receive at least four weeks of training and are usually assigned to Six Sigma full time for at least two years.

Many Black Belts complete additional training to be certified as Master Black Belts, enabling them to train Green Belts and provide coaching and other support to Black Belts.

Green Belt: Typically assigned to projects within their area of job responsibility, Green Belts receive at least a week's worth of training in Six Sigma and Lean if the two methodologies have been integrated, enabling them to lead process or quality improvement teams.

Identifying and eliminating waste CONTINUED FROM PG 11

Dealers and boatyards that are interested in learning more about this process should contact their local 3M Marine sales professional.

The additional benefit for the customer is that 3M also offers an array of tools and products that dealers and boat yards can employ to help reduce inefficiencies, and each of the 3M reps, in addition to being green belt trained, can help the

dealer leverage all of 3M's resources in an effort to help the customer.

"3M Marine has been a part of this industry for many years," Lamers says, "and we are committed to helping our customers grow their business even in tough times, so we see this as a part of what we do." ■

Lean Manufacturing: Born in the Toyota production system, Lean manufacturing is all about speed that is gained from eliminating all waste in customer relations, product design, supplier networks and factory management. The goal is to meet customer demand while producing top-quality products in the most efficient and economical manner possible.

BP BEST PRACTICE

A daily fast-lane program

Martin MotorSports, Boyertown, Pa.

No discussion of marine industry service departments would be complete without addressing how to get boaters back on the water as quickly as possible. A number of efforts have been made by dealerships throughout the marine industry to offer some variation of quick-turnaround service. *Boating Industry's* sister publication, *Powersports Business*, offered to share a bold idea it gleaned from a motorcycle dealer who implemented such a system. Oftentimes, we can learn from looking at ideas from outside our own industry.

THE GOAL: Martin MotorSports implemented a fast-lane service department program to get their customers back on their bikes quicker.

ABOUT THE INITIATIVE: The program allows customers to walk-in, without an appointment, to get their bikes serviced. Owner Dennis Martin says the company completes pretty much any service that can be done in an hour.

The dealership launched the program a couple years ago, but originally was only doing it on Saturdays. Martin says the lines became really long and some customers weren't pleased.

"We realized there's a lot of demand out there for people to drive in and get small services done," he noted. "The leap for us was to be able to expand it to an

every day situation to take some of the pressure off Saturdays."

To make that happen, Service Manager Adam Schanely says they had to change their hard schedule, which dictates what work is being performed on what days. The service department was scheduling everyone, but when it started the program, the staff had to switch to only scheduling services that take more than an hour. The dealership employs six technicians during its "riding season," and all of them work on the fast-lane program.

"We need everyone to be flexible on a daily basis," Schanely said. "I make judgment calls on who's going to get the job based on what the techs are working on, the priorities of the jobs that's on their list and then who's coming in. It's more or less in the moment who's best suited to perform that service."

The program has increased the amount of business, so Schanely says they've had to request additional time for the technicians.

"During our riding season, we typically schedule an additional 4-5 hours for the technicians over their normal 40 hours," he said. "On a daily basis we'll make requests if needed for additional time."

THE RESULT: The dealership has seen a 28-percent increase in customer labor since last year, Schanely says. Martin MotorSports' tire sales also increased about 30 percent.

"If you have the tires in stock and you can put them on right away," Martin

explains, "it's almost a no-brainer for most people."

Another factor resulting from the program is consistent scheduling.

"Instead of scheduling everybody on the hard schedule and have weeks where you just couldn't catch up or you'd be pushing people out three weeks or worse," Martin said, "by taking care of those quick services, it stays amazingly steady at a week throughout the whole season."

Schanely says being consistent during the week prevents people from shopping around other for service and riders are more likely to get whatever they need taken care of.

"If you're scheduled three weeks from now," he says, "the likelihood of you to forget or something else to come up is there."

WHAT HAVE BEEN THE DIFFICULTIES?:

"Unexpected mechanical problems and delays for waiters," Schanely said. "You're going to have that with anything, so there really hasn't been too many difficulties. It was more or less being nervous to make (the program) every day." The staff talked a lot about how to make the program available every day beforehand, so once they went through with it, Martin says it wasn't that big of a deal.

If you were to start this project today, is there anything you would change?: "The only thing I would have done differently was to do it sooner," Martin said. "We discussed it for a long time before implementing it."
— Karin Gelschus

A super technician program

By Alan Bohling, Seattle Boat Co.

There was a time in our business here at Seattle Boat Co. when we did not report profit and loss within individual departments. We looked simply at the whole company without regard to the performance of each department. But we received a shock when we began allocating a proportionate percentage of expenses departmentally. Our service department (technician labor, fiberglass and detail labor only) was running nearly \$500,000 in the red each year. We were a \$7 million sales and service dealer with a seemingly healthy 2- to-3 week service backlog but were consistently hovering around break even. So solving the service loss became our top priority.

A few other key factors contributed to our change in perspective. Our commodity was the number of hours a technician can collect and at what rate. A discounted rate given to the sales department, or for warranty work, didn't make sense when retail customers were lined up, willing to pay normal rates. The technician's billable hours were the key to supporting several other staff, not just themselves, plus the department's overhead and proportionate corporate expenses. We looked at the department in reverse by determining our total expenses, and then by adding a reasonable net profit to determine our service department revenue goal.

Although it didn't happen overnight, we slowly changed our technician pay plans to incorporate a "flat-rate bonus." Flat rates are determined by normal allowable time per service job, as reported in flat-rate manual resources, such as Spader, Mercruiser, Volvo, etc. We made every effort to support our technicians so that every minute of their time was productive. We measured the technician's punch card versus billed hours for efficiency every day and posted them next to the time clock. We provided tool bonus incentives for reaching certain levels of efficiency at month's end. The results of these efforts began paying off.

We continued to evolve and improve the process. We reviewed other dealers' methods of operation. At each salary review period, we added wage benefits to the flat-rate bonus rather than base wages. Each off-season, we meet as a team to brainstorm definable goals and strategies to reach them. Key procedures today include:

- **Measuring turn times** - the number of days a boat stays in the service yard from drop off to pick-up
- **Customer satisfaction** - immediate report from the customer regarding three critical factors; Was the boat fixed right the first time? - Was it easy to schedule? - Was it finished when promised?
- **Clearly understandable flat-rate hours** - reported on the technician job cards for each job before the work begins
- **Pre-prepared parts bins for all standardized jobs** - completed the night before for each technician

- **Boat staging load sheets** - completed and arranged the night before
- **Special order parts** - ordered in advance of the scheduled service
- **Valet pick-up and delivery** - expedite movement of the boats to prevent customer schedules from interfering
- **Comeback reporting** - logging any work that was incomplete or faulty
- **Mobile marine service** - regularly scheduled on-water service adds additional revenue stream
- **Same-day service** - our goal is to achieve 10 percent of all service boats scheduled and completed in one day
- **Proactive scheduling** - contacting customers and scheduling before peak periods
- **Weekly revenue cash receipts goals**
- **Visually shared schedule** - available on the company-wide server for all sales, service and marina staff to view
- **Minimal back log** - Goal to not exceed one week service back log
- **Spring customer gift pack** - special complementary gift set on the driver's seat of each completed service boat.

Most recently, we introduced the "Super Tech" program. This incentive program rewards the technicians who accomplish better than 120 percent efficiency for one month or more with an additional tool bonus, gift certificates and even resort and travel rewards. More importantly, once a Super Tech reaches 120 percent efficiency for three consecutive months, he receives the benefit of a Journeyman Technician. This entry-level mechanic works side-by-side with the Super Tech receiving valuable training while assisting in any task requested. The two then work closely toward a common goal of efficiency and customer satisfaction and, almost immediately, the Super Tech escalates to 160 percent efficiency and beyond.

The important thing, I believe for dealers, is to get started with an incentive-based program right away. Even if you set monthly target revenue as an entire "team" and reward everyone similarly when goals are met and exceeded, you will see immediate and exciting results. ■

By **Alan Bohling**
President, Seattle
Boat Co.



BEST PRACTICE

Productivity potential

Tony Villareale knew that his company was struggling with tracking its service technicians' productivity. And the president of Hampton Watercraft & Marine, Hampton Bays, N.Y., was determined to do something about it. But not on his own.

Villareale employed the services of Gordon Oberg from Business Coaches LLC, to analyze and critique the service department and to provide ideas on how the operation could be improved.

"I noticed that we were struggling on tracking the productivity and recording it," Villareale explains. "I felt it was necessary to hire the consultant to make sure that our productivity was accurate and that my service department was working to its full potential to maximize profit."

The consultant helped Hampton's service manager create a system that improved on time management for service jobs. Most significant among the changes was the creation of a flat-rate system. Hampton Watercraft & Marine has always had packaged menu items available to con-

sumers, and the consultant enabled the service department to allot time allocations to each job. And then each technician's time spent on a specific job was compared to the time established in this new system.

"That helped us to record and post all of the time used in the completion of a repair," Villareale explains. "We were then able to get an accurate number for our efficiency based on our billable hours. Although there was some pushback from the technicians at first, it proved successful."

The process included using the service writer to keep track and compare the times. And the entire system has allowed Tony and his service department to see clearly where they were operating inefficiently and then correct it.

In the end, success also meant an increase in overall technician efficiency. And Villareale already has thoughts of bringing the consultant back to re-evaluate areas for further improvement. — *Matt Gruhn*



BEST PRACTICE

Color by numbers

Texas dealership Sail & Ski Centers prints out hard copies of work orders from its dealer management system on different colored paper depending on the priority with which the job should be completed.

For example, comebacks are placed on red paper to suggest the urgency they require. Blue paper equals a sold unit. Yellow is a customer's first service or warranty work. Green paper means the work is owed to a customer as per the original boat deal. Manila equates to an external pay job. Pink notes used boat reconditioning. And purple is for work pertaining to monthly maintenance contracts.

The color-coded work orders are then placed in the appropriate wall bins for scheduling, and the complex process of prioritizing is made easy by the visual system the dealership has embraced. — *Liz Walz*

Measuring a temperamental bunch

By Taylor Richards, Taylor's Boats

How you can slowly implement a better efficiency-tracking program.

It has been my experience that almost all dealers measure their new and used boat margins, their parts and accessories margins, their expenses and their total net. We do this to make sure each department is profitable and our dealership ends up with the net we need and deserve.

Most dealers, however, do not measure their service efficiency. Service is one of the most important parts of our dealerships, yet we don't regularly measure the important components of service to tell us if we are profitable or not.

I believe many dealers don't do this because of the human factor involved. Most of us find it difficult and uncomfortable to directly and daily measure a person's performance. Especially when it comes to technicians. For some reason we view them as a temperamental bunch, and we don't hold them to performance standards like we would our sales people or other people in our dealerships.

In our dealership we have monthly goals of hours we need to bill based on the number of technicians we have, working days available and the efficiency we expect from our technicians. It is broken down to weekly and daily goals by department and then by technician.

Each day our technicians know how efficient they need to be and how many hours they need to bill. We keep track of their hours on time tickets and they clock in on every work order and every individual job on the work order. At the end of the day the time tickets are turned in, their hours and efficiency totaled up, and then we post the hours and efficiency for each technician on a white board in our service department by 10 a.m. the next day.

Years ago when I was trying to figure out how to run a boat dealership, I attended the Spader training for service. Greg Snyder taught us the importance of measuring efficiency and how to do it. It made sense to me so I returned to my dealership and began measuring our efficiency.

I can't say that when we announced we were going to start measuring efficiency everyone was excited about it. In fact almost everybody was very resistant to the idea. When first implementing the process, we were very careful not to make a big deal about it. We just started doing it. We didn't post it daily, we didn't punish for low efficiency, we didn't reward for high efficiency;

we just started doing it. As time went on, our technicians became naturally curious as to how efficient they were. That's when we began to share the information with them regularly.

After several months of tracking the efficiency, we implemented an incentive for total department efficiency, not individual, as recommended in the Spader program. At that time we started posting each technician's efficiency and total department efficiency in the shop every day. The incentive totaled about \$25 to \$50 for every 10 percent increase in efficiency for each technician each month. It was amazing to see the technicians motivate themselves to start achieving higher and higher levels of efficiency. They also started working together more as a team, encouraging and helping each other reach higher efficiencies.

When we first started tracking our efficiency, we were at the average level for most dealerships of around 60 percent. This last year we finished the year with an annual average of well over 100 percent.

One of the key motivators of this came along two years ago when we created an incentive program that rewards technicians for every 10 percent increase they achieve in their individual efficiencies. At different levels there are cash bonuses, tool allowances and small perks like a gift certificate for dinner and a movie. As they increase to higher levels, the incentives include vacations and use of a company demo boat. One of the highest levels includes making the payment on their tow vehicle. A value of \$500. When we implemented this program, our shop efficiency jumped 20 percent in the first month.

The concern with measuring efficiency and trying to get technicians to work faster is that the quality of work will suffer. In our bonus program, technicians are not allowed to have more than two comebacks in a 30-day period or they miss the bonus for the month. We have found that not only has our efficiency increased, but so has our customer satisfaction, while decreasing our comebacks. ■

By **Taylor Richards**
Owner, Taylor's Boats

BP BEST PRACTICE

Guaranteed!

Many dealers attend boat shows that are out of their markets, but few use the opportunity to find potential areas of improvement the way that Randy Kelly, owner of Kelly's Port, does. In most years, Kelly and others from the company make the trip to see what is new on the market, but they also take the opportunity to mystery shop to size up the competition.

This year, like always, they asked the question "what is your service department like?" But the response, which came from that particular dealer's customer who was posing as a sales person, inspired an entirely new approach to service. That response – "Oh, man, their service department is the best! I came down to my boat on a Friday afternoon, the battery was dead, and they were there by the very next weekend to replace it."

The Kelly's Port team was floored. In a following sales team meeting, they tried to understand how a one-week turnaround – for a battery of all

things – could be viewed as a positive. Perception, they concluded, drives service satisfaction.

As a company that has always promoted itself by simply stating, "Kelly's has the best service," the team decided to define what good service really is. And in Randy Kelly's mind, good service is same-day service.

"We emphasize at our weekly service meetings that times are tough," Randy explains, "and that the businesses that will come out on top of this economic downturn will be the people that take care of the customers, get the job done right, and get it done quickly."

In an effort to launch a same-day service program, Kelly strategized with his service managers on how to make it happen. They concluded that their lead time from service call to service was less than five hours. So they guaranteed that anytime that a new boat sold at Kelly's Port will not start or run anywhere on Lake of the Ozarks, on

any day but Tuesday (company is closed), they will have a technician at the dock by the end of that day or will give the customer a \$500 gift certificate, so long as they call prior to 10 a.m.

The seven-hour lead time is a bit more conservative than the five hours they had figured, but the company intends to benchmark the process and improve on it every year, guaranteeing calls before noon next year and guaranteeing the company's certified pre-owned boats the next year. The ramp-up time will allow them to get their processes in order while not overburdening themselves in the first year.

"The image it creates for Kelly's," Randy explains, "whether folks are looking at buying a boat from us or not, is that we understand that it is our obligation and duty to make sure that they and their family members are out on the water as much as possible." – *Matt Gruhn*

BP BEST PRACTICE

Advanced preparation

Seattle Boat Co. capitalizes on many, unique strengths to achieve such an incredible efficiency rate in its service department. You can read about CEO Alan Bohling's process on page 13 of this e-white paper, but another best practice he doesn't mention there is quite a bit more subtle.

Each technician receives a job card for every repair order, and it lists each "operation," or task, that has been scheduled for repair. The job card lists the individual task and its flat-rated hours, which are fully integrated into the company's Dockmaster dealer management system. But the unique component of this is that the company employs a system whereby the necessary parts for those jobs are pulled by a parts employee in advanced of beginning the

job. That way, when the technician begins servicing boats, he doesn't have to go looking for the parts; instead, they are sitting waiting for him in a bin on a rolling cart next to his work area.

The technician focuses on his strengths – fixing boats – and his efficiency can remain high because he's not being distracted by conversations at the parts counter or spending the time searching for the parts himself. The program may seem of little consequences, but this little effort contributes to the company's outstanding technician efficiency and is one of the reasons the efficiency for Seattle Boat Co.'s two Super Technicians is so high. – *Matt Gruhn*

BP BEST PRACTICE

Open for business

At Marine Center of Indiana, Indianapolis, owner Michael Hoffman understands that his service department must meet the needs of his customers. And like all other dealerships, inevitably some of his customers have needs during evenings and over the weekend. The difference between Marine Center and most other dealerships is that Marine Center is open when it is needed.

In fact, as a convenience to his customers, Hoffman says he opens Marine Center earlier and stays open longer than any other boat service dealer in town. And to add to the success of his service department, he uses an incredible amount of promotions and unique strategies. The most significant of them is the "In By Monday, Out By Friday" guarantee.

During the boating season, Marine Center is open 63 hours each week, and technicians must have all boats finalized and delivered by the weekend.

The advantages are clear. First, Hoffman says, the other dealers in town have the philosophy that "if you didn't buy it here, we will not service you." And sometimes, as is the case with many dealers, even if you did buy it from them,

they will make you wait up to three or four weeks to get the service you need.

"At the Marine Center, we have a different idea," he says. "We want all the service. Boat sales are always great, but we use [them] to acquire just part of our new service customers. We will happily take every service customer we can get and we work whatever hours it takes to keep those customers happy.

"Let's face it: It's good for boating; it makes customers happy; and it gives us the edge by providing service to the other local dealers' customers."

The philosophy takes great effort from the service department. Technicians are on a 10-hour work day schedule with mandatory overtime, and the company's service department can house up to 50 boats at one time.

"As a dealer, I can only hope and pray that the rest of my competitors continue to only service the boats they sell and continue to be three to four weeks out on helping the boating public," Hoffman concludes. "It makes it great for all of us at the Marine Center and keeps my employees busy year-round, every year. — Matt Gruhn

BP BEST PRACTICE

Successful approach

Service success begins with your approach to the business.

Many dealers complain that their technicians can't achieve a level of efficiency of greater than 50 percent, and the same dealers contradict themselves by admitting they don't advertise or promote their service department because their techs are too busy to take on more work. The two excuses don't jibe with one another. And as no surprise, they'll also tell you they don't make money in their service department.

Carlton Phillips, owner and CEO of Prince William Marine Sales, operates one of the best service departments in the marine industry. And in line with that, he also runs one of the most

profitable overall dealerships, as well. His philosophy is quite simple.

"Prince William Marine is a service business that happens to sell boats," he explains. "Boating is fun ... when the boat works. Despite the fact that sales generate higher gross revenues, it is the outstanding and reputable service work that drives both repeat customers and new customers to our dealership. It is our service that maintains customer loyalty. Quality service is a key area of measurement for our business success."

The company's success can be traced to its focus on technician efficiency. It's annual efficiency averages more than 100 percent, and it reaches that number by reviewing efficiency totals with each of its technicians on a monthly basis and creating an improvement plan for them as necessary.

Every Prince William technician earns money based on his billable hours, experience and certifications. The techs are paid a small base salary with a monthly commission paid based on percentage of hours that are billable. The commission rate is tiered, based on certifications earned and experience if the technician has not achieved a certification. Currently, however, every technician at the single-line Sea Ray dealership is MerCruiser Certified, and the dealership boats two MerCruiser Master Technicians. On average, the company's techs make an impressive \$75,000 a year.

There's no question that Prince William Marine Sales drives its technicians to pursue excellence. And it's that approach that makes this company's service department among the best in the industry. — Matt Gruhn

BP BEST PRACTICE

Focus on efficiency

Woodard Marine, Hydesville, Vt., puts a tremendous amount of focus on its service department. The company regularly achieves service department efficiency numbers above 100 percent, blowing away the popular myth that a northern-based dealership can't achieve such numbers.

To make this happen, the company uses a number of steps to aid its team of service department employees. First, the company's service manager has pre-entered all of the standard flat-rate jobs into its ADP Lightspeed dealer management system by engine make, model and serial number for each manufacturer. This effort makes quoting a service job more efficient and provides the customer an instant (and accurate) quote. But even getting to this point is no small feat, as the company offers 11 boat brands and four engine brands.

Once a service job is assigned, each technician has his own wireless laptop that is connected to the server through a wireless router. Each tech clocks into and out of each job on their laptop, and by doing this, the company has created an accurate way of calculating their efficiency.

When the technician completes the job, they can also add their own notes into the computer and double check the parts billed to the customer. The service writer is then the last person to review the repair order before it is issued to the customer.

The company focuses on efficiency by tracking it weekly, quarterly and annually. And what may be the most impressive part of their billable efficiency is that it is based on a 2,080-hour annual work schedule (40 hours a week x 52 weeks a year). However, the company shuts down for eight weeks every winter, and the technicians are only able to work 1,660 hours annually.

The company averaged, for instance 117-percent billable efficiency in 2007, based on the 2,080-hour work schedule. However, the techs were allowed to work only 1,660 hours, which drives their actual efficiency to an average of 147 percent. One tech, in fact, averaged 166 percent billable efficiency on the reduced work schedule.

Woodard requires that their technicians bill out a minimum of 1,332 hours annually, which equals 65 percent efficiency on the 2,080-hour schedule and 80 percent based on the 1,660 hours. For every hour a technician bills above and beyond the minimum hour requirement, they are paid a quarterly bonus of 20 percent of the shop rate. And to keep a focus on quality, any work that is returned for unsatisfactory reasons, the tech will fix the issue immediately and these hours do not count toward billable hours or the bonus program. — *Matt Gruhn*

BP BEST PRACTICE

The personal touch

At Lynnhaven Marine, the downturn in the economy has meant a renewed focus on the marina and service business in an effort to drive profitability. The Virginia Beach, Va., dealer once serviced only the customers who had bought boats from them; expanded opportunities have since led the company to begin servicing all customers.

In addition to a better-than-market-rate hourly compensation and an outstanding benefits package, the company's technicians also participate in a program to beat quoted or flat-rated times on service jobs. When they accomplish this challenge, they receive a percentage of the dollar amount they realized through the time saved. The company also launched a new program that pays a commission to technicians (in addition to service writers and parts staff) on company collectibles. Technicians also receive an annual bonus based on total company productivity to foster interdepartmental cooperation. And finally, all staff, including technicians receive another annual bonus for customer service satisfaction scores and other qualifications. To show their value to the company, the owner delivers monthly tech efficiency checks and gives the technicians a "pat on the back," thanking them for their efforts and speaking positively about something each person has accomplished recently.

This focus on service allows the company to capitalize on its year-round flow of activity brought about by its boatel. It also uses such promotions as winterization specials and re-power motor discounts; spring check-ups and discount oil changes. New boat sales customers receive a 10-percent discount on labor for two years. Its shop also hosts free winterization clinics in the fall to help educate new boat owners, and this clinic tends to drive customers to rely on the shop to do the work because of the complexity of today's engines.

Lynnhaven operates its own towboat and will not charge new boat sales customers for using it. And if a customer cannot bring their boat in for a service appointment, Lynnhaven provides a free pick-up of that boat during the warranty period.

Perhaps it's the personal touch that Lynnhaven provides its customers that matters the most. For starters, it assigns a service writer to each boat sales customer, and that person acts almost like a boating mentor, especially for first-time buyers. A service representative also calls all new boat sales customers once a month for nine months from the date of sale to check in. All service customers also receive follow-up calls that include estimating, stats updates, completion notifications, and post-repair follow-up linked to all part status data. — *Matt Gruhn*