

Breakout Session

Topic: Growing A Profitable Product Support Business

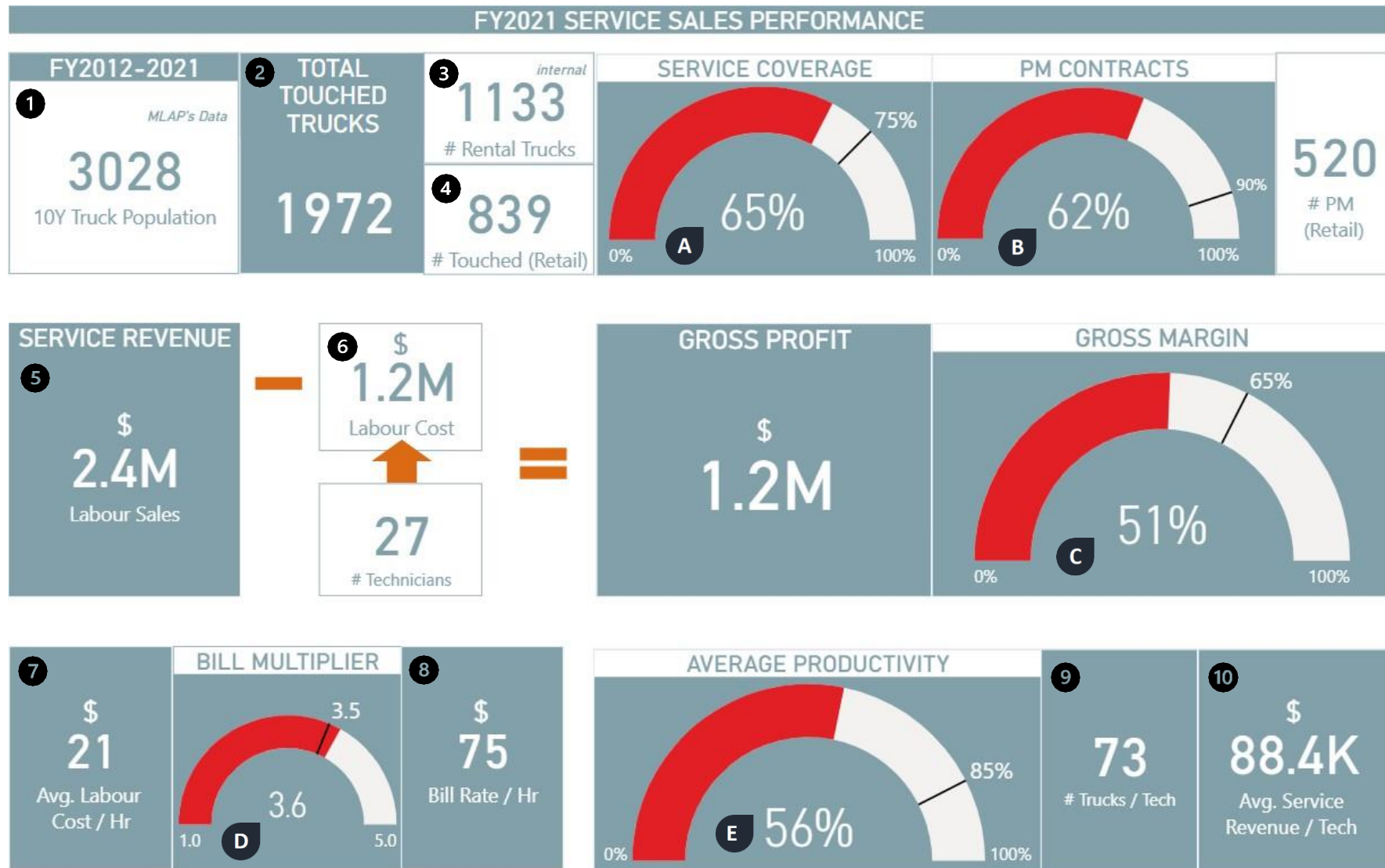
MLAP have presented to you the methodology of using Financial Analysis (FA) as an initial step to ascertain your dealership profitability and potential with Product Support business. In this year conference we further discuss on Financial Analysis after our experience with few dealers over the last 12 months.

To further deepen our understanding and engagement on this business, let review the subject in various perspective.

Kindly consider the following questions that guide us through both on the overall view as well as the real and practical challenges as we embark on this exercise.

- 1) What are your opinions on the Financial Analysis approach to support growing dealer Product Support business?
- 2) Based on Financial Analysis recommendations, what challenges you are facing or likely to face when you seek to:
 - a) Improve profitability
 - b) Scale up / expand Product Support business?
- 3) What other suggestions or points you feel is important to grow a profitable dealer Product Support business?

Appendix A: Sample of Product Support Financial Analysis (FA) Dashboard



The following table describes the cards displayed on the FA dashboard page,

Cards	Description / Calculation
1. 10Y Truck Population	Number of units sold over last 10 years. (E.g., Y2013-Y2022)
2. Total Touched Trucks	A combination of customer owned trucks (Retail) and active rental trucks manage by in-house rental business unit, both maintained by service department.
3. # Rental Trucks	Number of active rental trucks managed by in-house rental business unit only.
4. # Touched (Retail)	Number of customer owned trucks maintained by service department.
5. Service Revenue	An income of service department received from the labour services provided onto all service jobs. Parts revenue should exclude from service revenue.
6. Labour Cost	Sum of all wages paid to all technicians; an expenditure incurred by service department.
7. Average Labour Cost / Hr	Labour Cost ÷ Total technician manhours (exclude overtime)
8. Bill Rate / Hr	The amount of service charges per hour of service work, to customer.
9. # Trucks / Technician	Total Touched Trucks ÷ Number of Technicians
10. Average Service Revenue / Technician	Total Service Revenue ÷ Number of Technicians

Appendix B: Product Support KPI Guide and Benchmark

Below these are the essential KPIs, showing how we calculate these KPIs as well as what they measure and why it is relevant for MLAP dealerships to track their product support business performance.

A. Service Coverage (75%)

Calculation: No. of Total Touched Trucks (last 12 months) ÷ 10 years Truck Population.

What does it measure: The ability of a service department to keep customers coming back for any service repairs.

Why is it important: It is a useful starting indication of customer retention at the dealership as it measures service operations capability relative to truck population.

B. PM Contracts (90%)

Calculation: No. of PM Contracts ÷ No. of Trucks Serviced (last 12 months)

What does it measure: The number of planned maintenance trucks in comparison to all serviced trucks.

Why is it important: Indicate service department taking proactive or reactive approaches on product support sales strategy.

C. Service Department Gross Margin (65%)

Calculation: Total Service Labour Revenue ÷ Total Technician Payroll Expenses

What does it measure: The amount of profit made from labour services sold by every service jobs.

Why is it important: A starting point for indicating productivity, efficiency, booking correctly, mix of work, payroll cost and labour rate. For example, if this KPI is low, a Service manager should investigate if technicians are being assigned onto the work orders appropriate to their level of skill or training. Low values for this indicate that the department may be unproductive and/or inefficient and will struggle to remain profitable.

D. Bill Multiplier (x3.5)

Calculation: Bill Rate per Hour ÷ Average Technician Labour Cost per Hour

What does it measure: Differences between the price of a labour charge onto a service and its cost to the service department (labour).

Why is it important: A valuation of setting the right price to stay competitive in the market. If it is low, this could cause the service department struggles to stay profitable and traps into negative cash flow. If it is high, it means service labour is overprice and scare off customers. This will impact to the service coverage and service department profitability.

E. Productivity (85%)

Calculation: Labour Hours sold ÷ Total Technician Manhours (exclude overtime)

What does it measure: The amount of technician time that has been sold onto a job as a percentage of the total available technician time.

Why is it important:

If below, this could mean:

- There is not enough work in the service department.
- The process of booking repair orders may not be effective.
- Are there issues with clocking and potentially billing?

If over, this could mean:

- Overtime increased, consider hiring more technicians to keep up demand.