2019 KEA Impact Analysis – Introduction

This month we'd like to tell you about a business intelligence service we provide to dealerships. An **Impact Analysis** from KEA Advisors is a sophisticated statistical examination into your service department operations that makes it easy for you to focus on the most effective ways to drive your total absorption numbers.

Our mission at KEA is to increase ***PROFIT*** for commercial dealerships by transforming their business operations to best in class. An Impact Analysis takes the guesswork out of continuous improvement by detecting which specific actions will have the most impact on your bottom line.

Who is it for?
Any dealership service department who wants to reduce Dwell Time and increase Sold Hours (Dwell Efficiency Ratio (DER): a ratio of dwell hours/sold hours for each RO) will benefit from an Impact Analysis.

Why does DER matter?
It matters because the lower the DER, the more throughput your service department will produce. More throughput equals more bay and tech capacity, which leads to more sales and gross.

What is the industry standard/best in class DER?
Our current quarterly study of 60,000+ repair orders for 60+ dealerships show the best performing service department with a DER of 10. However, as we study the DER calculation and its inputs, we believe that this ratio can be as low as 3. Unfortunately, we commonly see DER two to three times our current best in class DER.

How is it done?
You simply provide us with Repair Order reports that already exist in your DMS, and our staff statistician, Pete Ramler, Ph.D, will process the data through his "RO-DER" (Repair Order Outlier-Dwell Efficiency Ratio) tool each month.
The focus of this base level Impact Analysis is on identifying RO Outliers to reduce the DER. An outlier is a data point that stands apart from the pack. The RO-DER Analysis identifies the worst and best 5% of the ROs for the month. RO-DER Analysis focuses on reducing overall dwell time with statistical analysis using the data of each individual Repair Order, then eliminating the negative outliers.

Why do outliers matter?
A common misconception is that outliers are merely random occurrences where achievements and breakdowns happened "just because." Oftentimes, applying methodology to these "random" events is seen as futile or low priority. However, we understand that studying and addressing both the positive and negative outlying ROs will have a substantial impact on your overall dwell time and your Dwell Efficiency Ratio. Not only do outliers point out which positive department actions should be replicated, they identify destructive actions to your dwell time.

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How do I know it's working?
A consistent and methodical monthly practice of examining outliers will decrease both DER and dwell hours.

Looking at your stats over time, you'll notice that you will still have the same *number* of outliers, but the distance from the mean will be less. To put statistical theory into layman's terms, you are not reducing the *number* of outliers, you are "squashing" the distribution of outlying ROs into a tighter curve, which makes your "normal" throughput better. Inevitable side effects happen to be improved mean Dwell Time and a more predictable customer experience.

Next week, we'll take a closer look at a specific KEA RO-DER Impact Analysis.

The monthly price for an Impact Analysis is $500/month per rooftop.
If you have questions or would like to get started with an Impact Analysis, please reach out to jen@keaadvisors.com.

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