

# Road to Retention Warranty Rate Analysis

**Marketing**

**Merchandising**

**Measuring**

4-1

**Warranty Rate Analysis and Rate Adjustment Recommendation**

**OVERVIEW**

Dynatron's Road to Retention Warranty Rate Analysis can provide sustained and significant profit increases with minimal effort. Some manufacturers give dealerships the option to apply for an annual Warranty Labor Rate Increase (LRI). Manufacturers have different requirements to complete this. Generally manufacturers require:

- Between 30-200 consecutive repair orders
- Customer pay repair order lines only
- Franchise only vehicles
- Repair Orders written within the past 60-90 prior to the review date
- Excluding services such as oil changes, mileage based menus, etc. (the manufacturer provides a list of the exact services to exclude)

Most dealerships can't get this information out of their DMS easily. Some spend weeks going through thousands of repair orders to get the best repair order survey. In many cases they simply select a random group of repair order. Worse yet, many dealerships elect to go with the zone or area average rates due to the difficulty in obtaining the best possible rate. The powerful EBIS Reporting Suite is capable of analyzing any date range of repair orders and can apply filters based on the manufacturers specifications. EBIS then calculates the best group of repair orders that provided the highest effective labor rate. Your Dynatron representative will complete this analysis for you. (See sample on the back)

We have the requirements for the following manufacturers: Audi, Chrysler, GM, Honda, Hyundai, Infiniti, Nissan, Toyota, Lexus, VW and know that these manufacturers allow their dealerships to submit for an increase. If your manufacturer is not listed you may provide the Warranty Labor Rate Increase requirements to Dynatron. We will be happy to review the document and advise you if a rate analysis can be accomplished using EBIS.

**BENEFITS**

- Improves Warranty Revenue and Profits
- Helps dealerships make informed decisions on options from the manufacturer on the selection method of their annual Warranty Labor Rates.
- Typical dealers have experienced warranty rate increases of \$2 to \$12 per hour resulting in additional annual profits of \$7500 to \$50,000

**IMPLEMENTATION KEYS**

- Dynatron has successfully performed warranty rate reviews for these manufacturers: Audi, Chrysler, GM, Honda, Hyundai, Infiniti, Nissan, Toyota, Lexus, VW
- Discuss with Service Manager or Controller:
  - The warranty rate elections that they made with their manufacturer. The dealership can usually elect annually to either Usually this is either use a zone or area average or submit RO Details to support a rate increase.
  - When the dealership can apply for their next rate increase
  - If the dealerships make is not in the above list request a warranty labor rate requirements document if available. Submit this to your Dynatron representative for review and analysis.

**DYNATRON SOFTWARE**

**One Solution for  
Customer Retention  
and Profitability**

**ROAD TO RETENTION**

**Marketing**  
Customer Relationship Management  
Personalized Communications  
Promotions to Capture Lost Opportunities

**Merchandising**  
Online Menus  
Appointments  
RO History

**Measuring**  
Analyze Your Numbers  
Prove Your Profits  
Built in Accountability

# Warranty Rate Analysis

The powerful **EBIS Reporting Suite** can analyze repair orders for any date range with numerous filters applied to comply with manufacturers requirements for a warranty labor rate increase (LRI). Once all Repair Orders are returned that fit the manufactures requirements, they are further analyzed to determine the best group or sequence of repair orders that produce the highest effective labor rate.

**You will receive the following reports and Analysis from the Road to Retention Warranty Rate Analysis:**

- Warranty Rate Analysis:** This report is the sequential list of repair orders that you will have to pull to support your rate increase claim. This sequence produced the highest possible effective labor rate within the requirements of the manufacturer.
- Profit Improvement/Potential Recap:** This report shows the potential profit improvement. Even if you cannot file for a rate increase this year, you will now know the potential for the next year to make a more informed decision with your manufacturer.

<b>Dynatron Software, Inc.</b>			
<b>Warranty Rate Analysis</b>			
<b>Prepared for: ABC Toyota</b>			
From 9/1/2008 To 9/29/2008			
Customer Pay : ELR > 0 : Pts & Lbr Rev Not Zero : Service Only : Toyota : ABC Toyota Exclusions for LRI			
Repair Orders	Labor Rev	Flat Rate Hrs	
122527	275	1.6	
122528	144	1.6	
122531	134	1.5	
122534	445	5.5	
122535	134	1.5	
122546	119	1.4	
122554	116	1.4	
122557	36	0.4	
122564	89	1	
122571	89	1	
122584	311	3.6	
122591	276	3.2	
122596	17	0.3	
122600	217	2.5	
122612	197	2.2	
122616	134	1.5	
122622	196	2.2	
122646	179	2	
122663	89	1	
122664	44	0.5	
122665	267	3	
122666	42	0.5	
122668	30	0.3	
122671	80	1	
122675	36	0.4	
122676	80	1	
122680	196	2.2	
122681	89	1	
122687	196	2.2	
122688	676	7.6	<b>Labor Rate</b>
<b>Total</b>	<b>4933</b>	<b>55.1</b>	<b>\$ 89.53</b>

<b>Profit Improvement/Potential Recap</b>				
Hours from Warranty Repair Orders Last 12 Months:		7300		
Current Labor Rate		81.5		
		<b>Low</b>	<b>High</b>	<b>Average</b>
Accepted New Labor Rate	Low	\$ 85.05	\$ 89.53	\$ 87.29
	Change	\$ 3.55	\$ 8.03	\$ 5.79
	Additional Profit	\$ 25,928	\$ 58,605	\$ 42,266
** Your increase is not guaranteed but we have found that most dealers get a significant increase the first year we submit this analysis. Typically you will not get the highest number submitted.				

This EBIS Report is used to obtain the total number of hours flagged for the last 12 months to evaluate the annual profit improvement potential of the rate analysis

<b>** YTD Warranty Op Code Analysis **</b>		
<b>From 10/1/2007 To 9/30/2008</b>		
<b>Pts &amp; Lbr Rev Not Zero : Service Only : Warranty Only</b>		
Month	ROs	Hours
<b>2007</b>		
10 - Oct	508	659.53
11 - Nov	450	578.5
12 - Dec	350	400.7
<b>2007 Total</b>	<b>1,308</b>	<b>1,638.73</b>
<b>2008</b>		
01 - Jan	448	597.7
02 - Feb	386	586.1
03 - Mar	474	755.7
04 - Apr	479	711.4
05 - May	553	668.75
06 - Jun	521	660.8
07 - Jul	472	562.4
08 - Aug	421	547.1
09 - Sep	454	571.6
<b>2008 Total</b>	<b>4,208</b>	<b>5,661.55</b>
<b>Total</b>	<b>5,516</b>	<b>7,300.28</b>