

Cracking the Op Code:

It's Time to Get it Right

by Jordan Jankowski
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For most dealership fixed-operations leaders, the phrase “op code cleanup” probably produces about as much excitement as a quarterly DMS training session.

Everyone knows there are too many of them.

Everyone knows some are outdated.

Everyone knows advisors, technicians and managers sometimes use the wrong ones.

And almost everyone has more important things to worry about. That last assumption is the problem. While “miscellaneous op codes” often look like an administrative nuisance. In truth, they’re actually a data, revenue and management problem.

There are financial and performance implications for using miscellaneous operation codes and fixed ops leaders should establish clear expectation that advisors select the most accurate operation code for every repair order. It’s a simple message - the miscellaneous operation code is no longer the default choice. Advisors should select the appropriate operation code from the approved list for every transaction.

To reinforce the process, Fixed Ops Performance Center (FOPC) coaches recommend making the miscellaneous operation code inactive once the dealership is confident that all necessary operation codes exist in the system. By removing the option altogether, dealerships eliminate the temptation to take shortcuts, improve coding accuracy, protect labor gross profit, and ensure that manufacturer reporting reflects the true nature of the work being performed.

From there, Service Managers should be notified any time the advisor uses the miscellaneous op code going forward. Dealerships that follow this process gain cleaner data, more accurate performance measurements, and greater control over the metrics that manufacturers use to evaluate their

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customer-pay business.

In a modern dealership service department, the operation code is not simply a bookkeeping label attached to a repair order. It is one of the fundamental pieces of data used to determine who paid for the work, what work was performed, how it should be accounted for, how technicians were paid, how the department is measured and, in many cases, what the OEM will reimburse.

When op codes are inconsistent, duplicated, outdated or misunderstood, the resulting damage can extend far beyond an untidy DMS screen. It can distort management reports, misclassify revenue, complicate warranty reimbursement, affect technician productivity calculations, make customer-pay performance look better or worse than it really is, obscure opportunities, and, perhaps most importantly, cause dealership leaders to make decisions based on data that isn't telling the truth. That is a much bigger problem than a messy menu. When it comes to a warranty reimbursement submission, some approaches rely heavily on op codes to decide which repair orders qualify, so they inherit every coding error. However, state-of-the-art software can work around bad op code usage, but there are still many other reasons to clean up this very prevalent issue.

Fixed Ops Has Become Too Important for Bad Data

The stakes are enormous. According to NADA's 2025 data, America's franchised dealerships generated more than \$164 billion in service and parts sales across more than 276 million repair orders. At the average dealership, NADA reports approximately \$22.8 million in service and parts sales, 5,267 repair orders and a 37.6% service-and-parts gross-profit percentage.

NADA's 2025 data also show \$15.46 billion in warranty service labor sales and \$16.67 billion in warranty parts sales across franchised dealerships. Customer-pay mechanical labor alone represented another \$31.48 billion, with \$24.21 billion in customer-pay mechanical parts sales. Those numbers make one thing clear: Fixed operations is not a back-office function that can tolerate sloppy data. It is one of the dealership's largest financial engines. And the engine is increasingly important. Cox Automotive reported that dealerships generated roughly \$9.23 million in average fixed-operations revenue in 2025, up 33% in eight years, even while dealer share of service visits declined from 33% to 29%.

In other words, dealerships are generating more dollars from fixed ops while simultaneously fighting harder to retain the customers generating those dollars. That is a terrible time to allow inaccurate repair-order data to

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quietly undermine the operation.

The Op Code Is More Than a Code

An operation code tells the DMS what kind of work is being performed and how that work should flow through the dealership's accounting and reporting structure. A properly constructed op-code system can help distinguish key data points, from maintenance to recall work, what supplies are used to manufacturer-required operations. The problem begins when the system becomes a dumping ground.

Here's what's happening every day in dealerships across the nation. An advisor can't find the correct code, so a miscellaneous code gets used. A new service package is created, but nobody retires the old one. A manager creates another variation because it is easier than fixing the existing code. A technician uses one code while another technician uses a nearly identical code. An operation originally created for one purpose gets repurposed for another.

Five years later, the dealership has hundreds - or thousands - of codes that may appear to mean the same thing but aren't necessarily treated the same way. That's the miscellaneous-op-code rat's nest. And once it exists, people learn to work around it. That's where the hidden damage begins.

The First Hidden Problem: Warranty Reimbursement

For dealerships that care about retail warranty reimbursement, unless you are working with the most sophisticated of platforms, op-code discipline should be non-negotiable. OEM warranty reimbursement calculations and eligibility requirements are based on repair-order data. The manufacturer needs to be able to identify eligible warranty and retail customer-pay transactions and distinguish them from excluded categories. When a dealership's data is poorly structured, the problem isn't necessarily that the dealership didn't perform the work.

The problem may be that the data cannot clearly prove what happened. That distinction matters. A dealer could have an excellent effective labor rate and a healthy amount of qualifying customer-pay work, yet inadvertently contaminate the data with incorrectly coded transactions.

The result can be fewer eligible ROs, more manual review, additional questions from the OEM, rejected operations or a less favorable reimbursement calculation. And the impact can be substantial. NADA's 2025 figures show more than \$32 billion in warranty service labor and parts sales combined

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across franchised dealerships.

Even a relatively small percentage of missed, misclassified or improperly documented activity can represent meaningful dollars. Consider a dealership with \$1 million in annual qualifying labor sales. If poor coding or data quality causes even 2% of potentially eligible activity to be excluded from an analysis, that's \$20,000 of revenue that may warrant investigation.

The point isn't that every coding error creates a \$20,000 loss. It is that small percentages become real money when applied to large revenue pools. State-of-the-art technology can overcome the op code dilemma in warranty reimbursement, but most technology will struggle to do so and therefore potentially cost your dealership significant profits.

The Second Hidden Problem: Your Financial Reports May Be Lying

This is perhaps the most overlooked consequence. As vehicle sales slow, franchise dealerships turn to fixed operations revenue and sift through data with a fine-toothed comb for potential opportunities or costly revenue leaks. Data like hours per RO, revenue per RO, labor gross retention and more are metrics that are only as reliable as the transactions underneath them.

If the same type of work is routinely coded three different ways, management may be looking at three different versions of reality. A miscellaneous op code can move revenue into the wrong category. A warranty-related operation can appear as something else. An internal repair can be mistaken for customer pay. A maintenance package can be buried inside a generic service operation. A diagnostic operation can be grouped incorrectly with repair labor. None of these errors necessarily produces a giant red flag.

That's what makes them dangerous. Instead, they create statistical noise. Management sees a trend and asks why. The service director blames staffing. The GM blames traffic. The controller blames pricing. The BDC blames appointment volume. Meanwhile, the underlying issue is that the dealership's own data isn't consistently categorizing the work.

The Third Hidden Problem: Technician Productivity Gets Distorted

Op codes also influence how technician performance is measured. If operations are improperly structured, the dealership can create misleading productivity and efficiency measurements. Imagine two technicians performing essentially the same type of repair.

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**Technician A's operation carries the expected labor time.
Technician B's operation carries a different labor allocation.**

The resulting reports may make one technician appear more productive or efficient than the other - even though the difference was created partly by coding. The opposite can happen, too. Poorly defined operations can make legitimate work appear unproductive, affecting technician compensation, performance reviews, dispatch/staffing/hiring decisions, training priorities, and shop-capacity planning.

NADA's service-management guidelines identify technician productivity, stall utilization and labor gross retention as core operating measures. If the underlying operations are inconsistent, the dealership isn't really measuring those things. It's measuring the combination of technician performance plus coding behavior. Those aren't the same thing.

The Fourth Hidden Problem: You Lose the Ability to See What's Actually Happening

A good fixed-ops leader wants to know what are customers actually buying. Miscellaneous op codes can make that question surprisingly difficult to answer.

- How many customers purchased maintenance?
- How many declined brake recommendations?
- How much diagnostic work are we performing?
- What percentage of repair orders include inspections?
- How much warranty work is being performed?
- Which services are growing?
- Which are declining?
- Which technicians are performing specific types of repairs?
- Which advisors sell the most maintenance?
- Which customers are receiving recommendations but not authorizing them?

If the same work is scattered across multiple codes, the dealership's ability to answer those questions deteriorates. And this matters because the industry is already struggling with service retention.

Cox Automotive found that dealerships handled 12% fewer service visits in 2025 than in 2018. For vehicles less than two years old, only 54% of service visits occurred at the dealership where the vehicle was purchased, compared with 72% in 2023.

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At the same time, dealership service and parts revenue continues to grow. That paradox means dealers have to become increasingly sophisticated about understanding every customer and every service interaction. Bad op-code data moves the dealership in the opposite direction.

The Fifth Hidden Problem: Bad Data Becomes Institutional Knowledge

Here's the really insidious part. Employees eventually learn the workaround. An advisor asks another advisor: "Which code do you use for that?" The answer becomes institutional knowledge. A new employee is trained on the workaround. Then another employee learns it. Eventually, nobody remembers why the code exists. They simply know: "That's the one we use." At that point, the dealership isn't operating from a process. It's operating from folklore. And folklore is a terrible DMS strategy.

The Sixth Hidden Problem: Customer Experience Suffers

This connection is easy to miss. Bad op-code architecture can create downstream customer-experience problems. If operations are inconsistent, estimates can be inconsistent. Menus can be inconsistent. Service histories can be harder to interpret. Marketing segmentation can be inaccurate. Recall and campaign reporting can become more difficult. Declined-service follow-up can be less precise.

Customer histories may not clearly show what was actually performed. That matters because today's dealership is competing for service business with an enormous independent aftermarket. Cox reports that more than 300,000 automotive repair businesses operate in the U.S., while dealership service visits continue to lose share.

Consumers already perceive dealership service as expensive. Cox found that convenience and perceived value are among the leading reasons customers don't return to the dealership of purchase. The last thing a dealership needs is internal data chaos contributing to an inconsistent service experience.

So How Do You Untangle the Rat's Nest?

The answer isn't to delete 500 op codes on a Friday afternoon and hope everyone figures it out Monday morning. That's how you create a different disaster. The cleanup needs to be treated as a data-governance project, not a DMS housekeeping project.

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Step 1: Inventory Everything

Export every active op code. Don't start by deciding what stays. First determine what exists.

For each code, capture:

- Op-code number
- Description
- Revenue category
- Labor type
- Parts association
- Warranty/customer-pay/internal classification
- Labor hours
- Creation date, if available
- Number of ROs using the code
- Revenue generated
- Last-used date

Then sort the list by frequency. You'll probably find some surprises.

Step 2: Identify the "Never Touch It" Codes

Separate manufacturer-required operations and other codes that must remain intact. OEM warranty operations should receive special scrutiny. Do not casually rename, merge or delete anything that could affect manufacturer reporting or reimbursement without understanding the OEM's requirements. The goal is standardization—not breaking something that currently works.

Step 3: Find the Duplicates

Look for descriptions such as:

- Brake Inspection
- Brake Check
- Brake Inspection Service
- Brake Inspection - Customer Pay
- Brake Check - Retail
- Brake Inspection - Misc.
- Brake Inspection 2
- Brake Inspection NEW

You get the idea. If six codes describe essentially the same transaction, determine whether six are actually necessary. Usually, they aren't.

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Step 4: Find the Orphans

An “orphan” op code is a code that exists but has little or no legitimate reason to exist anymore. Look for codes with:

- No use in 12 months
- Extremely low usage
- No clear owner
- Outdated descriptions
- Former employee names
- Former pricing
- Old labor rates
- Old processes
- Duplicate functionality

Don't automatically delete them. Quarantine them first.

Step 5: Create an Op-Code Hierarchy

The dealership should establish a simple structure. For example:

Category → Service → Operation → Pay Type

The exact architecture will vary by DMS and OEM, but the principle should be universal. People should be able to understand why a code exists and when to use it. If employees need a five-minute explanation to determine which of three nearly identical codes applies, the architecture isn't finished.

The Op-Code Cleanup Checklist

Data

- Export every active op code
- Identify duplicates
- Identify obsolete codes
- Identify rarely used codes
- Identify codes with unclear descriptions
- Review historical usage
- Quantify revenue associated with each major code

Warranty

- Identify all warranty-related operations
- Verify OEM-required classifications

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- Review qualifying retail/warranty data separately
- Identify operations that could contaminate reimbursement calculations
- Validate warranty parts and labor categorization
- Review OEM-specific requirements before changing codes

Customer Pay

- Standardize common maintenance operations
- Standardize diagnostic operations
- Standardize common repair categories
- Separate genuinely different services
- Eliminate unnecessary duplicate operations

Accounting & Reporting

- Verify labor categories
- Verify parts categories
- Verify internal vs. customer-pay classifications
- Review gross-profit reporting
- Review effective labor-rate reporting
- Review technician productivity reporting

People & Process

- Create written coding rules
- Train advisors
- Train service managers
- Train parts personnel where applicable
- Train accounting personnel
- Establish one person responsible for op-code governance
- Review new-code requests before implementation

Ongoing Governance

- Audit op-code usage monthly
- Review newly created codes
- Monitor miscellaneous-code volume
- Review unusual revenue shifts
- Reconcile DMS data against accounting reports
- Conduct an annual op-code cleanup

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The Most Important Rule: Stop Creating New Problems

Cleaning up the existing mess is only half the job. The dealership also needs a process for preventing the next mess. One person should own op-code governance. Not because that person needs to memorize every code, but because someone needs accountability for the architecture. New codes should have a reason. They should have an owner. They should have a defined use. And they should be reviewed periodically.

If a new code is created because an employee says, "I couldn't find the right one," that may be evidence that the existing structure needs improvement.

The Bigger Opportunity

The argument for op-code cleanup isn't really about codes. It's about trusting the data used to run the dealership. Fixed-operations leaders are being asked to make increasingly sophisticated decisions about capacity, retention, pricing, staffing, technician productivity, warranty reimbursement and customer-pay growth.

Cox's research shows that high-performing "Thrivers" are more likely to report strong service profitability, higher revenue per RO and better shop utilization. They also tend to have stronger technology and process integration. That shouldn't be surprising. You cannot optimize what you cannot accurately measure.

And you cannot accurately measure a service department when the fundamental unit of work - the repair order - is inconsistently classified. The dealership may still make money. Technicians will still turn wrenches. Advisors will still write ROs. Customers will still pay their bills. The financial statements may even look perfectly respectable. But underneath all of that, the dealership can be losing money in places management doesn't see.

Warranty reimbursement can be compromised. Customer-pay opportunities can disappear into miscellaneous categories. Technician productivity can be distorted. Performance reports can become unreliable. Marketing audiences can be contaminated. Service histories can lose meaning. And management can make decisions based on trends that aren't actually trends. That's the hidden cost.

The Bottom Line

The modern fixed-operations department has no shortage of challenges. Dealers are fighting independent repair shops for aging vehicles. Customers are more price-sensitive. Service retention is under pressure. Technician

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recruitment remains difficult. OEM warranty requirements can be complicated. And dealership leaders are being asked to squeeze more productivity and profitability out of every bay, technician and customer relationship.

Against that backdrop, bad op-code data may seem like a small problem. It isn't. NADA's 2025 numbers put the average dealership's service-and-parts sales at roughly \$22.8 million, with service-and-parts gross profit at 37.6%. When a dealership is managing that much revenue, a few percentage points of invisible leakage are no longer rounding errors.

They are business decisions. The objective shouldn't be to create the fewest op codes possible. It should be to create a system in which every operation has a clear purpose, every employee knows how to use it, every major revenue category is accurately represented and dealership leadership can trust what the data is telling them.

Because the real danger isn't having too many op codes. The real danger is believing your reports are telling you the truth when they aren't. And for a fixed-operations department responsible for millions of dollars in annual revenue, that's a problem leadership can no longer afford to ignore.



Author Bio:

Jordan Jankowski is the Chief Operating Officer at Armatus Dealer Uplift. He has played a key role in consulting on 25 warranty reimbursement laws across the country and is widely considered a subject matter expert in this highly technical arena. Jordan manages a team of over 70 people, who produces thousands of retail warranty reimbursement submissions each year.