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Presents

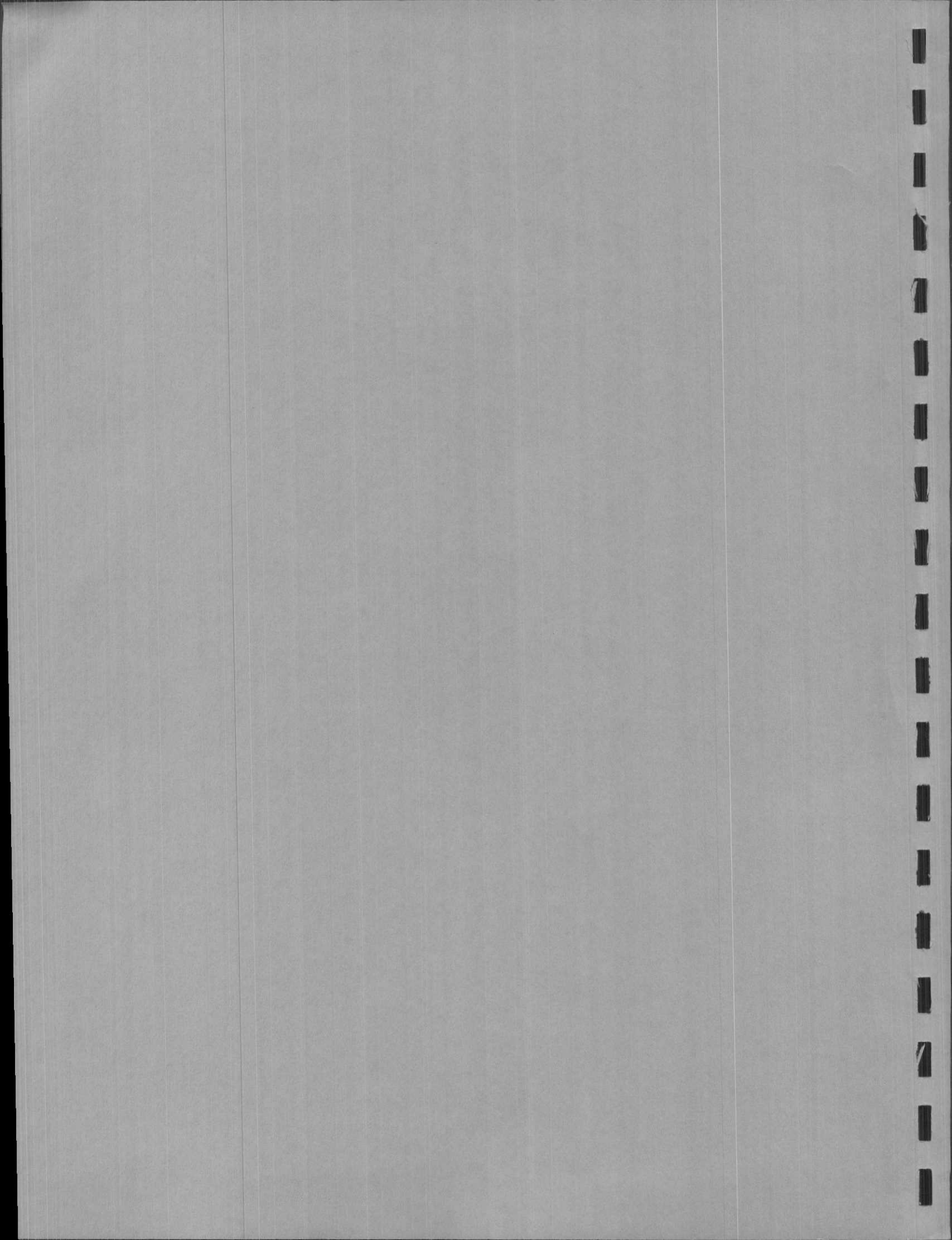
**Automotive
Repair Shop
Management**

Your Presenter

Art Vasconcellos

Quote

*It is not the crook in modern business that we fear,
but the honest man who does not know what he is doing*
Owen D. Young



About the presenter, Art Vasconcellos

Art Vasconcellos is the owner of The Car Care Center in Santa Cruz, California. Has been in business since 1974 specializing in Honda, Acura, Mazda, Toyota, Lexus, Nissan, Infiniti, and Isuzu vehicles.

Art is a past president of the Automotive Service Associations Santa Cruz Chapter.

For several years Art is part of the De Anza College Automotive Technology advisory board.

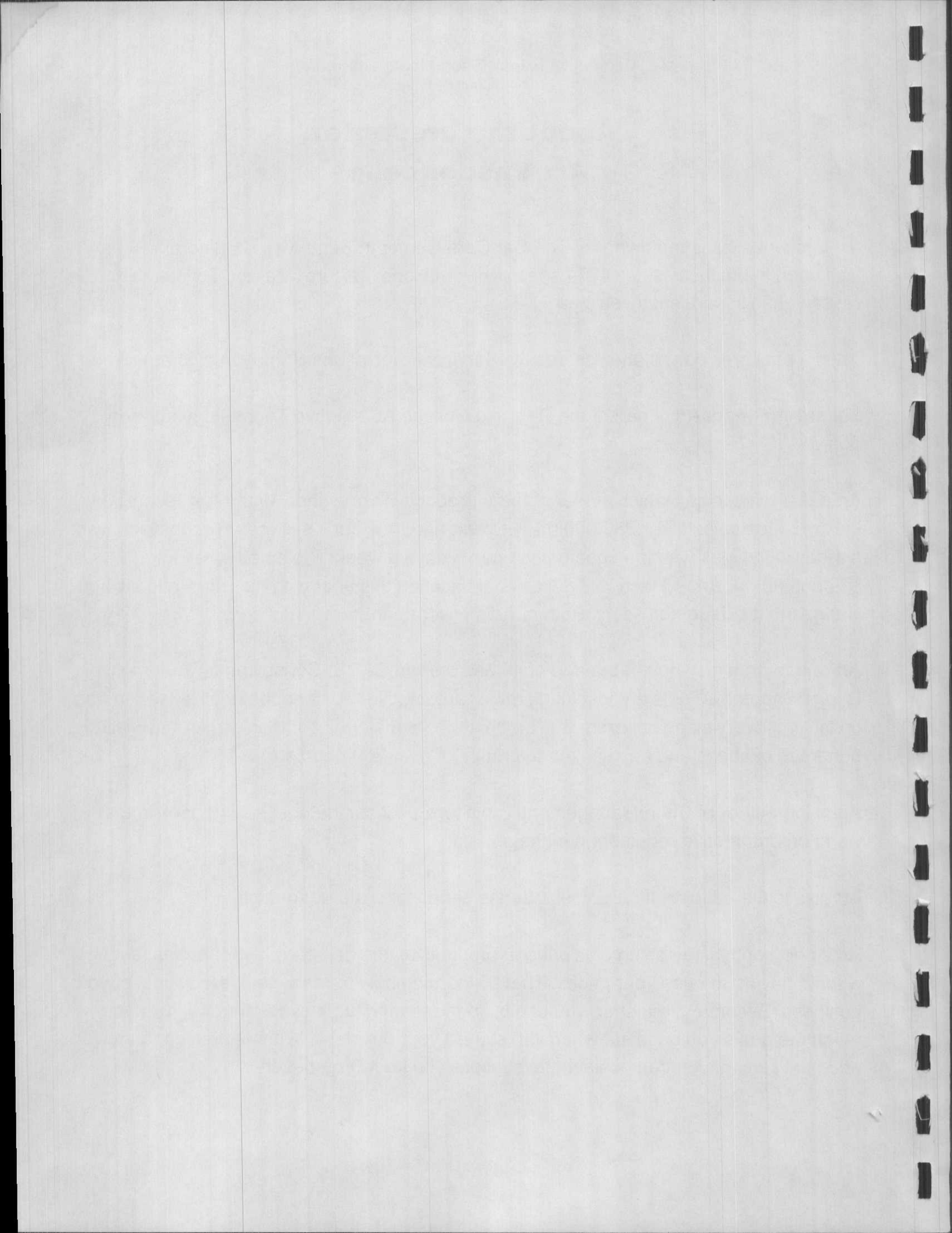
Art has 4 technicians which average 152% productivity or higher. With his 4 technicians they produce sales of \$1,250,000.00 per year, and they don't sell tires. Technicians work a 4-day workweek with the shop being open 5 days a week. Projected sales for 1998 are \$1,400,000.00. Art will take 7 to 8 weeks of vacation this year with his wife Patti, his son Craig, and his daughter Kristy. Both of Art's children are now in college.

Art retired from his shop at the age of 40 and started CARS, Consulting for Automotive Repair Shops. CARS is a consulting firm for automotive repair shops of all sizes. Art has consulting every size shop from the 1 man shop, to major oil companies. Art has visited hundreds of shops and has spoken to groups of over 200 people.

Art is the author of Shop Management Tools for Success, the best selling book in the world on automotive repair shop management.

Art also is the editor of the Business Sense series for Motor Magazine.

Art's philosophy is by being efficient and productive, you can earn higher profits, and without having to raise your prices. That by learning how to manage every aspect of your business. Become a leader so you can build the team of employees that will help you reach the goals you once set when you started your business. With leadership, teamwork, and goal setting, you can achieve the success you know you deserve.



Automotive Repair Shop Management

Can you improve your shop 100%

Can you improve your shop 1%?

Can you improve your shop 1% a 100 different ways?

What is Shop Management?

- Management is: Managing and Inviting Change
- Change = Success

Quote

***If you always do what you have always done,
you will always get what you have always gotten***

If you are not willing to change some of the ways of how you manage your business, then how can you expect profits to increase from years past. The vehicles we work on change every year. Our customers expect more and more each year. How we recruit and deal with our employees has changed. Everything around us changes almost daily. How can we expect to be in business and not change the way we manage our always-changing business? We are always trying to keep up with the latest technology on the cars we work on. We need to find the most current management techniques to help us manage our business, customers, information, technology, and employees. I may be considered one of the leading experts in Automotive Repair Shop Management, so do you think I know everything I will ever need to know? I am learning new ways of managing my business every single day. So don't think you know all there is about managing your business. It will be like saying you know everything about diagnosing and repairing every kind of car not only from the past, present, but also in the future.

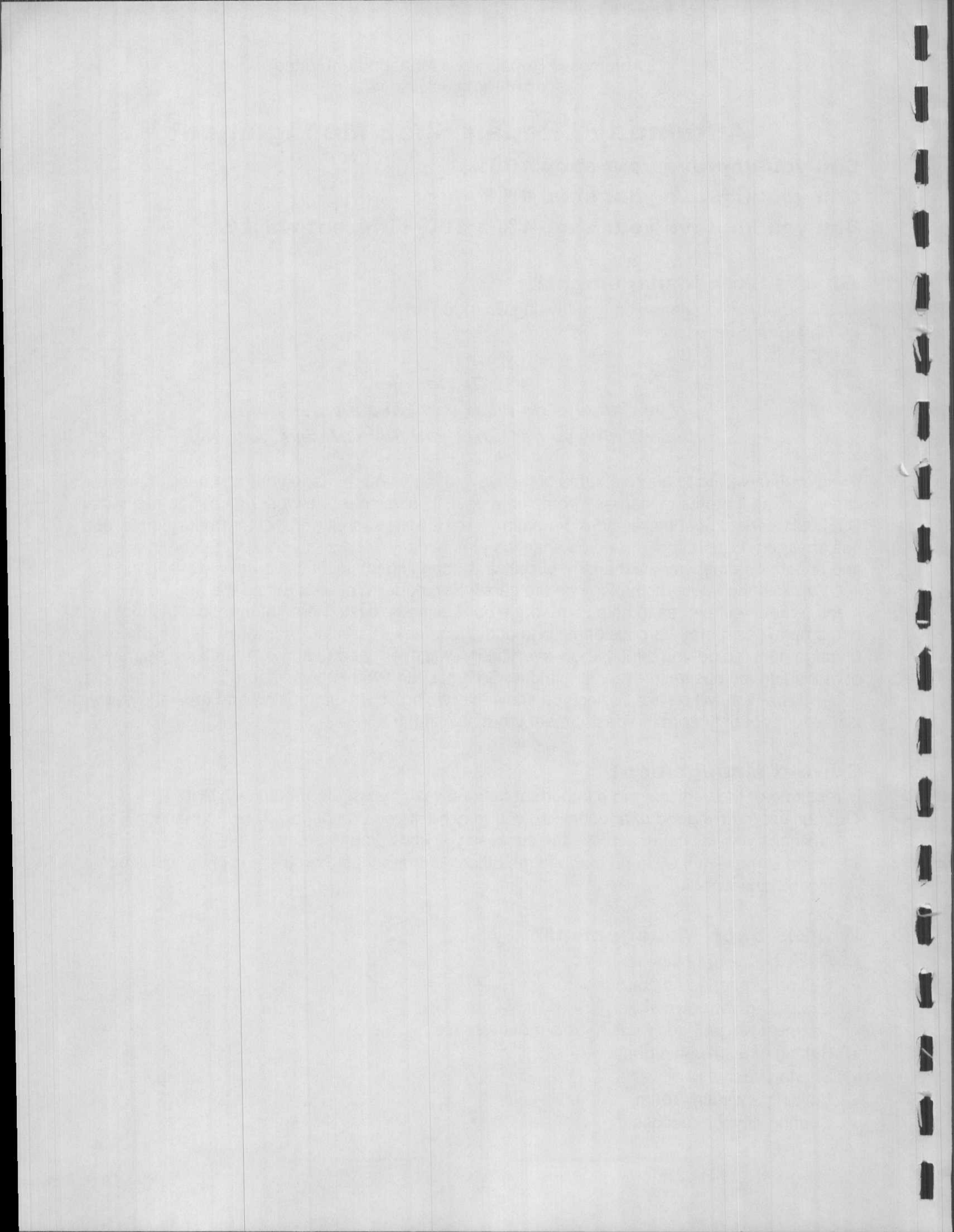
Current Management

Is repairing of the vehicles more important than how we manage our business? No.

- I don't care how good of a technician you may be, if you do not know how to manage your business you will never achieve the success you know you deserve.
- There is more money to be made in the offices of our shops than there is in the stalls our technicians work in.

What is Shop Management?

- Guiding of your business
- Setting of prices and policies
- Expanding your own skills
- Learning & using good business & money sense
- Setting of achievable goals
- Sharing your vision
- Building a winning team
- Sharing of your success



Understanding Numbers

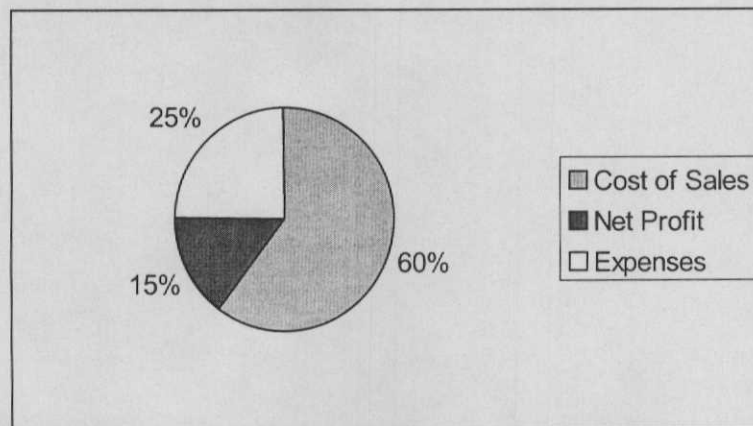
- Productivity
- Parts Profit
- Cost of Sales
- Gross Profit
- Expenses
- Net Profit

Are you too busy to, plan, set goals, or see your vision?

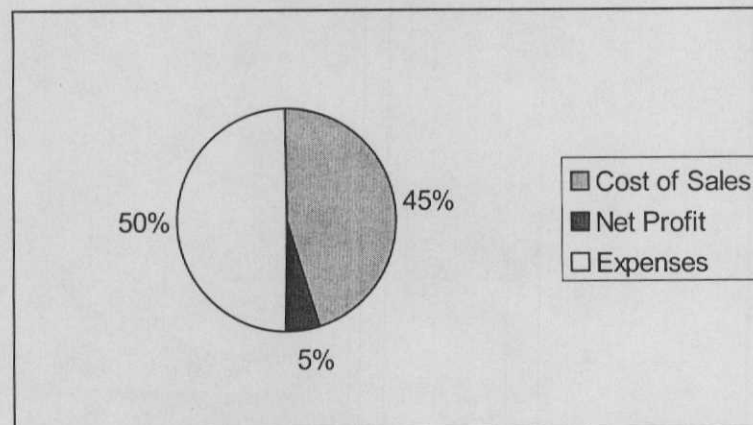
If you are too busy working, how will you know when you reached success? If we can not see were we are going, how will we know when we get there?

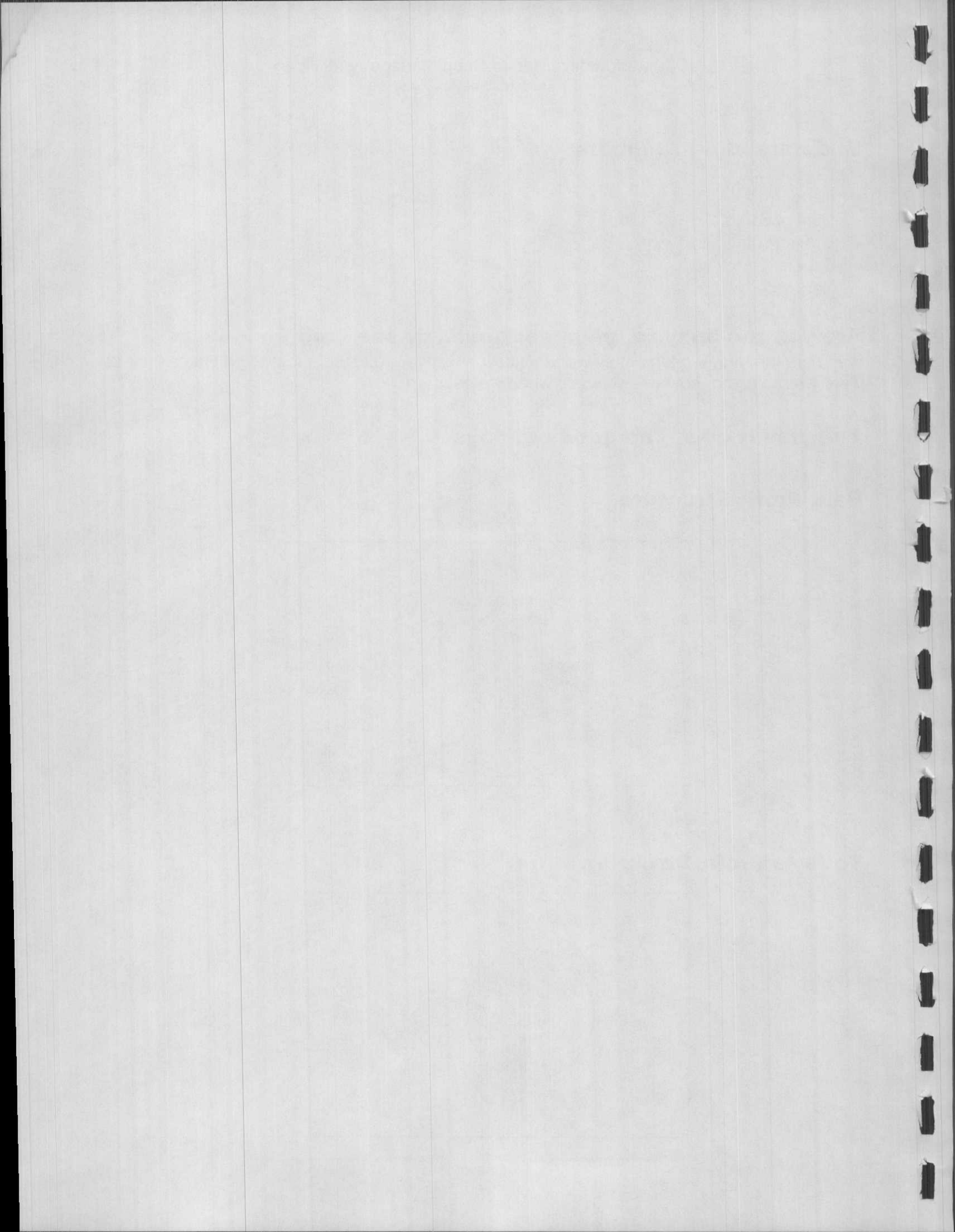
The way it was, The good old days

Past Profit Structure



Today's Profit Structure





Changes came from?

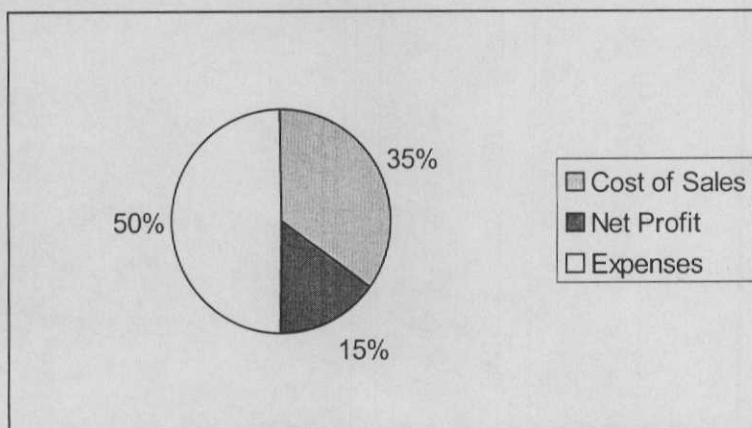
Cost of Sales Declined

- Labor Rate has gone up faster than wages
- Fewer parts sold

Expenses Increased

- Insurance
- Equipment
- Taxes
- Extra management staff

Needed Profit Structure



Profit & Loss Statement

- Is your report card
- Do we have control of our Profit & Loss Statement?
- We need to plan our Profit & Loss Statement outcome

Shop Productivity

What's a few tenths?

Each of 3 technicians saves .3 hours a day or 1 hour a day

\$65 per hour X 21 working days in a month = \$1,365 in extra labor sales

With add Parts Profit from the extra parts we sold with the extra labor = \$1,800 in increased sales and profits

10% Productivity Increase

3 technicians at 66.6% at \$65 = \$6,500

3 technicians at 76.6% at \$65 = \$7,475

10% Productivity Increase

Difference \$975 a week
\$3,900 a month

Measuring Productivity

- Labor time 4.2 Hrs
- Time on job 6.0 Hrs
- Productivity = Labor time divided by time on job $4.2 \div 6.0 = 70\%$

Test

- Labor Sold 29.6
- Hours Worked 41.2
- Productivity = _____ %
- Labor Sold \div Hours Worked
- What's the Productivity?

Time is what we sell

Time-Clock

- Allows you to Measure Productivity of shop and technicians
- Allows Technicians measure their own Productivity
- Allows technicians to prove their worth by improving their productivity job by job
- Causes the technicians to justify their time

Time-Cards

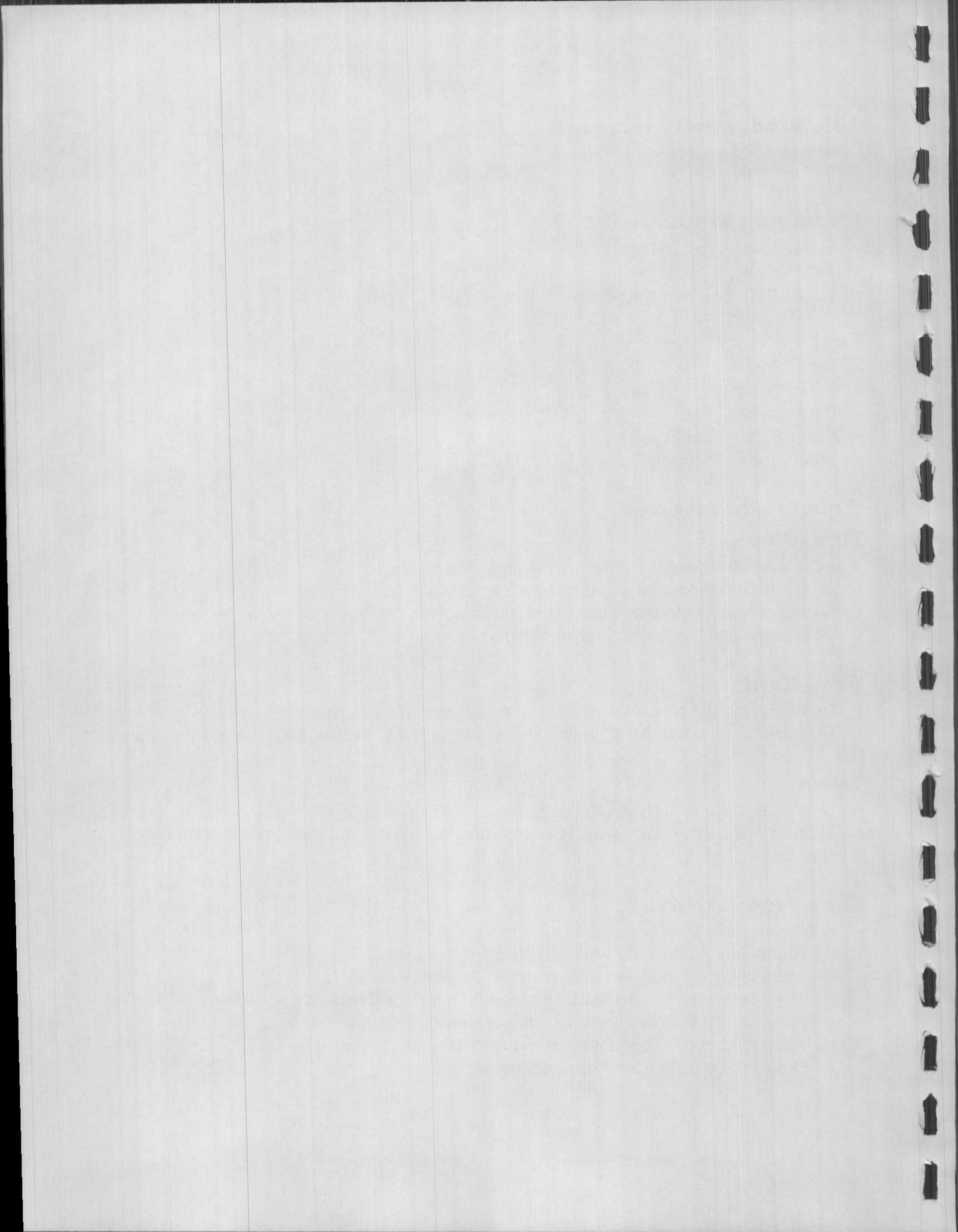
- Technicians must punch On & Off from every job and every repair order
- Technicians Pay must be based on time-cards, or the technicians will not use the time cards

Track

- Technicians Productivity, by the day, week, month, and year
- Shop time, time you give away, time to clean shop, waiting for parts, repair shop equipment etc.

Shop Productivity

- What you will find
 - Your shops productivity will be in the 50-70% range
 - Productivity will increase 10% or more 1st week
 - When technicians say it will take a Half an hour, it will really mean 1 hour
 - When technicians say it will take Just a minute, it will really mean .5 hour
 - You have been losing money on many routine jobs for years
 - Should have used a time-clock sooner



Job Costing, Time Clocks, & Time Cards

by CARS, Consulting for Automotive Repair Shops

Without Job Costing, you will never know if each job is as profitable as needed to meet your Gross Profit and Net Profit goals. To do Job Costing correctly you need these type of time-cards. As a service writer, how do you know if you're quoting enough time to make each job meet your Profit goals? How will you ever know if the changes you make to your shop actually increase Productivity or not? How will you ever know how long your technician spends on diagnostic jobs? The whole idea is not to have any wasted time during the day. If your techs run out of work, you need to know many hours were wasted. But if the techs are busy all day, then you need to know where the time went. Technicians in this country average 66% productivity. For every 8 hours they work, they only produce 5.3 hours of "billable" labor. We need to find the waste — and ways to increase our Productivity. Without the information from time-clocks, you'll never solve all the time problems.

Just by using a time-clock and these time-cards, your Productivity will increase 10% or more the first week.

The sample to the right is similar to the time-cards from Alternative Source. Each time-card is used for only one day, per technician. Your technician may use more than one time-card in a busy day.

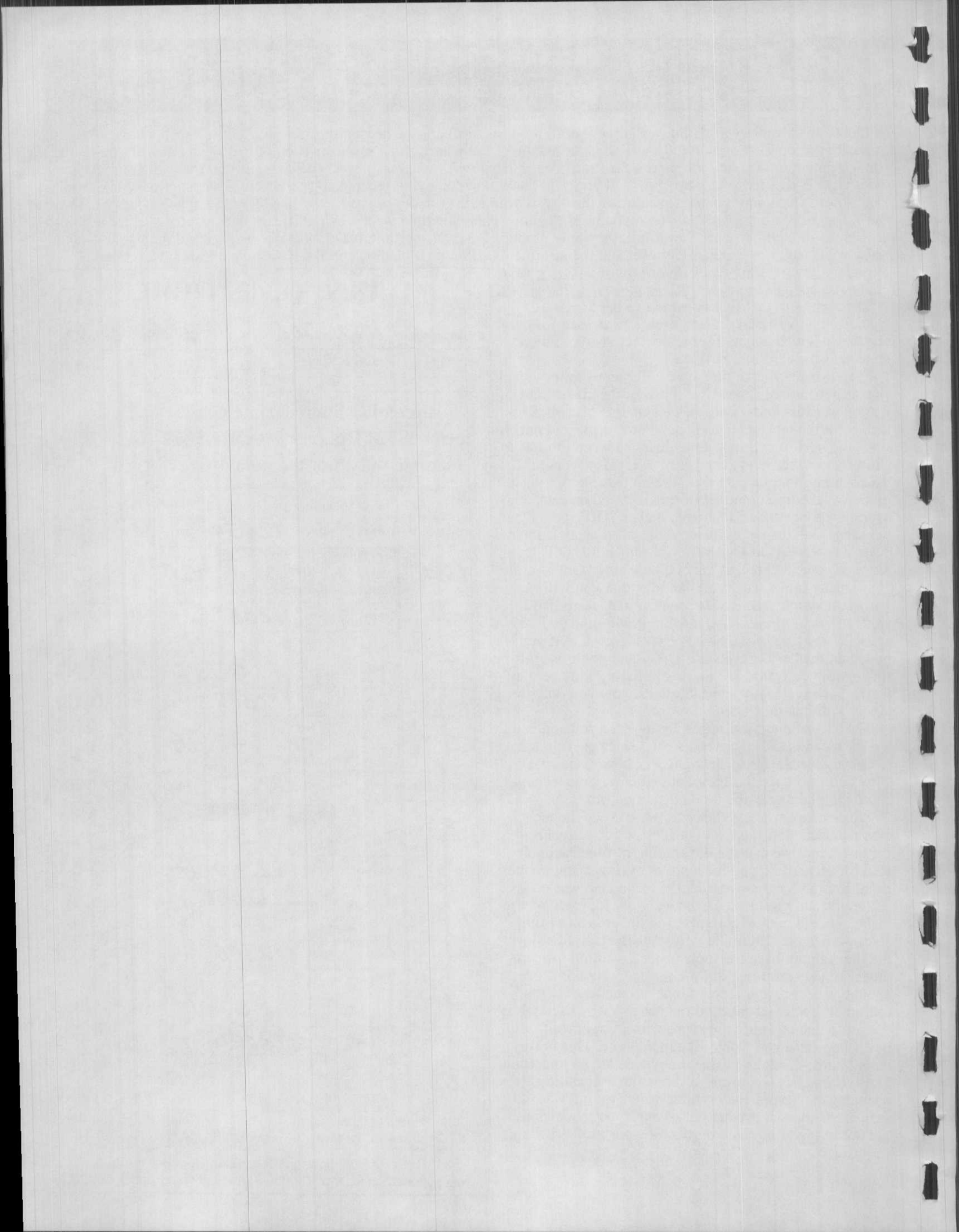
Each time-card is in three parts. Top copy is for technician to punch their time "On." Each of the 10 sections of the top page are self-adhesive stickers that tear off. The idea is for the technician to punch "Off" a job and punch "On" the next job with no time delay between jobs. This allows you to see every minute of every day worked. If we are going to do a better job of Job Costing, we need to know the correct amount of time worked on each and every job. Once the technician punches "Off" the job and punches "On" the next job, they tear off that sticker and paste it to the Repair Order they're punching "Off" from. Some jobs the technician may be punching "On" and "Off" many times. These are the jobs that you will find out just how much time was spent. It may seem like a pain at first for the technicians, but it will give you an accurate measure of the time spent on each job. If you punch on the back of a Repair Order and don't use this time-card, you'll find 1-2 hours of missing time per day per technician. (Many techs know to show you only the amount of time they want you to see.)

The second and third pages are, one for you and one for the technician at the week's end. Since payroll is done from these cards, the technicians will have their own copy and the office has their copy, this way the techs can't complain later about being shorted time, etc.

From the example to the right, we can see the technician punched "On" and "Off" each job correctly. From the time-card we can see the amount of time each job sold for on the left, and the amount of time spent on the right. For the 8 hours worked, the technician was on jobs 7.2 hours, and produced 5.3 hours. Now for each job the technician did not get completed in the amount of time sold, we need to determine why. Was the tech just slow, did the tech not have the tools needed, waiting for parts, did more than required, did the service writer not sell enough time, or were repairs done at no charge to the customer. Until you can find the reasons why each job is not profitable and cure those problems, your profits will never be where you would like them to be. This is why using a time-clock and these time-cards are so important. Until technicians are aware of how much time they are spending on repairs, they will never try to find ways to increase their own Productivity. And if our technicians are not trying to be more productive, our profits will never increase.

DAILY TIME TICKET							
Employees Name		JOHN DOE		No.	3	Date	3/18/98
Straight Time	Flat Rate	RO No.	Time	Off			
Alternative Source Time Card form AS321T phone 818-597-1012 (sample only, not the actual size)						On	
		Emp No		Off			
		RO No. 12354	Time	Off	16.5		
1.2	Sold Time / Repair Time Tech took .4 over—Why?			On	14.9		
		RO No. 12357	Time	Off	14.9		
.4		Emp No 3	.6	On	14.3		
		RO No. 12347	Time	Off	14.2		
.5		Emp No 3	.6	On	13.6		
		RO No. 12353	Time	Off	13.4		
.5		Lunch .7		On	12.7		
		Emp No 3	.7	Off	12.0		
1.2		Missing Time		On	10.4		
		Emp No 3	1.6	Off	10.2		
.9		RO No. 12346	Time	On	9.0		
		Emp No 3	1.2	Off	8.9		
.6		RO No. 12345	Time	On	8.0		
		Emp No 3	.9	Off			
Total Hours of labor produced for day				Total Hours punched on jobs			
5.3				7.2			

This example shows the technician worked 8 hours, was punched on jobs for 7.2 hours, and only produced 5.3 hours.



Policy

- Measure Productivity on every job.
- What Productivity do you expect from each technician and the shop?

Shop Layout

- Maximize each technician's workspace?
- Are your hoists in the best positions?
- Do you have enough air lines and air hoses?
- Technicians have to walk far to get to the service office, or find you?
- Is equipment hard to get to? Do the technicians have to go across the shop to get to the scope
- Is the shop entrance blocked often, and the technicians have to waste their time moving cars?
- Is it easy for technicians to wash their hands? Do we need a wash basin in the shop?

Shop Layout

- Special tools easy to get and use?
- Shop manuals in the office or near the technicians?
- Are your parts accessible to the technicians, do they have to look up their own parts?

Improving Productivity

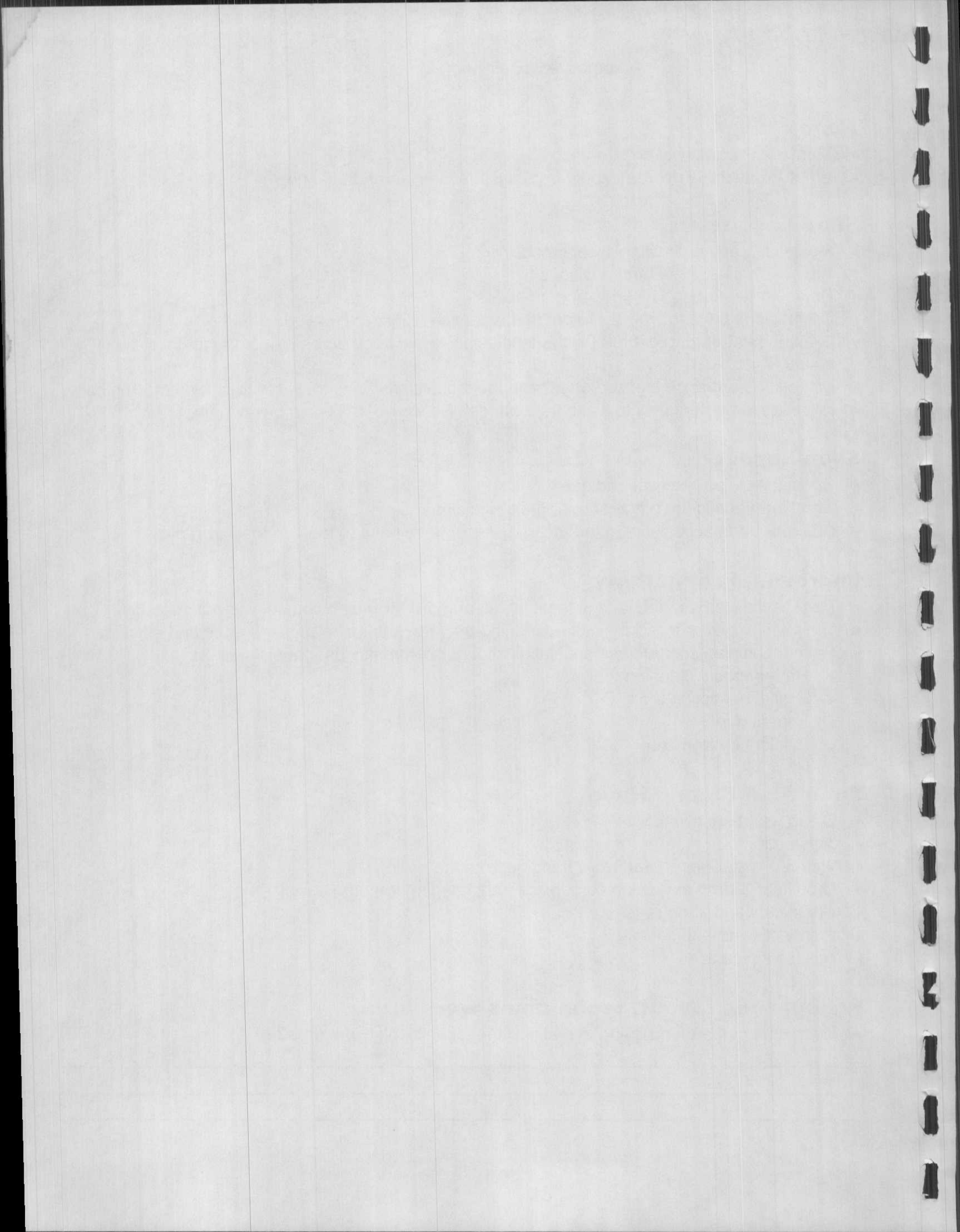
- Each technician should have at least 1 stall or more for their own use, without sharing
- We need to give our technicians everything they need to make their job easy and efficient.
- Each technician should have special location for commonly used tools such as:
 - Battery cable cleaning tools
 - Brake inspection tools
 - Impact gun
 - Coolant hydrometer

Each Stall Should Have

- Clean workbench with vise
- Trash can
- 2 air & 1 water hose, preferably hanging from the ceiling
- Drop light & drop extension cord, preferably hanging from the ceiling
- Chemicals and shop rags
- Plenty of overhead lighting
- Access to scope

Policy, shop layout, technicians work area.

- What changes are you going to make to the technician's work area?



Increasing Productivity

66.6% Productivity

- Labor Sold \$26,000
- Labor Cost \$14,066
- Profit \$11,934
- Hours Sold 400
- Hours Worked 600
- Productivity % 66.6%

76.6% Productivity

- Labor Sold \$29,900
- Labor Cost \$14,066
- Profit \$15,834
- Hours Sold 460
- Hours Worked 600
- Productivity % 76.6%

10% Increase

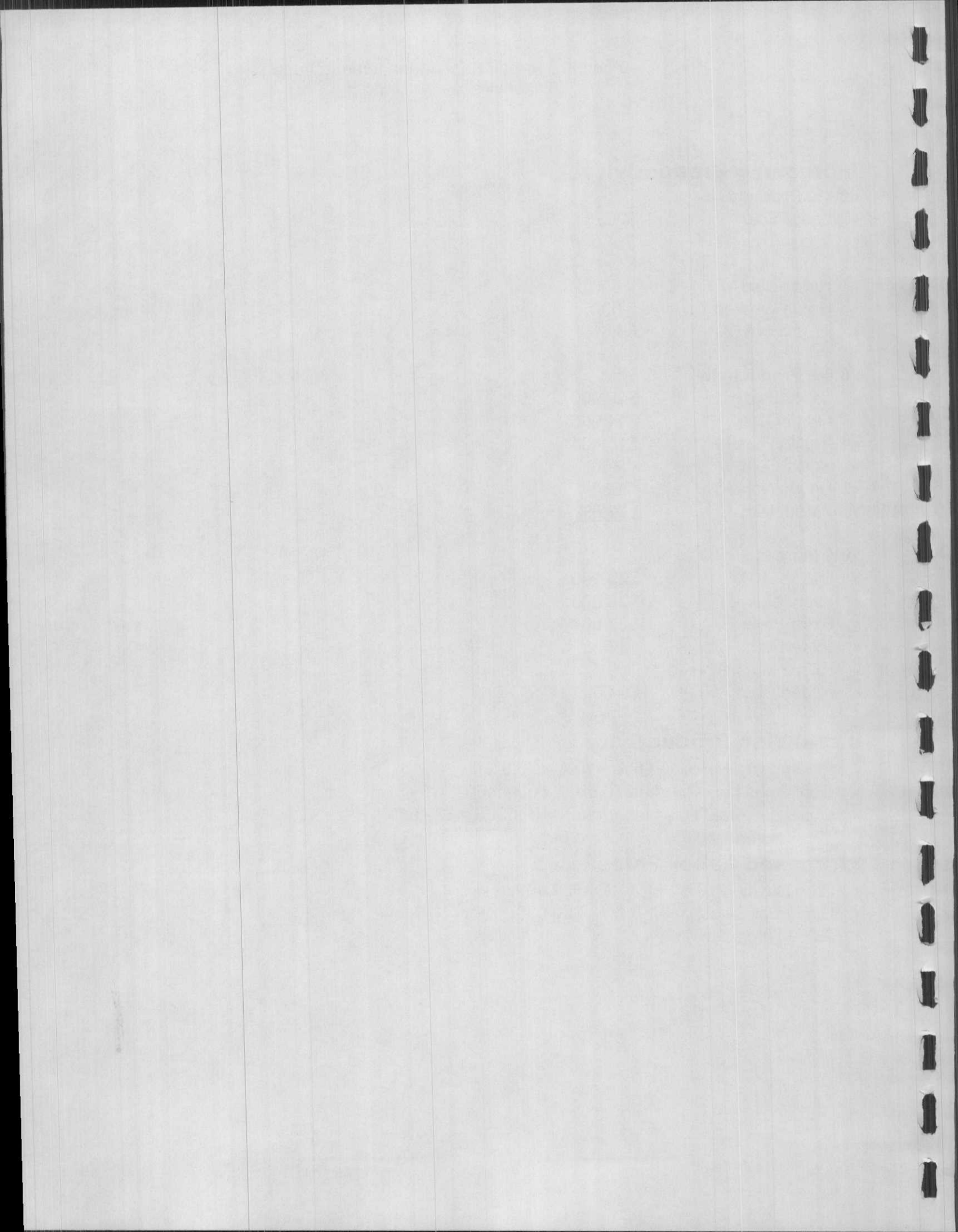
- Labor +10% \$29,900
- Labor before \$26,000
- Extra Profit \$3,900
- Extra Hours Sold 60
- Extra Hours Worked 0
- Added Costs \$0.00

Increasing Productivity

- Productivity + 10% $66.6\% + 10\% = 76.6\%$
- Goal times hours worked $76.6\% \times 600 = 460$
- Goal hours sold times labor rate, $460 \times \$65 = \$29,900$

Increased Labor Sales

- Productivity + 10% \$29,900
- Old Labor Sales \$26,000
- \$3,900 Increase



Measuring your own Shop Productivity

- Labor sales for one month divided by your labor rate will give you the amount of hours sold in a month
- Labor sales \$ _____ / \$ _____ labor rate = _____ hours sold
- Next we need to determine amount of hours available to sell
- Number of technicians (which worked that month) times the number of hours they worked that month. _____ technicians X _____ hours worked = _____ hours available
- Productivity equals hours worked divided by hours available
- _____ hours worked / _____ hours available = _____ Productivity percentage
- Example: 400 hours worked / 600 hours available = 66.6% Productivity
- To measure individuals technicians productivity use the same formula

Measuring your own 10% Productivity increase

- Productivity + 10% _____% your shops productivity + 10% = _____% productivity goal
- _____% Productivity goal X Hours worked in a month _____ times your Labor Rate \$ _____ = Projected. Labor Sales

Measuring your 10% Increased Labor sales increase

- Project Labor sales \$ _____
- Current Labor sales - \$ _____
- Labor Sales increase \$ _____

Parts Profit

- Measuring Parts Mark-Up
- Part Costs \$10
- Mark-Up + \$10
- New Price = \$20
- What is the Percentage of Profit? 100% or 50%

Part Prices

- Can you charge more than a parts store or new car dealer?
- Do other businesses?
- Parts have a suggested retail price, you can charge what every you think is needed

Mark-Up versus Gross Profit Percentage

See comparison sheet on the next page

Gross profit percentage versus Parts Mark up

Mark Up Percentage	Multiply Cost by	\$1.00 item will sell for	Equals this Gross Profit Percentage
20.0%	1.2	\$1.20	16.7%
30.0%	1.3	\$1.30	23.1%
40.0%	1.4	\$1.40	28.6%
50.0%	1.5	\$1.50	33.3%
60.0%	1.6	\$1.60	37.5%
70.0%	1.7	\$1.70	41.2%
80.0%	1.8	\$1.80	44.4%
90.0%	1.9	\$1.90	47.4%
100.0%	2	\$2.00	50.0%
110.0%	2.1	\$2.10	52.4%
120.0%	2.2	\$2.20	54.5%
130.0%	2.3	\$2.30	56.5%
140.0%	2.4	\$2.40	58.3%
150.0%	2.5	\$2.50	60.0%
160.0%	2.6	\$2.60	61.5%
170.0%	2.7	\$2.70	63.0%
180.0%	2.8	\$2.80	64.3%
190.0%	2.9	\$2.90	65.5%
200.0%	3	\$3.00	66.7%
210.0%	3.1	\$3.10	67.7%
220.0%	3.2	\$3.20	68.8%
230.0%	3.3	\$3.30	69.7%
240.0%	3.4	\$3.40	70.6%
250.0%	3.5	\$3.50	71.4%
260.0%	3.6	\$3.60	72.2%
270.0%	3.7	\$3.70	73.0%
280.0%	3.8	\$3.80	73.7%
290.0%	3.9	\$3.90	74.4%
300.0%	4	\$4.00	75.0%
310.0%	4.1	\$4.10	75.6%
320.0%	4.2	\$4.20	76.2%
330.0%	4.3	\$4.30	76.7%
340.0%	4.4	\$4.40	77.3%
350.0%	4.5	\$4.50	77.8%
360.0%	4.6	\$4.60	78.3%
370.0%	4.7	\$4.70	78.7%
380.0%	4.8	\$4.80	79.2%
390.0%	4.9	\$4.90	79.6%
400.0%	5	\$5.00	80.0%

Suggested Parts Profit Guide

Parts that cost in this range		Multiply by	Gross Profit%
\$0.00	\$3.00	3.5	71.4%
\$3.01	\$6.00	3	66.7%
\$6.01	\$10.00	2.5	60.0%
\$10.01	\$75.00	2	50.0%
\$75.01	\$150.00	1.85	46.0%
\$150.01	\$300.00	1.75	43.0%
\$300.01	\$750.00	1.67	40.0%
\$750.01	Up	1.6	37.5%

Suggested Parts Profit Guide

**Parts that cost
in this range**

**Multiply
by**

**Gross
Profit%**

Parts Profit Importance

- Parts Profit or Net Profit, Which is larger?
- If you look at your shop profit and loss statement you will find your parts profit is much larger than your net profit. This shows that your expenses have eaten not only your labor profit, but much of your labor profit as well.

A good goal is to increase productivity to increase your labor profit to pay all your expenses, leaving you a healthy parts profit as your net profit.

Our Profits

Cost of Sales is a total of your:

- Labor Costs, (technician costs only)
- Parts Costs
- Sublet Costs
- Hazardous materials costs
- Shop Supplies Costs

Gross Profit, We wished our Profits were Gross

What's more Important:

- \$100.00 Profit?
- Or 50% Profit?
- Every job will have some Profit, but the percentage of profit is the most important number, for an example if your expenses are 50% and you made a 45% gross profit, you lost 5% on the job or for the month
- How much gross Profit is enough, or needed?

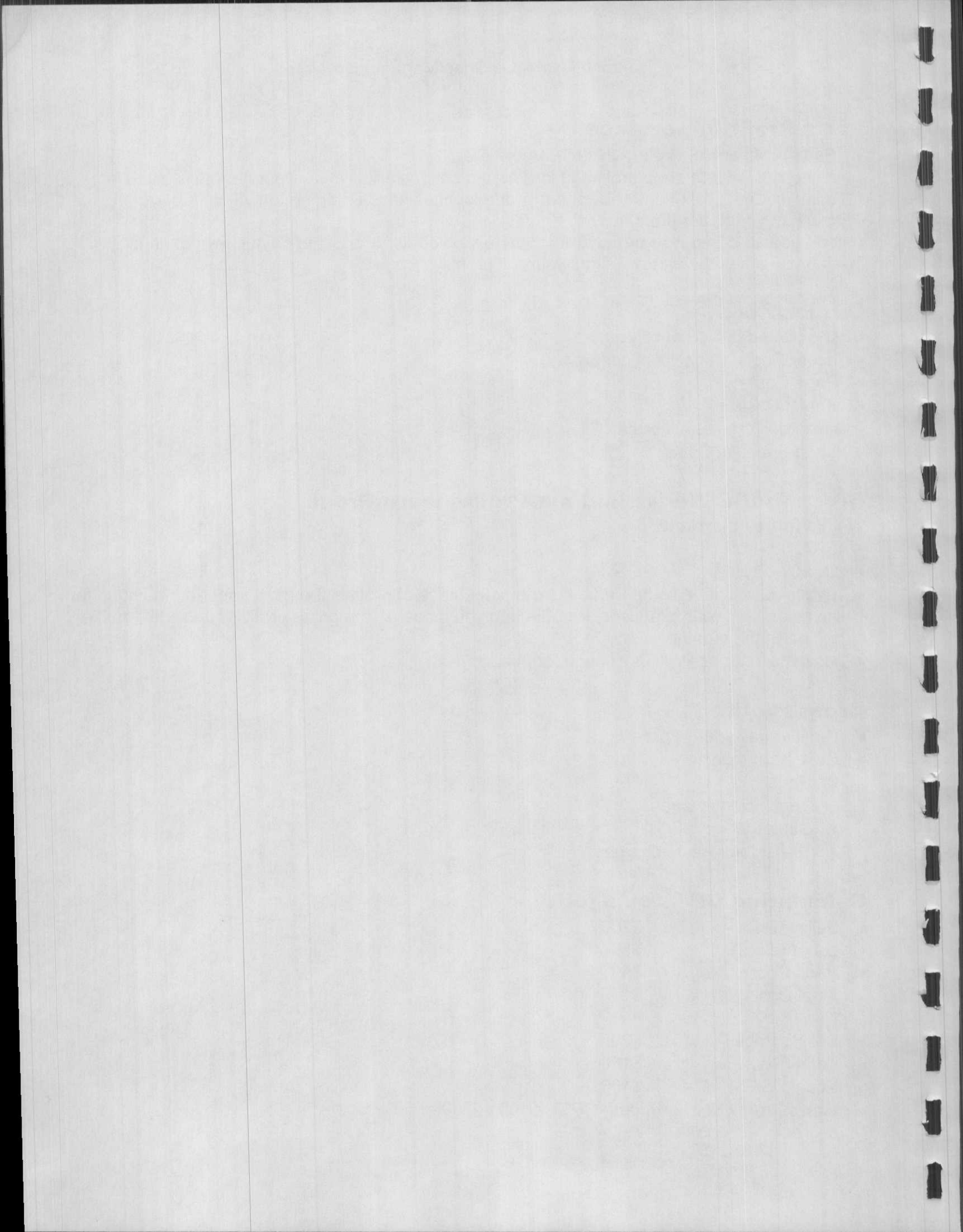
Gross Profit

- Profit to pay your Expenses
- Cost other than:
 - Parts
 - Technicians wages
 - Sublet
 - Hazardous waste charges

Calculating GP % on a job

- Selling Price \$200
- Labor (2 hrs) - \$50
- Parts Cost - \$50
- Total Costs = \$100

- Selling Price \$200
- Total Costs - \$100
- Equals GP = \$100
- Gross Profit / Selling Price = GP% \$100 / \$200 = 50%



Expenses, we have costs?

- Every costs other than your Cost of Sales
 - Rent
 - Insurance
 - Advertising
 - Equipment, etc.

Note, expenses differ from a sole proprietor or partnership, compared to a corporation. Corporations officer's salary is an expense, it does not come from the net profit. Sole proprietor and partnerships your salary comes from the net profit. Corporations show a smaller net profit because of this.

Leases, expense, or obligation?

Accountants differ on this. Some show your leases as an expense, and you will see the leases in the expense column of your profit and loss statement. Other accountants do not show your lease payments as an expense, but show the equipment as depreciation.

Problem is you need to know which is happening. If your accountant shows it as depreciation then the actual lease payments are coming out of the net profit. You may have a \$5,000 net profit and you think of it as profit you made. In reality if your \$2,000 in lease payments came from the net profit and you really only had \$3,000 of net profit to draw from.

Net Profit, The TRUE reason why we got into business

- Gross Profit minus Expenses = Net Profit.
- \$17,000 gross profit - \$15,000 expenses = \$2,000 net profit

Net Profit Percentage

- Net Profit divided by Total Sales
- \$2,000 net profit / \$40,000 total sales = 5% net profit (which is the national average)

Increasing Profits, Can it be?

- This column below shows the difference in gross profit with different productivity and parts profit percentages. Job is sold with 2 hours of labor.

Productivity:	Hours Sold	33% parts profit	50% parts profit
140%	1.4	58.5%	66.0%
125%	1.6	56.1%	60.9%
100%	2.0	51.2%	56.5%
80.0%	2.5	45.1%	51.1%
66.6%	3.0	39.0%	45.7%

Automotive Repair Shop Management Video
From Automotive Video Inc.

From this chart you can see how much the gross profit is changed by different productivity percentages. You can also see the difference in gross profit from going from 33% parts profit to 50% parts profit. You need at least a 40% parts profit.

Total Profit Increase

- Labor \$3,900
- Parts \$4,697
- Total \$8,877
- \$10,582 with extra labor sales we sell more parts and get higher sales and profits from the extra parts profit.

Increasing Profits

- Raising Labor \$5 $\$5 \times 400 = \$2,000$
- Productivity 10% $66.6\% - 76.6\% = \$3,900$
- Parts Profit 10% $31.9\% - 41.9\% = \$4,697$
- Parts & Productivity \$10,582

Increasing Gross Profits, Finally the fun part

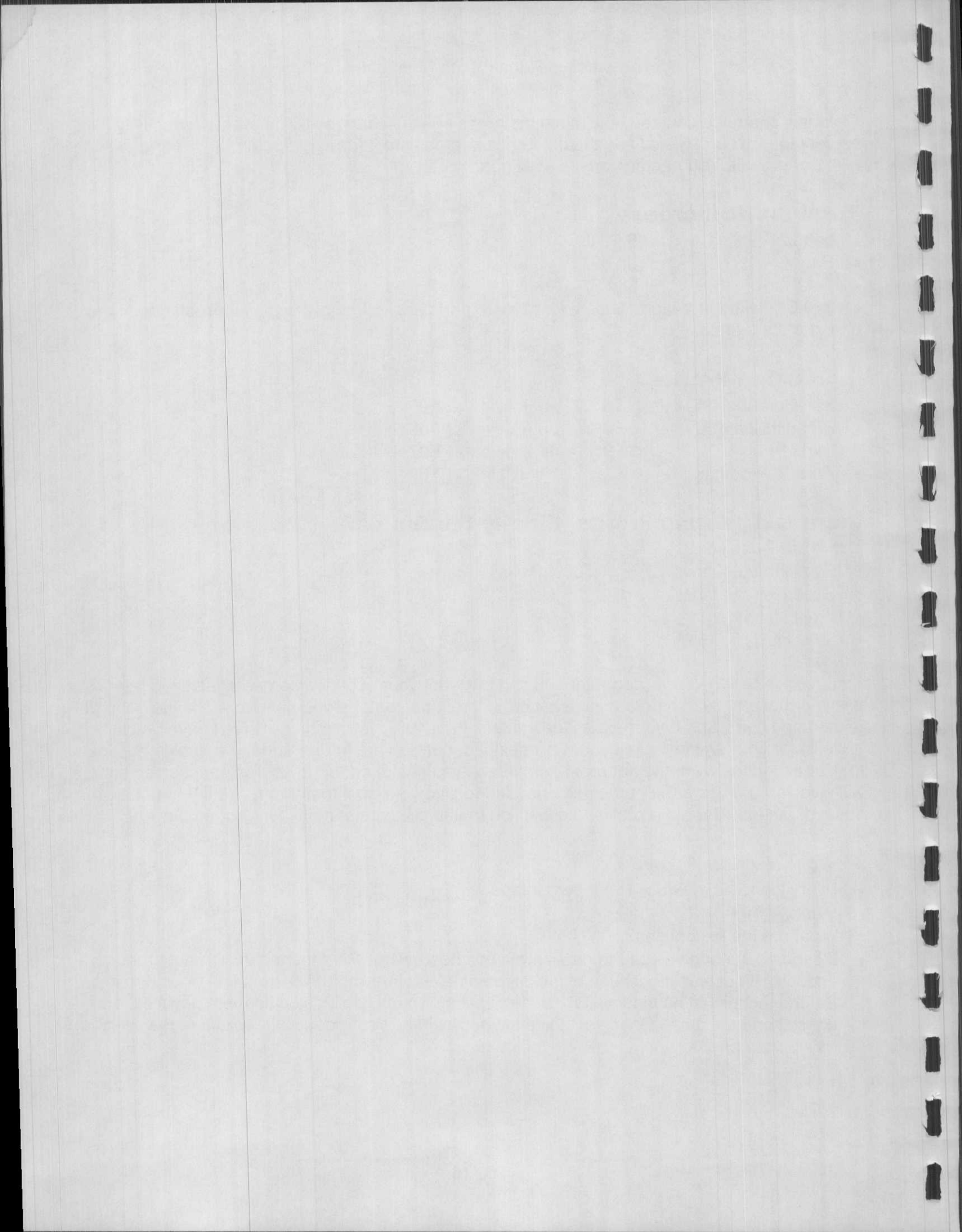
Net Profit Desired

- Each job must have GP% of 60%
- Expenses average 45%
- Want Net of 15%
- $60\% - 45\% = 15\%$

You need to talk to your accountant and find out what your expense percentages have been. With this information you can determine what gross profit percentage you need to make the net profit percentage you want. If your expenses are less than 40%, you probably do not have health benefits for your employees. If you want health benefits in the future, add the approximate costs to your expenses. With the net profit percentage you desire added to your expenses percentage, will give you a gross profit percentage needed to give your goal to not only reach the net profit desired, but also the extra profits to allow you to afford health benefits for your employees.

Policy, Gross Profit

- Every job to have Gross Profit percentage of _____%
- If not, WHY?
- What are the exceptions?
- If a job does not give you the gross profit you need, why? Was the technician not productive enough? If not was it because of lack of training? Not having the correct tool or equipment? Did the technician have to wait for authorization or parts, which slowed them down? Did we not sell enough time? Once you solve these problems you productivity will increase every day, as will your profits.



Policy, Job Costing

- Use Time-Clock & Job Cost on every job
- Parts Cost on every repair order
- Technicians Cost per hour
 - Add 25% to wages to give you a true cost per hour
- Gross Profit percentage to be marked on every repair order for review by you.

Policy, Profit & Loss Statement

- Done every month
- In-house by your bookkeeper
- By an accountant
- _____ is to evaluate Profit & Loss Statement each month
- Done by accountant every month or quarter
- Outside source (accountant or consultant), to evaluate the Profit & Loss Statement
- Learn to understand your Profit & Loss Statement

Policy, Net Profit

- I expect a Net Profit Percentage of _____% each month

Management, Leading the way

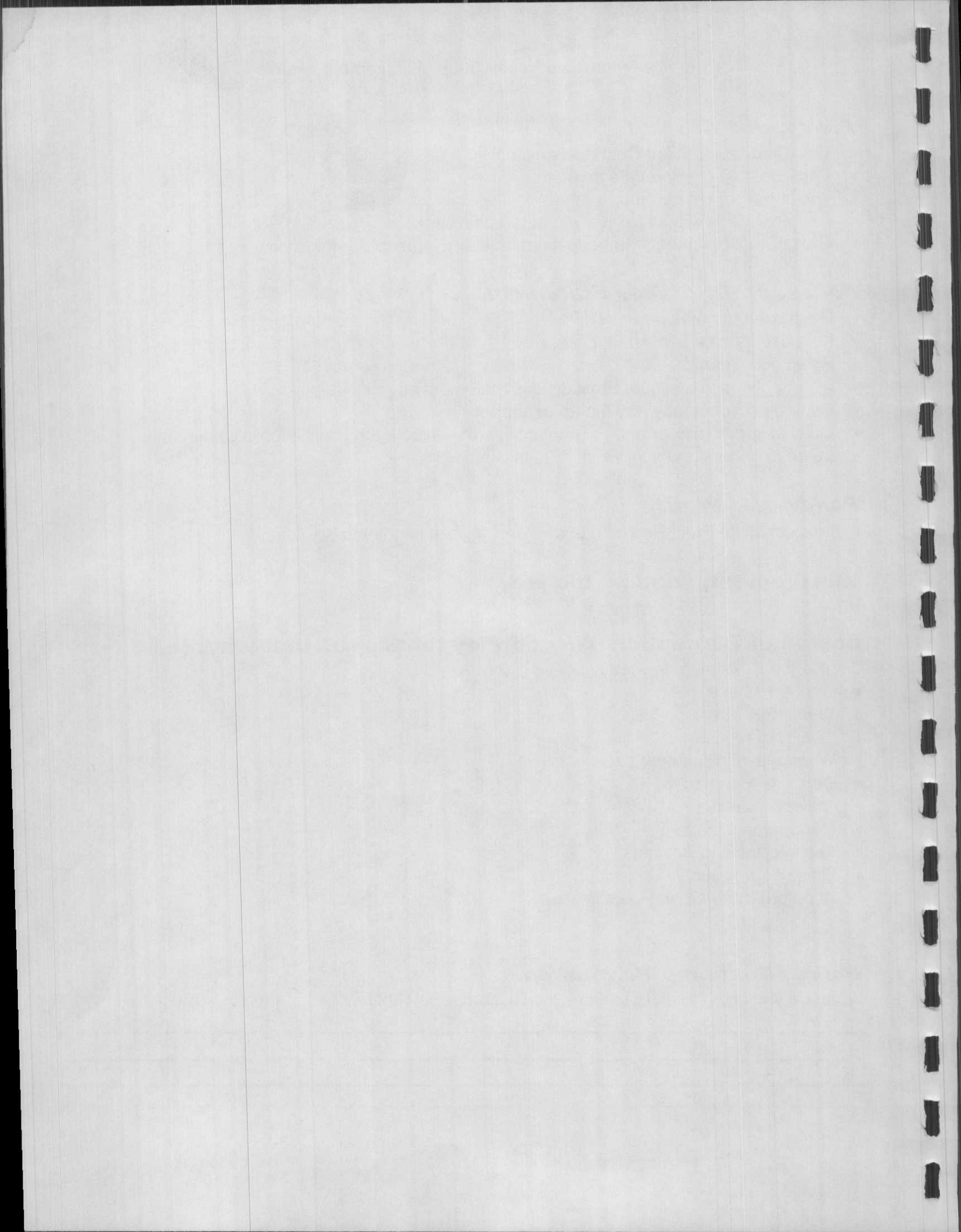
Customer Perception, Why do they think of us that way?

What is the Customers Perception of your shop?

- Over the phone
- When they drive up
- Quality of repairs
- When they pick up their car
- During a comeback?
- Of the business
- Management staff
- Technicians qualifications
- Office organization
- Shop organization and cleanliness

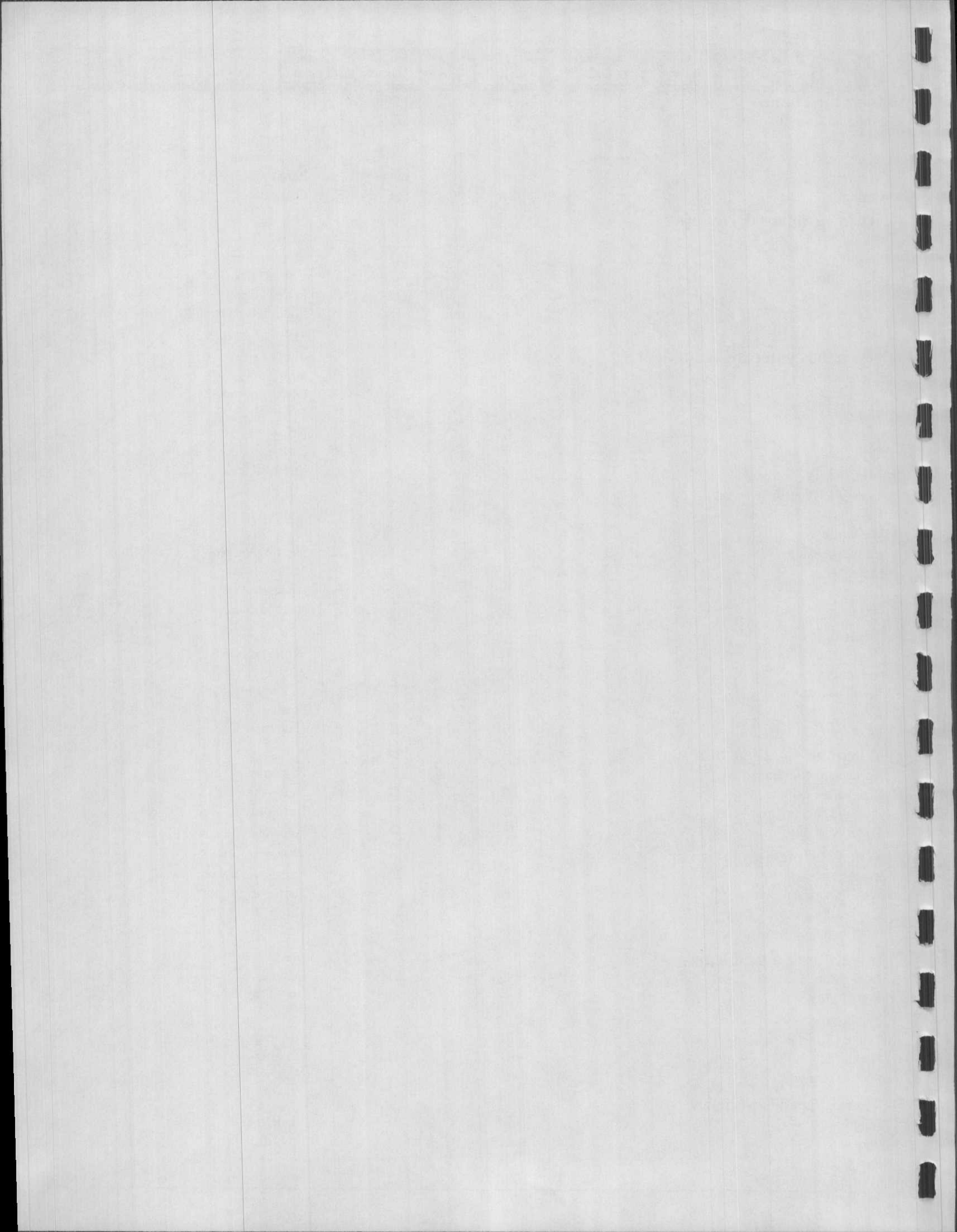
Policy, Customer Perception

What are you going to do to improve the Customer Perception of your shop?



Customer perception test

Over the Phone						
Professional	A	B	C	D	F	Unprofessional
Friendly	A	B	C	D	F	Unfriendly
Competent	A	B	C	D	F	Incompetent
Knowledgeable	A	B	C	D	F	Unknowledgeable
Caring	A	B	C	D	F	Uncaring
When customer drives up						
Clean	A	B	C	D	F	Dirty
Freshly painted	A	B	C	D	F	Needs paint
Easy to find	A	B	C	D	F	Hard to find
Good parking	A	B	C	D	F	Poor parking
Nice parking lot	A	B	C	D	F	Pot holed parking lot
Well lit	A	B	C	D	F	Dark
When they enter the front door						
Friendly	A	B	C	D	F	Unfriendly
Clean	A	B	C	D	F	Dirty
Warm	A	B	C	D	F	Cold
Quiet	A	B	C	D	F	Noisy
Organized	A	B	C	D	F	Disorganized
Relaxing	A	B	C	D	F	Stressful
Service Writer						
Friendly	A	B	C	D	F	Unfriendly
Wears tie	A	B	C	D	F	Dirty Shirt
Knowledgeable	A	B	C	D	F	Unknowledgeable
Empathetic	A	B	C	D	F	Money Hungry
Organized	A	B	C	D	F	Disorganized
Has time for you	A	B	C	D	F	Rushed
Technicians						
Professional	A	B	C	D	F	Unprofessional
Competent	A	B	C	D	F	Incompetent
Knowledgeable	A	B	C	D	F	Unknowledgeable
Clean	A	B	C	D	F	Dirty
Love their job	A	B	C	D	F	Hate their Job
When the pay their bill						
Appreciate your business	A	B	C	D	F	Pay up
Repairs are explained	A	B	C	D	F	Here is the bill
Cash, Check, or Credit card	A	B	C	D	F	Cash only
1 year warranty	A	B	C	D	F	No or 90 day warranty
When the pick up their car						
Brought to the door	A	B	C	D	F	Parked far away
Well lit parking lot	A	B	C	D	F	Dark parking lot
Car Washed	A	B	C	D	F	Dirty car
Easy to get too	A	B	C	D	F	Had to move cars to get to their car
If their have a problem						
Apologetic	A	B	C	D	F	Defensive
Top priority	A	B	C	D	F	Low Priority
Followup						
Thank you letter or card	A	B	C	D	F	Nothing
Phone Call	A	B	C	D	F	Nothing
Service reminder	A	B	C	D	F	Nothing
Their overall experience						
Happy	A	B	C	D	F	Mad
Pleasant	A	B	C	D	F	Stressful
Exceptional	A	B	C	D	F	OK
Confident in repairs	A	B	C	D	F	No confidence



Our Technicians

How much per day to have your technicians:

- Clean the work stall, empty their trash?
 - Wash their parts?
 - Move cars?
 - Waiting for parts?
 - Push cars in & out?
 - Waiting to talk to you?
-
- Each hour our technicians produce, \$65 per hour in Labor for an example
 - Each hour of labor sold they sell \$40 in parts or we earn \$20 Parts Profit
 - If you add the \$65.00 in labor plus the \$20 in parts profit, give a total of \$85 per hour
-
- If it takes 15 minutes a day for each of 3 technicians to clean their stalls daily
 - It Costs you of \$63.75 per day, or \$1338.75 per month
 - You could pay \$8.37 an hour or \$1338.75 a month to a clean-up person, and make your technicians much more productive. And you can find a clean up person for much less than \$8.37 per hour.
 - Plus a clean up person can help you give customers rides, clean the office, pick up parts etc.

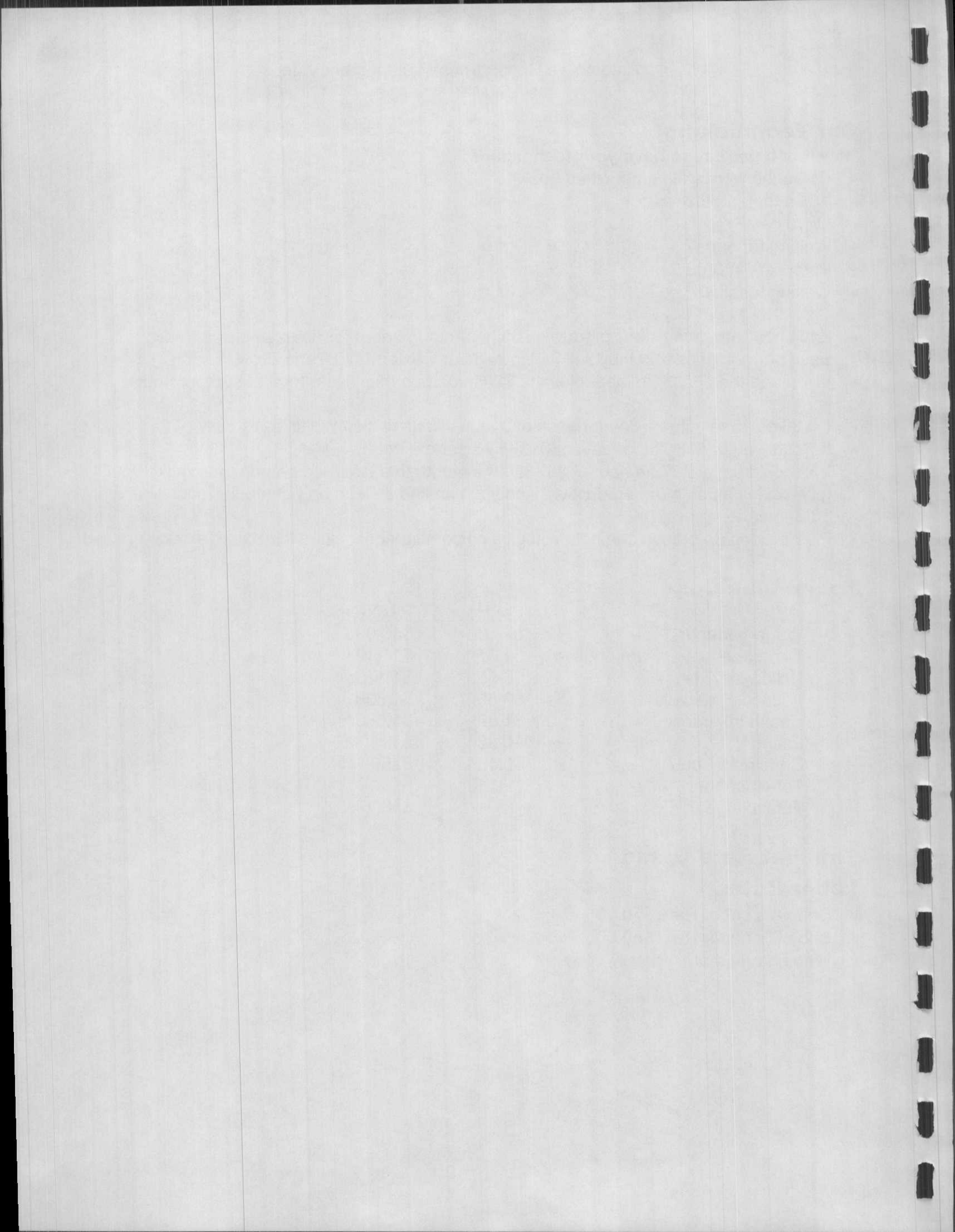
Technician Cost

	Per Hour	Per Year
Wage per hour	\$20.00	\$40,000
Taxes, employers contribution	\$2.07	\$11,191
Holidays (7 days)	\$0.56	\$1,120
Vacation (10 days)	\$0.80	\$1,600
Health Insurance	\$1.80	\$3,600
Laundry	\$0.22	\$432
Christmas Bonus	\$0.13	\$250
Total per hour	\$29.10	
Total per year		\$58,193

The Flat Rate Game

Labor Rates

- Shop A's Labor Rate \$70.00
- Shop B's Labor Rate \$50.00
- Who charge more, shop A, correct?



Customer calls for an estimate

- Shop A quotes \$70.00
- Shop B quotes \$75.00
- Who's more? Shop B, correct? As you can see Shop B quotes a lower labor rate, but charges more time. The customer thinks they are saving money over shop A, but since Shop B charges for more time, they are actually more expensive.
- This is why I call it the Flat Rate Game. You are trying to keep you labor rate competitive with other shops, but they really charging more than you think. Don't play this stupid game.

Labor Rates

- Are based on our competition, but shouldn't.
- Should be based on our costs and profit needs, along with our:
 - Equipment
 - Skill of our technicians
 - Experience of our technicians
 - Benefits we offer
 - Training
 - Different Labor guides

I found in my own shop that because I offer heath insurance benefits, my costs are \$3.000.00 per month more than the shop next to me. Should I use the same labor rate as the shop next door?

Policy, Never Quote your:

- Labor Rate
- Labor Time

In California where my shop is located, if we quote our labor rate and the amount of time, and the customers sees that we got the job done in less time that we quoted, be have to lower our labor price. We work hard to be productive and I am not going to refund money to a customer because we are better than other shops.

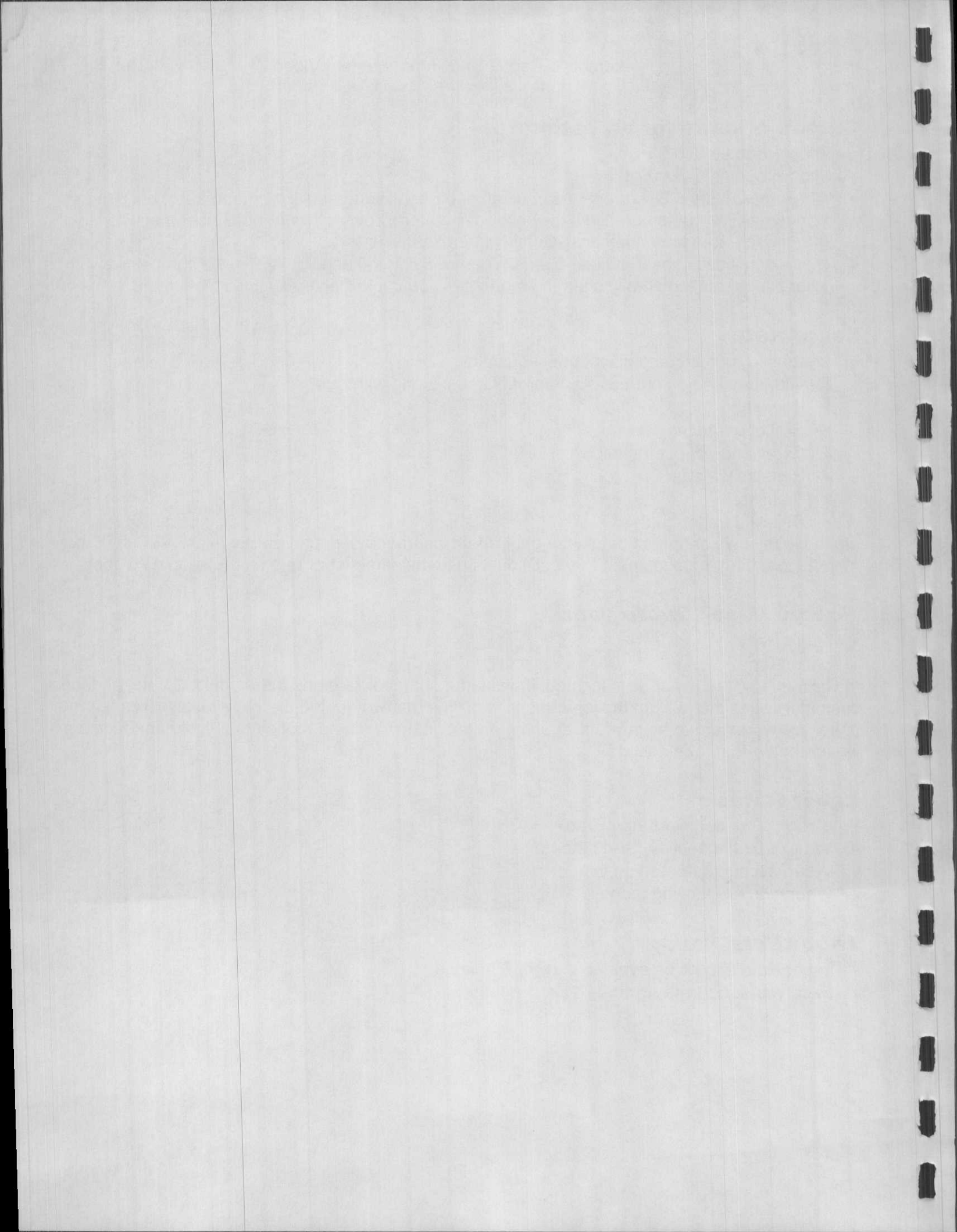
Labor Rates

When do you raise your Labor Rate?

- When the Competition raises theirs?
- When accountant tells you to?
- When you are loosing money?

Labor Rate Policy

- Labor Rate should be evaluated every 6 months
- Base your labor rate on costs & profit needs



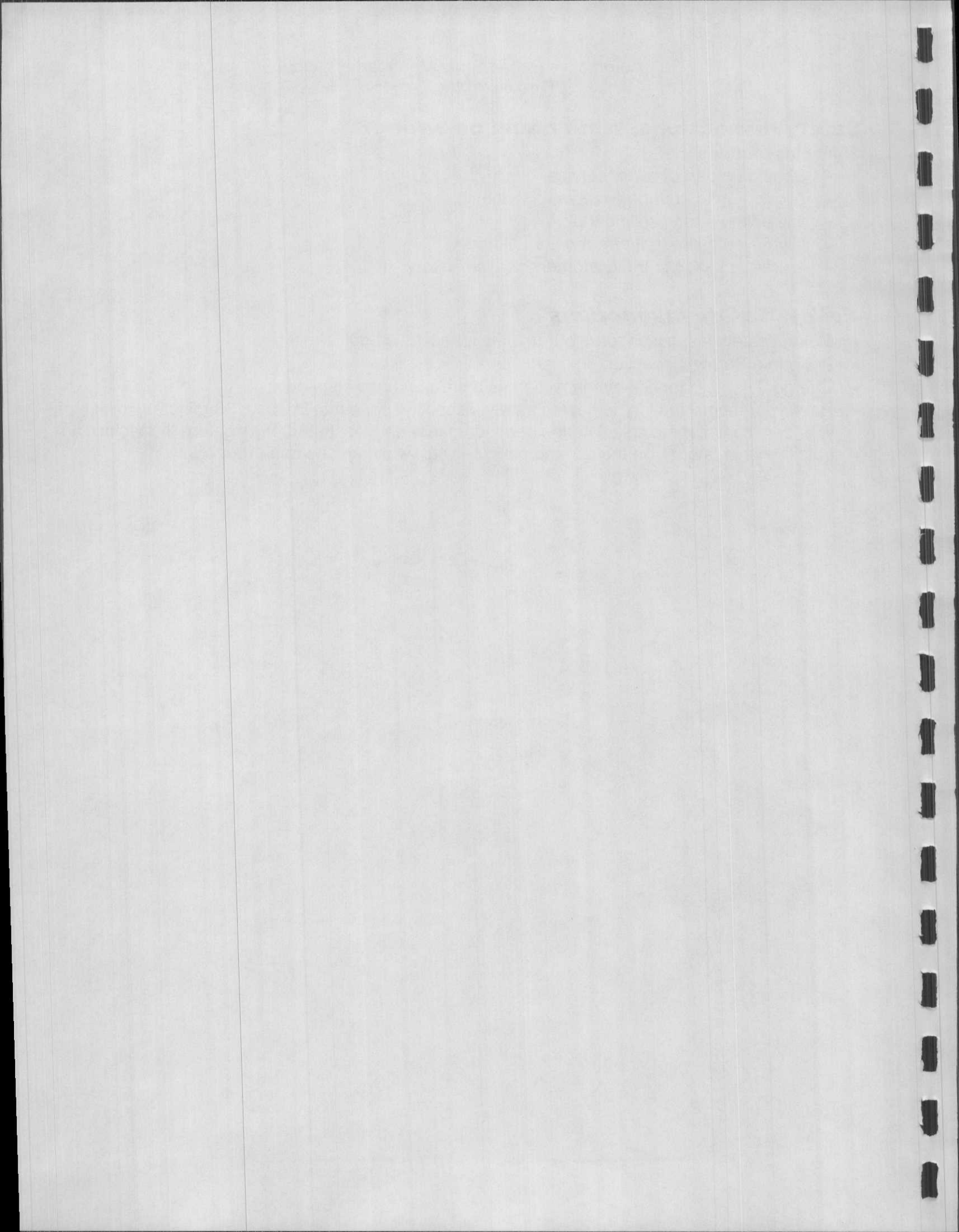
Safety Inspections, What could be wrong?

Safety Inspections

- Should be part of every service
- Allows you to better advise your customer
- It is a very strong selling tool
- Gives you guide to future repairs
- A great addition to the customers service history

Policy, Safety Inspections

- Make a safety inspection form, our use my form in this booklet
- Perform a Safety Inspection on every service
- Charge \$_____ for Safety Inspection as a pre-purchase inspection
- Have your technicians try to get the safety inspection done first in about 30 minutes, this helps your service writers to calculate the needed upsells and locate the parts before the technician puts the wheels back on the car and parks the car, wasting time and productivity.



The Car Care Center

2852-A Soquel Ave

Mon - Fri 8am - 6pm

Santa Cruz, CA 95062

Name _____

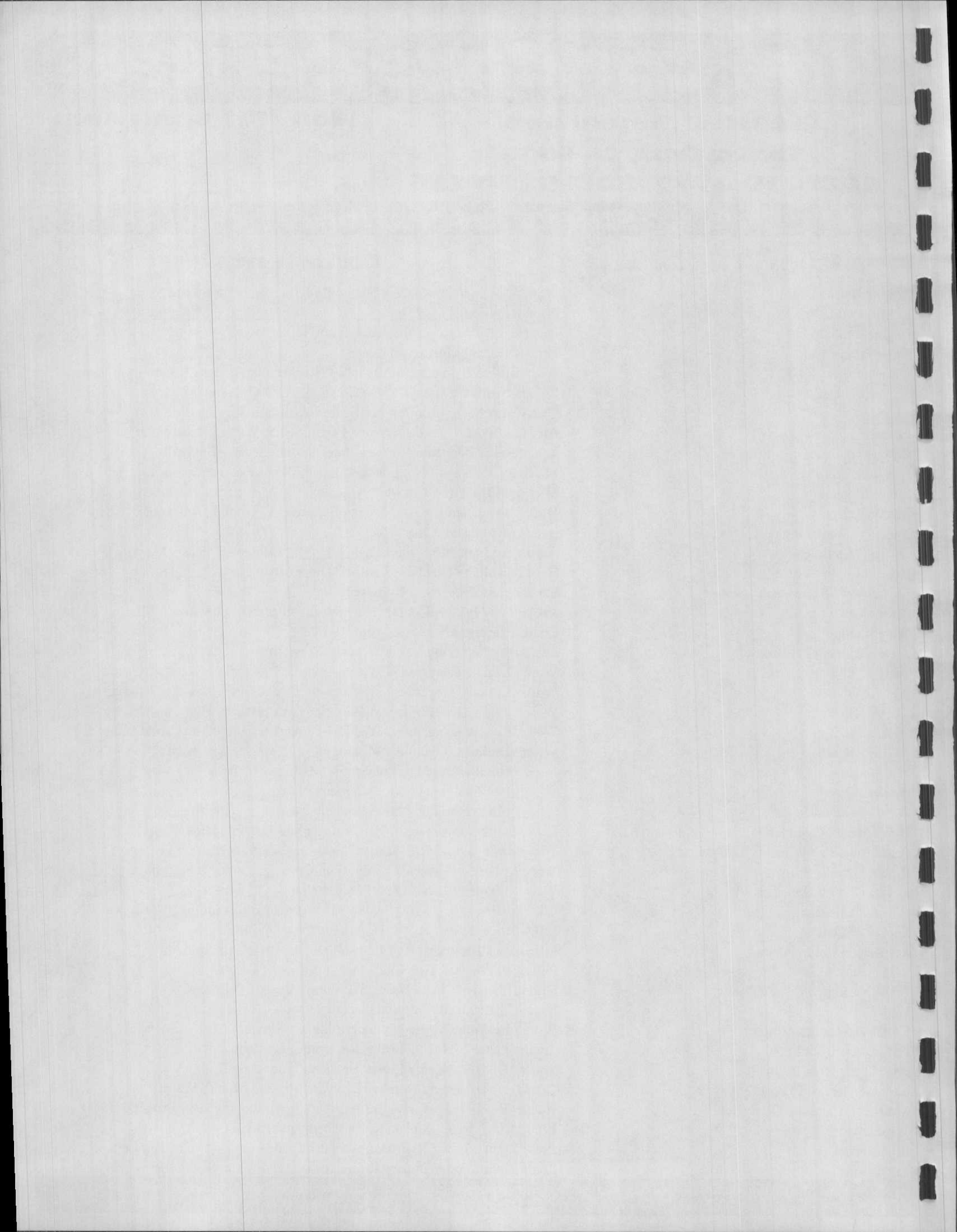
(408) 479-4777 (800) 922-7236

Repair Order # _____

Safety Inspection

Item	Good	Bad	Does Not Apply	Comments
Timing Belt / Chain				Worn/ Cracked/ Oil Soaked/ Noisy/ Bad Tensioner/ Due by Mileage on Car
Compression				Cylinder No. 1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____ 7 _____ 8 _____
Engine Tune				Due Next Service / Misses / Runs Poorly
Valve Adjustment				Noisy / Due by Mileage on Car
Distributor				Worn Bushings / Vacuum Advance / Breaker Plate / Cap / Rotor / Plug Wires
Engine Oil Leaks				Engine Needs Cleaning / Valve Cover Gasket / Oil Sender / Oil Pan Gasket Cam/Crank Seal / Front Engine Seal / Rear Main Seal
Filter(s)				Air / Oil / Fuel Leaks / Wrong Part / Rust & Water in Fuel Filter
Carburetor / Fuel Injection				Lean / Rich / Poor Idle / Surges / Fuel System Service Needed
Emission Control				Missing / Modified / Not Functioning / Will not Pass Smog Check
Motor Mounts				Missing / Broken / Cracked
Battery / Cables				Dirty / Low Charge / Bad / Weak / Sulfated / Corroded / Bracket Missing
Radiator / Radiator Cap				Bad Core / Leaks / Dirty / Restricted
Coolant / Antifreeze				Antifreeze Protection Good To _____ Degrees F Rusty / Dirty / Weak
Hoses - Upper / Lower				Hard / Swollen / Cracked / Leaks/ Heater / By-Pass
Thermostat / Fan Switch / Sensor				Stuck open / Runs Hot / Bypassed
Fan Belts				Alt / Pump / P/S / A/C / Cracked / Worn / Glazed / Oil Soaked / Missing
Water Pump				Loose Bearings / Noisy / Leaks
Air Conditioner / Heater				Leaks / Not Working / Noisy / Needs Servicing
Tires L/F				Worn / Leaks / Dangerous / Was low on Air Pressure / Hub Cap Missing
(Set at R/F				Worn / Leaks / Dangerous / Was low on Air Pressure / Hub Cap Missing
32 psi) L/R				Worn / Leaks / Dangerous / Was low on Air Pressure / Hub Cap Missing
R/R				Worn / Leaks / Dangerous / Was low on Air Pressure / Hub Cap Missing
Spare				Worn / Leaks / Dangerous / Missing / Could not check, trunk too full
Tire Rotation Yes / No				Need Rotation / Best Tires on Front / Mismatched Tires
Brakes Front				_____ % Remaining Measurement New _____ / Now _____ mm
Rear				_____ % Remaining Measurement New _____ / Now _____ mm
Brake Master Cylinder				Leaks / Dirty / Bypasses / Fluid Dirty / Fluid Contaminated
Brake Calipers / Wheel Cylinders				L/F R/F L/R R/R Leaks / Seeping / Torn Dust Seal / Frozen
Rotors / Drums Front Left / Right				Worn / Warped / Grooved / Vibration New _____ mm / L _____ mm / R _____ mm
Rotors / Drums Rear Left / Right				Worn / Warped / Grooved / Vibration New _____ mm / L _____ mm / R _____ mm
Wheel / Axle Bearings				L/F R/F L/R R/R Noisy / Loose / Need Repacking
Shocks / Struts				L/F R/F L/R R/R Leaking / Noisy / Worn
Suspension Components				Idler Arm / Tie Rods / Ball Joints / Steering Box / Pitman Arm
Alignment				Pulls Left / Right / Tire Wear
Transmission Std / A/T				Grinds / Noisy / Slips / Needs Servicing / Leaks / Differential
Clutch				Slips / Chatters / Will need replacement soon
Clutch Hydraulics / Cable				Worn / Leaking / Master Cylinder / Slave Cylinder / Leaks / Bypasses
Axle / Axle Boot Left				Inner / Outer Noisy / Leaks Reclamp Inner Axle Boot
Axle / Axle Boot Right				Inner / Outer Noisy / Leaks Reclamp Inner Axle Boot
Exhaust Manifold / Front Pipe				Cracked / Restricted / Noisy / Hardware Missing / Bent / Warped
Muffler / Catalytic Converter				Holes / Restricted / Noisy/ Rusted / Tail pipe weld cracked / Broken Hanger
Wiper Blades				L/F R/F Rear Streaking Washers not working
Lights Front				Left / Right Low / High Beams / Turn / Side / Parking / Cracked Lens
Lights Rear				Left / Right Turn / Brake / Tail / License / Side / Cracked Lens

Safety Inspection should be used only as an aid. This inspection does not mean that there are no other problems, but only what



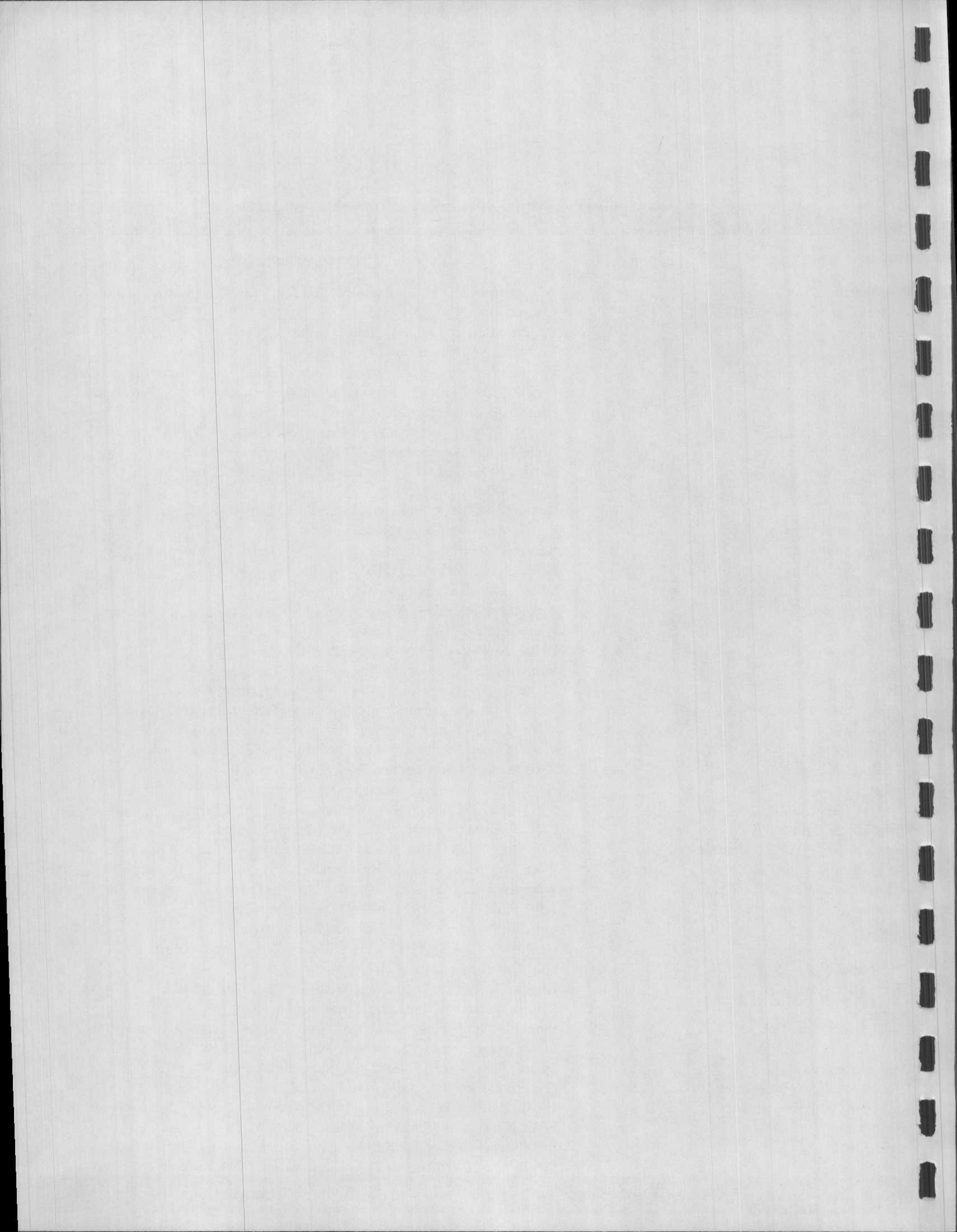
Name _____

Repair Order # _____

Safety Inspection

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Motor Mounts				Missing / Broken / Cracked
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32 psi) L/R				Worn / Leaks / Dangerous / Was low on Air Pressure / Hub Cap Missing
R/R				Worn / Leaks / Dangerous / Was low on Air Pressure / Hub Cap Missing
Spare				Worn / Leaks / Dangerous / Missing / Could not check, trunk too full
Tire Rotation Yes / No				Need Rotation / Best Tires on Front / Mismatched Tires
Brakes Front				_____ % Remaining Measurement New _____ / Now _____ mm
Rear				_____ % Remaining Measurement New _____ / Now _____ mm
Brake Master Cylinder				Leaks / Dirty / Bypasses / Fluid Dirty / Fluid Contaminated
Brake Calipers / Wheel Cylinders				L/F R/F L/R R/R Leaks / Seeping / Torn Dust Seal / Frozen
Rotors / Drums Front Left / Right				Worn / Warped / Grooved / Vibration New _____ mm / L _____ mm / R _____ mm
Rotors / Drums Rear Left / Right				Worn / Warped / Grooved / Vibration New _____ mm / L _____ mm / R _____ mm
Wheel / Axle Bearings				L/F R/F L/R R/R Noisy / Loose / Need Repacking
Shocks / Struts				L/F R/F L/R R/R Leaking / Noisy / Worn
Suspension Components				Idler Arm / Tie Rods / Ball Joints / Steering Box / Pitman Arm
Alignment				Pulls Left / Right / Tire Wear
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Lights Front				Left / Right Low / High Beams / Turn / Side / Parking / Cracked Lens
Lights Rear				Left / Right Turn / Brake / Tail / License / Side / Cracked Lens

Safety Inspection should be used only as an aid. This inspection does not mean that there are no other problems, but only what we noticed or what appeared at the time of inspection. Certain items may need further inspection to determine the extent of damage and cost.



Service Schedules, What is it due for?

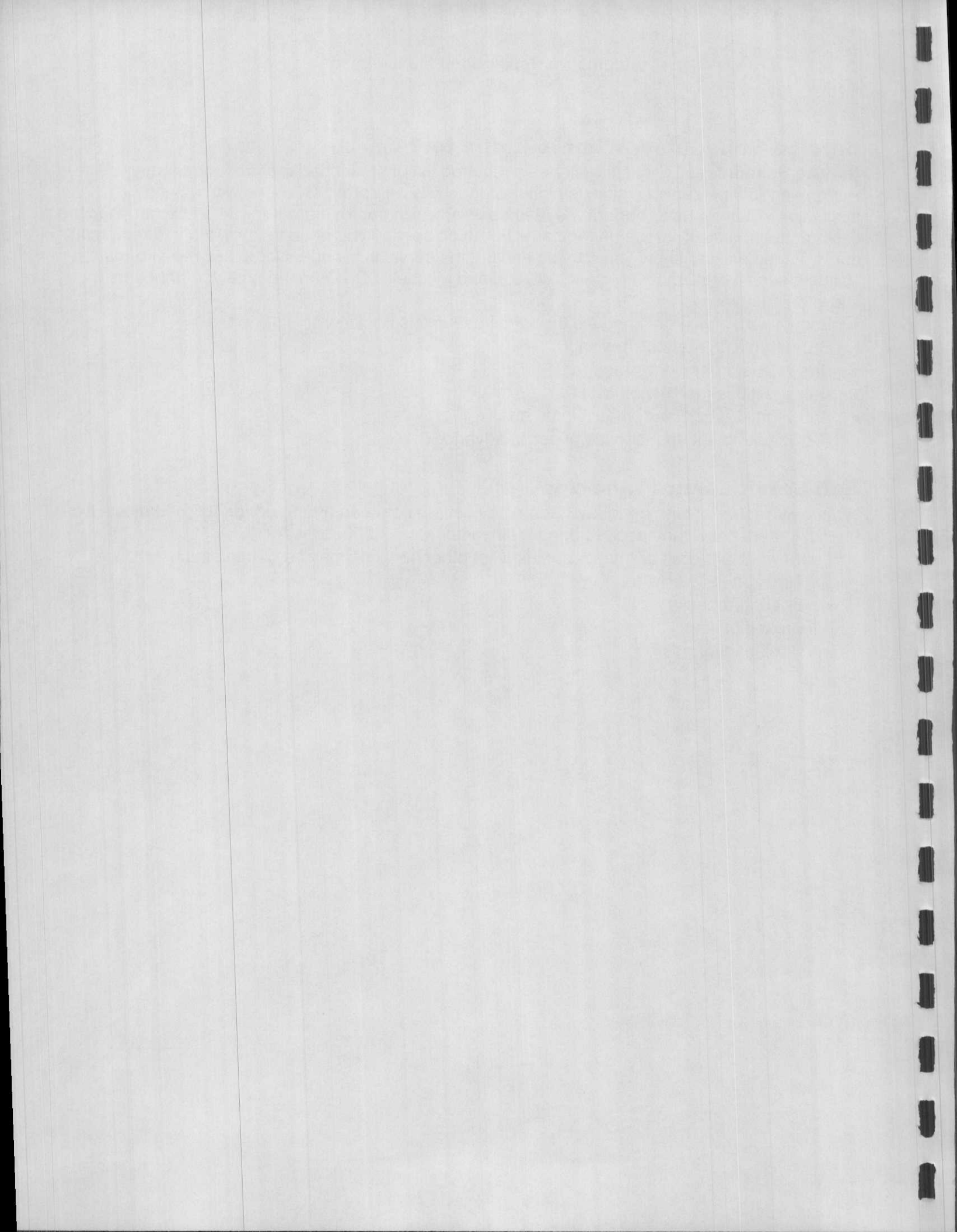
Service Schedules: Every car built has a required list of prescribed recommended services. Performing routine services give us higher productivity and profit. Services with a safety inspection will allow us to perform needed upsells, which improve productivity and profit. Plus the customers bring their cars to us regularly. But to do serving you need to know what is required, but you need a list to show your customer what the services include. Computerized information systems such as AllData by Motors, AllData, and Mitchell's On Demand give you print outs to show the customers.

- Show your service options, use the form I use in this booklet
- Our future is in routine servicing
- Shows customer what's required
- Helps justifies the service costs
- Shows the technicians what is to be done
- Allows you to set your service prices in advance

Sell Services, not tune-ups

What cars require a tune up today? Some say you do not need a tune up for 100,000 miles. Do the customers know they need to bring their car in every 7,500 miles?

- Learn what Services are needed, plus what other services may be needed such as:
 - Timing belts
 - Bearing repacks
 - Brake flushing
 - Coolant changes



Scheduled Maintenance

6 - 12 Month

7,500/15,000 Mile Service

(7.5, 15, 22.5, 37.5, 45, 52.5, 67.5 Mile Services)

Replace

Engine Oil, Filter & Drain washer

Check

Transmission, Differential, & Coolant levels

Power Steering Fluid * Cost including
Parts, Labor, & tax

Oil Leaks, Coolant Leaks

Exhaust System, Muffler \$ _____

Wiper Blades

Check & Adjust

Tires, Plus Adjust Tire Air Pressure

Rotate Tires if needed, best tires in front

Road Test Car

When applicable

1990 and older vehicles, also check the following

Front and Rear Brake Pads

Shocks, Suspension, & Wheel Bearings

Transmission & Clutch*

Wiper Blades and Add Washer Fluid

Headlights, Tail & Brake Lights

45K Mile Service*

(45, 75, 105, 135, 165, 195, 205, 235) Mile Services)

Same as 7,500 mile service plus

Replace

Antifreeze/ Coolant Cost including
Parts, Labor, & tax

\$ _____

This is a summary of scheduled maintenance, some models may vary .

All service and repairs are guaranteed for 1 year, or 15,000 miles,

Free rides & pick up

Early Drop offs and Late Pick Up available

24 - 48 Month 30 - 60K Mile Service

(90, 120, 150, 180, 210, 240-300,000 Mile Services)

Replace

Spark Plugs

Air Filter, Fuel filter (60k, 30k 1990 & older models)

Engine Oil, Filter & Drain washer

Transmission and Differential Oil

Transfer Case Oil (4wd only)

Brake Fluid, Bleed system* Cost including
Parts, Labor, & tax

Wheel Bearing Grease

Scope Engine \$ _____

Check Electrical & Fuel Systems

Adjust

Engine Valves *

Clean

Battery Cables & add Battery Water

Check

Electronic Ignition

Distributor Cap, Rotor, Ignition Wires*

Radiator, Hoses, & Belts

Power Steering Fluid *

Oil or Coolant Leaks

Front and Rear Brake Pads

Shocks, Suspension, Wheel Bearings

Exhaust System, Muffler

Transmission & Clutch*

Wiper Blades and Add Washer Fluid

Headlights, Tail & Brake Lights

Check & Adjust

Tires, Plus Adjust Tire Air Pressure

Rotate Tires if needed, best tires in front

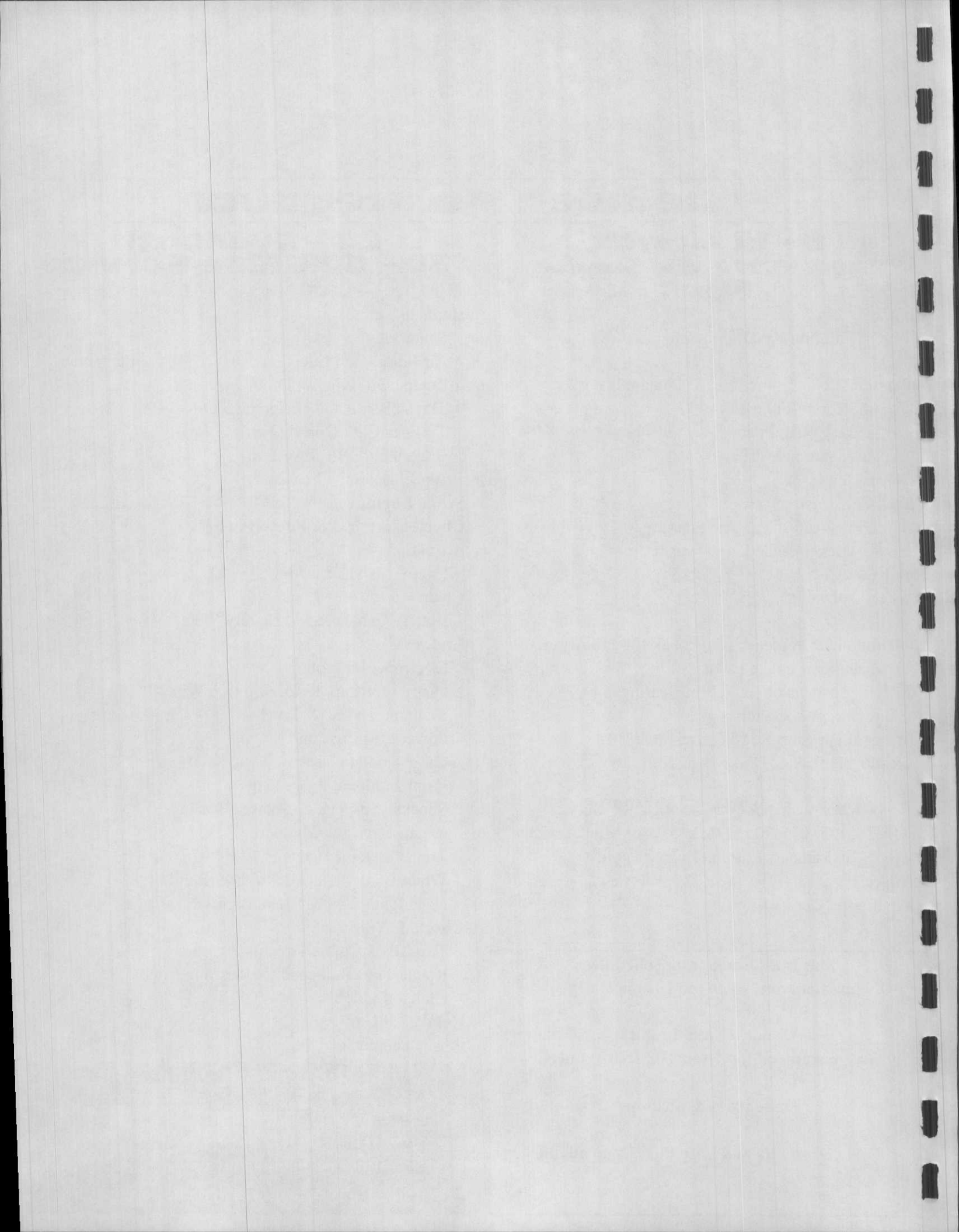
Clutch Cable*

Road Test Car

* when applicable

Important Note:

All models with Timing belts are recommended to be replaced every 60,000 or 90,000 Miles, if not the engine may die & engine damage may result.



Hazardous Wastes, The stuff we wished we did not have to deal with

- Customer Generates the Hazardous Materials
- Customer should Pay you to:
 - Handle
 - Store
 - Document
 - Dispose
 - Recycle

Your shop should pay for:

- Containment
- Training
- Any spills

Policy, Hazardous Materials

Set Pricing. Give a part number and cost to all your items to recycle

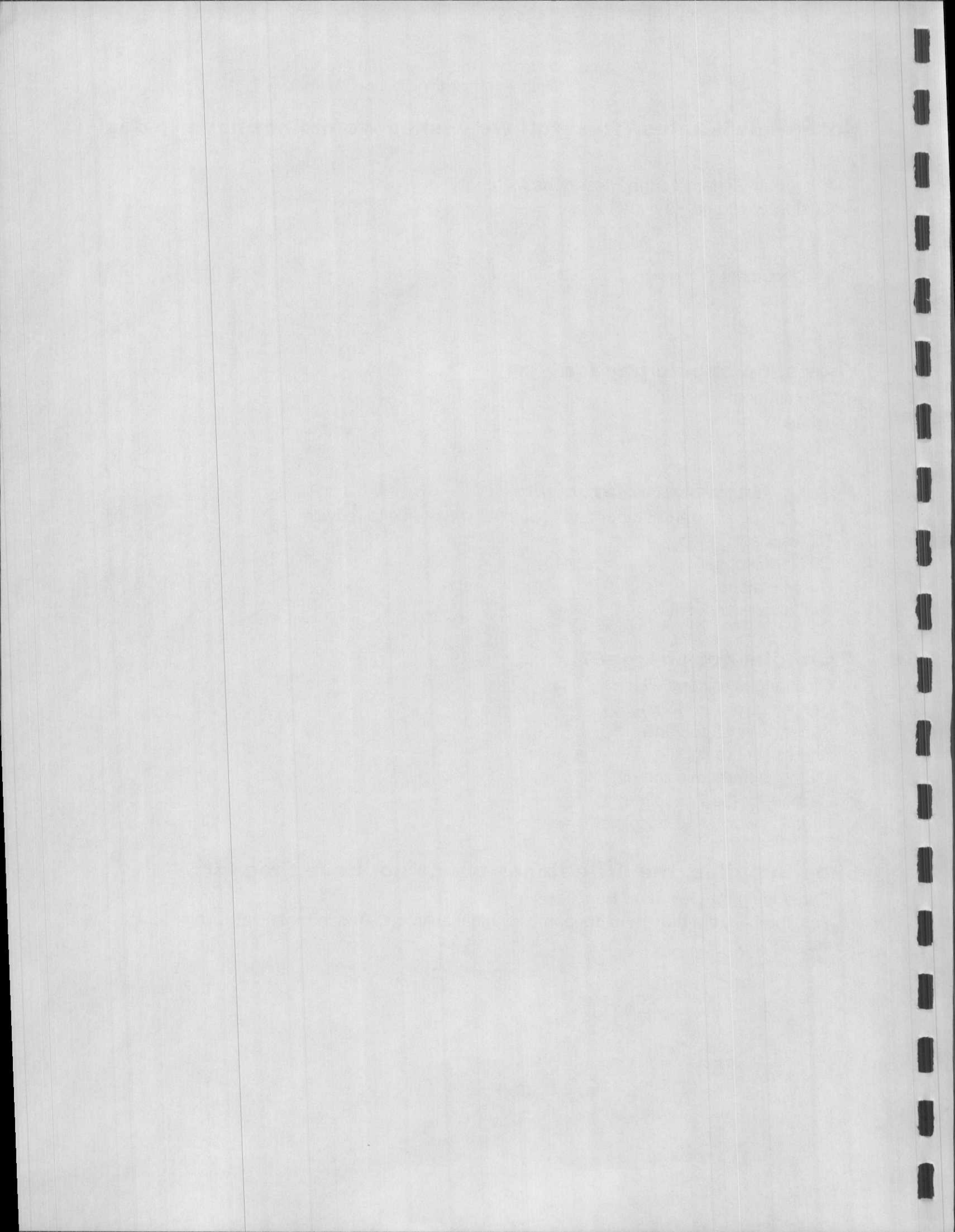
- Oil disposal
- Oil filter disposal
- Coolant disposal
- Brake fluid disposal

What jobs get charged?

- Oil changes (oil and filter)
- Servicing (oil and filter)
- Water pumps (coolant)
- Brakes (brake fluid)
- Clutches (transmission oil)
- Carburetor (bad gasoline)
- Injection work (bad gasoline)

Shop Supplies, the little things we do not have time for

- Can you charge for Shop Supplies?
- Yes you can, but they must be part of original estimate. And in most states they have to be itemized.



Partially-Used Chemicals

In California and other states you can not charge the customer for a half a can of a chemical, since the chemicals are not sold that way. You have to give the customer the remainder of the chemical, if customer paid for entire quantity. We don't want to give harsh chemicals to our customers. You should use and sell the entire product, or, Sell by the unit. One unit of brake clean may be a half of a can. I use a unit of wheel bearing grease to charge for the grease we used.

Policy, Shop Supplies

Pricing of

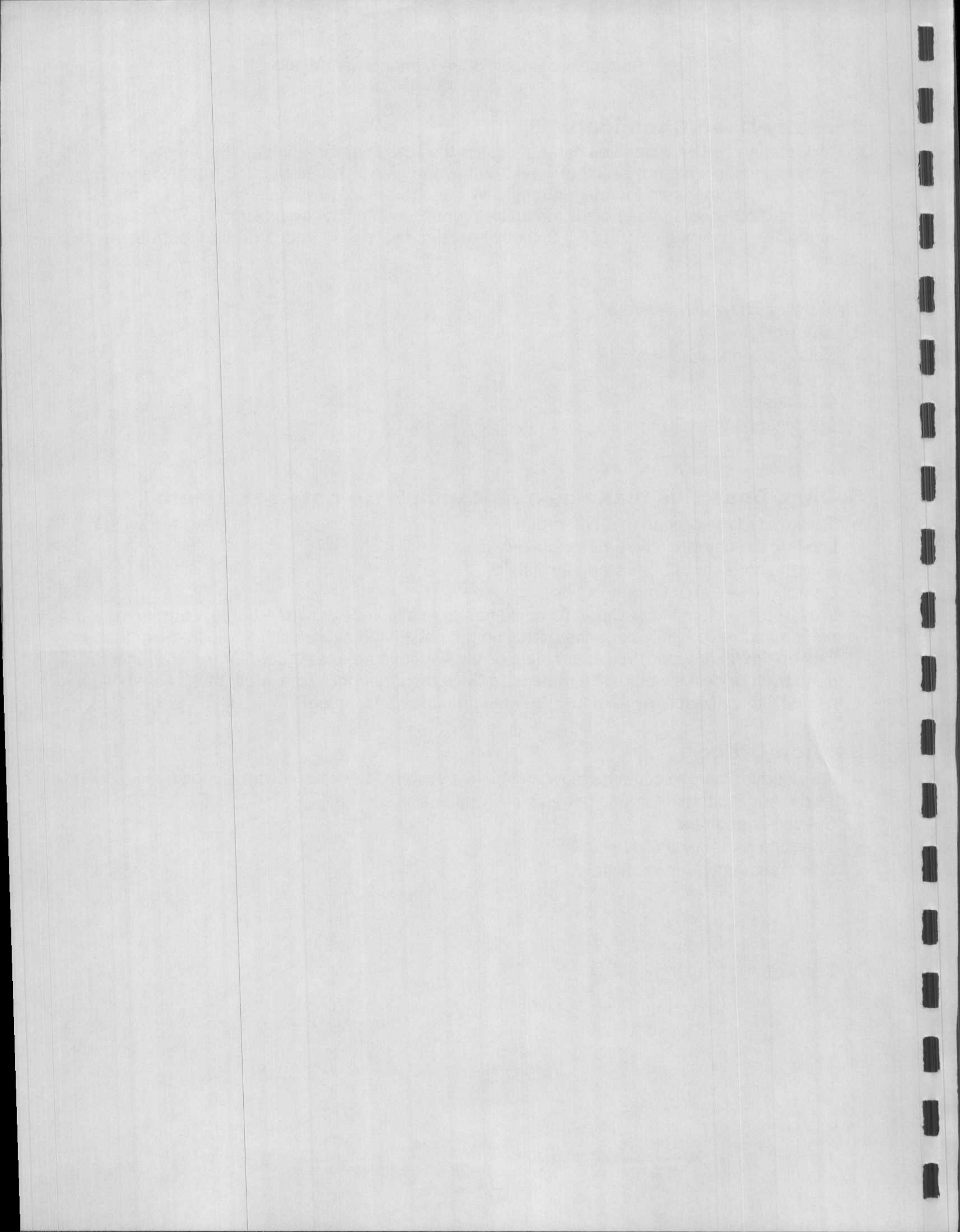
- Nuts, bolts and washers
- Grease
- Chemicals
- Electrical connectors
- Other _____

Selling, Does this make us a salesman? We hate salesmen!

- Take more time preparing repair orders
- Look up the flat rate time each and every time
- Find the correct parts price and availability
- Do not guess Labor times
- We have a system in my shop. If a customer comes in and asks for a quote, I turn to my parts person and have him look up the parts and get prices and availability. While he does that, I look up the labor times. In just a minute or two we have an exact quote for the customer. If done by your self, it would take more than twice the amount of time. Most of the time I can use my AllData by Motors system to calculate and print a price quote

Service Office

- We need to improve customer flow and have a system to write up every customer
- To get our Customers in and out as quickly as possible
- Check Labor times
- Checking parts price & availability
- Check customer service history



Appointments, You don't need an appointment do you?

When a customer makes appointments, a system should start:

- Order the parts now
- Customer should be called the night before
- Labor time for each appointment should be noted
- A running total of hours should be kept
- Determine a total number of hours allowed per day
- Someone has to determine when enough hours have been made for appointments to close off the day for further appointments. We need to bring in the correct amount of hours so we can get all the work done, without being overbooked. But we need to leave enough time for upsells and emergencies each day
- In my shop we schedule enough hours for all but one technician. This leaves the correct amount of time for our upsells and emergencies.

Policy, appointments

Create or purchase an appointment Pad. There is a sample of appointment pads my company sells on the next page.

CARS Appointment Pads

Monday

Date

This sample comes in 2 lengths
 #AP1 cost \$49.50
 13 appointments
 14 inches long — 5.5 inches wide
 Total width
 5 day week — 27.5 inches
 6 day week — 33 inches

#AP2 cost \$52.50
 15 appointments
 17 inches long — 5.5 inches wide
 Total width
 5 day week — 27.5 inches
 6 day week — 33 inches

All appointment pads come in sets of 6 days per week, Monday thru Saturday and each pad has enough weeks for over a year.

To order call CARS, Consulting for Automotive Repair Shops
 800-622-2776

Drop Off	Name	Year	Hours
	Labor	Make	
Pick Up	Spaces are actual size		Total
	Model	Phone	
Drop Off	Name	Year	Hours
	Labor	Make	
Pick Up	Model		Total
	Phone		
Drop Off	Name	Year	Hours
	Labor	Make	
Pick Up	Model		Total
	Phone		
Drop Off	Name	Year	Hours
	Labor	Make	
Pick Up	Model		Total
	Phone		
Drop Off	Name	Year	Hours
	Labor	Make	
Pick Up	Model		Total
	Phone		
Drop Off	Name	Year	Hours
	Labor	Make	
Pick Up	Model		Total
	Phone		
Drop Off	Name	Year	Hours
	Labor	Make	
Pick Up	Model		Total
	Phone		
Drop Off	Name	Year	Hours
	Labor	Make	
Pick Up	Model		Total
	Phone		

CARS Appointment Pads

Monday

Date

Drop Off Time	Name	Year	Hours
		Make	
	Labor		
Pick Up Time	— Spaces are actual size		Total Hours
		Model	
		Phone	
Drop Off Time	Name	Year	Hours
		Make	
	Labor		
Pick Up Time		Model	Total Hours
		Phone	
Drop Off Time	Name	Year	Hours
		Make	
	Labor		
Pick Up Time		Model	Total Hours
		Phone	
Drop Off Time	Name	Year	Hours
		Make	
	Labor		
Pick Up Time		Model	Total Hours
		Phone	
Drop Off Time	Name	Year	Hours
		Make	
	Labor		
Pick Up Time		Model	Total Hours
		Phone	
Drop Off Time	Name	Year	Hours
		Make	
	Labor		
Pick Up Time		Model	Total Hours
		Phone	
Drop Off Time	Name	Year	Hours
		Make	
	Labor		
Pick Up Time		Model	Total Hours
		Phone	
Drop Off Time	Name	Year	Hours
		Make	
	Labor		
Pick Up Time		Model	Total Hours
		Phone	
Drop Off Time	Name	Year	Hours
		Make	
	Labor		
Pick Up Time		Model	Total Hours
		Phone	
Drop Off Time	Name	Year	Hours
		Make	
	Labor		
Pick Up Time		Model	Total Hours
		Phone	

This sample has smaller spaces and are 1 inch narrower at 4.5 inches wide and only comes in 14 inch length.

#AP3 cost \$42.50
 17 appointments
 14 inches long — 4.5 inches wide
 Total width
 5 day week — 22.5 inches
 6 day week — 27 inches

All appointment pads come in sets of 6 days per week, Monday thru Saturday and each pad has enough weeks for over a year.

Customer Follow-up

- Reminder letter or cards.
- Thank You letters / cards
- Shows you're aware of customer's service needs
- Builds customer loyalty
- Builds reputation
- Will increase your business by 25%

Policy, Follow-ups

Create a Customer Follow-up Program. In my book Shop Management Tools for Success I show you how to create a customer follow-up system using index cards. My system also shows you how to calculate the exact date the car is due for a service.

Numbers Don't Lie, Understanding the Numbers

Typical Repair

Parts Profit%	Time sold	Time spent	Productivity	Total	Gross Profit	GP%
33%	3.2	4.0	80%	\$358	\$158	44.1%
<u>Raise Labor Rate from \$65 to \$70</u>						
33%	3.2	4.0	80%	\$374	\$174	46.5%
<u>50% Parts Profit</u>						
50%	3.2	4.0	80%	\$408	208	51.0%
<u>100% Productivity</u>						
33%	3.2	3.2	100%	\$358	\$178	49.7%
<u>100% Productivity plus 50% Parts Profit</u>						
50%	3.2	3.2	100%	\$408	\$228	55.9%
<u>Increased Hours Sold, plus 50% Parts Profit</u>						
50%	5.0	4.0	125%	\$525	\$325	61.9%
<u>125% Productivity plus 50% Parts Profit</u>						
50%	4.0	3.2	125%	\$460	\$280	60.9%
<u>Increasing Hours Sold, plus 50% Parts Profit</u>						
50%	5.0	3.2	156%	\$525	\$345	65.7%

Magic Formula

1	Labor Cost	2.0	X	\$25	=	\$50
2	Parts Cost			\$50	=	\$50
3	Total Costs	\$50	+	\$50	=	\$100
4	Profit Desired 60%	Cost	X	2.5	=	60%
5	Selling Price	\$100	X	2.5	=	\$250
6	Parts List 50%	\$50	X	2	=	\$100
7	Labor Dollars	\$250	-	\$100	=	\$150
8	Hours of Labor	\$150	/	\$65	=	2.3Hrs
9	Total of Job	Labor		Parts		Total
		\$150	-	\$100	=	\$250
10	Sell the Job					

Policy, Magic Formula

Use Magic Formula on all Jobs

Costs Times _____ Mark-Up on all jobs

Charging for Diagnostic Time, Is our knowledge worth something?

Diagnostic Equipment

- Scope, lab scope
- Scanner, hand held testers
- Battery / Alternator tester
- ABS tester

Simple Repair Job

- Labor 1 hr \$65
- Parts \$55
- Total \$120
- Labor Cost (.8 hr) \$20
- Parts Cost \$30
- Profit \$70

- Total \$120
- Total Costs \$50
- Profit \$70
- Gross Profit Percentage 58.3%

Diagnostic Job

- Labor 1 hr \$65
- Parts \$ 0
- Equipment \$ 0
- Experience costs \$ 0
- Total \$65

- Labor Cost 1.5hr \$37.50
- Parts Cost \$ 0
- Total Costs \$37.50
- Profit \$27.50
- GP% 42.3%

Profit Summary

- | | Gross Profit | GP% |
|--|---------------------|------------|
|--|---------------------|------------|

Diagnostic Labor

- Our most expensive technician
- Using our most expensive equipment
- Can not break flat rate
- Higher possibility of a comeback
- No Parts Profit
- Possibility of:
 - Taking longer than quoted
 - Needed equipment that you have to purchase
 - Not repaired, and could not charge for your time
 - Replaced part and it did not repair the car

Diagnostic Labor Items to Consider

- Labor Rate \$65
- Lost Parts Profit \$25
- Equip Cost \$10
- Experience \$10
- Diagnostic Rate? \$110

How Diagnostic Rate helps your Business?

- 1 hr diagnostic time per tech per day
- 3 technicians performing 1 hour per day in diagnostic work each, or 3 hours a day
- 3 technicians work 21 days a month
- 63 working days X \$45.00 per hour more than normal labor rate equals \$2,835 of extra labor sales, or \$34,020 a year. Just think your diagnostic equipment, technician training, and experience can pay for it's self.

What's your Knowledge worth Per Hour?

- \$0**
- \$45**
- \$65**
- \$110**
- \$150**

Policy

Diagnostic Labor Rate of \$ _____ To be charged per hour on all diagnostic jobs

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***If you deliberately set out to be less than you are capable of,
You'll be unhappy for the rest of your life.***

Abraham Maslow

