SHOP MANAGEMENT TOOLS FOR SUCCESS

The Automotive Industry's Most Comprehensive Shop Management Guide

by Art Vasconcellos

You have the tools to service and repair cars—Now you can have the tools to manage your automotive repair shop to achieve the success you want and deserve.

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Rather than include a trademark symbol with every occurrence of a trademarked name throughout this book, the author uses the names in an editorial fashion only, to the benefit of the trademark owner, with no intention of infringement of the trademark.

Though the author is supportive of the contribution of both genders to the automotive repair and service industry, this book was edited to facilitate easier reading, and thus the masculine gender pronouns. Continual reference to both gender pronouns leads to clumsy and awkward sentence construction.

Table of Contents

Acknowledgements

There are many who have a made a difference in my life. These special people include my parents Art and Rose Vasconcellos; my wife of over twenty-one years, Patti; and my children Craig and Kristy.

One person stands out as the individual who gave me my values and principles as an adult and businessperson. This man came into my life when I needed direction and he, without knowing, gave me the direction I have used everyday since our first meeting. This man is Les Schwoob, my college instructor at De Anza College in Cupertino, CA, where I earned my Associate of Arts Degree in Automotive Technology. Les will never fully know how many lives he has touched and helped over the years. I wish to acknowledge my appreciation of Les by dedicating this, my first book, to him. Les is my mentor. Les has made a valuable difference in my life — such an influence, that he should probably get a percentage of this book's profit. Since I know Les would never accept any form of payment, I won't insult him with such an offer. So Les, all I can do at this point is say, "*Thank You.*"

Preface

Congratulations on taking the first bold step to improving your life and the life of your business. Before we get started, let me explain how *Shop Management Tools for Success* works.

I have gathered all the relevant information, the potent strategies, and the proven procedures relating to profitable automotive shop management and broken them down into individual simple-to-understand chapters. The book was created in this fashion to be a learning tool and reference source for you, a guide you can go back to as often as necessary. Don't expect to read *Shop Management Tools for Success* once and remember everything.

It may not be possible to make your business 100% better, but I feel strongly that we can make your business 1% better, a hundred ways. I wish I could simply say, "Just do this and that and your business will be successful and profitable as you once hoped." But shop management doesn't work that way.

We will stay focused while working on one part of your business at a time— and move onto the next item on our list when we're ready. Not everything will work for you. I can, however, guarantee that if you don't at least try the things I have suggested, the book will not help you. Change is a funny thing; we all hate change. If we are to accept change and transform our shops, we must be able to convince our employees, family, friends, and those we meet in our everyday interactions that change is in fact a good, healthy thing.

There are a few in our profession who may tell you while you use this book, "It won't work, so why bother trying?" I should tell you this now and pointblank. A portion of the innumerable automotive shops I've helped over the years said the same thing when we started working on their businesses. But during the time these shop owners and managers were making their changes and improvements, they took on a striking similarity to profitable shop owners and managers. They indeed had the guts to try new ideas and strategies, and they found that the concepts contained within this guidebook actually worked. They too became profitable and successful.

You purchased *Shop Management Tools for Success* to help you make the needed changes you know your business requires. You'll never be any better than your competitors as long as you conduct your business exactly the way they do. You must realize, you have to do what you have to do. Successful, profitable shops make needed changes and live by them. This book shows you how to make needed changes and live by them. You may find your prices are higher than your competitors, but with the commanding reputation you can earn through the use of this guidebook, someone like you has the right to charge higher rates.

Why not be the leader and make everyone follow your lead?

Chapter 1

Why are you in Business?

Every man is the architect of his own fortune.

— Sallust

Are you in business because you can be your own boss and make big money? Is your business just a job? Are you a shop owner who has forgotten why you are in business?

The majority of us got into this line of work because we weren't happy with the way the shops we worked at were run. We wanted to do a better job and give customers a higher quality of repairs and better service. We knew that doing a better job would make customers beat a path to our door — and we would make a great living, have all the toys we wanted, and retire with our shop bringing in lots of money happily ever after.

Look closely at your business for a moment. Are you working hard trying to survive? Are you surviving only so you won't have to go out and work for someone else? Do you have a purpose for being in business? Most of the shops I visit are open because the business has become the owner's job. The owners go to work everyday, merely surviving. The owners are no longer open because they want to be the best shop in town, but because they want a paycheck. They are comfortable so there is no reason to change. They think, "It has worked well all along, so why change — If it ain't broke, don't fix it."

Today, we look at how hard we work and feel there must be a better way. We look around and see that we do things the same way we have for years — we work half days (8 a.m. to 8 p.m.) just to make ends meet. Even if we knew what positive changes to make in our business, we're too tired to make them. We've been doing things the same way for so long we have no idea where to start. Besides, it looks impossible and we don't have the time or money to make changes.

Go outside and look at your shop. Does it look better or worse than your competitors? Look at the work you do. Is the quality better or worse than your competitors? Now ask yourself, "If I was a customer, why would I go to this shop instead of another shop?" Does your shop look different from other shops? Do you think, "My shop is different because I do higher quality work than the others"? Do you really? Don't you think other shops say the same thing? If your quality of repair is better than others, is your customer service, profitability, employee skills, and customer satisfaction all better than the other shops? Have you lost sight of your quest to have the best shop in town?

Are you just now realizing you have an ordinary shop, doing ordinary quality work, using ordinary parts, with ordinary employees working on the ordinary cars of ordinary customers? Why are you in business? If you want the ordinary, get a job at an ordinary company and have an ordinary life. Change your life and business to achieve something of value.

Being too comfortable can make us ordinary. We can work hard to get nowhere and the years just slip by. Isn't it time to stop being comfortable and ordinary and remember why you got into the automotive service and repair business? Remember how much fun you had when you first started your business? The pride, the motivation, the hard work were all fun and exciting, right? You were not only building a business, but also a future. You had a quest and you knew exactly what it was — To be the best shop in town, to have a great reputation, and be the most efficient, profitable business in the country. There was no stopping you because you knew you could do it. It's time to find your quest again. Tell yourself, your employees, your customers, your competitors:

"We will never get comfortable again.
We will never be ordinary again.
From this point on —
We are going to be out of the ordinary.
Our repairs, our service,
Our quality, our performance,
Will be exceptional."

If your employees are not willing to be exceptional, find employees that share your quest. From now on, you're not going to settle for anything but the best. You expect not just exceptional quality work, but exceptional productivity and profitability. Your shop is going to work as a winning team, all sharing the same goal and vision and not willing to stop until you reach your goal. Once you reach your goal, immediately set a new and higher goal so you're always pushing yourself to achieve more. At all times, keep in mind that with your quest comes success and rewards.

Success is not a destination — it is a journey to be enjoyed every step of the way, an adventure that excites you every day. You will be going places you never thought possible. Your life can be yours again. Dig deep inside yourself and find the reasons you opened your own shop. Find that confidence you once had to do anything. You got side-tracked for a spell and that's okay. At this very moment, write down what you want to achieve and by what date. Read your list everyday and keep modifying it. Once you taste achieving your

goals you will naturally and constantly increase your goals to gain more of them.

Later in *Shop Management Tools for Success* you will discover the shortest routes to success and explore ways to attain higher performance from yourself, your business and employees. One of your goals should be to have more time off, enjoying longer vacations with the freedom that comes when a business runs itself. With enough enthusiasm you can make your dreams come true.

Chapter 2

The Automotive Industry and Us

It is hard to fail, but it is worse never to have tried to succeed.

— Theodore Roosevelt

We need to take a serious look at how the auto industry is affecting our shops and the changes that are in store for all of us in the future. In that close examination we must ask ourselves, "Will our business be the same as it used to be?"

I have good news. First, new cars are more expensive than ever, and a greater number of people have their cars repaired versus buying new ones. Secondly, cars become more high-tech everyday. If you have competent technicians you should be in good shape, right? Well, I have bad news too. New car sales are up and expected to have record years. This is only where the bad news starts. Our heydays of having customers beat a path to our doors are over. We can no longer start a repair shop and expect customers to drive right in, or expect a steady stream of tow trucks to bring us lots of work.

In my opinion, we should expect a downturn in our overall business until the end of this century — or longer. Strangely, the economy is getting better so why the forecast of gloom and doom for our businesses. Let me give you some solid reasons why I think the auto repair industry is in for harder times than ever before. Better buckle up.

1. Less repairs: Today's cars are more reliable overall. How many head gasket, water pump, or wheel bearing jobs do we do anymore? Not many. Do we need to replace engines at 100,000 miles? Most newer car engines last 250,000 miles or more. Likewise, everything from clutches and transmissions to U-joints all last longer. Okay, repairs are down, but we still have to tune and service cars.

2. Less servicing: Today's cars need less servicing and they require servicing less often. Cadillac's Northstar engine going 100,000 miles on a tune-up is just the beginning. Most Japanese cars have their first major service at 30,000 miles. Many are going to 60,000 miles until their first major service. One-hundred-thousand-mile major servicing is coming soon for all models. What is a major service anymore? Most cars don't need valve adjustments, fuel filters, wheel bearing re-packs or any adjustments to the brakes or clutches.

3. New car leasing: New cars are expensive and most people would rather repair their car than buy a new one — especially since new car payments, insurance, and license plate fees are so high. New car manufacturers are getting quite creative in selling their new cars. With today's lease plans, you can lease a $20,000 car for around $300 a month, with only $750 down. If a customer needs $1,000 or more worth of work done on his car, he is going to do some thinking about options. He'll surmise he can get a new car with that same $1,000. New car manufacturers are predicting some great years of sales ahead because of this type of thinking.

Even a new car needs servicing, so we still win, right? Maybe not. First, new cars need less servicing than a car that's recently traded in. Secondly, we're seeing the development of a new kind of car owner. With wonderfully-low lease payments, many of our customers are planning on a new car every two-to-five years. Not many customers keeping their car for two-to-five years, then trading it in for another, will do a lot of routine servicing. Why should the customers care — they aren't concerned with long-term costs. They'll have a new car in a short time.

4. Used cars: With so many people buying new cars, there will always be many good used cars to buy, most of which are only two-to-five years old with 45-80,000 miles on them. Most of these vehicles have not received much in the way of servicing. You may find dealers doing servicing on these cars and selling customers a warranty package offering to do the servicing and all future warranty repairs.

5. New car manufacturers: It's no secret that new car dealers would love to see all independent shops go out of business — leaving all the servicing and repairs to themselves. That will never happen! They can, though, make our lives pretty miserable. Here's a sampling of how they could put most of us out of business:

- Sell cars with free servicing for 100,000 miles.
- Extend their new car warranty to 100,000 miles or more.
- Extend the emissions warranty to 200,000 miles or more.
- Make it impossible for us to tie into the car's on-board diagnostics, crippling our ability to diagnose and repair the car.
- Require the use of expensive, special tools — ones that only the dealers can afford.
- Build cars that need very little or no maintenance. (Cadillac NorthStar for instance.)
- Make new cars even more reliable. (They already make quite reliable cars as it is.)

If new car manufacturers take most of these steps, our business sales will decline 15-20% per year. Most shops are on the verge of bankruptcy now. To make matters worse, most of the above items will occur in the upcoming year or two. I believe they will happen this soon because of increased competition to sell new cars. For instance, if one car manufacturer offers free servicing, 100,000-mile warranties, and reliable cars with little maintenance requirements, the rest of the manufacturers will follow just to compete. You can see why I feel our auto repair shops will never return to the business and profits we once had. Read on, we'll discuss strategies that can help all of us stay in business — and you'll find detailed ideas on how to grow, prosper, and compete into the next century.

Chapter 3

Surviving in the 90's

Crises refine life. In them you discover what you are.

— Allan K. Chalmers

Now that we see how the auto repair industry is in for even harder times, we must set up our game plan to combat the problems facing us. We have already tightened our belts as much as we can — we have marketed, advertised, and given work away, all in the hopes of bringing in more work to our shops. The unavoidable fact is, with less cars to work on, there will only be enough work for 50-70% of the shops existing today. In California for instance, the Bureau of Auto Repair (which registers all auto repair shops) claims that registration has been down 25% each of the last three years. Don't expect that figure to drop for quite awhile.

So much for the bad news. Let's talk about how we're going to survive and prosper. I feel we should concentrate on better management, higher efficiency, effective marketing, and improved public perception and customer service.

Management

Today's wars and battles are not won in the trenches. The Gulf War was not won in the trenches. It wasn't necessarily won on account of more soldiers, guns, bullets, missiles, and tanks. It was won in the office — and with great management. We could have won the war in the trenches, but how many casualties would we have incurred, how long would the battle have taken, and how much would it have cost. Instead, we used great management of our resources to win the war.

It used to be that if you worked very, very hard you would be successful. In today's tough times, you can work eighteen hours a day and still not make a profit. You already know this because you've been doing it for years. You can have the best technicians in the world and still go out of business. You can have the best tools and equipment and go out of business. You can even have a parking lot full of cars needing repairs and go out of business. In reality, it's how you manage your people, equipment, time, and space that makes the entire operation efficient, productive and profitable — allowing you to survive. You have to think about managing your own customers, too.

Efficiency

Your business must run like a race car, one powered by a 12-cylinder engine turning at 12,000 RPM in 5th gear. Most shops run like a car with a 4-cylinder engine that can't get out of 2nd gear (which is good since it has no brakes, doesn't handle very well, is hard to steer, and ready to break down at any moment). Your shop should be a race car that goes fast down the straights and through the turns, has great brakes, and extreme reliability while being easy to drive — a consistent winner.

Marketing

Marketing is not the same as advertising. You advertise a product and say how good it is. But with marketing your shop, you determine the image you want the public to see, while reaching out to those customers best suited to make your business profitable. In essence, marketing is knowing your customers' needs and wants, knowing which customers you are looking for, and getting them to come to your business. Once you know which customers to attract, you'll need to find a particular form of advertising that effectively reaches these target customers. Even your Yellow Pages ad should present the image you're trying to get across.
I like to use Honda's marketing of their Accord as an example of good marketing. Do they advertise that the Accord has the most power? That it's the fastest? The cheapest in its class? No. They have done their homework. Honda knows their market is middle-income families earning $40-60,000 per household. Honda knows their targeted market has families, is very conscious of the environment, and wants reliability, safety, comfort, and good value. Honda marketed their Accord with all those factors in mind. They have sold plenty of Accords.

Once you determine your target customer information, and have figured the amount of your advertising budget, you can design a marketing plan that incorporates the best and most cost-effective ways to advertise and market your business. In many cases you just waste money on advertising. Marketing is discussed in greater detail in "Advertising and Marketing".

Perception

First impressions are everything in business. If a customer perceives you as incompetent, unknowledgeable or untrustworthy, it won't matter how well you perform the repair or service, even doing it for free. The customer always remembers his initial impressions of you and your employees. What is the perception customers get when they first call you on the phone, generally the first contact between you both? Did you sound rushed, disorganized, incompetent, or grumpy? When customers bring in their car, what perception do they get of your building? Is it dirty, needing paint, hard to find, and do customers have to park far away? When they enter your office, is it disorganized, dirty, noisy, crowded, filled with barking dogs? The

value that customers place on your services is based on their observances. If you're trying to present a high-tech business and charging higher than normal prices, you better give a perception that you're worth the expense. Once you know how to give customers the perception you want, only then can you give great customer service.

Customer Service

Customer service is hard to define — it means different things to different people. Let's say you go to a restaurant where the food is excellent but the service is terrible. Would you go back? Maybe. (Since the food is excellent.) What if the food was excellent and the service was also excellent? Would you go back? Yes. Would you tell all your friends? Yes. Would you go out of your way to tell other people about this restaurant? Yes. With respect to your shop, you may already be giving good quality repairs. But, now you must give your customers the best customer service they have ever received. As for shops, there can only be a few winners in each area. The shop that gives the absolute best customer service is going to win more, and better customers. This means doing more for customers than they ever expected — and doing it more often than they ever expected.

Keep reading to see how to make your shop the best in your area, a popular shop that attracts attention and not only survives but prospers into the next century.

Chapter 4

What is Shop Management?

A man to carry on a successful business must have imagination.
He must see things as in a vision, a dream of the whole thing.
— Charles M. Schwab

What is Shop Management? Is it coming in late and leaving early? Is it being able to come and go as you please? Does it mean you make the big bucks? Or is it, First to work and Last to leave? Does Shop Management mean putting more money into the business than you take out? Shop Management means a variety of things. Let's look at what you must manage each day at your auto repair shop.

The moment you arrive at the shop, you immediately start managing your day. You handle and write up the customers, then get them rides to work or home. You turn your attention to your technicians, who are waiting for their first jobs of the day. Once you dispatch the work to the technicians, you turn to your inventory and get the needed parts to your employees. If you don't have parts in stock you turn to your many parts vendors to get the needed items. With all that's going on around you, you somehow manage to get the parts to the employees at the correct time — balancing your parts receiving system between venders with the parts and the technicians who need the parts.

You make sure no extra work is performed on cars without the customer's authorization. Now the Upsells are coming in, and you start new searches for the labor times and availability of the parts. You must stay calm so you can convince and sell the customers on the need for extra repairs. If the customers say "Yes," you revise the Estimates and document the Upsells. You get the needed parts before the technician gets to that portion of the job — or else he has to stand and wait. If you don't have the needed parts, you must find new jobs for the technician until the parts arrive. As you dodge stones falling from the sky, you hope you can get all the cars done at the correct time today, as promised. Just when you think everything is going good, you have a problem. A customer wants to pick his car up at an earlier time than agreed. You now have to juggle jobs trying to get everything done on time. And you have another problem — a technician behavior problem. Your technician doesn't want to repair the car the way you and the customer agreed upon. You use your authority to convince the technician to repair the car the way he was told (or else).

Next, you turn your attention to a different technician. This technician is slowing the other technicians down. He has a motivational problem. His lack of motivation is bringing down productivity. This technician whines about everything. You want to fire the guy, but you don't have the time to interview and hire another technician. At the same time, one of your other technicians is having a problem because he doesn't have the information he needs. (The shop doesn't have the repair manual for the car.) You have to get on the phone and find the right manual at another shop so you can finish the car today. You have everything under control — you think — until your parts vendor delivers the wrong parts, again. You now have to get on the vendor's case to bring not only the correct parts, at the correct price, but at the designated time the vendor said the parts will be at your shop. The phones keep ringing with other customers wanting to make appointments. Your shop is very busy, with lots of work coming in over the next week or two. All of a sudden you realize you'll have a technician on vacation next week, and another taking a day off. Plus, next week is only a four-day workweek because of a holiday.

You have the shop working away and you have determined that the cars will be completed as promised. Now, you have found the time to pay bills and make the daily deposit. You are over sixty days behind with your payables to vendors. Many have you on C.O.D., which adds more confusion and another thing to manage — your cash. You don't have enough to pay the bills, yet you need enough cash to buy parts each day. To make a higher profit on your parts, you buy more parts to increase your inventory. You save money by purchasing parts in quantity. It sounds good in theory but you don't have the money to pay for the stock order. Since you're having problems with your vendors, you can't always get the quality parts you need. Now the quality of your services and repairs is dropping and you're getting Comebacks and angry customers. You do your best with a very angry customer, repairing his vehicle a second time for free. You give him a free rental car, and some future service to keep this customer.

Your poor cash flow is causing the shop to bounce checks. You lose technicians to your competitor with a more stable cash flow. You have been trying to borrow money, but your credit is bad. Now you have to hire new technicians, since you can't afford to pay them an affordable wage, you have to rely on apprentices. With apprentices you have more Comebacks yet. You try to find the training classes they desperately need. Your new younger technicians show a lot of promise. You just have to develop them into the technicians you want and need. It becomes difficult to help younger apprentices because you have a hard time communicating with them. They seem to have different values than you and your shop. They don't share the same vision as you. They react differently to authority and responsibility, which means you have to spend even more time communicating with them. You want them to share your vision, but you're having a hard time remembering what your vision was or is. You yourself have lost the directions to where you are going.

It's now the end of the day and you're busy trying to total up all the Repair Orders. It would be nice to have an assistant, but it didn't work out before. They never knew what to do, and you realized it was easier to do the work yourself than delegate it. No one does it like you want it done. The problem is, you haven't had a day off in years, other than Sundays and holidays. Your kids are nearing graduation age and you can't remember them growing up. You wish you could have been there when they needed you, but you couldn't get away from work. Your kid's are doing pretty well though. After the divorce, your ex-wife remarried and her new husband is doing a great job of raising your kids.

All the customers pick up their cars. You handle all their questions and apologize for everything you forgot to do on their cars. It's now past 7 p.m. and you've been at the shop for twelve hours. You ate a terrible hamburger that got cold because you were too busy to eat. Now you're too tired to go out and eat a real dinner. Maybe you'll just go home and drink a six-pack or two and go to sleep. You have to get up early to open the shop tomorrow. At home, after the second beer or so, you start wondering, "*When will life get easier? Why am I working so hard and not making any money? When will I go on that vacation I've dreamed of?*" Just before you fall asleep or pass out, you think to yourself: "*I guess I have to work harder. If I work real hard, the rewards will come. Tomorrow, I will try even harder.*"

Tomorrow comes and everything starts over again. You don't have the energy to work harder. You can't keep the pace you once had. You're getting older and can't do everything you once did. Your back hurts and you're in pain most of the day. You can't wait for the day you can retire. You keep thinking in the back of your mind that someone will buy your shop for a million bucks. It won't matter that you're behind in your bills. Your equipment is old and worn out. You always wanted to buy the building, but never could afford it. The million bucks will be for all the time you spent working over the years. When the time comes to retire, nobody wants to buy a business that's worn down, broke, and with few customers left. You say, "*I love working anyway, I'm not the type of person who retires and sits around.*"

Too bad the heart attack came. You survived but just barely. You can't work anymore, so you close down the shop. You're getting by on Social Security checks and Medicare. Your kids and grandkids come by every now and then. You can't believe how big they are. Where did the time go? If the economy hadn't been so bad for the last forty years you could have given your kids the things they needed. You could be retired in luxury right now. You worked as hard as you could, it just didn't work out like you thought. At least some of your friends were successful. They really have it made now. They were just lucky, you guess, saying, "*Why couldn't I have been as lucky as them?*"

Were they lucky? Or did they understand Shop Management? Too many of us in this profession are headed in the direction of the shop owner above. The poor guy never did learn how to manage, delegate, motivate, organize, develop, or communicate. He didn't know how to share values, information, authority, direction, or planning. All he knew was how to work hard, and then, harder. He never learned to work smarter — only harder. Shop Management is not working harder. Shop Management is knowing how to manage all your assets in the most efficient way possible. Shop Management is the sharing of your values, experience, vision and the direction you want your business and personal life to go.

You can never lose the vision of success you dreamed of if you keep working smartly toward achieving your goals. Don't say you're without a vision. You have a vision or a plan for your success. Your plan is your Business Plan. You took the time to plot your journey just like planning a trip with the family. With regards to automotive service and repair, you already know most of the obstacles you'll face along the journey. You'll keep reaching your little goals or checkpoints along the way. At each checkpoint, you'll know how much closer you're getting to your goal. The day comes when you reach your goal, and you immediately set new and higher goals. Why? Because the journey for you is the fun, excitement, and pleasure. (The financial rewards are enjoyable too!) You are successful because you didn't settle for the first goal you reached. You keep reaching for bigger and better things. Your journey of success brings you riches and retirement, giving you success in your life and family. To you, Shop Management is Management of Success.

Join the exciting journey toward success. At first, let's set goals we can reach. Then, let's see how high we can reach. The journey is to be valued and enjoyed every step of the way. We may get confused a few times along the path, but we know where we're going. We will always get back on track. No matter what obstacle gets in the way, we will overcome it. Obstacles are just another challenge on our journey to success. If you really want to have some fun on this journey, invite along your friends and employees. Share your vision and journey to the success you know you can accomplish. All you have to do is keep the faith, work smart, and never, never, never give up.

Chapter 5

Customer Perception

Even if you're on the right track—you'll get run over if you just sit there.

— Arthur Godfrey

Have you given much thought to what your customers' perception of you and your shop is? Many shops tend to believe that the image of their shop is great, but do they know this for sure? Customer Perception is what the customer senses when making contact with you and your shop. Customer Perception is created during initial contact, though it can be changed for the better or worse later on. Why is Customer Perception so important?

The customer's first contact with you is a perception he carries with him for his entire business relationship with you. If he calls you for an appointment, do you sound grumpy on the phone, incompetent and rushed, or do you sound friendly, knowledgeable, and professional. Perception controls whether customers agree to make appointments with you and determines if they will ever do business with your company.

What are the customers' perceptions as they drive up to your shop? Do you have a nice easy-to-read sign? Is your shop clean and freshly painted? Does the customer have to park far away or walk past all the employee cars to get to your office door? Is your service office clean, organized and quiet, or is it dirty, disorganized and noisy? Do you have a smelly dog in your office? Does the office smell of cigarette smoke? (Non-smokers are showing less tolerance for smokers.) What is your appearance? And that of your office staff? Do the men have clean shirts, ties, and slacks, a professional look, or jeans and coveralls? Do your technicians look clean, competent, and knowledgeable, with common uniforms like a team? Is the shop well organized with new-looking equipment? What does the customer see and sense?

If you don't give the appropriate perception to your customers, you'll never achieve success. You can't charge profitable prices unless the customer is willing to pay those prices. Customers willing to pay your prices must have the perception that your shop is well worth the expense. Every customer wants to justify prices. If your shop gives the perception that you are honest, reliable, and the best shop in town, it makes the justification much easier. As you read further into this guidebook, you'll realize you may not be charging enough for your services and repairs. Once you know what to charge to make the profits you want and deserve, you will truly understand the importance of Customer Perception. You must justify to every cus-

tomer why your prices are higher than your competitors. If you have the look and reputation of being the best, you won't have to justify your prices nearly as often. Do customers come to you because you are the best — well worth the higher price? Or do they come to you because you're the cheapest shop in town? Are you busy because of your reputation or your low prices? There is nothing wrong with being the cheapest shop in town, as long as you are profitable and paying your employees what is fair and offering them benefits they deserve.

Let's say you recently performed a big service on a car. You did the best job anyone could possibly do. You did it for a lower price than anyone else. The car runs better than new. No car runs better. But, let's also say, that for whatever reason, the customer's perception of you and your shop is not very high. In fact the customer thinks you're not competent. No matter how well you fixed the customer's car, the customer is not truly satisfied — the customer knows his car runs better, but believes a competent shop would have made his car run even better. Customers can actually regret your low price. (If they pay a competent shop more money, they think their car runs better.)

A successful shop charges the appropriate rates in an effort to make the profit it deserves. A successful shop raises its Labor Rates while other shops follow the lead and raise their rates as well. But to have a successful shop, you must give every customer a favorable perception of you and your shop. Regarding most customers, if they're happy with your prices and the way you treat them, they are happy.

To further enhance the customers' perception of your shop, take time to explain the final Repair Order to your customers — show them the effort that went into the service or repair of their car. Have an employee go out to the parking lot and bring the customer's car to the front door. Walk the customer to his car door. Open the door for the customer. Take this final moment to again thank him for the privilege of repairing his car, saying you look forward to servicing and repairing his car in the future.

Imagine what the customer's perception of you and your shop is in the following scenarios. The first customer pays his bill, gets into his car, starts it right up and smoothly drives off. Life is good for this customer. What about the perception of a second customer, one who gets into his car, backs up and notices that the parking brake adjustment is the same as before? The second customer's perception might quickly turn to: "This shop didn't really work on my car, and didn't do a very good service." What perception do you want your customers to have when they leave your business — professional and thorough, or sloppy and incompetent? Would you like them to go out of their way to tell friends and strangers great things about you and your shop? This is of immense importance to the survival of your business.

How do customers perceive you and your shop when they get in their car and notice the car door doesn't creak anymore, the parking brake feels better, and the windows and carpet are clean? Do you think the customer perceives that he got great service? In fact, the car may not run as good as it did before, but because the perception of your shop is positive, the customer thinks the car runs as good as it can. Providing a great perception is not an excuse for doing less-than-excellent work, either. The reputation that your shop provides excellent work must be earned.

A powerful method for improving the customer's perception of you and your shop is through marketing. In your advertisements, tell your customers why you are the best, and what you do better than anyone else. If all your technicians are ASE certified, let the world know. (If your technicians are not certified, get them certified.) Use your advertisements to show the community your high level of competency. If you belong to community organizations, let your customers know of your involvement. Newsletters sent to your customers are a great way of informing your customers of your knowledge, experience, equipment, and the employees at your business. Give the customer a copy of your newsletter or make a flyer that highlights your strong points. Most auto repair shops look similar. They all appear to be as competent as the next. Stand out from the crowd. Give each and every customer the perception that you are the best in town. If you don't tell the customer, who will?

One final example of the power of Customer Perception is my favorite. If you go to a restaurant where the food is excellent but the service is terrible, would you go back? Maybe, if the food was exceptional. Would you tell your friends? Probably not. What if the food and service were outstanding? Would you return and bring your friends? Yes. Would you go out of your way to tell all your friends? Yes. The point here is that you want your customers to go out of their way to tell others about your excellent service. Are you going to attract and keep the good customers? Yes. Isn't this what you are looking for, to have nothing but good customers agreeing to whatever you say their car needs? Never forget the power of Customer Perception. Never stop finding ways to improve the customer's perception.

Next is a test to see what kind of perception customers have of your shop. You and your employees should take the test as if you are the customers — what do you see, hear, and sense of the business? To give you a true evaluation of the public's perception of your business, have your customers take the test. Don't use your best customers. (You know what their perception is.) Look at all these evaluations honestly; you're only cheating yourself and your customers if you don't.

Customer Perception Test

For this test, at the end of each section add all the numbers you circled for each question. You will then transfer the section totals to give you a final total for the entire test, allowing you to compare where your shop fits in the Customer Perception Scale.

Remember to never stop trying to improve your customers' perception. Reaching the success you are looking for depends on it.

What is the customer's perception of your shop:

1. Over the Phone:						Totals
Professional	5	4	3	2	1	Unprofessional
Friendly	5	4	3	2	1	Unfriendly
Competent	5	4	3	2	1	Incompetent
Knowledgeable	5	4	3	2	1	Unknowledgeable
Caring	5	4	3	2	1	Uncaring
Phone answered in less than 5 rings	5	4	3	2	1	Someone usually gets the phone
						Section 1 Total _____
2. When customer drives up, the shop is:						
Clean	5	4	3	2	1	Dirty
Freshly painted	5	4	3	2	1	Needs paint
Easy to find	5	4	3	2	1	Hard to find
Good parking	5	4	3	2	1	Poor parking
Nice parking lot	5	4	3	2	1	Pot-holed parking lot
Parking lot well marked	5	4	3	2	1	Parking spaces hard to find
						Section 2 Total _____
3. When they enter the office door, is the office:						
Clean	5	4	3	2	1	Dirty
Warm	5	4	3	2	1	Cold
Quiet	5	4	3	2	1	Noisy
Organized	5	4	3	2	1	Disorganized
Relaxing	5	4	3	2	1	Stressful
Lots of room	5	4	3	2	1	Crowded
						Section 3 Total _____
4. Service Writer(s):						
Friendly	5	4	3	2	1	Unfriendly
Wears tie	5	4	3	2	1	Greasy Shirt
Knowledgeable	5	4	3	2	1	Unknowledgeable
Empathetic	5	4	3	2	1	Money Hungry
Organized	5	4	3	2	1	Disorganized
Has time for you	5	4	3	2	1	Rushed
						Section 4 Total _____
5. Technicians:						
Professional	5	4	3	2	1	Unprofessional
Competent	5	4	3	2	1	Incompetent
Knowledgeable	5	4	3	2	1	Unknowledgeable
Clean	5	4	3	2	1	Dirty
Love their job	5	4	3	2	1	Hate their job
Use good language	5	4	3	2	1	Swearing and yelling
						Section 5 Total _____

6. When customers pay their bill, office staff:

Totals						
Appreciate your business	5	4	3	2	1	"Pay up!"
Repairs are explained	5	4	3	2	1	"Here's the bill!"
Cash, check, or credit card	5	4	3	2	1	Cash only
1-year warranty	5	4	3	2	1	No or 90-day warranty
Car brought to the door	5	4	3	2	1	Car parked far away
Well-lighted parking lot	5	4	3	2	1	Dark parking lot
						Section 6 Total _____

7. Follow-up:

Thank You letter or card	5	4	3	2	1	Nothing
Phone Call	5	4	3	2	1	Nothing
Service Reminder	5	4	3	2	1	Nothing
Send advertising to customer	5	4	3	2	1	Nothing
Overall experience Happy	5	4	3	2	1	Not happy
Exceptional	5	4	3	2	1	O.K.
						Section 7 Total _____

8. If customers have a problem, shop attitude:

Apologetic	5	4	3	2	1	Defensive
Top priority	5	4	3	2	1	Low Priority
Rental car	5	4	3	2	1	You're on your own!"
Pleasant	5	4	3	2	1	Stressful
Problem solved	5	4	3	2	1	Not solved
Will return again	5	4	3	2	1	Will never return
						Section 8 Total _____

Customer Perception Test Totals

Scores

Section 1 _____

Section 2 _____

Section 3 _____

Section 4 _____

Section 5 _____

Section 6 _____

Section 7 _____

Section 8 _____

Total of all sections _____

Results Summary

240 — 201 You are giving excellent service.

200 — 161 You are above average, but can do better.

160 — 121 Average (Average is not good enough.)

120 — 81 Time for lots of improvements.

80 — 41 Time to evaluate the way you do business.

Chapter 6

Organizing your Service Office

Some folks can look so busy doing nothin' that they seem indispensable.

—Kin Hubbard

Is your service office organized to the point where your business runs smoothly and effectively? Can you quickly find what you need in a hurry or do you have to dig around? Do you have to close your labor guide to find a Repair Order underneath? Like most shops, your office is probably disorganized. Often, service offices are run this way out of necessity and so we never spend the time to organize them. Not only does a cluttered office make clerical work harder but it can lose you customers, too. Do you think you look competent to customers when you're disorganized?

Many shops use desks to write up customers and for everyday business. Desks are convenient but they don't provide enough surface space. The more space you have, the easier it is to get organized. I prefer a service counter instead of a desk. You have to feel comfortable standing while writing up a customer, better to have level eye-contact with that customer. You don't want customers looking up or down at you. If they look up at you they get a sense of inferiority. When they look down at you they feel a sense of superiority. The main point here is that the customer should feel like your equal, able to trust you and take your advice.

Ideally, you want your service counter to be 42-inches-high and approximately 32- to 36-inches-deep. Make your countertop as wide as your office will allow. A large service counter gives your customers room to sign Repair Orders, checks, credit card slips, and evaluate the Repair Order and other pertinent paperwork. The customer should feel comfortable and relaxed. For you, a large countertop lets you hide your paper supplies under the counter on shelves. Store new and finished Repair Orders and Safety Inspection forms in slots. Your cash drawer should also be under the service counter so you can stay in visual contact with the customer while you're giving change or putting money in the drawer. On your counter, place your computer monitor, appointment book, labor and parts guides. (If you don't already have them in your computer.)

I take my labor and parts guides apart and keep them in a book rack. The guides are easy to reach and always accessible. The books won't keep closing like before and take up less space in a rack than as a book that needs to be left open. If you don't use the parts guides in the books, leave them out. This gives you only the labor section to deal with. For you specialty shops — those that work on only a few makes of cars

— place the labor guide pages in colored plastic sheet covers. Each make of car should be a different color, allowing you to find the model easier. Since you spend so much time in the labor guides you need to make them easy-to-use. We use our guides often and cannot afford to guess at labor times or part prices. If we make our guides easier to use, we'll use them more often. When preparing an Upsell, lay your paperwork on the service desk. Make notes on the Repair Order as to what is needed — the Labor and Parts Costs with any Sublet, etc. Leave room for the customer file and their service history, the Safety Inspection form, etc. (See Service History and Safety Inspection Chapters.) With everything together you can answer the phone, view the labor guide, and make an Estimate all at the same time.

Your appointment book should also be easily accessible for making appointments. (See Appointment Scheduling Chapter.) Hang customer keys alphabetically on a board set, with key tags that allow you to write the customer's last name on the tag. If possible, put the year, make, model, color, and license plate number on the tag.

Place Repair Orders in slotted racks, with the technicians' names on the slots. When technicians need another job, they simply go to the next slot in their box. A hard copy of the Repair Order should remain in the technician's Repair Order rack slot. In another rack near your service desk, store the white and yellow copies of the Repair Orders, allowing you to review the Repair Orders at a glance. You can add Parts Costs and any Upsells with notes and documentation to the original copies. (See Shop Paper Flow Chapter.) With the Repair Orders close by, you can add the parts to the Repair Order before you forget. As soon as a part arrives, immediately add it to the Repair Order. This leaves you with less to do on the Repair Order at the end of the day or job.

Near the technician's Repair Order rack should be the shop time-clock. The ideal time-clock shows Military time, in tenths-of-an-hour. When your technicians get a new Repair Order they should punch *Off* the last job — followed by them punching *On* their new job. You can place your employees' time-card rack near the time-clock. If you want to know how long a technician has been on a job you just look at his time-card, without having to locate the technician. (See the Measuring Productivity Chapter.)

With everything at your fingertips, you'll perform more each day and your day will go by easier and with less stress. You should be able to sell more and have additional time with your customers.

Chapter 7

Computerized Shop Management Systems

It is difficult to say what is impossible,

for the dream of yesterday is the hope of today and the reality of tomorrow.

— Robert H. Goddard

If your shop doesn't have a computerized shop management system you don't know what you're missing. These modern computerized systems are designed to help you with every facet of your business. Computers today are easy to use — and the systems make it nearly impossible to erase computer data by mistake. All those terrible computer war stories you've heard about are a thing of the past.

Whether you're a one-man shop or a big multi-bay facility, you need a computer system. The one-man shop saves an hour a day in paperwork alone, thereby producing an extra hour of labor a day. One hour a day times the Labor Rate, times the number of working days in a month generates another $1000 or more per month in sales, all possible with a computerized shop management system. With small computer systems leasing at less than $200 per month, you can't lose. Regardless of the system you purchase, it greatly helps your business (though mistakes can be made in purchasing the wrong computer system). Whichever company you talk to, they all say their system is the best. Their systems appear to perform the exact same functions. Knowing what you want from your system helps you choose the right system.

There are several things you need to consider when purchasing a computerized shop management system. The most important is the company that designs the software. Do they have the resources to supply the updates and improvements needed to keep their system top notch? Every computer system seems fast with little or no data to slow it down. The rule of thumb in the computer industry is: You can never buy too fast a computer or too much memory. Don't skimp on the hardware. The more you use the computer the more you expect from it, such as speed and memory space. There's no benefit to buying a cheap computer system if the company that made it won't be around to repair any problems.

It may be easier for you to understand where computerized shop management systems are going with respect to the auto service and repair industry. The next section gives you some ideas as to the functions you want your shop computer to perform. Before you purchase your system, determine if you have found

the best company to supply you with tomorrow's technology. Will your new computer handle the modern technology that is only a couple years away?

Tomorrow's Computerized Shop Management Systems

Today's dreams become tomorrow's reality. Computer systems I have seen tested recently are truly incredible in their ability to free the automotive service and repair industry from the problems facing us now. You can enter customer and vehicle information into the computer as done today, but that's where the similarity ends.

Let's pretend you pull up the Labor Menu and enter "Replace Clutch." The computer system of tomorrow knows what year, make, and model of car to work with, looks into its labor and parts guide data base, and displays the labor description and labor time from the guide on the screen. Don't worry about having set labor times — you can change the labor time if needed. The computer system knows what accessories the car has, and if necessary, calls the computer system of your parts vendor to verify that the parts are in stock, marking up the parts according to what you have established as your Parts Profit Percentage.

All the parts will be listed on the customer's Repair Order, the parts located in stock at the vendor and ordered. You'll be able to give a precise Estimate to the customer, knowing it's all based on your costs. If the customer wants a 30,000-mile service, the Estimate can list all the labor to be performed according to the car's manufacturer and lists all the parts the factory recommends be replaced. The computer system informs you if the parts are in stock, if your vendor has them in stock, and if the parts are marked-up correctly. The computer system displays the customer history and whether the customer has been in before, with recommendations from his last service. Depending on the work you're doing on the car, the computer shows you Technical Service Bulletins for that year, make and model. You'll have more time to sell service and repairs. You'll make appointments on the computer system, and dispatch the work to technicians best suited at doing the repairs on that particular vehicle.

Technicians will soon use computer terminals as time-clocks in their work areas. Safety Inspections will be done by the computer system and linked to the customer's file. No more writing; you just tell the computer "Good" or "Bad." You can tell the computer how many millimeters are left on the brake pads. The computer knows how thick the pads are new and calculates how many miles remain, based on the last time the pads were changed.

As you operate the computerized scope system, which is linked to the shop's management system computer, the scope receives vehicle year, make, and model information automatically from the computer's analysis of the Repair Order. Printouts have customer information on them. If the computer sees any problems it refers you to the Technical Service Bulletins on file. If you encounter a problem while working on the vehicle, hit one key and the computer takes you through a manual showing how a given system works and how to diagnose any problem.

The computer shows a video of how the system works. Let's say you suspect a bad crank-angle sensor. The computer displays what the sensor looks like and where it is located, showing a colored wiring diagram of the sensor system and ohmmeter readings at each wire. As you test the sensor, the computer diagnoses the problem. If the sensor is slightly out of specification, you can call a Technical Hotline using the computer, checking a large database to determine if other shops have seen the same problem. Since the computer aids you in diagnosing, it updates the national data base as to the symptoms and repairs needed. It finds that other shops have had the same symptoms, corrected by replacing the sensor. To make sure, you tell the computer system to fool the car's computer system into thinking the bad sensor has been replaced with a good sensor. You'll see the car's engine run properly even before you replace the sensor, giving you 100% confidence that replacing the sensor should solve the problem.

The computer system locates needed parts from the nearest vendor. After finding the part, the computer system alerts the service writer that a diagnosis was made, how much time was spent in diagnosing the problem and replacing the part, how much the part will cost the customer, and the total price of the job with the added repairs. All done in seconds with no phone calls to vendors. The computer recommends how much to sell the job for to meet the Gross Profit goal you have set. The computer system even dials the phone for you. When the customer answers, you pick up the phone and communicate to the customer the findings of the diagnosis. After the customer gives the authorization, the system notifies the technician, orders the part and its delivery.

The computer system of tomorrow can document everything according to the law, and attaches the diagnosis, repair, testing procedures and readings to the customer's file. As you finish the repair, the computer system notifies the service writer that the job has been completed. The service writer then determines what pages of the diagnosis to be printed for the customer, closes the Repair Order, and prints the Final Invoice and Safety Inspections for the customer. A day after the customer picks up the car the computer prints out a Thank You letter. You tell the computer you want to see the customer in 7500 miles for another service. The computer calculates how many miles per day the customer drives, based on how many months the car has

been owned or by the customer's service history from earlier repairs on the car. A Reminder letter is automatically sent two weeks before the customer reaches the 7500 miles. The computer system even prints out a list of customers that are due for service, and notes when their Reminder letters were sent out. If a customer is not near the projected mileage, the computer makes revised calculations and sends another Reminder letter when it's time. When a customer is ready, the computer has already made an appointment for that customer for the service and repairs needed — and makes sure all the parts are in stock the day the customer arrives.

This is only a modest vision of what tomorrow's computerized shop management systems can do for you. The new systems even print a number of reports — from productivity to dead inventory. All payable and payroll checks will be printed by the computer. All tax forms will be prepared and printed when due. All Receivables will be tracked and statements sent with little or no effort. Profit and Loss Statements will be prepared without waiting months for an accountant to prepare them. It's just a matter of time before all checks will be paid electronically, saving you mailing time and postage costs.

All of the above computer functions are being designed to operate on today's personal computer systems — and companies with large resources are making it all happen. The smaller computer companies are without the resources to develop this new technology. There will be only three or four companies nationwide that can deliver all of the above features to you in the near future. So, research your computerized shop management system's company closely before you purchase.

Any system you plan to buy today should have some of the above features working now, such as a CD-ROM system with either Mitchell, Triad, Chilton, or Motor labor and parts guides, and be able to print the labor and parts guide contents highlighted on the Repair Order. Make sure your computer system tracks the technician's labor time and makes calculations based on technician payroll and labor costs. The system should show you what the Gross Profit is on the job at any time (important if you plan to base all of your prices and Upsells on your costs). Any reliable system should print checks, do payroll, calculate rates, and give you all the management and inventory reports you need. Inventory tracking should be as automatic as the below-stock ordering of parts.

I wish I could recommend the perfect computerized shop management system for your shop. Since these systems change and improve daily, and the companies that build them come and go each month, there is no reliable way of choosing the ideal computer and software. To be honest with you, it would take several hours to analyze one management system, and you would have to use the system for a week just to find its

strong and weak points. If you see a system you like, visit as many shops as possible that have the same system. Find the good shops, ones that use every part of their computer system, and not the shops that have yet to discover the weak points in their system. There is absolutely no reason to wait for the perfect computerized shop management system. You may wait forever...and never enjoy the many benefits a good system can give you today.

Some warnings. The first month you use your computerized shop management system will be hell. Like learning anything new, it takes time and patience. You'll overcome all the obstacles, as the other shops did, and be more than happy with your decision to purchase a system. One day you'll make the major resolution that all successful shops have made: "From this day forward, no more Repair Orders by hand."

If not, you'll be like many shops who still write Repair Orders by hand — and converting them into computerized Repair Orders during the day. (Your system is designed to do much more than this.) Don't purchase a computerized system if you won't be using all of the system or just want to have computerized Repair Orders. Use each and every part of your system and never look back. You won't regret it. Two months after the installation of your system, you won't imagine how you survived without the computerized shop management system.

We are now officially and fully immersed in the Information Age. The Age of Computers. You must be computerized and computer-literate to survive in the business world. The longer you wait, the harder your transformation will be. It is time for you to act. All you need is the guts and determination to make it happen.

Chapter 8

Shop Layout

Putting off an easy thing makes it hard, and putting off a hard one makes it impossible.

— George H. Lonmer

Whose responsibility is it to make a shop more productive — The technicians' or the shop's management? The answer isn't that obvious. The job of making the shop more productive, cost effective and efficient belongs to management. Even highly-productive technicians can be wasted in an inefficient shop.

You must consider four things when laying out a shop. First, the shop work area where the technicians perform their work. Second, the technicians' stalls. Third, the parking lot. And fourth, the service office. If you are to have an efficient business, you need to maximize your space and the productivity of the entire business.

How your shop is arranged governs whether it will be productive or wasteful. With the correct layout, you can save a few minutes here and there, adding up to an hour a day or more. One hour a day times your Labor Rate equals, let's say, $50 per day or over $1,000 per month — money that can be well-spent in other areas (simply by making needed changes to your shop). Most technicians are not comfortable with change, and they'll work in the same inefficient shop or stall forever. It's your job to recognize inefficiencies and make the needed changes.

Once your technicians see the benefits gained by a more efficient shop or stall, they'll find many ways to save time on each job. It should be the entire shop's goal to never stop trying to find ways to make your business more efficient and productive. The higher the productivity, the higher the profits. Often, operating costs are hard to decrease, and so the only way possible for many of us to make higher profits is to increase productivity.

Shop Work Area

I wish I could simply draw you a perfect, form-fitting diagram of the way you should set up your shop. Every shop is in a different size and shape building. Every shop has its own unique set-up with all sorts of variables. You have to find the best way to utilize the space you have. Find the best spots for the hoists, equipment, and office that suits the building. Take into consideration the need to have a pathway for walking through the shop. You and the technicians must easily get to the office and back without zigzagging through the shop.

Layout of the Shop Space

The following are diagrams of common shops and their layouts. **Figure 8.1** shows the typical shop for most shop owners. The shop is very wide with only one-car deep stalls. Access is always good with a door for each stall. Ventilation is very good and exhaust fumes aren't much of a problem. With all the doors, however, keeping this type of shop warm in the winter can be difficult. With a wide and not very deep shop, all the work stalls are perpendicular to the rear wall (and access through the shop is very good). Shops that get eight cars wide or wider have some problems trying to get one scope to all the stalls. My shop is eight cars wide and we need two scopes to have easy access — without unnecessarily rolling around of the scope. We use the scope so often that one scope just isn't enough. Later in this chapter you'll learn how to make your scope as mobile as possible.

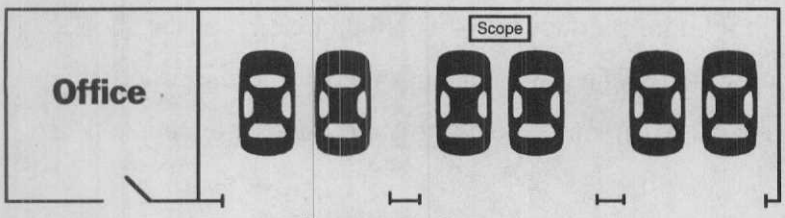

Figure 8.1

The **Figure 8.2** shop is laid out in the shape of the letter L. This works well for a shop located on a street corner. This shop has all the benefits of the wide and not very deep shop of **Figure 8.1**. With the L shape, the walking distance to the rear stalls is long. Again, a good phone system with an intercom saves you from walking out into the shop more often than necessary. Keeping the shop cool is not a problem and keeping the shop warm is. The biggest drawback to this layout is the dead space in the corner. Some shops use this space for their parts room. When at all possible, I feel the parts room should be adjacent to the office for better parts control. The corner does work well for storing equipment, but it can become messy because the area is not anyone's responsibility to keep clean. A corner area used to be great when we had our own little machine shop and all its equipment. (Having your own machine shop is a thing of the past.) The far stalls are the best for doing heavy duty work such as transmissions and engines. Keep the quick, easy and clean work nearest the office.

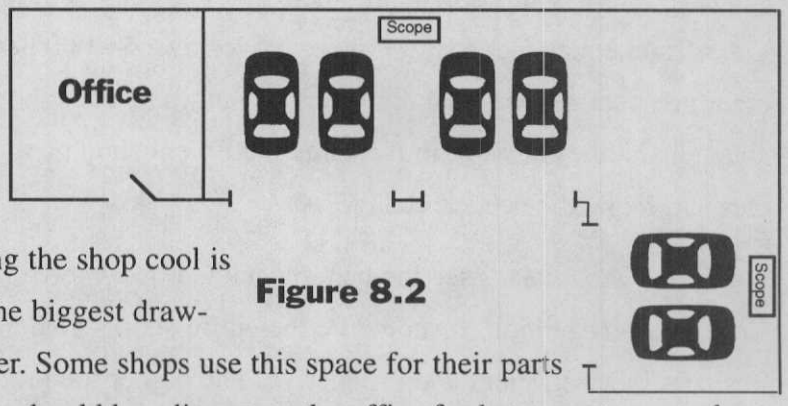

Figure 8.2

Figure 8.3 is a very common shop configuration. Problem here is the shop is two cars deep. It becomes very difficult to utilize the rear stalls to their fullest. Most shops can only get cars to the rear

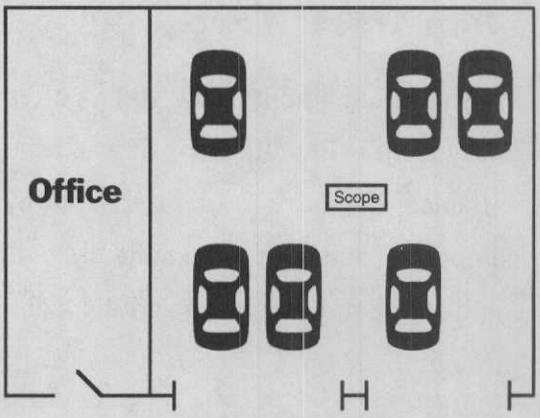

Figure 8.3

stalls by lifting the car on the front stall up and driving under the front car to get to the rear stall. Of course this does not work on most trucks and vans which are too tall to drive under another car on the hoist. It is very difficult to have an efficient shop with this layout. It probably would work best if the rear stall were the dead cars waiting for parts, with the front stalls being the productive stalls. It is more efficient for technicians to work on two cars side by side versus a car in front and rear.

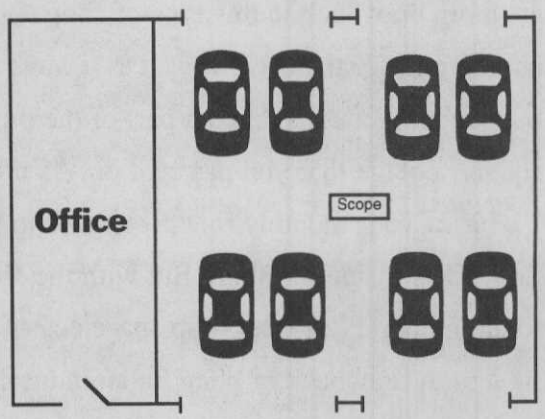

Figure 8.4

Figure 8.4 shows one of the best designs of all (and also a big problem). As you can see, sharing equipment isn't much of a problem with all the fronts of the stalls to the center of the building. Walking through the shop is easy — and you can readily view all the technicians and the cars they're working on. The bigger office area gives you plenty of room for the office, a comfortable waiting room and a spacious parts room. All very compact and efficient. The only downfall for a shop like this is the wind. With the doors open the wind blows right through the shop. You may think there's not much wind, but it forcefully blows through a shop like this. It's very hard to keep warm — it stays cool whether you like it or not. If you plan to build a shop like this, make sure you know which way the wind generally blows and position the shop accordingly.

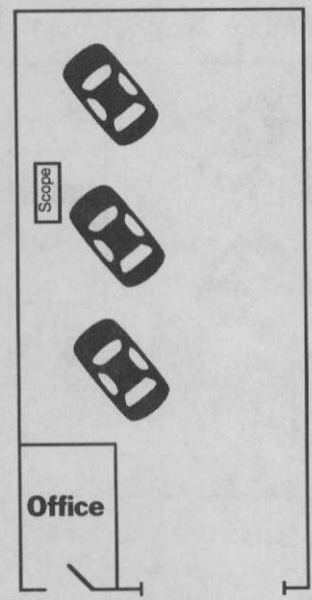

Figure 8.5

Figures 8.5 and 8.6 illustrate shops that are very deep. These shops are usually found in industrial areas. They're often buildings that were designed as warehouses, with an office in the front and the warehouse space in the rear. They generally have only one or two shop doors leading to the shop area. Deep shops need a different layout than wide shops. The best utilization of space is to have the stalls lined at an angle to the side walls. This gives technicians the access they need to get in and out easily. Shops like this, with so few doors, are very easy to keep warm. Keeping this type of shop cool is the biggest problem. Ventilation for exhaust calls for an exhaust ventilation system. You can find special hoses to slide onto exhaust pipes, and a fan for the ceiling to create a vacuum to keep the exhaust flowing while the cars are running. This is a necessity if you use your scopes to perform all-system tests. The cars run for five to ten minutes or more and a great amount of exhaust fills the shop. There's nothing worse than talking to a customer in the office with tears rolling down your face

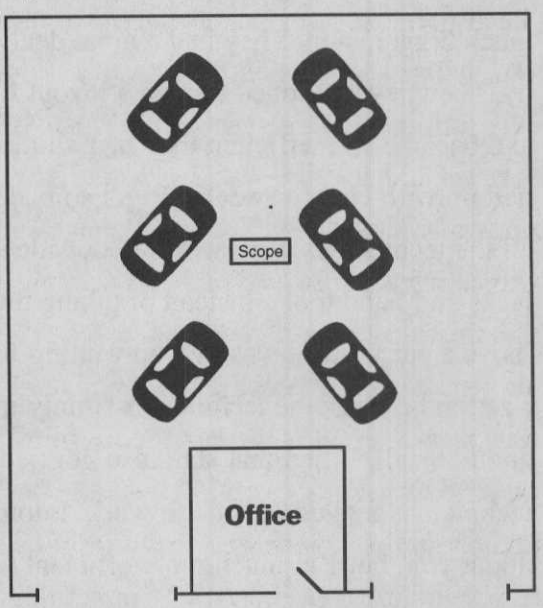

Figure 8.6

from all the carbon monoxide in the building. Your driveways to each stall are inside the building and create a big drawback to this type of shop — you're paying rent for the driveways. Driveways that are outside are not considered a part of the building's square footage that you pay rent on. As much as 33.3% of your monthly rent costs goes to pay for the driveways inside the shop. But with the shop being in an industrial area the shop space cost-per-foot can be less. A drawback of being in an industrial area is there's usually not very much in the way of parking. Remember this shop was designed as a warehouse space, and warehouse space does not need much parking.

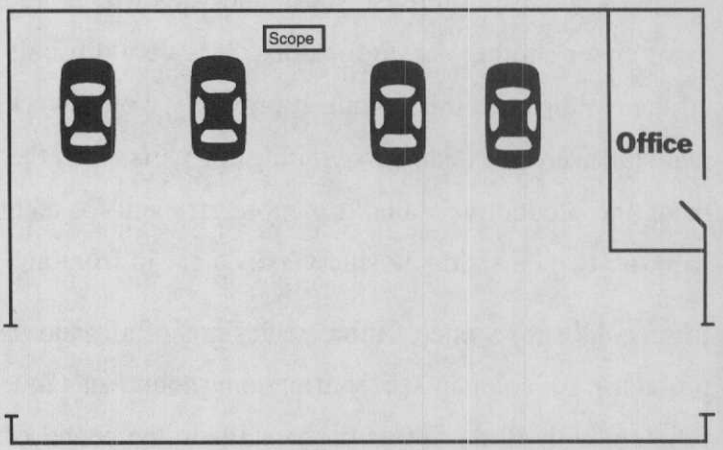

Figure 8.7

The following examples show shops that were laid out wrong from the start. Notice how we change the shops to make them efficient. **Figure 8.7** is a shop that moved from a very small and efficient shop to a much bigger shop. They had a great deal of space when they moved to the bigger building. They got sloppy. They never stopped to plan a layout for the shop, and became so inefficient they had all their stalls tied up with cars for weeks. It got so bad and messy, all the technicians were working outside using floor jacks and hand tools. Instead of taking the time to move a car when it was tied up waiting for authorization or parts, the technicians simply moved to another stall. When that stall also got tied up the technicians moved outside to work. I don't know about you, but I'm much more efficient with my stalls, my hoists, and all my tools and air lines, etc. Once the **Figure 8.7** shop is cleaned up, they are still not efficient. They want to add another technician, and yet don't have the room.

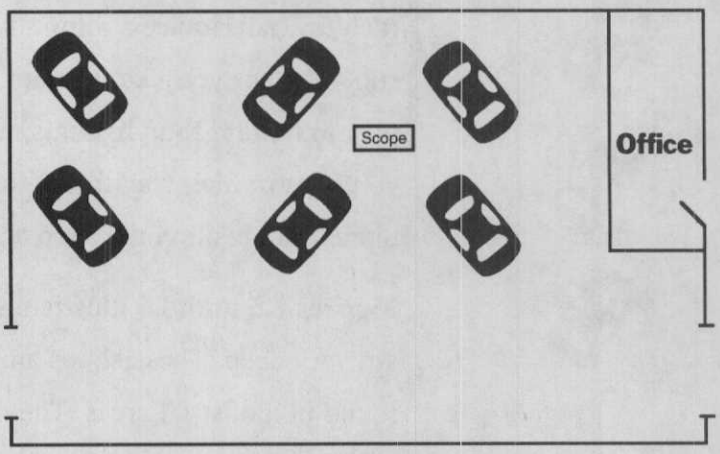

Figure 8.8

In Figure 8.8, we completely rearrange the stalls to add more hoists. Now all the technicians have their own hoists, air hoses, and benches. Productivity more than doubles — and profits triple. This big shop has a problem with toys. When a technician needs to walk to the office, he has to walk past the shop owner's street rod, project car, dirt bike, street bike, boat, and All Terrain Vehicle. Then he had to walk past the owner's father's street rod and project car. With the new layout, the project cars and toys are either gone or in the very far corner, out of the way. Many shops waste costly and valuable shop space to house the owner's toys. Shops are a business in business to make money. We must do whatever it takes to make our

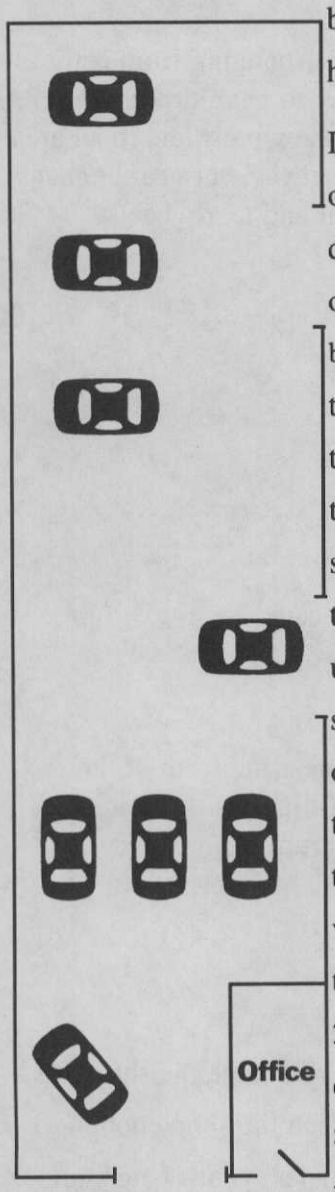

Figure 8.9

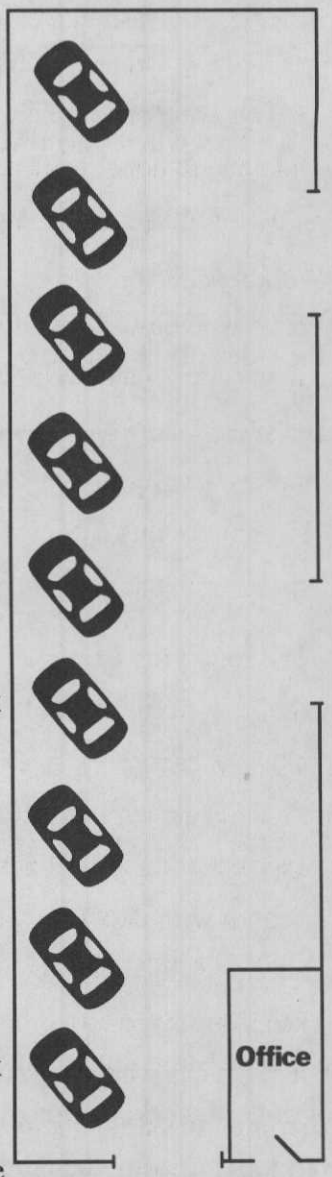

Figure 8.10

businesses profitable. If that means taking the toys home, then do it and as soon as possible.

In this final example of what I consider a poorly laid-out shop, the shop is only 40-feet wide and 150-feet deep. In **Figure 8.9** you can see how the shop was laid out. The three stalls side by side facing the rear of the building are electric above-ground hoists. The space is too tight for the three hoists to be side by side, a reason this shop was very inefficient. The space is too tight for the three hoists to be side by side, a reason this shop staggered the hoists. When cars are on the hoists, the technicians can't walk past the hoists without going under them, such as when walking to the rear of the shop. Most of the time, the service manager has to walk out the front door, around the side of the building and through the parking lot just to get back into the shop through the side door. The shop doesn't flow and is very disorganized. You can imagine what it's like to get to their scope. This shop has a productivity of only 27%. They have 10 technicians working hard to produce only 21-22 hours of sold labor per day. They work 80 hours total for all 10 technicians, for the day, and produce 21-22 hours. To make matters worse, they have only one service manager to do all the service writing, selling, Upsells, and parts ordering. This shop could easily have half as many technicians and produce more work. **Figure 8.9** shows the way I felt the shop could produce the most work for the space and the number of employees they had. Unfortunately, this shop didn't see the need for changes and left the shop the way it was. The shop has always been this way, so why change? I feel sorry for the technicians, who are paid by commission. The owner doesn't want to make them more efficient. The technicians never have the chance to increase their pay — the shop is just too inefficient. We all hate change, but if change helps you make the money you need to meet the goals you set, you cannot delay. We aren't in business as a hobby but are here to make a good living and provide for our families and our employees and their families.

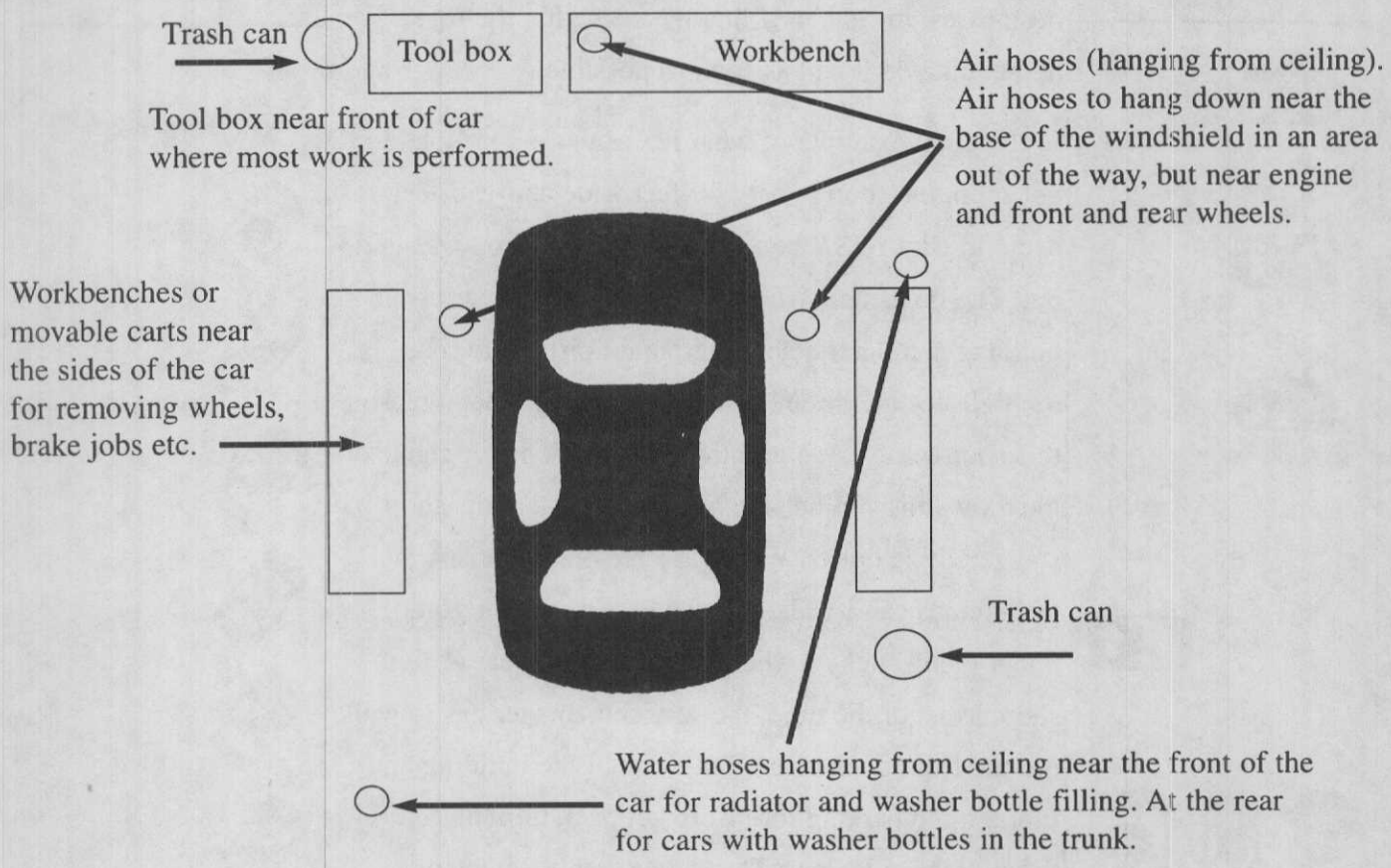

Figure 8.11
Overhead view of an ideal stall layout

In most cases, your technicians are willing to come in on the weekend to help you rearrange the shop. It's a lot of hard work, and most of the time the job requires an entire weekend just to clean the shop enough to start moving equipment and hoists the following weekend. Once you make the changes, you'll hate yourself for waiting so long to make things better, easier and more efficient. If it's not efficient, it won't be better or easier.

Technician Stalls

Once you have the shop laid out the way you want it, make each stall as efficient as possible. You must create a comfortable and efficient home for your technicians in their own stall. Each technician should have his own work stall, a place that acts like a "home away from home." After all, your technicians spend as much time in their stalls as they do at their own homes. If everything is at their fingertips, they can't help but be more productive and efficient. Everything has its place and technicians never have to stop what they're doing to look for an air hose, electrical cord, tool or equipment. The stall should fit them like a glove — with everything they need right there. When your shop is efficient you'll have fewer Comebacks.

A well laid-out stall should have these items:

- 1 hoist
- 2 air hoses (coil or hose reels) from ceiling, one on each side of car. Coil hoses work great and are much cheaper.
- 1 air hose over the workbenches. (Coil hose is good enough.)
- 1 metal-top workbench with a good strong vise
- 1 50-foot hanging drop light on a reel
- 1 50-foot hanging drop extension cord reel
- 1 hanging water hose, preferably 2, one at front of car and one at the rear of car or near bay door. Coil hoses work well. (Use different color hoses to differentiate the water from the air hoses.)
- 2 trash cans, one in front of car and another near the rear of car
- Coolant drain pan

In addition to the above items, make sure your technicians have easy access to:

- scope
- alternator and charging test equipment
- brake bleeder
- battery charger and jumper battery
- oil drain dispenser
- shop manuals
- time-clock

As you can see, the above work station has everything your technician needs. Never is there an air hose or extension cord to trip over, nor a hose hanging over an unprotected fender (which can cause paint damage). No time is wasted looking for a hose or extension cord. **Figure 8.11** illustrates the ideal stall layout. Not all stalls can be designed this way, but the idea is to have everything the technician needs to be productive.

I wish I could say all these suggestions are the exact way to lay out your shop. No two shop buildings are the same. Some are wide and one car deep, others are very deep and not very wide. Generally, you want all the stalls in the same direction. All in one direction allows technicians to share scopes and other equipment. When all the stalls are at different angles and directions there is no flow to the shop. A good flow means every technician feels comfortable in the shop and in their stall. Many shops move technicians to different stalls if one is tied up. Experience shows productivity usually drops by 30% when a technician stops working and moves to a different stall. His tool box is in a different position along with the air hoses, cords and equipment. Most of the time it's more efficient to move the car and not the technician. Working in someone else's stall is like working out of someone else's tool box — Nothing is where it's expected.

You want your shop to work like an assembly line. Everyone has their position and the assembly line just keeps on rolling. If you have no choice, and your technicians must move from stall to stall, make sure each stall has everything in the same place. This makes it easier for your technicians to feel more at home and remain productive.

With the price of equipment nowadays, many technicians have to share equipment. If this is the case at your shop, have your equipment accessible to as many technicians as possible. You should have permanent positions for all the equipment. Technicians cannot afford to waste valuable time looking for equipment. I am not in favor of having a scope in one stall with everyone going to that stall to use the scope. Again, the technicians are away from their home stall, out of reach from their own tools.

To make your scopes work over a larger area, attach a quality 50-foot extension cord reel to the scope. Remove the ratchet from the reel so the cord goes in and out with the scope. On the scope itself, hook up a 2- to 3-foot CB antenna. The power cord from the reel goes to the top of the CB antenna. If the technicians try to move the scope farther than the cord allows, the CB antenna flexes without ripping the cord reel from the ceiling. The CB antenna also keeps the electrical cord high so technicians don't have to keep ducking their heads under the hanging cord.

For the shops that need to have a computer network cable and/or phone modem cord connected to the scope, use a 3/8 inch coil air hose. Run the network cable through the air hose tubing. Attach the air hose to the extension cord reel. Run the extension cord through the center of the air hose coils, and attach the coil hose to the CB antenna. This way the coil hose always follows the extension cord reel to the scope.

Parking Lot

Much of your productivity and efficiency is based on your availability of parking space. If it takes your technician a half hour to move cars to park the car he just finished, your shop loses a tremendous amount of time in a year. (Enough for that terrific vacation you're dreaming about.) You must manage your parking. Too many shops have a dozen cars sitting around that should be towed away. Parking is hard to come by today. Cars parked for days or weeks can be parked very close together or be blocked in by current cars you're working on. The idea is to get rid of the cars that should be towed away. Write the customers a letter and threaten to charge $20 per day for storage. (This usually gets the cars towed away.)

If you want to make your stalls more efficient, be prepared to move cars outside if there's a delay in authorization or parts. Set aside parking spaces for the cars you need to move from inside to outside and back again when the parts or authorization arrive. Cars that will be with you awhile should be in the farthest corner of the parking lot, out of the way. Employee vehicles and your personal vehicles should also be parked on the street or at the back of your lot. It never fails to see a shop where all the employees and the owner

hog all the parking spaces close to the shop. The customers must park farther away than the employees. How many times a day do you go to your own car? How many times a day do all the employees have to get and park customer cars? If your employees are visiting their own cars more often than customer cars, something is wrong.

If you have plenty of parking, is the parking all yours? Are you using other business's parking areas. I've seen businesses outgrow their parking areas and gobble up every available piece of asphalt. Instead of ending up with horrible business relations with your neighbors, either move your shop, rent more parking space, or downsize your business and lay people off. (The obvious answer is to pay for more parking space.) In the auto center where my shop is located, if you mess with my parking spaces you have to deal with me. I pay a lot of money each month for additional parking spaces. I won't let another shop move in on my parking spots. Forty to fifty cars in my parking lot isn't unusual, and finding the parking lot completely empty at night is the norm. We bring the cars in, we service and repair them, and they leave the same day. No car stays in my lot for more than a week. Either repair the cars or tow them away. You don't have room to store cars.

Office Layout

This last section on laying out your shop deals with your office. In the "Organizing your Service Office" chapter you learned how to organize your office. Your office is the Command Center for your shop. A bottleneck in your office slows work down in the entire shop. The ideal office is located adjacent to the technicians' work area, with easy access for both you and the technicians. You must be able to communicate with each other. I like having my parts department and service office together. You can find out pronto if you have a part in stock. When it comes to dispatching work to your technicians, you must know if you have the parts to finish the job with no delays.

If you work by yourself in the office, or if you have a full staff of help, you must all work together to make sure the technicians have what they need to get the job done as quickly and as hassle-free as possible. I have my parts person look up, order and hand out parts. A parts person can work as a service writer during peak hours. My parts person also dispatches work to the technicians. If a part hasn't arrived, we don't dispatch the job until we have the part. We never, ever remove a part if we're aware we don't have the correct replacement part. I never want to be in the position of removing a part, realizing the replacement isn't available, putting the car back together so the customer can drive it, then taking the car apart again when the part arrives.

We aren't in the business of putting cars back together before taking them apart again another time. There are times when we need a part that we didn't realize we needed until we took the car apart. That's different. If we have to remove a part to verify if it's defective, the customer knows in advance that the car will stay

apart until the part arrives (or he pays the cost of removing the part twice). You can't waste your time or your technician's time. You can't afford to be Mister Nice Guy all the time. If you warn your customers of the possibility that their car might be tied up until the part arrives, they should be willing to go without their car — and they should rent a car or pay to have the car put together and taken apart again. It's only fair!

In summary: You can never be too organized. You can never be too efficient. You can never be too productive. And you can certainly never be too profitable. Plan, organize, and make it work. Your shop, technician stalls, parking lot and office are valuable assets. Make those assets pay for themselves. Utilize each of them to the fullest. Only then will you have a chance of reaching the success you're looking for. Take the time to observe your technicians and tell them what you notice. Look for ways to make your technicians' jobs easier and more productive. Hold shop meetings to discuss ways everyone can increase productivity.

Finally, remember you are here to make money. Every square inch of shop space is valuable. Leave your toys at home. This is not a hobby anymore. It's time to get serious and make serious profits.

Chapter 9

The Flat Rate Game

Procrastination is the art of keeping up with yesterday.

— Don Marquis

Using the Flat Rate method to charge for your automotive repairs is simple — in fact, a guidebook tells you how long each job should take. You multiply that number by your Labor Rate, add the Parts List Price and you end up with a labor and parts quote for the job. It does appear simple, but beware: there are no rules in this game.

Flat Rate is a stupid game most of us fail at. First off, we come up with our Labor Rate number by picking some figure based on someone else's guess of how much they would charge per hour. My local Automotive Service Association (ASA) chapter invited several service managers to a recent meeting. A question was asked of the service managers: "What elaborate formula do you use to establish your Labor Rates?" The service managers looked at each other before one spoke up for the group. "We call several independents, get an average, and charge a few dollars more." Independents, of course, wait for dealers to raise their Labor Rates while the dealers wait for us to raise our Labor Rates. This is called the Insane Cycle of Labor Rates.

Let's say Shop A charges $70-per-hour and Shop B charges $50-per-hour. A customer calls both shops for a quote on a job. Shop A quotes $70 and Shop B quotes $75. Who charges more, Shop A or Shop B? Either Shop B is charging 1.5 hours and Shop A is charging 1.0 hours, or Shop B's Labor Rate is not really $50-per-hour. It could be that Shop B does charge $50-per-hour and merely adds 50% to their labor time. This may not seem fair, but again, there are no rules to this game.

My shop, The Car Care Center, adds time to all Flat Rate times in the labor guide. We mark up our parts higher than the Dealer's List Price. My shop still ends up being cheaper than the dealer. Why? Because the dealer uses a different labor guide, or adds even more time to the labor guide Flat Rate times than we do. Here's another example of the stupidity of Flat Rates. We're often afraid to raise our Labor Rate in order to stay competitive, right? If we raise our Labor Rate by $5-per-hour we figure that's a big jump. An average 2.5-hour job only goes up $12.50, that's all. If the average shop with three technicians raises its Labor Rate by $5-per-hour, the increased profits for the month are $1,500. If that same shop increases its productivity by only 10%, the increased profits are $4,000 per month.

I have a widget I want to manufacture and sell. How much should I sell the widget for? Is $20 a good price? "We can't tell unless we know how much it costs to build?" you say. The materials for manufacturing the widget cost $2. Are we making a good enough profit? "We need to know our Labor Costs," you say. I charge $60-per-hour to manufacture widgets. Am I making enough profit? "We need to know how long it takes to make the widget," you say. How do I calculate what my Labor Costs are? Simple. I use a time-clock, and time how long it takes. Once I know how long the job takes I can determine what my Labor Costs are and how much to charge. This all sounds simple enough, but why don't shops use the same principle to determine their job costs and selling prices of their repairs and services? Because they show no regard for the amount of their Labor Costs (and because most shops don't have a time-clock).

Shops sell jobs for a labor price and have no idea if they're making a profit on each job. Most shops don't even know how much Parts Profit they're making, let alone Labor Profit. In essence, they're roughly quoting jobs and hoping to make a profit. Do you think any other industry does business this way? No Way. They couldn't survive. Again, it all sounds simple yet it's harder than it looks. Here's why. Let's say you're charging $60-per-hour and you pay your technician $16-per-hour. The difference is your Labor Profit, which is $46 (if your technician is 100% productive).

Ninety-nine percent of the shops in this country aren't even close to being 100% productive. Besides, your Technician's Cost is greater than what you pay him per hour. You have your business contribution of taxes, uniform costs, laundry, holiday and vacation pay, and health insurance — all are portions of the your Technician's Cost per hour. On the average, your technician's true cost is about 25% higher than his wage. Your $16-per-hour technician actually costs you $20-per-hour. That may sound good enough, selling labor at $60 for a $20 Technician Cost.

But if your productivity is only 50%, that means your technician takes twice as long (or two hours) to do a job you quoted at one hour. Your true Labor Costs are $40, so your Labor Profit Percentage is only 33.3%. The industry standard is the technician's wage plus 25%, which should be one-third of what he produces. If your Technician's Cost is $20 (with benefits) he should produce $60-per-hour. The average productivity in the U.S. as shown in a recent ASA study is 66.6%. For every eight hours worked, the average technician produces 5.3 hours of bill-able work. The next chapter "Measuring Productivity" explains how to determine and increase your shop's productivity, using a formula to find what's called your Shop Productivity Percentage.

Chapter 10

Measuring Productivity

Aim at the sun, and you may not reach it; but your arrow will fly far higher than if aimed at an object on a level with yourself.

—Joel Hawes

Do you want to increase your profits without raising your prices? You do have the capability to double your profits. How? By increasing your productivity. You may think that's impossible, but I can prove it to you.

Shops in this country have a productivity rate of 66.6%. That means for every eight hours a technician works, he produces 5.3 hours of bill-able labor. If you charge $60-per-hour, your technicians produce $480 worth of labor a day if they're 100% productive. The average technician, at 66.6% productivity, only produces $318 per day. Imagine your profit if you could improve your productivity from 66.6% to 100%. You could produce $162 per technician, per day, multiplied by 20 workdays per month, or an increase of $3,240 profit per technician. The average shop has three technicians, so there's room to increase profits by $9,720 per month. This all sounds good in theory, doesn't it? Let's get back to reality though. Most shops average less than 50% productivity.

Here's the formula to determine your Shop Productivity Percentage:

- Count the working days you have for a month. (We'll use 20 days as an example. You have three technicians working eight hours a day, five days a week. Three technicians times eight hours a day equals 24 hours available per day. Twenty-four hours a day times 20 working days equals 480 hours available per month.)
- Determine how much your Labor Sales are for the month. (We'll use $19,200 of Labor Sales.)
- Divide your Labor Sales by your Labor Rate. ($19,200 divided by $60-per-hour equals 320 hours sold.)
- Calculate your productivity. (Divide your hours sold, 320, by the hours available, 480 equaling 66.6%.)

Let's measure your Shop Productivity Percentage, step by step.

- Number of technicians? _____
- Times the number of working hours per day?_____

Example: Three technicians times eight working hours a day equals 24 hours available per day.

- Working days per month? _____
- Multiply number of hours available per day. _____
- Times the number of working days per month. _____

Example: 24 hours per day times 20 working days equals 480 hours available for the month.

- Enter the Labor Dollars sold for the month. $_____
- Divide this number by your Labor Rate. $_____,

which equals _____. This is the number of hours you sold for the month.

Example: $19,200 divided by $60-per-hour equals 320 hours sold.

- Finally, take the hours sold. _____
- Divide it by the hours available. _____
- This equals your Shop Productivity Percentage. _____%
- Example: You divide your hours sold, 320, by the hours available, 480, which equals 66.6%.

Don't be surprised if your productivity is less than 50%. Does this mean your technicians aren't productive? Yes and No. It means your shop is not productive. It's your job as owner or manager to make your shop productive. From my experience, 75% of the time the productivity problem is the owner's fault and for several reasons. Most shop owners in the past were great technicians and they could consistently break Flat Rate. They now assume the technicians working for them can do the same. But the technicians can't. By adding 10% to your Shop Productivity Percentage you get an idea of what increasing your productivity does for your profits.

Example: If your Shop Productivity Percentage is 66%, add 10% to the number, which gives you 76%.

- Your Shop Productivity Percentage _____% plus 10% equals _____%.
- Multiply the hours available for the month _____ by your 10% higher productivity number _____.

Example: 76% times 480 hours available equals 364.8.

- Hours sold with 10% increased productivity hours sold by being 10% more productive _____ times your shop's Labor Rate $_____ equals $_____ of Labor Sales.

Example: 364.8 times $60 equals $21,888.

- Now subtract this number $_____ of Labor Sales (Which is how much your Labor Sales for the month would be if your productivity went up 10%), from what your Labor Sales were for the month $_____. This number is how much your profits go up by being 10% more productive.

Example: $21,888 minus $19,200 equals $2,688 of increased profits for the month by being only 10% more productive.

Actually, your increase in profits is higher. (You sell more hours worth of labor, and with the extra labor you sell more parts.) With a higher number of parts sold, the higher your Parts Profit goes. Remember, you should be able to increase your hours sold and profits, all without increasing your expenses. You have to purchase a time-clock and time-cards, but that's about all.

Since we like to be nice guys we give lots of discounts and do repairs for no charge to keep customers coming back. These discounts and no charges add up. So does giving time away — if your business has a 10% Net Profit and you give $100 worth of time or parts away, you're shooting yourself in the foot. How much more money do you have to make to replace that $100? You must earn another $1,000 to pay for the $100 you gave away. (Ten percent of $1,000 is the $100 you gave away. Ask your accountant.) If your time is not worth anything, go ahead and give it away. It's easy to give time away if you don't have a time-clock. Once you start using a time-clock and see how much time you actually invest in a repair or service, you won't be in such a hurry to give away your time. Plus, you need a time-clock to determine how much diagnostic time you have invested in jobs. ("Charging for Diagnostic Time" explains how to charge for this valuable time.)

Time-Clocks and Shop Productivity

If you don't have a time-clock, purchase one. Before you go out and get one you need to know a few things. First, get a quality time-clock that displays Military time, in tenths-of-an-hour, which makes it easier to determine the time a technician spends on a job. The simplicity of time-clocks showing Military time is obvious. If your technician starts a job at 10:19 and finishes at 3:23, how much time did he work? Yes, it takes a little effort to figure. In Military time, the technician starts at 10.3 hours and finishes at 15.4, and the difference is simple math — 15.4 minus 10.3 equals 5.1 hours. I'll talk more about time-clocks and time-cards in the chapter "Increasing Shop Productivity", and how to get your technicians to use the time-clock on every job, every time. Until then, purchase your time-clock. You'll never regret it. If you're still not convinced of the need for a time-clock, think of this. Right now, technicians don't have to be accountable for their time, other than getting to work on time and not leaving before closing time. Why should they work harder? They're getting by with working only as hard as they have to. Here's the big news. Your shop productivity goes up at least 10% the first week you use a time-clock. Why? Because your technicians have to be accountable for their time on each and every job. One of the main reasons you want them to use the time-clock is to justify their time. You'll find jobs where the technician, for instance, has to remove the battery from a car to clean it, re-tap the spark plug holes, and repair a stripped stud after removing a valve cover. The customer should be charged for all of these extras. No service or tune-up calls for the plug holes to be re-tapped as part of the job. Removing the battery is also an extra charge. The technician believes all these extra tasks are part of his job, not knowing or caring if he takes more time.

Besides, how will you as service writer know how well a job you're doing without a time-clock. It's easy for a service writer to charge less time than the labor guides quote, and difficult to sell book time or longer and sell the customer three hours of diagnostic time. Unless you're willing to sell jobs for the time you have invested, your productivity will never compare with the good shops — your profits will never be like the profitable shops you hear about, and you'll never be a great service writer until you can prove "job-by-job" that each one is profitable because you sold enough time in every case. You may find you've been doing the same job for years at a certain labor time, only to find that your technicians have been taking twice as long to do the job than you thought. Every shop that purchased a time-clock and used it correctly has claimed their Labor Sales went up 20% or more the first month. All this because of a $250 investment. What other investment brings you this kind of return on your money?

Using the right type of time-cards also makes shops very profitable. Most shops require technicians to punch their times on the back of the Repair Order. The problem with marking time this way is that the technician gets the Repair Order, road-tests the car, puts the car on the hoist, punches the Repair Order on the time-clock, then punches *Off* when done, before washing his hands, putting tools away, road testing and parking the car — all part of the job and while not punched *On*.

A technician might work eight hours in a day, yet you'll see only five hours on the Repair Orders. You need to buy "flag" type time-cards from Reynolds and Reynolds, number #DSA-126. You can order these cards by calling 1-800-344-0996. **Figure 10.1** shows a sample of the Reynolds and Reynolds time-

Daily Time and Job Ticket

Employee's Name *John Doe* No. *3* Date *1/1/95*

Straight Time (hrs)	Flat Rate Price	RO #	Emp No	Oper No	Time		
						Off	
						On	
						Off	
						On	
						Off	
			3			On	
						Off	
			3			On	
		12350				Off	16.5
2.4			3		.7	On	15.8
		12351				Off	15.8
1.5			3		1.1	On	14.7
		12375				Off	14.7
.5			3		.6	On	14.1
		12362				Off	14.1
.5			3		.7	On	13.4
		12350				Off	13.4
			3		.9	On	12.5
		12350				Off	12.0
			3		1.8	On	10.2
		12346				Off	10.2
1.0			3		1.3	On	8.9
		12345				Off	8.9
.4			3		.9	On	8.0
6.3				Total	8.0		

Figure 10.1
Sample of a Reynolds and Reynolds time-card #DSA-126. You can order these cards by calling 1-800-344-0996.

cards. This card is highly effective because each technician gets a new time-card each day. When the technician punches *Off* a job, he must at the same time punch *On* again. You see exactly how much time is spent on each and every job. Because road tests and tool and workbench cleaning are all part of a technician's job, you must see the precise amount of time spent on the actual repair or service job. After the technician punches *Off* and then *On*, he tears off a sticker that is immediately pasted onto the Repair Order. The technician may be *On* and *Off* several times on the same job, but you'll easily determine his actual time spent on the job. If you think you can do without the Military time-clock and the "flag" type time-cards you're fooling yourself in a big way.

A problem arises when technicians don't take the time to punch *On* and *Off* their time-cards. With the system above, there is no further blame shed on technicians — they're accountable for their time because their paychecks are involved. Technicians have to prove their worth on a day-to-day basis. In most cases, technicians hate to use time-clocks. Take time to explain to each technician the important role your time-clock plays in helping you perform service writing. Tell them it's the perfect tool for proving how productive they really are. (Your technicians' feedback is important when you want to determine if you're charging enough time on each job.)

In subsequent chapters we consider whether your shop can benefit from Employee Productivity Bonuses, using the time-clock as a chief instrument. In the long run, your shop can produce higher profits. Your technicians will make more money and be a happier team of employees. (Everyone benefits from the use of a time-clock.) Institute a shop policy change to make sure your employees use the time-clock. From this point on, your employee paychecks will be based on the time shown on their time-cards. If they fail to punch *On* and *Off* they won't be paid for those hours. Tell them that since this is an official company policy, in writing, the Labor Court agrees with you (the shop owner) in any disputes. Mention that using a time-clock is a basic requirement for working at your company — and a requirement for getting paid. The employees have no choice but to use the time-clock if they wish to get paid for the hours they work.

The "Increasing Shop Productivity" chapter can be copied and used to measure the productivity of your technicians and shop. If you use a computerized shop management system, the productivity reports can be printed for you automatically. Again, if you don't have a shop management system and are thinking of getting one, here is yet another example of the cost-effective and time-saving benefits.

The following are some forms to measure technician and shop productivity, with some examples of how the forms work.

Technician Productivity Chart

Technician ______________________________ **Date** / /

Date	RO Number	Labor Item	Labor Dollars	Hours Sold	Time Spent	Productivity
			$			%
			$			%
			$			%
			$			%
			$			%
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			$			%

Technician Productivity Chart

Technician _____ **Date** / /

Date	RO Number	Labor Item	Labor Dollars	Hours Sold	Time Spent	Productivity
3/29	54321	Major service	$150.00	2.5		
		Front brakes	$78.00	1.3		
		Belts	$48.00	0.8		
		Total	**$276.00**	**4.6**	**6.1**	**75.4%**
3/29	54323	Front brake pads	$54.00	0.9	1.3	69.2%
3/29	54333	Oil & filter	$18.00	0.3	0.6	50.0%
		Total for 3/29	**$348.00**	**5.8**	**8**	**72.5%**
			$			%
			$			
			$			
			$			
			$			
			$			
			$			%
			$			%
			$			%
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			$			%
			$			%
			$			%
			$			%
			$			%
			$			%
			$			%

Hours Sold:

Take Labor Dollars ÷ Labor Rate

$348.00 ÷ $60.00 = 5.8 Hours Sold

To measure productivity:

Hours Sold ÷ Time Spent

5.8 ÷ 8 = .725

For percentage, move decimal 2 places to the right. 72.5%

Time Spent:

1. Use a time-clock and time-card, or;
2. If you do not have a time-clock then have technician write on RO the starting and finish time of day;
3. Or if tech does not write down his time at the end of day, add all the RO's labor and divide labor by Labor Rate.

Shop Productivity Chart

Month ______________________

Date	Labor Dollars	Hours Sold	Time Spent / Hours Worked	Productivity
/ /	$			%
/ /	$			%
/ /	$			%
/ /	$			%
/ /	$			%
/ /	$			%
/ /	$			%
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/ /	$			%

Shop Productivity Chart

Month _____

Date	Labor Dollars	Hours Sold	Time Spent / Hours Worked	Productivity
Mar 1, 93	$500.00	8.33	16	52.1%
Mar 2, 93	$612.50	10.21	16	63.8%
Mar 3, 93	$408.36	6.81	16	42.5%
Mar 4, 93	$356.36	5.94	8	74.2%
Mar 5, 93	$825.63	13.76	16	86.0%
Week total	**$2,702.85**	**45.05**	**72.00**	**62.6%**
Mar 8, 93	$333.66	5.56	16.00	34.8%
Mar 9, 93	$707.48	11.79	16.00	73.7%
Mar 10, 93	$523.37	8.72	16.00	54.5%
Mar 11, 93	$366.98	6.12	16.00	38.2%
Mar 12, 93	$923.88	15.40	16.00	96.2%
Week total	**$2,855.37**	**47.59**	**80.00**	**59.5%**
Mar 15, 93	$402.88	6.71	16.00	42.0%
Mar 16, 93	$215.93	3.60	8.00	45.0%
Mar 17, 93	$625.19	10.42	16.00	65.1%
Mar 18, 93	$356.81	5.95	16.00	37.2%
Mar 19, 93	$1,009.55	16.83	16.00	105.2%
Week total	**$2,610.36**	**43.51**	**72.00**	**60.4%**
Mar 22, 93	$500.00	8.33	16.00	52.1%
Mar 23, 93	$612.50	10.21	16.00	63.8%
Mar 24, 93	$408.36	6.81	16.00	42.5%
Mar 25, 93	$356.36	5.94	16.00	37.1%
Mar 26, 93	$825.63	13.76	16.00	86.0%
Week total	**$2,702.85**	**45.05**	**80.00**	**56.3%**
Mar 29, 93	$523.37	8.72	16.00	54.5%
Mar 30, 93	$366.98	6.12	16.00	38.2%
Mar 31, 93	$588.77	9.81	16.00	61.3%
Week total	**$1,479.12**	**24.65**	**48.00**	**51.4%**
Monthly Total	**$12,350.55**	**205.84**	**352.00**	**58.5%**

352 hours at 68.5% productivity would give you Labor Sales of $14,467.20 an increase of $2,116.65, not including Parts Profit.

Chapter 11

Parts Profit

Few minds wear out; more rust out.

— Christian Nestell Bovee

Is your Parts Profit high enough for you to live off of it? If you look at your Profit and Loss Statement and subtract your monthly Parts Cost from your Parts Sold, you find your Parts Profit for the month. Compare the Parts Profit and the Net Profit for the month — the Parts Profit is, more than likely, much higher than your Net Profit. Your Expenses are gobbled up by all the Labor Profit and most of the Parts Profit. You're actually living off your Parts Profit. If it weren't for your Parts Profit you'd be out of business in a month. If your Labor Profit paid all the bills, you could live off the Parts Profit — and live pretty well. So, it naturally follows, you should pay great attention to your Parts Profit.

If you want to improve your Parts Profit you must learn to calculate Parts Profit. There are two completely different methods to mark up parts: Mark-Up Percentage and Gross Profit Percentage. Most shops use the wrong way. Here's an example of both:

Mark-Up Percentage

Let's say a part costs you $10 and you want to double your cost. You mark the part up to $20, a 100% mark-up. You just made a 100% profit, correct? What if you wanted to give a good friend a discount? Since you made a 100% profit you can give your friend a 50% discount. Fifty-percent of $20 is a $10 discount to your friend. But that's exactly what you paid for the part. How can this be? The answer is, percentage of mark-up has nothing to do with percentage of profit.

Gross Profit Percentage

If a part costs you $10 and you sell it for $20, the actual Profit Percentage of the part is 50%. Mark-up should be interpreted as percentage of Gross Profit. Parts Profit Percentage or Gross Profit Percentage is how much profit is in the selling price. In our example, the selling price is $20 and the cost is $10 with a profit of $10, with 50% of the selling price as profit. If you marked up a $10 part 50%, your list price would be $15 ($10 x 50% = $5, $10 + $5 = $15). This is only a 33.3% or a $5 Parts Profit. To calculate your Profit Percentage, divide your Parts Profit by the selling price. There is no possible way to make a 100% profit. Well, there is — you charge a customer for a part and you don't use the part in his car. Otherwise, every part has a cost.

Calculating your Parts Profit:

Selling price, example $20

Minus part cost, example $10

Equals Gross Profit, example $20 - $10 = $10

For Gross Profit Percentage of the part, you take your Parts Profit of $10 and divide it by the selling price of $20. Example $10 / $20 = 50% Gross Profit Percentage.

Parts Gross Profit Percentage is the only efficient method for marking up parts. **Table 11.1** shows you a comparison of Gross Profit Percentage mark-up. Learn to use mark-up as a mark-up factor. If you use "2" as an example of mark-up factor, you double the cost of your part, a 50% Parts Profit Percentage. Here's an example of an often-made Parts Profit mistake. Let's say your cost is again $10 with a list price of $20. Your vender raises the part cost to $12, so you add $2 to the part list price to make up for the cost increase. Your part now sells for $22 and your cost is $12. Let's calculate your Parts Profit Percentage. Twenty-two dollars minus $12 = $10 Parts Profit. A $10 Parts Profit divided by your list price of $22 equals 45.45% Parts Profit. You lost some of your profit because your cost went up $2 (and you needed to raise your list price by $4 to keep your 50% Parts Profit). You can see a parts Mark-Up versus Parts Profit Percentage in our example in **Table 11.1**. You must know what number to multiply your cost by to give you the Parts Profit Percentage you need. What Parts Profit Percentage should you use? The successful shops are getting Parts Profit Percentages of over 40% on the average.

Take the time to calculate your shop's Parts Profit. Take out one of your Profit and Loss Statements (it doesn't matter which month). If you have year-to-date numbers, use them. Look for your Parts Sold and Parts Cost. Use the following formula to calculate your shop's Parts Profit Percentage.

Parts Sold $_____

Parts Cost $_____ Subtract your Parts Cost from your Parts Sold

_____ This is your Parts Profit

Parts Profit $_____ ÷ Divided by

Parts Sold $_____ = Equals your Parts Profit Percentage

Profit % _____ %

Example

Parts Sold $25,000 Parts Profit

Parts Cost $17,250 Parts Sold divided by $25,000

Equals = $7,750 Profit % = 31%

Table 11.1 shows examples of Mark-Up and Gross Profit Percentage. You need a set plan on how to mark up all your parts. You can use a chart and determine what your Vender Parts Cost are, and multiply by a suitable factor. You can have a set multiplier for all your Parts Cost. Or you can use a Cost Scale as in **Table 11.2**. You can have a higher multiplier on parts that cost less. It's hard to multiply your cost by two or more on an engine, but you can multiply your cost by three or four on a wheel seal that costs you $1. It is your decision as owner or manager to determine what Parts Profit plan your business uses — with little or no exceptions.

Much of your Parts Profit Percentage is based on how you buy your parts and what you think the customers are willing to pay. The best way to increase your Parts Profit is to buy at a lower cost. However, I do not recommend you increase your inventory. Large part inventories are not needed anymore. In most areas, you can get almost any part in less than an hour. If you have sufficient parts volume you can negotiate a lower cost sheet from your supplier, or you can shop your suppliers to see who gives you the best discount.
A higher selling price of a part is also your warranty on that part. If your parts source sells you a defective part, who pays for the labor to replace it? You do. If your warranty is longer than the manufacturer's, and the part fails after the warranty ends, who pays for the part and the labor? You do. If a part you install fails out of town, who pays for the labor and the part? You do. What if the local parts store says it has the part you need, you quote the customer based on your cost, only to find out the store doesn't have the correct part and you have to go to a dealer for the correct part. Who pays for the price difference and your time? You do. If the parts store goes out of business and a part you purchased from them fails, who pays for the part and the labor? You again. The point is, you need an added cushion in your Parts Profit to cover any warranty time. If you track your shop Comebacks, you'll find that 75% are parts-related.

Can you charge more for a part than the vendor or dealer? Yes, you can and should in most cases. In California and many areas of the country, costs are getting so high we have to make extra profits everywhere we can. For example, new car dealers in California add 10-25% to the manufacturer's list price and give us independents a 15% discount. We are paying 10% over the manufacturer's list price. If you or a customer go to the dealer to purchase a part, you're paying a 10-15% higher price. But if you bring your car to the dealer to have a repair, they mark up the part another 10-15%.

Does it matter what price you charge for parts. No. Say I quote you $200 to do a tune-up on your 4-cylinder car, you agree and sign the Repair Order. If I want to charge you $50 each for the 4 spark plugs and no labor, that's my business, not yours. The price is what we agree upon and legally that's all that matters. I'm not saying I charge $50 per spark plug, but I do increase my Parts Profit Percentage higher than list price every time.

Your Parts Profit is one of your major tools to making the profit you need and deserve. Don't treat your Parts Profit lightly. Many of today's computerized shop management systems automatically modify the parts prices to give you the desired Parts Profit you originally set — just another reason why a computerized shop management system helps you and your business. A few management systems even tell you the part number you need, call your parts vender, verify that the part is in stock, automatically mark up the part to your pre-set mark-up figure for that vendor, and display the list price on the screen with the labor for this operation, all in seconds. If the customer okays the repairs, your computer system notifies your parts vendor that you want the part. Before you know it, the part is delivered, and you never even pick up the phone. Think of how much time you could save each day if you did this on every job. How much higher would your Parts Profit be if the computer automatically gave you the Gross Profit Percentage you set? With the savings in time, how much more work could you sell each day? These suggestions help your business make the profits you've been waiting for.

As you have discovered, your Parts Profit is not high enough. As owner or manager of the business, you must establish what parts mark-up policy to use every time. Why should an employee look into the eyes of a customer and say, "The part sells for $20," when it's easier to just say, "The part sells for $15"? If the decision is left up to the employees, they'll say "$15" every time. They may have to face an angry customer if they use a higher price, so why take the chance? The employees won't make any more money on their paychecks if they ask for higher prices on parts. If it's company policy that all parts be marked up a certain way, the employees are accountable as to whether they mark up parts appropriately. If it's your company policy to use a certain method to mark up all parts, that method will be used. If you don't have a policy, don't complain about your Parts Profit.

Table 11.1

Comparison of Mark-Up Percentage and what the actual Gross Profit Percentage should be. Once you determine the Gross Profit Percentage you want, use the multiplied cost to determine your new retail selling price.

Mark-Up Percentage	Multiply Cost by	$1.00 item will sell for	Equals this Gross Profit %
20%	1.2	$1.20	16.7%
30%	1.3	$1.30	23.1%
40%	1.4	$1.40	28.6%
50%	1.5	$1.50	33.3%
60%	1.6	$1.60	37.5%
70%	1.7	$1.70	41.2%

80%	1.8	$1.80	44.4%
90%	1.9	$1.90	47.4%
100%	2.0	$2.00	50.0%
110%	2.1	$2.10	52.4%
120%	2.2	$2.20	54.5%
130%	2.3	$2.30	56.5%
140%	2.4	$2.40	58.3%
150%	2.5	$2.50	60.0%
160%	2.6	$2.60	61.5%
170%	2.7	$2.70	63.0%
180%	2.8	$2.80	64.3%
190%	2.9	$2.90	65.5%
200%	3.0	$3.00	66.7%
210%	3.1	$3.10	67.7%
220%	3.2	$3.20	68.8%
230%	3.3	$3.30	69.7%
240%	3.4	$3.40	70.6%
250%	3.5	$3.50	71.4%
260%	3.6	$3.60	72.2%
270%	3.7	$3.70	73.0%
280%	3.8	$3.80	73.7%
290%	3.9	$3.90	74.4%
300%	4.0	$4.00	75.0%
310%	4.1	$4.10	75.6%
320%	4.2	$4.20	76.2%
330%	4.3	$4.30	76.7%
340%	4.4	$4.40	77.3%
350%	4.5	$4.50	77.8%
360%	4.6	$4.60	78.3%
370%	4.7	$4.70	78.7%
380%	4.8	$4.80	79.2%
390%	4.9	$4.90	79.6%
400%	5.0	$5.00	80.0%

Table 11.2

Sample of Parts Profit Guide with parts based on cost ranges. Parts that cost under $3.00 can be marked up higher than parts that cost $300 or more. You can modify a chart like this to fit your own needs and have different charts for each parts vendor.

Cost Range	Multiply by	Gross Profit %
$0.00 -------- $3.00	3.0	66.7%
$3.01 -------- $6.00	2.5	60.0%
$6.01 -------- $10.00	2.0	50.0%
$10.01 --------- $75.00	1.85	46.0%
$75.01 ---------$150.00	1.75	43.0%
$150.01 --------$300.00	1.67	40.0%
$300.01 --------$750.00	1.6	37.5%
$750.01 -------- Up	1.5	33.3%

Chapter 12

Job Costing

To be absolutely certain about something,
one must know everything or nothing about it.
— Olin Miller

Job Costing is an unknown term in most shops. Job Costing means knowing how much each job costs you and how much profit and profit percentage there is on each job. If every service and repair job was profitable, life would be great.

I must warn you before you read on. If you perform Job Costing on every job, your life will never be the same. Knowing whether you make enough profit on each job is a powerful tool. Certain shop owners don't want to know what their profit is on every job because they might have to change the way they do business. They would face the ugly realization that they're not charging enough for their services. These owners come to see that not charging enough is a cause of low or no profits at the end of the month. They're having a hard enough time now, charging the prices they do. They feel they lack the skills to charge customers more — and that they'll lose business if they charge more. What they fail to realize is, once they know exactly what their cost is on every job, plus the percentage of profit they need to make for a profitable living, it is much easier to face a customer eye-to-eye and say, "This is how much the job is going to cost." It's all a matter of selling your shop to the customer. Charging more eventually becomes easy. Why? Because you have no choice.

Later in *Shop Management Tools for Success* we'll take a look at how to sell your services and repairs. For now, you must learn how to determine the amount you're making on each job. Everything will come together for you as you progress through this guide and your skills and knowledge increase. You're on a journey, a quest to be a better manager and business person. You're exploring options and putting together plans that work best for you. You cannot afford at this time to have your blinders on. If you're going to improve, you have to create and accept change.

What is more profitable? Making $200 profit on a job, or having 50% of the job price be profit. It's a tough call, but the percentage figure gives you more information. If you make $200 profit on a job, but the job sold for $2000, you made only 10% profit on the job. How much profit percentage should you expect on each job? The number varies from shop to shop. Before calculating the percentage you need, let's look at

how you determine the cost of a job. The most important piece of equipment for a shop is a time-clock. (In the chapter "Increasing Shop Productivity" we review the use of the time-clock to improve your productivity.) The time-clock determines your costs on each job. You know that to stay profitable, you have to know exactly what your costs are on every job. Once you know your costs, you can figure out what your expenses are. With a little calculating, you can see the exact profit required on each job.

Shops that use time-clocks are ahead of the game when it comes to Job Costing. A time-clock tells you how much time the technicians spend on each job, a figure used to calculate your true Labor Cost. Also, a time-clock verifies whether the quoted time you told the customer was enough for the job. As a service writer, how else will you know if you're doing a great job? Selling a service or repair for less time than the guidebooks advise is a common problem. Time-clocks clear up any problems and make your job easier. The rewards of service writing are found in charging enough to make desired profits without overcharging. When you Job Cost, use a time-clock, and make calculations that lead to higher profits, you have the benefit of hard data when you ask your technicians, "Why did this job take longer than we quoted?" Most of the time, you'll learn they spend extra time repairing items that aren't part of the quoted job. Let's say a technician re-taps a spark plug hole. Also, he removes the battery to give it a thorough cleaning. The technician even replaces a stripped valve cover stud. All of these items are not part of an ordinary service, and so the customer should be charged extra. You easily get an additional half hour of labor — only if you're aware the technician is doing more work than the customer is paying for. The technicians' feedback is invaluable. Maybe you don't feel like charging the customer for the extra repairs. That's fine. You'll still know why the technician took longer, plus get a chance to earn customer satisfaction, another piece of that new Customer Perception you're working toward. Be sure to tell the customer about the extra work your shop did for free, otherwise, the customer won't appreciate your extra effort. If you're going to do something for free, you might as well receive some goodwill from it.

The biggest benefit of Job Costing is that your technicians have to be accountable for their time. If all workers in this country were accountable for their time, the productivity average would rise from its lowly 66% or 5.3 hours of "bill-able" work per 8 hours. To become a master technician, you need to be productive. To be a master technician, you need to be the best at utilizing time — continually learning how to save time, each time, you do a job.

Later in *Shop Management Tools for Success* you'll learn how to base your employees' pay on their production. After all, if a technician doesn't make you money, you can't afford to keep the technician in these hard times.

Job Costing Formula:

- Selling Price of the job is $175 without Sales Tax.
- Calculate your actual Parts Cost.

  Example: Parts Cost = $50.
- Use a Technician Labor Cost of 25% more than the hourly wage to account for benefits.

  Example: Technician Labor Cost of $16 times 25% equals $4. ($16 plus $4 equals $20 actual Technician Cost.)
- Multiply the time spent by the Technician Labor Cost per hour.

  Example: Technician Labor Cost of $20 times two hours equals $40 of actual Labor Cost.
- Add any Parts and Sublet costs to the Labor Cost.

  Example: Technician Labor Cost of $40 plus Parts Cost of $50 equals $90 of Total Costs. This is the Total Cost of the job.
- Take the price you sold the job for without Sales Tax.

  Example: $175.
- Subtract your True Costs, which gives you your Profit Dollars.

  Example: $175 (Selling Price) minus $90 (Total Costs) equals $85 (Gross Profit).
- Now, just as we calculate our Parts Profit, we need to calculate our Gross Profit Percentage of the job.
- Gross Profit Percentage is Gross Profit divided by the Selling Price.

  Example: Gross Profit $85 divided by the Selling Price of $175 equals a Gross Profit Percentage of 48.6%.

Most shops need at least a 50% Gross Profit to survive. Shops with health insurance and other benefits require 60-66.6% Gross Profit to meet their goals. Dealerships need 70% or more Gross Profit because of their higher costs than us independents. The numbers you need for your own shop will vary. The next chapter explains Gross Profit, and how much Gross Profit you need.

Chapter 13

What is Gross Profit?

Life belongs to the living, and he who lives must be prepared for changes.

— Johann Wolfgang von Goethe

Don't you wish your profits were gross? All shops have that wish, but they all differ in their wisdom about increasing Gross Profit and Net Profit. You know what Net Profit is because that's the first thing you look at when you get your Profit and Loss Statement. Gross Profit is a more important number than Net Profit in many ways.

Gross Profit is the profit you make from Sales after you pay your Technician Labor Costs, Part Costs and Sublet Costs. Accountants prepare your Profit and Loss Statements from your Total Sales, Costs and Expense figures. To arrive at your Gross Profit for the month (from your Total Sales) you subtract your Labor, Part and Sublet Costs. These costs are known as The Costs of Sale. That's exactly what they are: Your immediate costs of doing services and repairs. From the Gross Profit total, you pay all of your Expenses, other than the Technician Labor Costs, Part Costs and Sublet Costs. (Items such as rent, office staff, insurance, taxes and laundry are also included.) Every Expense you have for your business comes out of the Gross Profit. When you subtract your Expenses from the Gross Profit, you end up with your Net Profit. If your Gross Profit isn't high enough you can't pay your Expenses, the end result being a negative Net Profit and loss of money. See why Gross Profit calculations are so important?

We have all tried our best to lower Expenses and found that even hard work sometimes didn't help. It's difficult to decrease Expenses, which happen to go up every month. If you can't decrease Expenses, the only choice you have is to increase your Gross Profit in order to increase your Net Profit. We can all use a higher Net Profit.

It's extremely hard to decrease your technicians' pay, and I don't think you should. If you're lucky, you can find your parts cheaper. You can't lower your Selling Price if you're not making the profit you want, so you need to increase your Parts Profit. Either you buy your parts at a lower price or raise the Selling Price of the part. The good shops are making 40% Parts Profit or higher. Many shops have an average Parts Profit of 50% or more. If you specialize in certain makes of cars, your Parts Profit is usually higher. You are better able to buy affordable parts. If you have a general repair shop your Parts Profit is lower—you must use part sources that give you lower Parts Profit but at least have a wider variety of parts to choose from. Often, this

is more important when you don't have the time to shop around on every job to locate parts at the cheapest cost. You tend to rely on your best parts source.

The biggest gain in Gross Profit is made by selling more hours of labor. You must become more efficient and increase your productivity. The average productivity in this country is 66.6% or 5.3 hours per 8-hour day per technician. Shops with 100% productivity or more are a rarity. My shop has averaged 125% or higher for years, and averages 10.4 hours per day per technician working an 8-hour day. Five more hours produced per technician (I have four) per day equals 20 more hours a week of "bill-able" hours. Plus, the more hours you sell, the more parts you sell — and that additional Parts Profit immensely helps your Gross Profit. This is your bonus when more hours are sold. Your costs didn't go up, other than the costs of the extra parts you sold.

By becoming more productive, your technicians' wages and your rent, office staff, and equipment all go unchanged. Granted, you may need to buy modern equipment or initiate an Employee Bonus Incentive Plan to get your productivity as high as mine, but drastically increasing your Gross Profit is possible and easier than you think. You can make your shop efficient and productive through hard work, team building, employee morale boosting, effective selling approaches and service writing techniques, and certainly with great customer service. You can refer to Chapter 29, "Increasing Shop Productivity" to see the formula that calculates the productivity of your technicians and your shop.

How Much Gross Profit is Enough?

How much Gross Profit do you need? This of course varies from shop to shop. You should work out a figure with your accountant, who can calculate your true Expenses. Your Profit and Loss Statement is the best place to look. Be aware that your Profit and Loss Statement reflects only what bills you paid the previous month. If you didn't pay your rent, for example, your Expenses look lower because of it. Secondly, accountants differ as to how they see loans and leases. Some accountants consider loans and leases as Expenses, listed on your Profit and Loss Statement. The Internal Revenue Service considers loans and leases as obligations, to be paid from the Net Profit. It's up to your accountant as to whether you'll see your loans and leases under the "Expenses" column in your Profit and Loss Statement. Now take your Net Profit and subtract your loans and leases. Now compare the amount of money you've been drawing from the business. As you can see, you now know why money has been tight. You're taking more profits from the business than the business is currently making. Now that I have depressed you, please don't give up on me. We need to solve our profit problems if we're going to reach the success we're looking for.

For your own calculations only, add your loan and lease payments to your Expenses. Do this calculation for your own benefit. (You won't change your Profit and Loss Statement.) On a piece of paper, add up all your Expenses. If you're in a partnership or sole proprietorship and not a corporation, this is the Net Profit your pay comes from. If you are a corporation, your salary is an Expense since as a corporation you are an employee of the corporation. But you still need to increase your Gross Profit so you can add your larger salary to the Expenses — if this is your main goal in increasing your Gross Profit. Now you need to come up with the amount of money you want to make each month. (This will be your Net Profit goal.) Add to your Net Profit goal your total Expenses and loans and leases. This is your new Gross Profit amount you need to make to pay all your Expenses, loans and leases (and your Net Profit goal).

Review **Table 13.1**. In this example, under Current Sales, your Net Profit is negative $2000 and you want a positive $4000 Net Profit. (For our example we won't include any loans or leases in the calculations.) You need to increase your Gross Profit by $6,000. If your Gross Profit is $18,000 you must raise your Gross Profit by $6,000 - $24,000 or more. Do you add the $6,000 to the Total Sales needed? No. If you look under the column for Sales Increased $6,000 you increased your Total Sales by $6,000, so you obviously sold more labor and parts. If you become more productive without working any more hours to generate the extra Labor Sales, then your Labor Cost of Sales did not increase. If you sold more labor you must have sold more parts.

Remember, the Gross Profit is your Total Sales — without Sales Tax — minus your Cost of Sales. If the shop in our example sold $6,000 more Total Sales, it generally sells as many Part Dollars as Labor Dollars. Of the $6,000, $3,000 was Labor and $3,000 was Part Sales. If the shop averages a Parts Profit Percentage of 33.3%, the added Gross Profit is comprised of $3,000 Labor and $1,000 Parts Profit, for a Total Gross Profit increase of $4,000, not the $6,000 found in the Total Sales Increased. You can, however, lower your Expenses by $2,000, but you're not figuring any lower Expenses at this time. Your only concern should be raising your Gross Profit. To raise your Gross Profit by $6,000 you must generate Increased Total Sales by $9,000. This is $4,500 in Labor and $4,500 in Part Sales. (33.3% of the $4,500 Part Sales gives us a $1,485 Parts Profit added to the $4,500 of Labor Sales for a total Gross Profit increase of $5,985, which is close enough for our example.)

Remember, if you increase your Parts Profit Percentage, you'll need less increase in Total Sales. A Total Sales increase of $9,000 is a big increase for most shops. I never said it would be easy. But it can be easy if you increase your productivity and your Parts Profit Percentage. Later in this guide you'll learn modern, efficient and profitable ways to write your Repair Orders, along with strategies to create more Upsells. Once you learn how to better sell your services and repairs, your profits will increase dramatically.

Table 13.1

	Current Sales	Sales Increased $6,000	Sales Increased $9,000
Labor Sales	$20,000	$23,000	$24,500
Parts Sales	$20,000	$23,000	$24,500
Total Sales	$40,000	$46,000	$49,000
Labor Cost	$8,680	$8,680	$8,680
Parts Cost	$13,320	$15,318	$16,317
Total Costs	$22,000	$23,998	$24,997
Gross Profit	$18,000	$22,002	$24,003
GP% Percentage	45%	47.8%	49%
Expenses	$20,000	$20,000	$20,000
Expenses %	50%	43.5%	40.8%
Net Profit	-$2000	$2002	$4,003
Net Profit %	-5%	4.4%	8.2%

How to Increase your Gross Profit.

- Sell more hours' worth of labor, without working more hours.
- Be more productive, sell the same or more hours in less time.
- Decrease your Labor Costs — pay your technicians less.
- Decrease your Part Costs with better buying skills.
- Create more profit on your parts by marking them up higher.

A Word on Gross Profit Percentage

The main reason I am urging you to pay more attention to your Gross Profit and Gross Profit Percentage is because you must learn to measure your Gross Profit and Gross Profit Percentage on every job you do. Gross Profit Percentage is the key figure. Once you know the Gross Profit and Gross Profit Percentage needed on each and every job, you can make some simple calculations to determine if you've made your goal on every job. As it is now, you have no idea if any job you do is profitable enough or not. To calculate your Gross Profit on a job: Add the labor hours worked (you need a time-clock or a very good guess). Now multiply the Technician Costs per hour with benefits (add 25% to the Technician Costs per hour). This gives you the Labor Cost. Add to this your Part Costs and any Sublet Costs to give you the Total Cost of the job.

Subtract the Total Cost of the job from the Selling Price of the job (without Sales Tax). This gives you the Gross Profit of the job. Now divide the Gross Profit of the job by the Selling Price of the job (without Sales Tax). This number is the Gross Profit of the job. Example: A technician spent two hours on the job. You pay the technician $20 per hour. Added to the $20 is 25% for benefits and taxes — you get a $25-per-hour Technician Cost. Two hours times $25 equals $50 Labor Cost. The Parts Cost on the job is $50. Add the Labor Cost, $50 to the Parts Cost $50 to give you your Total Cost of $100. The job sold for $150, without Sales Tax. Subtract the Total Cost of the job, $100, from the Selling Price of the job $150, which equals $50 profit made on the job. Now take the $50 and divide it by the Selling Price $150, giving you .33 or 33% Gross Profit on the job. If your Expenses are 50% and you made 33%, you lost money on the job. How many jobs do you lose money on per day, week, month and year? This is why you need to know your Gross Profit on every job, every time! If your Expenses are 50%, the cost of the above example is $75 and you make $50, so you lost $25 on this job. Shops lose money like this on jobs and they think they'll make up for it in volume sales. So now they lose $25 on a hundred jobs.

In our example in **Table 13.1**, if you divide your Gross Profit Dollars for the month by the Total Sales for the month, minus Sales Tax, you get your Gross Profit Percentage. Example: If your Total Sales is $40,000 and your Costs of Sale is $22,000, then your Gross Profit is $18,000. Dividing $18,000 by $40,000 gives you 45% Gross Profit. In our example, the shop needs to make 50% Gross Profit Percentage or more on all its jobs to reach the desired goal. Of course, you'll lose money on some jobs and make much more than 50% on other jobs. Make sure you achieve your goal most of the time. If you make 50% on half the jobs, and less on the other half, you won't reach your goal. In Chapter 14, "The Magic Formula", you'll learn how to make every job and every Estimate come out to meet your Gross Profit goal.

You need to know your Total Expenses and be able to determine your Average Total Sales for any given month. Use your Year-To-Date Total from your Profit and Loss Statement and divide it by the number of months included in the Profit and Loss Statement. Take this Average Expenses figure for the month and divide it by the Total Sales for a month. Example: Your Average Total Expenses are $20,000 and your Total Sales are $40,000 ($20,000 divided by $40,000 equals .5 or 50%). Your Expenses are 50%. For every dollar you sell, it takes fifty cents to pay your Expenses. To save for future equipment and shop expansion, you should make, let's say, 5% profit or $2000 per month, with Monthly Sales of $40,000. If Total Sales minus Cost of Sales equals Gross Profit, and Gross Profit minus Expenses equals Net Profit, you need to add your 5% of Net Profit onto your Expenses of 50%. (5% plus 50% equals 55%.) Ideally, you need a Gross Profit Percentage of 55% on every job to allow yourself to be paid what you want, while leaving enough profit to save for equipment and expansion.

The numbers in this chapter are just examples and yours will vary. Learning to calculate the profit you need on each job is the reason for this exercise. With the above formula you can play "What if?" with the numbers. Computers are great for this purpose. If you raise your Labor Rate, for example, by $5-per-hour, your Total Sales go up. Subtract your Expenses from your new, higher Total Sales to see what the Net Profit difference is. Or add another technician to generate so much in labor at a certain productivity and so much in parts at a certain Parts Profit. Subtract the Technician Costs and Part Costs to give you a new projected Gross Profit. Subtract your Expenses from this number to give you the possible profit increase or decrease by adding another technician. You can even do these calculations for potential equipment and expansion. It gets a little confusing at times, but if you keep all your figures straight you can, at any time, project sales and profits. We move into projections and goal setting later in this guide.

In summary, you've learned to calculate your Gross Profit on every job. You know the Gross Profit Percentage needed to create the profits you want. The next chapter, "The Magic Formula", shows you how to calculate each Estimate to give you that same Gross Profit Percentage. The Magic Formula is a method of calculating the exact price on every job. The Selling Price you come up with shouldn't be a penny too high or too low.

At this point, you're still only a portion of the way through *Shop Management Tools for Success*. You are learning much about your business and how successful, profitable shops became the best in their areas. Don't stop now — It gets real exciting (and lucrative) as we move on.

Chapter 14

The Magic Formula

One who is contented with what he has done will never become famous for what he will do. He has lain down to die, and the grass is already over him.

— Christian Nestell Bovee

Do you have a standard procedure for charging for your parts and labor? Wouldn't it be nice if you had a *magic formula* guaranteeing you the profits you need and deserve? A formula based on your costs? This chapter teaches you about my Magic Formula, a formula and fundamental principle that our industry continually fails to understand while other industries value its absolute importance.

Determining your costs is easier than it looks. You first figure how much the service or repair job costs you, essentially your Cost of Sale — your cost of labor, parts, and sublets. Subtract your Cost of Sale from the Selling Price and you end up with your Gross Profit for the job. If you divide the Gross Profit by the Selling Price you have your Gross Profit Percentage. The Gross Profit Percentage is your most important number to know. (More important than the Actual Dollar Profit of the job.) In most cases, you need 50-60% or greater Gross Profit on every job. It doesn't matter how much profit you make on the job. If you make, for instance, $500 profit on a certain job, your Gross Profit is 35%, and if your Business Expenses are 45% you actually lost money on this job. What's more important? Making $500 profit, or not making enough profit to pay your Expenses. You may think $500 in income (and you're correct), but it may not be enough profit to pay the bills.

The Real World of Making a Profit

You know how much a job costs from your Cost of Sale calculations, and from this, you know your Gross Profit Percentage. You should already know your Shop Expenses. (See the chapter "What is Gross Profit".) From these numbers you know what percentage of your sales are Expenses, and you have a good idea of what percentage of your sales you want to be profit.

From the top, here's an example of what you can accomplish with the Magic Formula: Your Gross Profit Percentage is 45%. Your percentage of Expenses is 35%. You take your Gross Profit Percentage of 45% minus your Expenses percentage of 35%, giving you a Net Profit Percentage of 10%. Let's say that 10% Net Profit is not what you want, and 15% is a figure more to your liking. Either you have to decrease your

Expenses by 5%, or increase your Gross Profit by 5%. Since it's very difficult to decrease your Expenses, you can see that you must increase your Gross Profit by 5%. If you make every job give you a Gross Profit Percentage of 50% or more, you can make the Net Profit you need. Hopefully, you are charging enough to make a decent profit.

Before using the Magic Formula, talk to your accountant about what your Gross Profit has been, how much your Expenses are, and the percentages of the Total Sales. If you are a manager or owner who works on cars, you should calculate the amount of time you wrench on cars and add your Labor Cost to the Cost of Sale. Normally, your Labor Cost is a draw or an Expense and it will throw off the Magic Formula. Your Cost of Sale is your Technicians' Labor, your parts, shop supplies and hazardous waste charges, but not your Sales Tax. Your Expenses include every cost other than the Cost of Sale.

The Magic Formula is designed to give you the profits you've been looking for. I must warn you: You may be shocked by how much you need to charge your customers. But, you won't make increased profits without charging more. The Magic Formula shows you exactly what to charge. If you don't want to charge the calculated amount, you better be prepared to lower your Expenses or Net Profit. This is the hard fact of reality when looking at why your dreams of higher profits aren't coming true.

The Magic Formula is Simple:

- Take your Labor Cost — use $20 as a Technician Labor Cost amount. Add up your total business costs for taxes, holidays and vacations by adding 25% to the $20, which gives you a cost per hour of $25. The job you're bidding on calls for two hours of labor. So your Labor Cost is two hours times $25, which equals $50. Your Parts Cost is $50. Your total costs of the sale, or Cost of Sale, is $50 labor and $50 parts, equaling a total of $100.

- Your goal is a 50% Gross Profit, so you need to multiply your $100 Cost of Sale by 2, which gives you a total of $200. This is the price you sell this job for to give you a Gross Profit of 50%. Remember from the last chapter, "What is Gross Profit and How Much Do You Need?" that if you divide the Gross Profit of $100 by the Selling Price of $200 you get a Gross Profit Percentage of 50%.

- Next, determine how much in labor and parts equals your Selling Price of $200. First, figure out how much the parts are going to be. If your cost for the parts is $50, how would you normally mark up the parts? If you want a 33.3% profit on the parts, you need to multiply your cost of $50 by 1.5, which gives you $75 — and a $25 profit. ($25 divided by $75 equals 33.3% Gross Profit on the parts.)

- You know your Selling Price is $200. You need to subtract your Parts Selling Price of $75 from your Selling Price of $200, which equals $125, the labor you need to charge. Next, you divide the labor of $125 by your Labor Rate. Use $50 per hour. ($125 divided by $50 equals 2.5 hours.) You need to charge 2.5 hours at $50/hour plus a Parts Costs of $75 to give you the Gross Profit you want. Remember, your Expenses are 35%, and 50% minus 35% gives you the desired 15% Net Profit. If you have a higher parts mark-up percentage you can charge less for labor. Example: Double the Parts Cost to give a 50% Parts Profit. ($50 x 2 = $100 Parts Selling Price.) You have your $200 Selling Price minus the $100 Parts Selling Price, and charge only $100 in labor, two hours at $50 per hour.

Since you're the owner or manager of your business, it's up to you to decide the future and profits of your business. Now you have the Magic Formula to help you along. All you need now is the guts to use it. Now that's called selling! You'll find it easy to sell your services and repairs because you have no choice — if you want the profits to stay in business and create the good life for yourself, your family, your employees, and your customers. Welcome to the real world of automotive shop management.

Magic Formula Step by Step

The numbers below are examples only. You need to know your Technician Costs and determine what Parts Profit and Gross Profit Percentage your shop needs.

1. **Labor Cost**. (Time job will take, times Labor Cost)

Tech Per Hour Cost		Labor Time		Labor Cost
$25.00	X	2	=	$50.00

2. **Parts Cost.** (Get actual Parts Cost)

		Parts Cost		Parts Cost
		$50.00	=	$50.00

3. **Total Costs.** (Add Labor & Parts Cost)

Labor Cost		Parts Cost		Total Costs
$50.00	+	$50.00	=	$100.00

4. **Profit Desired.** (Example with 50% Gross Profit, multiply by Mark-Up Factor.)

Total Costs				
	X	2.0	=	50.0%

5. **Selling Price of Job.**

Total Cost		Mark-Up Factor		Selling Price
$100.00	X	2.0	=	$200.00

6. **Parts List Price.** (Example: 33.3% Parts Gross Profit)

Parts Cost		Mark-Up Factor		Parts List Price
$50.00	X	1.5	=	$75.00

7. **Labor Dollars**. (Subtract Parts List Price from Selling Price)

Selling Price		Part List Price		Labor Price
$200.00	-	$75.00	=	$125.00

8. **Hours of Labor**. (Divided Labor Dollars by Labor Rate)

Labor Price		Labor Rate		Labor Time
$125.00	÷	$50.00	=	2.5 Hours.

9. **Total of Job.**

Labor		Parts		Total
$125.00	+	$75.00	=	$200.00

10. **Sell the Job.** This is what you have to do to make your profit goals. If you don't try, you will never get the profits you want and need.

Chapter 15

Analyzing a Repair Order

There is only one success ... to be able to spend your life in your own way, and not to give others absurd maddening claims upon it.

— Christopher Morley

In previous chapters you learned the Magic Formula to increase your Gross Profit and how to Job Cost. Now, we'll look closely at your Repair Orders and view them in a different light. We'll analyze your Repair Orders to find out what is needed to achieve your Gross Profit Percentage goal. (Remember, you're using a Gross Profit Percentage of 60% as your goal.) Keep in mind that you and your accountant should calculate the Gross Profit Percentage that gives you the desired profits you want. In most cases, 60% is needed.

Table 15.1, Analyzing a Repair Order, shows the various factors that give you suitable Gross Profits. We'll start with the typical Repair Order.

Typical Repair Order: We see we made 33.3% profit on our parts. We sell 3.2 hours of labor and spend 4.0 hours doing the repair. This gives us productivity of 80% and a Gross Profit of 44.1%. The total job sells for $358 and we make $158 Gross Profit. Our Gross Profit of 44.1% is well below the 60% Gross Profit we are looking for. Now let's move down a row on **Table 15.1** to Increased Parts Profit Only.

Increased Parts Profit Only: We increase our Parts Profit from 33.3% to 50%. Our labor sold and time spent stay the same. Our Gross Profit on the job went up 7.0% to 51.0%. Our Gross Profit increased $50, to $208. But our Gross Profit Percentage is still below our 60% goal. In this example, increased Parts Profit alone is not enough to reach our Gross Profit goal of 60%. You can refer to the "Parts Profit" chapter to calculate your own Parts Profit. Now let's move down again a row on **Table 15.1** to Increased Productivity Only.

Increased Productivity Only: Our Parts Profit stays at the original 33.3%. But this time we still sell the job for 3.2 hours, and only spend 3.2 hours versus 4.0 hours to do the job. We now make 100% productivity. If we look at our Gross Profit for the job, it is only 49.7%. It is lower than if we simply marked up our parts — but still not close to our 60% Gross Profit goal. Again, increasing productivity only may not be the

answer to the Gross Profit goal you need. But this is a start. You can refer to the "Measuring Productivity" chapter to calculate your shop's productivity. Move down again a row on **Table 15.1** to 100% Productivity, Plus 50% Parts Profit.

100% Productivity, Plus 50% Parts Profit: Let's go back and get our 50% Gross Profit on our parts. And keep the 100% productivity. Our Gross Profit goes up to $228 and our Gross Profit Percentage is 55.9%. Now we're getting close to our 60% goal, but are not there yet. If your shop's productivity is less than 100% and your Parts Profit is less than 50%, you still have a distance to go to reach your Gross Profit goal. Remember, your own Gross Profit goal may be less than the 60% we are using for this example. Move down again a row on **Table 15.1** to Increasing Hours Sold, Plus 50% Parts Profit.

Table 15.1. Analyzing a Repair Order Chart

Typical Repair Order

Parts Cost	Parts Retail	Parts Profit%	Labor Dollars	Hours Sold	Hours Worked	Labor Cost	Prod Percentage	Total Costs	Total Sold	Gross Profit	Gross Profit%
$100	$150	33.3%	$208	3.2	4.0	$100	80%	$200	$358	$158	44.1%
Increased Parts Profit Only											
$100	$200	**50%**	$208	3.2	4.0	$100	80%	$200	$408	$208	51.0%
Increased Productivity Only											
$100	$150	33.3%	$208	3.2	**3.2**	$80	**100%**	$180	$358	$178	49.7%
100% Productivity, Plus 50% Parts Profit											
$100	$200	**50%**	$208	3.2	**3.2**	$80	**100%**	$180	$408	$228	55.9%
Increasing Hours Sold, Plus 50% Parts Profit											
$100	$200	**50%**	$325	**5.0**	4.0	$100	**125%**	$200	$525	$325	61.9%
Increasing Productivity to 125%, Plus 50% Parts Profit											
$100	$200	**50%**	$260	**4.0**	**3.2**	$80	**125%**	$180	$460	$280	60.9%
Increasing Productivity to 156%, selling more time, + 50% Parts Profit											
$100	$200	**50%**	$325	**5.0**	3.2	$80	**156%**	$180	$525	**$345**	**65.7%**

Increasing Hours Sold, Plus 50% Parts Profit: This example shows us selling more hours, from 3.2 to 5.0 hours. This means we took more time looking up the labor times in our guides and charged the correct labor time of 5.0 hours. We still spent 4.0 hours working on the job as we did originally. This now gives us productivity of 125% and we kept the 50% Parts Profit. Our Gross Profit Percentage is 61.9%, which is above our goal. Our Gross Profit is now $325, an increase of $167 from our original job. Move down again a row on **Table 15.1** to Increasing Productivity to 125%, Plus 50% Parts Profit.

Increasing Productivity to 125%, Plus 50% Parts Profit: Here we only charged 4.0 hours of labor, not the 5.0 as above, but we were more productive and only spent 3.2 hours on the job, not the 4.0 hours as above. This still gives us our 125% productivity as before, but only because we spent less time and did not charge as much time. We maintained our 50% Parts Gross Profit. This gives us a 60.9% Gross Profit, above our goal of 60%. Here we did not have to charge as much labor time, but we still had to maintain good productivity and Parts Profit. This example shows we can increase our Gross Profit Percentage by being more productive — if we charge for more labor time. Again we need to maintain a good Parts Profit Percentage to keep us near or above our 60% Gross Profit Percentage goal. Move down again a row on **Table 15.1** to Increasing Productivity to 156%, Plus 50% Parts Profit.

Increasing Productivity to 156%, Plus 50% Parts Profit: This example shows us selling the 5.0 hours of labor time, the correct labor time from the labor guide. We again were productive and did the job in 3.2 hours. This gives us 156.3% productivity and we maintained our 50% Parts Gross Profit. Our bottom line is we now have a Gross Profit Percentage of 65.7%, with a Gross Profit of $345 or $187 more than our original job, which is twice as much profit as before. This is the most extreme of all the examples. The very best shops are able to achieve this on nearly every job.

These examples prove that several variables can make up the Gross Profit we need. We have to maintain a higher Parts Profit. We have to increase the productivity of our technicians to get the jobs done quicker. We need to use our labor guides on every job. (Use the guides to charge the amount of time the job truly calls for.) Without knowing our exact costs on each job, none of our above calculations are possible. Again, never underestimate the importance of Job Costing.

We need to become better salesmen. To excel at being better salesmen, we must improve the customer's perception of ourselves and our shops. I never said this was going to be easy. If it were easy, everyone would be doing it. You can make your shop 1% better a hundred ways. You can also eat an elephant, one bite at a time.

In summary, profitable shops know what to obtain on every job. They know how to, and are not afraid to:

- Give the customer a great perception of their shop.
- Look up and sell the correct amount of time.
- Maintain a good Parts Gross Profit Percentage.
- Be a productive shop with productive technicians.
- Job Cost each and every job.

- Sell their repairs and services based on their costs.
- Know the profit they need.
- Have a good computerized shop management system giving them information on every job.

Profitable shops can afford the technicians they need, the ones you wish you could afford. They can afford the new equipment they need and want. They can afford the benefits for their employees you wish you could provide for your employees. They in all likelihood own their own building, the one you wish you could own. You may have thought, at times, they charged too much for their repairs and services, and you always wondered why they had more customers than you. The profitable shops have realized what it takes to make a profit.

The profitable shops knew what had to be done and they did it. They knew they would never be the cheapest shop in town. They knew that to be the best shop in town, they had to charge more to make a profit. Not only did they have to charge more, they had to be more productive than all the other shops in town. Since they charged more, they realized that only by giving excellent customer service and exceptional quality work could they charge more than their competitors.

With the profits they make they can afford effective advertising to keep a steady stream of new customers coming in. Some of their new customers may have been your customers. Why would your customers want to go to a more expensive shop? Simple: They received what they felt was a better value. They sensed higher quality repairs with exceptional customer service from a highly-professional shop. Most customers want the sense of a better value in everything they buy. If customers spend more money and feel they get a better value, they are happy and willing to come back again and again. In other words, your old customers felt they only saved money at your shop. They never perceived quality and customer service for the money they spent.

Later chapters provide potent strategies for improving your selling ability. In the "Service Writing" chapter you'll learn powerful techniques that show you how to offer options to your customers for the servicing they need. The "Selling Service and Repairs" chapter helps you sell more jobs over the phone, and the "Selling Upsells" chapter helps you Upsell the items customers need. Everything you've learned up to this point will soon come together.

Chapter 16

Charging for Diagnostic Time

We are restless because of incessant change,
but we would be frightened if change were stopped.
— Lyman Lloyd Bryson

Before we start, answer this question. How much is your knowledge and experience worth per hour? Zero, $25, $50, $100 or more? Your knowledge and experience isn't worth anything if you're diagnosing cars for free. This chapter looks at the topic of how profitable shops charge for diagnostic work, and may be the most controversial of all the chapters in *Shop Management Tools for Success.*

Keep in mind that most of the ways we do business today were adopted from the business procedures initiated decades ago, when there wasn't much to diagnose. A rattle here, a funny noise there, that was about it. Today, 40-60% of all the work we do in one form or another is diagnostic work. Look at how complicated today's cars have become compared to just twenty years ago. In years past we diagnosed the job for free, knowing full well we would make our profit on the actual repair. Back then, it took only a few tenths of an hour to diagnose most things. Today it may take half an hour just to figure out what we're working on. Look at the quantity of state-of-the-art automotive diagnostic equipment and the cost of that equipment today. New scopes are selling for $35,000. Plus, you need a computer data base for manuals and Technician Bulletins. You need scanners and all sorts of specialized equipment operated by highly-trained master technicians (if you can find them) to do most of the diagnostic work.

Back to Basics

Let's talk about a basic understanding of our business. For every hour of labor we sell, we usually sell a lesser amount in parts. If you don't believe in this slight degree of difference, simply look at any of your financial statements — your Labor and Part Sales are very close. As an example, let's use $50-per-hour as your Flat Rate labor charge. If you sell an hour's worth of labor at $50, you normally sell $40 worth of parts. Of the $40 in parts, you have a Parts Profit of say, 40%, or $16. For that hour you sold for $50 in labor you also generated another $16 in profit, for a total of $66. So, if you charge a customer an hour for labor, or $50, to diagnose his car, you lost that $16 in Parts Profit.

Let's look at what just happened with your math. You diagnosed a car, with your most expensive and experienced technician, using your most expensive equipment. On most jobs, your top technician can break Flat Rate time. Let's assume you decided to charge only for the amount of time you thought your technician would take. Otherwise, you wouldn't have sold enough time in the first place, especially on a job that had the very high possibility of being a Comeback (electrical, drive-ability problems, etc.). You didn't charge for any use of your expensive equipment, and you lost the money you would have made with a Parts Profit of $16 or more on a normal repair job. It took your technician two hours to diagnose the problem and not the hour originally estimated.

You may think you won the repair job by diagnosing the work for free. If you give away $66 worth of your time, how much more money do you have to make to get your $66 back. Let's say your auto repair shop has a 10% Net Profit (national average is only 4.4%). You would have to do another $660 worth of work just to get your $66 back. To make matters worse, most of the diagnostic work that gets repaired requires a dealer part to fix the problem. You only get a 10-15% discount on most dealer parts.

All of this adds up to having a different Labor Rate for diagnostic work. In the above example, you need $50 for labor normally generated — and $16 in Parts Profit that won't be generated. You need to add money for the cost of your equipment, let's say $15. Add some money for your knowledge and experience, let's say $15. Add all of this together:

Labor Rate		**$50.00**
Lost Parts Profit	**+**	**$16.00**
Cost of Equipment	**+**	**$15.00**
Knowledge and Experience	**+**	**$15.00**
Total needed for Diagnostic Rate	**=**	**$96.00 per hour**

Ninety-six-dollars-per-hour is cheap for diagnostic work. Ask your doctor, lawyer, copier repairman, electrician, and accountant what they charge per hour. Most copier repair companies charge $110-per-hour or more, plus travel time. The repairmen carry their tools in a briefcase. You probably think you'll lose customers if you charge $96-per-hour for diagnostic work. All you are doing is quoting the customer $96 worth of time. You don't have to say how much per hour you're charging. If the elapsed diagnostic time is an hour, that's your business. Furthermore, you are charging for what you know, not just the time spent. You may have heard the story about the copier repairman who made a service call. The customer told the repairman what the problem was. The repairman walked over to the copier and kicked it. The problem was cured.

He presented a bill for $100. The flustered customer demanded an itemized bill, so the repairman itemized the bill. Ten dollars for kicking and $90 for knowing where to kick.

All I am suggesting is: If you get a car with a problem you've seen before, don't simply charge for the repair, charge a little for your experience. Think back how much it cost you in time previously to solve the problem. Now it's time to collect on your experience. We all get upset if it takes too long to diagnose a problem. If the technician is wrong it costs us more. Why would any technician want to work under this kind of stress, for the amount of money he makes? The technician is better off doing regular repair work. Somehow and in some way we are going to find ways to pay for our equipment, schooling, experience, and our highly-paid technicians. The shop down the street might charge the same Labor Rate as you, but do they have the equipment, knowledge, and experience you do? Why should you charge the same Labor Rate to diagnose today's cars? It wouldn't make sense — especially since you made the commitment to run your business profitably.

Determine your costs and charge what's appropriate to make a profit. Whatever that amount is, you must do a better job of selling your services. If you charge an additional $46-per-hour for your Diagnostic Labor Rate and do two hours of diagnostic work per day, you generate an extra $1840 a month in profits. This can pay for your diagnostic equipment and school costs for the month. If you make more than your costs, you can purchase the diagnostic equipment you lack. If you don't charge extra for your diagnostic work you'll lose money until you're out of business. I can guarantee you one thing. If you don't bother to at least try charging a higher Labor Rate for diagnostic work, you'll never see the benefits and the profits you need.

Chapter 17

Delegation

Executive ability is deciding quickly and getting somebody else to do the work.

— John G. Pollard

One of the most important lessons to be learned in shop management is the *Art of Delegating*. You will enjoy only limited success until you learn to delegate. Just ponder all the things you must consider and act upon each and every day.

Figure 17.1 shows you, as the owner, the various management concerns that require your attention — things that are coming from many different directions. (You can plainly see why you get those Excedrin headaches.) An example of these same concerns and problems — after they've been delegated — is illustrated in **Figure 17.2**. As you can see, you have given your key employees the tasks you used to deal with. You provide these key employees with the responsibilities and the support structure to handle their new tasks. You take the time to show them how you do these tasks, helping them along the first few times. Once they get the hang of the task, able to handle it professionally, you can go about your other management responsibilities. Be sure that your shop has a "fail-safe measure" in place where you are to be immediately notified if a problem crops up. Otherwise, your employees are to perform their jobs as instructed. Your shop may be very small and you alone might be the key person. But you can still eliminate some of the tasks by having an Employee Manual, along with regular shop meetings.

You must "move" or assign tasks as needed to different employees as needed. Most employees welcome added responsibilities, so they can further prove their worth to you and the company. If your employees are allowed to perform much of your work for you, any "additional employee pay" may be well worth your new freedom. There is only so much you can do and only so much time each day. If you want the freedom you deserve, you must give some of your duties to your employees. Nobody will perform shop duties as well as you can — no one ever will. Once your shop becomes more productive and efficient, you'll get to a point where you don't have the time to do routine tasks, jobs you once had plenty of time to do. Your shop will get very busy, and some of your tasks won't be done at all. What is better at this point, tasks being performed by someone other than you and not exactly the way you want, or tasks not being done at all? This shouldn't mean you have to compromise your standards by letting someone else do a job you normally perform. If you are to ever reach the level of success you're looking for, YOU MUST DELEGATE.

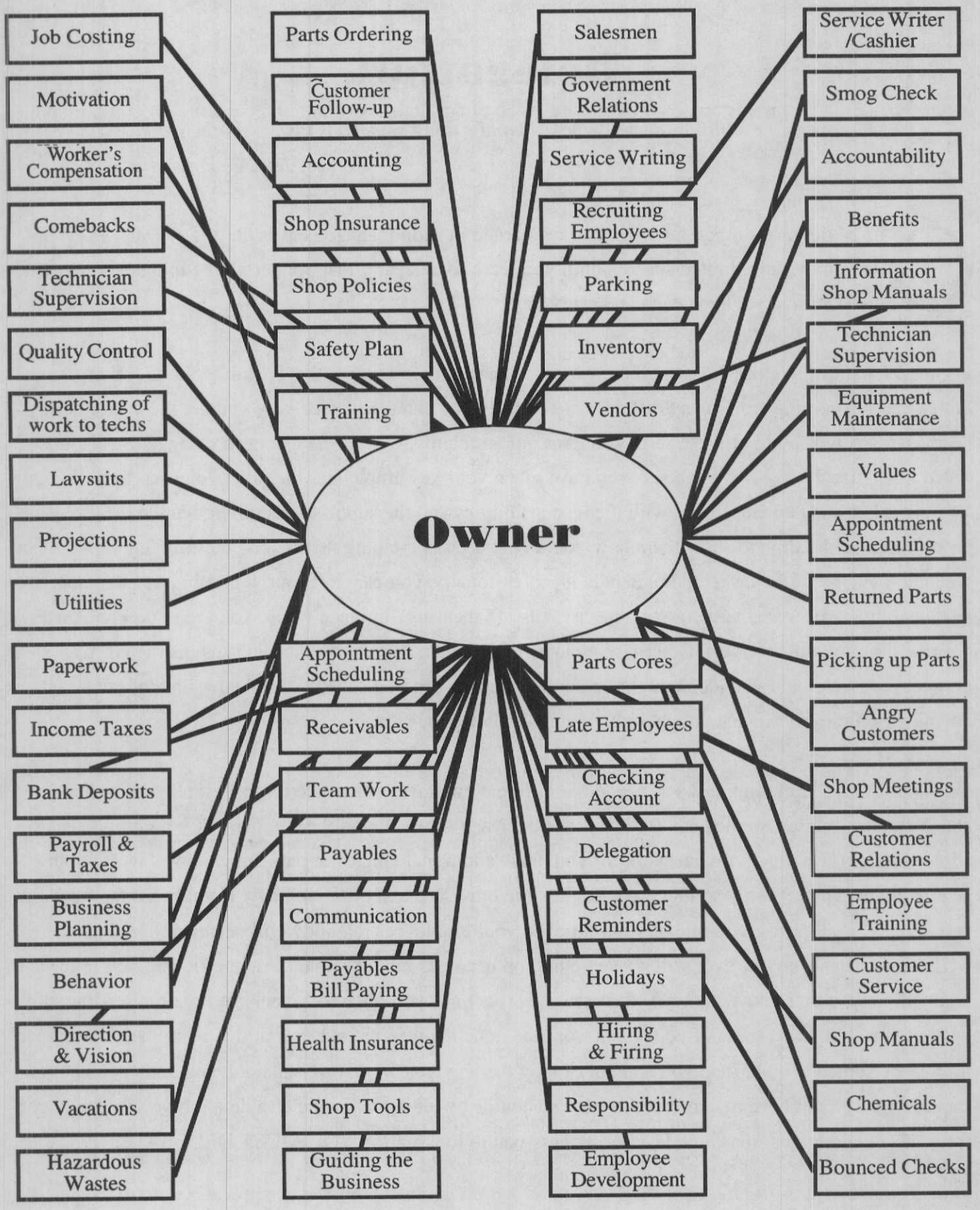

Owner
Job Costing
Motivation
Worker's Compensation
Comebacks
Technician Supervision
Quality Control
Dispatching of work to techs
Lawsuits
Projections
Utilities
Paperwork
Income Taxes
Bank Deposits
Payroll & Taxes
Business Planning
Behavior
Direction & Vision
Vacations
Hazardous Wastes
Parts Ordering
Customer Follow-up
Accounting
Shop Insurance
Shop Policies
Safety Plan
Training
Appointment Scheduling
Receivables
Team Work
Payables
Communication
Payables Bill Paying
Health Insurance
Shop Tools
Guiding the Business
Salesmen
Government Relations
Service Writing
Recruiting Employees
Parking
Inventory
Vendors
Parts Cores
Late Employees
Checking Account
Delegation
Customer Reminders
Holidays
Hiring & Firing
Responsibility
Employee Development
Service Writer /Cashier
Smog Check
Accountability
Benefits
Information Shop Manuals
Technician Supervision
Equipment Maintenance
Values
Appointment Scheduling
Returned Parts
Picking up Parts
Angry Customers
Shop Meetings
Customer Relations
Employee Training
Customer Service
Shop Manuals
Chemicals
Bounced Checks

Figure 17.1

As you delegate, you have to let your employees follow your lead. But your employees should be allowed to follow the path they feel works best for them. An example of such a path is: you may have your own way of ordering parts. If you delegate this job to your parts person/manager, he too may have his own way of compiling the part numbers and quantities needed. You may find, over time, that he does a more thorough job than you, even finding vendors who offer better prices to your shop. With the proper guidance, your employee may lower your inventory costs as well. He learns to deal with all the vendors and salesmen that stop in to conduct business. How much time does this save you?

Your employees can learn to handle all the shop chemicals, receiving and sorting the M.S.D.S. (Material Safety Data Sheets). They can handle the hazardous waste disposal of these chemicals as well. You may never need a physical inventory again, especially with your employees' constant inventory maintenance. A person in the shop can be an added service writer and dispatcher of work when needed, or help with all the incoming phone calls when the shop gets real busy. If you wish to take a vacation, you'll now have one or more employees in the shop who can run the place while you're gone. But you have to start somewhere, so start delegating.

Many shops have an office person, an employee who is primarily responsible for all the office work — the bookkeeping, bill paying, payroll, filing, etc. This person helps with answering phones or service writing during the busy hours. He even orders parts from the lists you prepare.

You're at the point where you, as owner, are wearing too many hats. Get your employees to wear more than one hat. Part of delegating is also cross-training. Employees who are cross-trained are trained to do more than one job. For example, a cross-trained office person is a service writer, dispatcher, parts person, parts runner, customer ride person and an assistant service manager. How else will you ever get a vacation? The whole idea behind a vacation is for your shop to run well whether you're there or gone. Being able to go on a vacation means you must let your delegated employees do their new tasks before you leave. (You can't leave and expect your employees to know everything you know, such as how you handle fluctuating situations.) My original reason for purchasing a computerized shop management system was for me to set my service and repair prices in the computer, instead of in my head.

Most shop owners take a vacation and expect their employees to learn how to figure out all the repair prices. Of course, employees figure the prices on the low side — and the shop loses money while the owner is gone. The owners usually swear they'll never take another vacation because of the inability of their employees to run things when left alone. But look at it this way: Is it the employees' lack of ability, or the owners' lack of cross-training their employees and setting policies for the way procedures are to be performed?

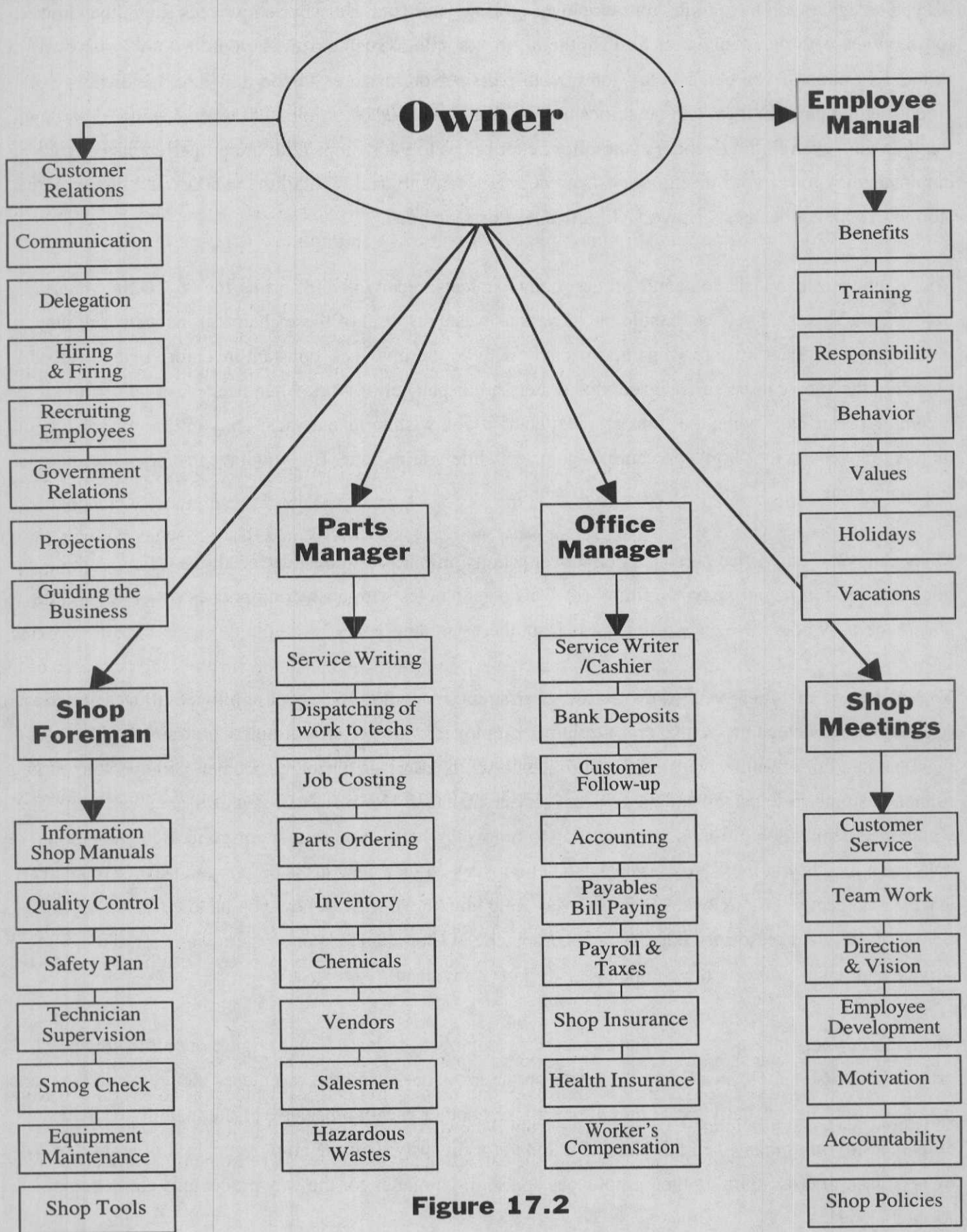

Owner
Customer Relations
Communication
Delegation
Hiring & Firing
Recruiting Employees
Government Relations
Projections
Guiding the Business
Shop Foreman
Information Shop Manuals
Quality Control
Safety Plan
Technician Supervision
Smog Check
Equipment Maintenance
Shop Tools
Parts Manager
Service Writing
Dispatching of work to techs
Job Costing
Parts Ordering
Inventory
Chemicals
Vendors
Salesmen
Hazardous Wastes
Office Manager
Service Writer /Cashier
Bank Deposits
Customer Follow-up
Accounting
Payables Bill Paying
Payroll & Taxes
Shop Insurance
Health Insurance
Worker's Compensation
Employee Manual
Benefits
Training
Responsibility
Behavior
Values
Holidays
Vacations
Shop Meetings
Customer Service
Team Work
Direction & Vision
Employee Development
Motivation
Accountability
Shop Policies

Figure 17.2

To delegate is to empower your employees into making the correct decisions. I strongly feel, "a decision made, either right or wrong, is better than no decision at all." Let your employees do what they think is right — and what they feel you would have done had you been there. To delegate is to let employees live with their decisions. If you don't agree with the decision they made, initially agree with their decision, thank them for their courage to make the decision, then politely explain the decision you would have made and why. Let them learn from the experience. Let them gain insight into how they can do a better job next time. (Never get upset at employees or force them to undo their decisions.) If you don't give employees the confidence to do what's right in their opinion, they'll never make an important decision in your absence. Inaction on the part of employees is often much worse than them making incorrect actions. You have to look at your employees as your partners. Let them feel like they do own a part of the business. Once they have the feel of being part of the business, it's easier for them to manage and make correct decisions. Then and only then can you take those long vacations you've dreamed about — without calling in every hour to make sure everything is okay.

Every shop has a key technician or shop foreman. Give the shop foreman more responsibility. The shop foreman, for instance, should be in charge of all the shop tools, making sure the equipment is maintained. He can also see to it that the shop manuals are kept in order and put back immediately when no longer used by a technician. Quality control is an important element found in all productive shops. Your shop foreman lives in the heart of the shop and sees and hears everything that's going on. If the shop foreman senses that a technician is having problems or has missed an item, the shop foreman should be responsible for looking into the problem. The shop foreman may dispatch work to the technicians, along with being in charge of the shop's Safety Program. Who better than the shop foreman to make sure that eye protection, jack stands or other safety equipment and procedures are utilized when required? A shop foreman can even monitor the chemical storage tanks for the weekly documentation of "No Chemical Leakage." These are just a few of the responsibilities you can delegate to a shop foreman, or any employee for that matter. You don't have to perform everything yourself.

Conduct a shop meeting that discusses ways your employees can share the burden of managing the business. You'll be surprised by the help you receive. Employees notice the hard time you're having keeping up with a busy shop. They know because the chaos is affecting their jobs. The more they can help you, the better life will be for everyone.

There is one thing you should be aware of as you delegate your jobs, something other shop owners have experienced in the past. One day they realized they had nothing to do. They no longer had to come to work. This brought about two interesting responses from the owners. They either said, "I am no longer needed, feel useless and have nothing to do," or "Life is great, let's play golf — early retirement is wonderful! Why did I wait so long?"

Chapter 18

Shop Policies

You will never "find" time for anything. If you want time you must make it.

— Charles Buxton

Do you have a set of policies in place for your shop? Do all employees know what your shop policies are? You think only the big companies need a policy manual, right? In reality, every business needs a policy manual of some sort — be it one page or an entire book.

Policies are important because employees know what you expect of them. For you, the owner or manager of the business, you want to set policies so your employees know what to do in all circumstances. If you're away from the premises your employees must know what to do. Managing a business means establishing policies to guide your business in the direction you foresee. Managing means guiding your employees and business down the path you've decided to take. Regarding today's Labor Laws, it is vital to have written policies included in your Employee Manual. (Employee Manuals are covered in a later chapter.) If you want your business to be self-operating, you need to consider all policies — the ones in your head and those your employees are unaware of. The following is a fundamental set of policies for your business.

- **Time-Clock Policy.** Without a policy in place, it may be hard to get employees to use the time-clock.
- **Parts Mark-Up Policy.** If your parts aren't marked up properly, how will you ever reach your Parts Profit goal?
- **Warranty Policy**. Your employees must provide a uniform warranty policy to customers for parts and labor.
- **Productivity Policy.** Each employee should know his "productivity number" required to make the business grow and prosper.
- **Customer Policies.** How is the customer greeted? How are the phones answered? How many phone rings before another employee is to respond and answer the phone? These kinds of policies are small items but they're important to Customer Perception.
- **Customer Records Policy**. How are customer records filed and handled?
- **Customer Follow-Up Policy.** When does each customer receive a Thank You letter, a follow-up phone call, a Reminder letter, and a reminder phone call?
- **Comeback Policy**. How are customers and their problems handled?
- **Gross Profit Policy**. What Gross Profit do you expect on every job? Under what conditions can the Gross Profit Policy be varied?

Hopefully, you get an idea of the various policies — big and small — to consider when creating your own shop policies.

Self-operating and self-managing businesses learn that every possible situation has to be planned for and addressed before it occurs. If not, a problem may not be handled properly. Shop policies assure that when certain problems arise, those problems often do not happen again. Cover and explain your shop policies during your shop meetings. Don't make shop policies look as if you're taking away the employees' ability to make decisions. Show everyone the need for shop policies. Let the employees help you determine the policies.

The main purpose of shop management is to establish policies that make the business run efficiently and consistently. You want all customers treated equally, and every situation handled properly and fairly. You probably have several policies in place now, but you don't have them in writing. Does your newest employee know all the policies? Do all your employees know what's expected of them. A policy manual gives them the information and guidance they need. Take the time to figure out what you expect of your employees so they can perform what is expected of them. Most shop policies are basic, but not unbreakable. When it comes to dealing with customers, don't be too ridged with policies — circumstances change and you want to remain flexible.

It is sometimes preferable for an employee to make a decision right or wrong than to make no decision at all. This is especially true regarding Comebacks. "You have to do what you have to do," which is basically a shop policy in itself. Your policies should give employees the power, if needed, to handle any situation as it arises and to use their best judgment to remedy the problem. Even if you don't agree with an employee's decision, honor it. Give him praise for doing what he thought best, then recommend how you would act in the same situation. Your set policies give each employee an idea of the management style you have and how you make decisions.

Don't forget to have a Safety Plan and related policy. As part of your Safety Plan, for instance, everyone should use eye protection while using equipment such as grinders. If your policy states to use eye protection — and an employee doesn't and injures his eye — you look much better in court if a lawsuit comes from the accident, especially since you have a policy in place and every employee signed it. (You certainly won't appear negligent.) If you don't have a policy in place, you don't have much ground to stand on.

Write down policies as they arise and work on your list as time goes by. Sooner or later you'll have a list of policies that everyone can live with. The following is a list of policies I discuss in my Shop Management Seminars. Feel free to use these suggestions

Customer Perception Policy

Shop Layout Policy

Employee Relations Policy

Delegation Policy

Labor Descriptions Policy

Parts Profit Policy

Part Quality Policy

Selling Policy

Safety Inspections Policy

Customer Selling Policy

Shop Supplies Policy

Customer Upsell Policy

Office Personnel Policy

Gross Profit Policy

Appointments Policy

Company Profit and Loss Statement Policy

Productivity Policy

Time-Clock Policy

Shop Meeting Policy

Labor Rate Policy

Diagnostic Labor Rate Policy

Part Warranty Policy

Office Automation Policy

Customer Records Policy

Service Schedules Policy

Hazardous Materials Policy

Customer Flow Policy

Customer Follow-Up Policy

Comeback Policy

Net Profit Policy

Dispatching Policy

Chapter 19

Leadership

Leadership: The art of getting someone else to do something you want done because he wants to do it.

— Dwight D. Eisenhower

Managing your business means being the leadership that guides your business. You are the leader your employees wish to follow. People don't want to be managed — They want to be led. Ever hear of a world manager? No, but you hear about world leaders, educational leaders, political leaders, religious leaders, Scout leaders, community leaders, union leaders, and business leaders. They all lead, they don't manage. Leaders know that carrots always win out over sticks. Ask any horse. (You can lead a horse to water, but you can't manage the horse to drink.) If you want to manage somebody, manage yourself. Do that and you'll be ready to stop managing and start leading.

A Leader:

- Enables others to act.
- Models the way.
- Inspires a shared vision.
- Challenges the process.
- Encourages the heart.
- Instills and fosters teamwork.

As Leader of your automotive business, you must:

Enable others to act. Allow your people to act on their own. Give your employees the power to show you what they can do. Their self-esteem will skyrocket, and so will your profits. Model the way. Set examples for the followers to follow. A good example of this is found in the comments I get from other shops: "I wish my employees would keep our shop as clean as your shop." Maybe the problem is the leader hasn't modeled the way yet.

Inspire a shared vision. We all had a vision the first moment we decided to open our own business. Most of us carried that vision throughout the first year of business. Remember it? To give better service at a fair price. To do only honest work. To attend school or classes to improve professional skills. (Remember how

excited you were with your vision?) As time went on we forgot the positive reasons we started our business. A good leader is able to share that original vision with all employees. Each employee feels a greater sense of purpose if he can be part of a team sharing a vision.

Challenge the process. Don't be afraid of challenging the way things are done. It's normal to say, "Can we do better work?" Things done a certain way over time get stuck in our minds. That doesn't mean it's okay to keep doing them the same way. People hate change and they fail to see change as for the better. A leader has the guts to make changes.

Encourage the heart. Help others to follow their heart. Give them the courage to strive for something better — To be a better technician, parent, person, whatever. Be their mentor and their role model. Help them be all they can be.

Instill and foster teamwork. Creating a team atmosphere at your shop has many advantages over a shop where everyone is "every man for himself." The big corporations value teamwork because they found it increases profits. Let's take a free lesson from them. Once you understand your role as Leader, do the following:

1. Clearly communicate your performance expectations. Your people need to know exactly what's expected of them.
2. Be comfortable with your role as manager and understand your power. Exuding high self-esteem helps your employees develop it in themselves.
3. Have high-production values, high standards, and focus on getting results. Be a goal-oriented leader who sees the potential in profits and people.
4. Have high sensitivity to your employees. Value each person's input to the job.
5. Give ongoing, spontaneous feedback. Let employees know they're doing a good job.
6. Have a system in place to monitor performance. It's one thing to know you're doing a good job, and quite another to know you're also productive and efficient.

Leaders create a 'place to go,' a 'place to be.'
They have commitment, passion, zest, energy, care, love and enthusiasm that they readily, unashamedly express.
And that is their distinction.

Author Tom Peters, from "A Passion for Excellence"

If you need help in getting your vision back, there are audio tapes available on the topics we discussed in this chapter. Most bookstores carry a wide variety of tape topics. You can also get lists of tapes from sources like *Career Track, Nightingale, Nation Seminars Group, Dun and Bradstreet*, to name a few. Even our own trade organizations, such as the Automotive Service Association, have tapes you can rent. Personally, I find myself at plateaus in life, not knowing how or what to do to get to the next level.

Listening to motivational tapes whenever I get stuck gives me the insight to achieve more than I thought possible. Now, instead of listening to the radio, I would rather hear a good motivational or knowledge-building tape. Tapes make learning fun, easy, and entertaining. Spend some time to find tapes that help you get to the next level of your personal and business growth.

Chapter 20

Service Writing

Do not attempt to do a thing unless you are sure of yourself;
but do not relinquish it simply because someone else is not sure of you.

—Stewart E. White

If you've read everything up to this point, you're finished learning the basics of shop management. Now, it's time to begin utilizing that knowledge and take a close look into service writing. Developing proper and effective techniques for service writing is important because you are, essentially, preparing a contract between you and the customer. You may feel you don't have to live up to your contractual obligation, but if you don't perform the services and repairs the customer requested, he won't come back as a routine customer. Proper service writing gives you happier customers and technicians — with higher profits as a result.

Let's get Started

First, hopefully you made changes to your business to enhance the Customer Perception of you and your shop. Your job is much harder if customers don't have a good perception of you. You have a tougher time convincing customers to follow your recommendations. Getting customers to agree to your recommendations and authorizations for needed repairs is vital to your success. You can only be as successful as your customers perceive you to be. Go back now to "Customer Perception" and review the test you took earlier. Retake the test if needed. Make the needed changes, including cleaning, painting, etc.

A good service writer has the ability to listen. To see how good a listener you are, I'll give you a listener test, or in this case a reader test. You cannot read this over a second time. Just like in real business life, you only get one chance to listen to a customer. Take notes as needed, and answer the question at the end without reading the test over.

Listener Test

You are a bus driver. At the first stop, seven passengers come aboard. Second stop, four passengers come on, and two get off. Third stop, six more passengers come on and three get off. Fourth stop, five more get on and one gets off. Final stop, eight get on and four get off. Question: How old is the bus driver?
That's a tough question. If you now read the test over, you see it starts with, "You are a bus driver." The reasoning behind this test is simple: DO NOT DIAGNOSE THE PROBLEM AS THE CUSTOMER IS EXPLAINING THE SYMPTOMS. You may not hear all of the symptoms, or even the real complaint.

All states have a regulatory board that oversees auto repair shops. Since my shop is in California I am basing the following information on the California Bureau of Auto Repair laws and regulations. California has some of the strictest laws in the country. If your laws are not as stringent as California's, you can still learn from this chapter by using our regulations. Most of the regulations that deal with customer and auto repair shops are for the better, for both the shop and the customer. The regulations force us to keep everything documented and the customer informed. This is a good idea wherever your business is located.

The main items the regulatory boards look for are:

- Keep customer informed.
- Perform only work that has been authorized.
- Keep a written record of all work.
- Give copies of Repair Orders and invoices to the customer.

You need to avoid:

- Making untrue or misleading statements.
- Letting a customer sign a Repair Order that doesn't state the repairs or odometer reading.
- Failing to give customer a copy of a signed paper.
- Fraud or gross negligence.
- Failure to comply with the laws or regulations.
- Willful departure from or disregard of accepted trade standards for good workmanship and repair.
- Making false promises to get customer authorization.
- Repairs done by another shop without authorization.

What Must Be on the Repair Order:

- Labor description and parts description.
- Estimated cost of both parts and labor.
- Customer's signature.

Copy given to customer.

Repair Orders/Invoices. (Refer to chapter "Shop Paper Flow".)

- Your business name, address and phone number.
- State Registration Number.
- Labor (including warranty repairs).

- New, used, rebuilt or reconditioned parts.
- Parts description with part number and list price.
- EPA Registration Number if you charge for hazardous waste disposal.

What Not to Have on the Repair Order:

- **Any part kits** that are not assembled that way from the part manufacturer. You cannot build your own kits, like a tune-up kit. Too many shops are getting lazy, so instead of listing the plugs, distributor cap and rotors, etc., they just write on the Repair Order under parts, "tune-up kit." This is no longer legal, nor fair to the customer to not know what is included in a tune-up kit. If the parts manufacturer sells a kit such as a tune-up kit, then it is legal.
- **Miscellaneous shop supplies.** (Every nut, bolt and washer must be itemized.) Many shops used to have a formula based on the amount of labor charged as parts, as miscellaneous shop supplies. But just like parts kits, the customer isn't aware of exactly what he is getting as miscellaneous shop supplies. So now, in California we have to itemize every nut, bolt, washer, zip-tie, etc.
- **Partial cans of chemicals.** You should only sell complete cans of a chemical. If you don't use the entire can, the customer has the right to ask for the remains. Chemicals such as carburetor cleaner are probably too hazardous to give to unaware customers. You can sell a product as a unit. You can sell a unit of carburetor spray cleaner as an example. I sell wheel bearing grease on wheel bearing repacks as a unit of grease per wheel.
- **Hazardous Waste Fees, if not related to the work.** In California you can no longer have a generic Hazardous Waste Fee. Any charges for hazardous wastes must be itemized — such as four quarts of oil disposal, one oil filter disposal, and one gallon of antifreeze/coolant disposal. If you have a generic hazardous waste disposal on every Repair Order and all you do on this job is rotate the tires, you just charged the customer for something he didn't receive. You just committed fraud. This may be only in California, but you have to admit, it is not right to charge a customer for something he doesn't receive. With most shop management computers, you can have the computer automatically add oil disposal every time you add oil to a Repair Order.
- **Anything based on a percentage of either the labor or the parts,** and if so, it must be exactly what was used on the job. If it is used, it must be *itemized.*

Preparing a Repair Order.

- Get all customer information.

- Including a phone number where he can be reached. Customer should give you his work and home numbers.
- If customer is in need of a routine service, provide a list of what you perform. At the end of this chapter is a sample of a Service Schedule.
- Review if possible, the customer's previous service history. (This is a great selling tool — it shows what service is due and any recommended services held over from last visit. You also don't want to sell something that was done earlier.)
- Listen to customer. (Remember our little test?)
- Understand what the customer needs, wants and feels.
- Do not assume you know what the problem is and stop listening.
- Try not to write while the customer is speaking. Keep your eyes on the customer. Customer has more confidence in you and your abilities if he perceives that you are listening and not simply writing.
- If the customer is due for a routine factory maintenance service, show him what is included in the service. Later in this chapter is a sample of a Service Schedule to show customers the various services you provide.
- Summarize the labor and parts to be used and all variables. (This shows the customer you were listening.)
- Prepare the Estimate based on true part costs, labor guide time and your experience.
- Never give a written guess.
- If you need more time, give an Estimate to look at the car, followed by an exact Estimate over the phone. This way you're not liable for the guess you gave.
- Write down, if possible, the parts you intend to use. (This is helpful when you do have to guess at a part price.) Tell the customer this price is just a guess and that you will call him when you know exactly how much the part costs. When you call, say the part is more than you guessed. The customer won't feel like you're trying to take advantage of him. If you guess at the labor and the part, you won't have the credibility you want to present. By knowing the Labor Rate, your only variable is the part price. Always keep in mind the customer's perception!
- Don't forget to add on any variables to the Estimate. It's better to let the customer know what the variables are up front. If the variables don't materialize, you're a hero. If they do materialize, the customer is prepared for the worst and doesn't blame you for the surprise.

- Make sure the phone numbers and best time to reach the customer are accurate. It's a good idea to purchase or rent pagers for your customers. Not all customers need a pager, just the ones who are not by a phone. You don't want to tie up a technician or a hoist simply because you can't reach a customer when his car is ready.
- On jobs where you have a good idea what the diagnosis is, try getting the customer to give you the authorization now. If you cannot reach the customer in some cases, you have to put the car back together, which costs the customer more in the long run — plus you might not get the car done the same day.
- Confirm what day and time the customer will pick up his car. Some customers assume their car is ready in an hour or two. They arrive and get angry because the car is not done yet. Solve the problem before it occurs. Ask them when they want to pick up their car. There is nothing worse than working extra hard and even overtime to finish a car only to have the customer show up at the end of the next day.
- Never forget to get the customer's signature. If he doesn't sign, he doesn't have to pay for any of the repairs. Companies such as Reynolds and Reynolds make an "Early Arrival Box" and envelopes. The envelopes act as a Repair Order the customer signs, giving you the authorization to service or repair the car. You should however, call the customer before you start the repairs to make sure he understands the amount of the Estimate.
- Give customer a copy of the Estimate/Repair Order. (Refer to "Paper Flow" chapter.)

Final Estimate — What must be on the Repair Order.

- Customer's name, address and phone number.
- Year, make, model and car's license number.
- Car's odometer reading.
- Current date.
- Labor description and parts description. (It's a good idea to also have the part numbers.)
- Estimated cost of parts, labor, and hazardous waste disposal. (Add Sales Tax also. It may not be the law, but it's better to be under your Estimate than over, losing money just because you were too lazy to estimate the Sales Tax.)
- Customer's signature.
- Give copy to customer. If a customer doesn't take a copy, throw it away. You don't want the BAR looking through your records and finding customer copies. Of course the BAR will assume you never give the customers their Estimate copy.

At this point, it's time to order the parts.

- Dispatch the work to your technician. (Refer to "Dispatching" chapter.)
- On service jobs, have the technician perform a Safety Inspection on the car. For most cars receiving routine service, the manufacturer calls for a Safety Inspection anyway. (Refer to the "Safety Inspections" chapter.)
- Have your technician perform a Safety Inspection if he finds other items needing repair and has turned in the Repair Order with a list of items that require attention. (If the car needs something like brakes, hopefully the car is still in the air with the wheels off. With portions of the job still to be completed, you have time to call the customer and get authorization before the wheels are replaced and the car parked. (Refer to "Increasing Productivity" chapter.)
- If the car is finished, complete the paperwork and call the customer.
- The sooner the customer receives word that the car is done, the more relieved he feels (improved perception). He doesn't have to worry about when the car will be done, or if the car needs more work, or whether he has to come up with more money. If he can get a ride earlier to pick up his car, the better for the customer and for you if you pick up your customers. (Refer to "Customer Service" chapter.)

When the customer arrives to pick up his car:

- Take as much time as needed to explain exactly what was done on the car and the parts that were used and why. It's very important the customer understands the repairs and costs. A key element of Customer Perception of you and your shop depends on whether the customer feels he was treated fairly and with respect.
- Make sure customer gets a copy of the final Repair Order and a copy of the Safety Inspection. Have your Safety Inspection forms in duplicate with NCR paper. A sample of my Safety Inspection form is shown for your use if you like in the "Safety Inspections" chapter.
- Thank the customer for allowing you to service or repair his car.
- Have an employee drive the customer's car to the shop office front door.
- Open the office door for the customer, then the car door for the customer. Thank him again for the pleasure of servicing or repairing the car. If you do all this, he'll feel happy in your establishment. If he's impressed with your service, there's a great possibility of him returning (and telling his friends of the excellent service he received).

Service writing correctly, and appropriately selling needed repairs is a difficult and sometimes stressful job. It becomes even more stressful when things don't go according to plan. If you perform your service writing thoroughly you shouldn't find yourself in a difficult position. Remember, you didn't design or manufacture the customer's car. You didn't drive the customer's car, nor were you responsible for the customer not maintaining his car or the cause of his car's breakdown. I'm not saying be cold and callous. Show compassion for the customer. Just don't give your profits away because you feel sorry for the customer. I feel sorry for my customers, yet I know how much I need to charge to make a profit and stay in business. This is all the customer can expect too.

You can provide ways for the customer to pay for the needed repairs. Accept Visa, Master Card, American Express and the Discover Card for your customers' benefit. Do not get into the position of letting customers dump their bills on your Receivables. Tell your hard luck customers, "I have an arrangement with my bank — they don't repair cars and I don't loan money."

The Car Care Center

2852-A Soquel Ave. Santa Cruz, CA

408 - 479 - 4777

Recommended Scheduled Maintenance

Minor Service
6 Month, 7500 Mile Service

Under Hood

Check Distributor Cap and Rotor
- Ignition Wires
- Air Filter and Clean if needed
- Air Conditioner *
- Coolant Level and Protection
- Radiator Core, Hoses, & Belts
- Power Steering Fluid *

Clean Battery Cables add Battery Water*

Under Car

Replace Engine Oil, Filter & Drain washer
Check for Oil or Coolant Leaks
- Fuel Filter (when accessible)
- Front Brake Pads
- Rear Brake Shoes /Pads & Adjust
- Brake Fluid Level
- Clutch, Check Transmission
- Clutch Hydraulics / Cable*
- Wheel Bearings
- Transmission & Differential Oil levels
- Shocks & Suspension Components
- Exhaust System, Muffler
- Tires for Wear, & Adjust Pressures

* When applicable

General Inspection

Check Wipers & Add Washer Fluid
- Headlights, Tail & Brake Lights

Road Test Car

Major Service
12 Month, 15,000 Mile Service

Under Hood

Scope Engine, Set Tune, Computer Test Printout of Electrical & Fuel Systems
Adjust Engine Valves*, Replace Gasket*
Check Distributor Cap and Rotor
- Electronic Ignition
- Ignition Wires
- Fuel Injection / Carburetor
- Air Filter and Clean if needed
- Coolant Level and Protection
- Radiator Core, Hoses, & Belts
- Power Steering Fluid *
- Air Conditioner *

Clean Battery Cables add Battery Water*

Under Car

Replace Engine Oil, Filter & Drain washer
Check for Oil or Coolant Leaks
- Fuel Filter (when accessible)
- Front Brake Pads
- Rear Brake Shoes /Pads & Adjust
- Brake Fluid Level
- Clutch, Check Transmission
- Clutch Hydraulics / Cable*
- Wheel Bearings
- Transmission & Differential Oil levels
- Shocks & Suspension Components
- Exhaust System, Muffler
- Tires for Wear, & Adjust Pressures

General Inspection

Check Wipers & Add Washer Fluid
- Headlights, Tail & Brake Lights

Road Test Car

Major Biennial Service
24 Month, 30,000 Mile Service

Under Hood

Replace Spark Plugs* Replace Air Filter
- Fuel Filter (60,000 miles*)

Adjust Engine Valves*, Replace Gasket*
Check Compression*
- Distributor Cap, Rotor and Wires
- Electronic Ignition
- Fuel Injection / Carburetor
- Radiator Core, Hoses, & Belts
- Power Steering Fluid *
- Air Conditioner *

Clean Battery Cables add Battery Water*

At 60,000 Miles on most models the Timing Belt is recommended to be replaced, if not engine may die and damage could result.

Under Car

Replace Engine Oil, Filter & Drain washer
- Antifreeze / Coolant
- Transmission / Differential Oils
- Brake Fluid / Flush Brake Lines
- Wheel Bearing Grease & Seals *

Check for Oil or Coolant Leaks
- Front Brake Pads
- Rear Brake Shoes /Pads & Adjust
- Clutch, Check Transmission
- Clutch Hydraulics / Cable*
- Wheel Bearings
- Shocks & Suspension Components
- Exhaust System, Muffler
- Tires for Wear, & Adjust Pressures

General Inspection

Check Wipers & Add Washer Fluid
- Headlights, Tail & Brake Lights

Road Test Car

Chapter 21

Selling Service and Repairs

Our destiny changes with our thought; we shall become what we wish to become, do what we wish to do, when our habitual thought corresponds with our desire.

— Orison S. Marden

How are you at selling your services and repairs? Do you have a hard time getting customers to say "Yes" to Upsells? Do you feel you could sell more if you had better selling skills and techniques? Selling has always been a poor topic with shop owners. Most of us, as shop owners, managers or service writers, don't consider ourselves salesmen. In fact, we hate salesmen. A salesman in our opinion is someone trying to sell us something we don't want or need. In many cases this is true. With regards to the auto service and repair industry, we have to focus on becoming better salesmen of the services we offer — not selling things customers don't need or want, but convincing customers it's in their best interest to do needed repairs.

Just about every job in this country requires "selling" of one form or another. Either you are selling a product or a service, or you are selling yourself. With all this selling going on you would think our schools would teach a basic course in sales training. But that's a different issue. For now, we want to work on your ability to sell services and repairs to potential and regular customers. With our economy forcing everyone to become smarter shoppers, we must work extra hard to make it convenient for customers to spend their money with us.

Before we get into selling services and repairs, let me make a point. There are no guarantees when it comes to selling. If you sold every time you tried, you'd be very rich. Selling is like hitting in baseball. You're a star if you get three base hits out of 10 at bats. A baseball player who strikes out seven times out of 10 chances at bat still has a .300 batting average. You'd be quite successful if you got 30% of the population to call you for an Estimate, even lucky to get 20-25% phoning in. In reality, all you can hope to accomplish is attracting and keeping a small percentage of shoppers. You don't want all of the available customers anyway. You only want the good ones.

You need to be ready with different selling strategies for different situations. Some of the various selling situations are:

- Potential customer calls for a price quote/Estimate.
- Existing customer calls for a price quote/Estimate.
- Potential customer comes in for a price quote/Estimate.
- New customer needs additional work (Upsell) on a job you're already working on.
- Existing customer needs additional work (Upsell) on a job you're already working on.

Potential customers calling for a price quote/Estimate are common and time consuming. You get these phone calls every day. "How much to do this job for, how much to do that?" You either give a number off the top of your head, known as a guess, or you use your valuable time to research prices to give an honest quote. Most of the time the customers say, "Thank You" and hang up. Your entire process is for nothing. But how do you capture these people without spending so much time researching prices? (This is the toughest job of a service writer.) With business getting harder and harder to find, you must figure out ways to get phone shoppers into your shop. The easy way to bring in price shoppers is to quote cheap prices. The problem with this is, you can't make a profit doing cheap repairs. You won't be able to afford quality technicians in the long run. You'll never be the cheapest shop in town anyway, because there's always someone cheaper than you.

A major problem for even well-managed shops is knowing what the true repair costs are. For many owners, managers, and service writers, any price will do. This is why profits are low — and the reason you're reading this guide. Now though, you know you must charge more than before. This means it's going to be tougher to get customers in the door. I never said it was going to be easy. You have to realize the need to spend more time selling yourself. On the phone or over the counter, you have to justify to the customer why your prices are higher than your competitors. This is why I keep bringing up the importance of Customer Perception. If you and your shop look highly qualified and have a reputation for doing excellent work, your selling job is made much easier.

When it comes to phone quotes, try not to quote a price over the phone, especially if you know another shop in town is cheaper. Understand that many callers are just trying to get an idea of how much things cost so they can budget their money. You don't want to lose any customers by not quoting prices over the phone either. When you get a call for a price, immediately evaluate the situation. Many times the year and make of the car tells you if it's a customer you truly want. But don't simply blow someone out the door because he owns an older car. The customer may also have a newer car as well. Ask a prospective phone customer if he has ever been to your shop? If he's an existing customer, you can use a slightly different selling technique, which we'll look at later in this chapter.

The following are some examples of selling techniques. Find the technique that suits you, or take a little from each of the examples. You can even use a script. (I don't want you to sound like you're reading a script, but have the routine down so it sounds like it's from the heart.) You want to sound honest and sincere. Often, this is the customer's first contact with you and your business. From this initial contact he gets his perception of you and your business. Remember to answer the phone with a professional tone and message.

Potential customer calls for a price quote/Estimate.

Ask how he is compiling his prices. Is he looking for just the cheapest price, or the best price? This usually gets his attention. What is the difference? "We may not have the cheapest price, but we have the best price." You can say your best price is based on:

- Technicians with excellent training and experience.
- Quality of equipment you have.
- Quality of parts that very few shops carry.
- 1 year — 15,000 mile warranty that only your shop has.

  "Our prices are the best because we have the best value —
- If anyone else tried to match our skill, experience, quality of parts and equipment, plus warranty, their prices would be much higher than ours.
- This gives us the best price and value.
- You can look for the cheaper price, which usually means lesser quality, or you can find the best price and the best quality.
- We have all made the mistake of purchasing an item or service for a cheaper price and went on to regret it.
- We never want any of our customers to regret coming back to us for any reason.
- If I give you a price over the phone it would only be a guess. I'm not in the business of guessing and it wouldn't be fair for either you or I. I really need to see your car to know what variables we're dealing with before I can give you a true Estimate. Anything but a thorough Estimate doesn't do you any good at all.
- As you can see, we know what we're doing and are the best at doing the repairs you need. If you would like, I can make an appointment for you on (name a day)."

Some customers want a quote no matter what before they'll bring in their car. Too many slicksters in the past have lured them into sales offices, like when purchasing a new car. The number one rule of selling is to ask for the order. Failing to ask if you can make an appointment may look like you really don't want the customer's business.

At this point the customer will hang up if he's only concerned with price — he's not the customer you want. If the customer makes an appointment, comes in and allows you the pleasure of working on his car, he has the perception that you are the best shop. You have a high possibility of keeping this customer for a long time.

If the customer is truly comparing prices, say: "You really need to look at prices, not only to compare the total price, but to compare the included parts, the quality of those parts, the quality of the technicians and the quality of the repair shop. And what about the warranty of those repairs? If you'd like to stop by, I can give you a written or printed Estimate of exactly what we'll be doing, along with a list of all the parts we'll be using, and their prices. This way, you can make sure you're getting what you believe you're getting. I can give you a low price to get you in the door, then give you a call later and say it's now going to cost more for such-in-such reasons. But we don't work that way here, now or ever. That's why we have the great reputation we have — just ask anyone who has ever had their car serviced or repaired by us."
If the customer agrees with you at all, he'll bring his car in for the repairs. If he comes in for the written Estimate, hopefully your shop looks like the best. Perception! Perception! Perception! The customer sees firsthand the care in which you research your Estimate, convincing him to have you repair his car. If you're not able to keep the customer at that moment, give as good an Estimate as possible. Explain again the quality of parts, technicians, and show your warranty. Do not forget to ask if you can make an appointment for him. You have nothing to lose by asking.

Existing customer calls for a price quote/Estimate. An existing customer gives you an advantage, especially if he has a good perception of you and your shop. Hopefully, you sent him a Thank You letter and a Reminder letter for his last service. With an existing customer you have some information to sell from. If he is calling for a price quote, ask him if the service or repair is something you recommended from the last service? If you find out the customer's name during the conversation, pulling his customer file helps tremendously. After you give him a price, tell him you can do the repairs on a given day and you'd be more than happy to write him down for an appointment if he desires. If he wants to think about it, inform him that you accept all major credit cards. You can give him a ride to work or home and pick him up when the repairs are done. If you performed your job well, you gave him what he needed and he went ahead and made an appointment.

Potential customer drops in for a price quote/Estimate. Ask the customer how he found out about your business and whether he heard of you from a friend. If so, say "Good...You must have heard good things about us." Reinforcing his good perception never hurts. If he didn't hear about you from another customer,

at least you know what form of your advertising works. Ask him if he needs just a verbal Estimate — tell him you would be more than happy to prepare a written Estimate.

If he wants just a verbal Estimate, explain to him that if he's going to shop for prices, he needs to know a few things. (Refer to "Potential phone customer" selling technique above.) Find out what repairs he needs and take time to look at the car with the customer. Write down the year, make, model, accessories, mileage, etc. If you have to obtain all this information, you obviously know what you're doing — and giving the customer the perception of thoroughness. As you prepare the Estimate, tell the customer exactly what you'll do to the car: what parts you will use and why, the advantages of using these parts, and explain any variables that may come up during the repair. Give him the verbal or written Estimate. Tell him the parts are available or that you have the parts in stock and can do the repairs tomorrow (or whichever day is available). Make an appointment for him if he wishes.

With your attention to detail, your complete professional explanation of the repairs and the parts used, and the good recommendation from another existing customer, there is a strong likelihood this customer will make an appointment.

Existing customer drops in for a price quote. Ask his name so you can pull his customer file, giving you an idea of his service history, plus vehicle information you need for preparing an Estimate. If you previously performed a Safety Inspection on the car, the form gives you information on repairs he was told he would someday need. This is why I recommend you always write down the brake measurements. The most common thing customers are told is that they need brakes. If you have accurate measurements, you can confirm whether the customer needs brakes or not. If he hasn't been in for awhile, treat him as an existing customer and reinforce the need for Preventative Maintenance. Prepare the Estimate and ask if you can make an appointment.

New customer that needs an Upsell. If you have done a good job of writing up the customer in the beginning, you told him you would be doing a Safety Inspection on his car. You mentioned that you would call him if you find anything abnormal during the inspection or during the service or repairs. When you call him, he is aware you might be calling with a problem that needs to be brought to his attention. (From here you'll move on to the "Selling Upsells" chapter.)

Existing customer that needs an Upsell. Move on to the "Selling Upsells" chapter.
With any Upsell you should always calculate the Upsell on the customer's Estimate copy. If the customer

does not go for the Upsell, and goes for the extra work at a latter time, you still have all the information in the customer's file. I go as far as having all the part numbers, labor time, and totals on file, just in case. It never fails that the customer agrees later to do the upsell work and you cannot figure out how you came up with the price you did. Of course, the price you came up with now is always higher than the quote the customer remembers.

In closing:

Give a positive perception to all customers. Try not to oversell yourself or your shop. Be friendly and informative. Show professionalism, a caring attitude, and respect at all times. You may not win a customer the first time. If the customer goes elsewhere and is not happy, he at least knows where he should have gone in the first place.

Chapter 22

Selling Upsells

It is hard to fail, but it is worse never to have tried to succeed.
In this life we get nothing save by effort.
— Theodore Roosevelt

Many of the vehicles you work on each day can use additional service and repairs. This additional work is a good part of your daily business. You should count on dealing with this work, called Upsells, much of your day. Up to fifty percent of your daily work can be created with Upsells. Upsells can be the most profitable work you do, if you're properly prepared.

Each and every job should be looked at as a possible Upsell. I'm not saying or implying that you must make every job an Upsell. Just look at each job as, "What other servicing and repairs does this vehicle need?" It's your job to inform customers of any problems you notice in the process of servicing or repairing their car. What makes Upsells so profitable? Customers normally don't shop around for prices on the extra needed repairs — and so your price doesn't have to be as competitive as a normal repair. The car is usually on the hoist and apart. Typically, the extra repairs aren't discounted merely because the car is on the hoist. It saves the technician time since his tools are still out and he doesn't have to go to the parking lot, get the car and start from scratch, as done on a new repair.

To take full advantage of all the Upsell benefits, plan out your entire procedure for doing Upsells. You need to look at selling Upsells in a different light. The following is a step-by-step procedure for preparing an Upsell.

The job we're using for the example below reveals that we're in the middle of doing a minor service. When we initially wrote up our "imaginary" customer, he mentioned hearing a squealing noise when the brakes were applied. We told the customer we would inspect the brakes as part of the Safety Inspection we do on every service. We also told the customer that if we found anything wrong during our Safety Inspection, we would give him a call.

Through our Safety Inspection of the car we found the following:

1. Front brake pads are worn to the wear indicators, and re-machining the front brake rotors is needed.
2. Water pump is starting to leak.
3. The clutch slips under very hard acceleration uphill.
4. The fours struts are worn and leaking.

The following procedure is how you prepare and sell an Upsell to the above customer.

Preparing an Upsell/Revised Estimate.

- Start with a well-written Repair Order/Estimate. Take time to explain to the customer when you first write him up that every service includes a complete Safety Inspection, and that if anything abnormal is found, you'll give him a call. This is an important selling strategy. The customer is aware of possible extra charges and is expecting a phone call. The customer now perceives that other items may be wrong with his car and that you might be calling with that information. When you call the customer, he may take offense that you're trying to sell him something he doesn't truly need. The outcome depends on the customer's perception — and how well you present the Upsell. Always keep in mind that it's the customer's privilege to make the decision to repair the car now or later.

We're not ready to give the customer a call quite yet.

- Make sure you have all the pertinent vehicle information, and that you note the car's odometer reading and all accessories the car has which impacts the time to repair the needed items.

- Review if possible, the customer's service history at your shop. This gives you an indication of how well this customer maintains his car. Look at all previous Safety Inspections and recommendations. Tell the customer you have examined his service history. Your goal is to give the customer the perception that you're a caring professional — giving him the feeling that it's wise to take his car to only one shop, yours.

- Check the customer's past Safety Inspections for additional items that may need repair. If you don't have a Safety Inspection on his car, ask the technician how much of the car has been inspected. Make sure you know everything the car needs, anything that applies to the type of work you're doing on the car. There is no need to do a complete Safety Inspection on every car that comes into the shop. On routine services, as in our example above, a Safety Inspection should be performed. If you want to increase your sales and do a better job of informing the customer as to what his car needs, you have to know everything the car needs both now and the near future. You're trying to form a professional relationship with the customer, one where you always keep the customer informed of items needing attention. Some items may not be required for awhile, but at least the customer is aware of the upcoming repairs and can plan and budget for them.

- Look up all Labor Costs in your labor guide for each item of the Upsell.

- Don't be afraid to add time if your experience tells you so. Remember, the labor times are for newer cars and do not include rusted bolts, grease, accident damage, accessories, etc.

- Call your parts supplier for prices and availability. Don't quote a part price if it's possible you may have to go elsewhere and pay more for the part. Besides, you need to know if the parts are available so you can decide if the car can be completed today or left in the shop until tomorrow.

- Calculate the Selling Price of your parts by using your Parts Profit mark-up guide. You should have a set policy on how each part is marked up. Refer to "Parts Profit" chapter if needed.

- Calculate each Upsell individually, including Sales Tax (refer to the "Magic Formula" chapter). **Figure 22.1** shows you an example on how to lay out your Upsells on a piece of paper. At the top, write the price of the job up to this point, which should be the price of the original Estimate. Below that, note your first Upsell item. This would be the front brakes. Next to "Front Brakes" should be the Part Amount, followed by the Labor Time, the Labor Amount, and the Sales Tax. Next to these items list the Total Amount of the brakes and machining cost for the front brake rotors. To the right of this number, give the Total Bill, which is the amount of the brakes plus the amount of the service. Follow the same format for the water pump, clutch, and shocks. At the bottom right-hand side of the paper, place the amount of the entire job including all the repairs recommended.

- Prepare your Upsell with a listing, in order, of the most important items to be repaired first, second, third, and so on. Use the format in **Figure 22.1**.

Now it is time to call the customer.

Before you make the call, stop, take a deep breath and smile. If you smile as you make the phone call you'll sound friendlier and more trusting. Keep in mind you didn't manufacture the customer's car, or put all the miles on his car — you're only the person trying to help the customer keep his car running as long as possible, and at a reasonable cost. You must not sound guilty on the phone or stammer and hesitate when mentioning that the repairs are needed now versus later. If you're not convinced the repairs are needed, the customer will never be convinced either. You are merely giving the customer options and your advice, not strong-arming him. After all, you're the one with the automotive expertise.

Figure 22.1

Job	Parts	Labor Time	Labor	Tax	Total	Revised Est.
Minor Service						**$81.61**
Front Pads	$46.72	1.3	$78.00	$3.74	$128.46	
Turn Rotors		2.0	$120.00	$0.00	$120.00	
Brake Total					**$248.46**	**$330.07**
Water Pump	$79.33	2.1	$126.00	$6.35	$211.68	
Coolant	$12.35		$0.00	$0.99	$13.34	
Disposal	$3.75		$0.00	$0.30	$4.05	
Belts (3)	$42.69			$3.42	$46.11	
Water Pump Total					**$275.17**	**$605.24**
Clutch	$186.51	4.5	$270.00	$14.92	$471.43	
R&R Flywheel		.5	$30.00		$30.00	
Rear Main Seal	$14.44	.3	$18.00	$1.16	33.60	
Flywheel Sublet			$35.00	$0.00	$35.00	
Clutch Total					**$570.03**	**$1,175.26**
Struts (4)	$346.00	4.0	$240.00	$27.68	**$613.68**	**$1,788.94**
Alignment		1.0	$60.00	$0.00	**$60.00**	**$1,848.94**

- Call the customer. Explain that you have just completed the Safety Inspection on his car. This reaffirms what you told the customer when he brought his car in — that you would call with any additional needed items. The Safety Inspection has genuinely come up with these items, and so you need to bring them to the customer's attention.

- Before we go on to the first item of the list, you need to understand something about most customers. You and I and our customers are all Americans. As Americans we like to spend money. We don't like to be forced to spend money. We love to buy things that make us happy. We love to buy things that save us time and money. We only like to buy things when it's our idea to purchase, not someone else's. What we want to do with this customer is inform him as to what's needed and the reasons why they're needed. Tell him it's in his best interest to repair the car now versus later. Tell him the consequences, if any, if he doesn't repair the car now. In our example, if the customer doesn't repair the front brakes soon, the front brake

rotors could be damaged beyond repair, costing the customer more on repairs later. The shocks may not cause any damage other than tire wear. If the tires are not wearing because of the shocks, tell the customer that replacing the shocks is a low priority. We are being honest.

- Start with the most important needed item first. You might say in your phone call: "Our Safety Inspection has shown that your front brake pads are worn down to the wear indicators. When you dropped off the car you said you heard a squealing noise when the brakes were applied. You're correct. The noise is the wear indicators warning us it's time to repair the brakes. These wear indicators do not ruin the brake rotors, they're just a warning sound to prevent further damage. To repair the brakes we need to replace the front brake pads. We use Brand X brake pads for the cars we work on." (Give reasons why your brand of brake pads is better than what the customer has.)

- You'll then say something like: "To insure the brake pads have a smooth and flat surface to make contact with, we need to re-machine the front brake rotors. All total for the brake work is $248.46 (as our example shows) and with the service work included it brings your revised Estimate up to $330.07. We have the parts in stock and can still have your car done tonight if you like. Can we go ahead and repair the brakes for you?" The key here is the question "Can we go ahead and repair the brakes for you?" If you ask permission to go ahead with the repairs today, the customer believes the repairs must be needed now. If you don't ask to go ahead with the repairs, the customer senses that the repairs must not be that important. The customer may decline and go elsewhere. If you simply mention the car's brakes are worn, and do not ask to go ahead with the repairs, you are only informing the customer that the brakes are worn — not the fact that you do brake jobs and can do the job today.

- Do not say anything more unless the customer asks a question. Let the customer make the decision. Let's assume the customer responds: "If I need brakes done and you can get them repaired tonight, go ahead and do the repairs."

Before we go to the next item let's summarize what we did.

- We explained why it will be more advantageous to repair the item now rather than later.
- If necessary, we explained the possible costs if the item goes without repair.
- We explained the cost of repair for this item.
- We asked the customer if we can proceed with the repair of that item.
- We then proceed to the next item on our list.

Let's continue our phone conversation:

"Okay. The next item we need to discuss is your water pump. Your water pump is leaking coolant. Generally, when water pumps start leaking coolant they tend to fail soon afterwards. When the water pump fails, either it starts leaking real bad and all of the coolant leaks out and the engine overheats, or it locks up and refuses to turn at all. Water pumps usually don't lock up, but we've had them do that. The problem is, if the engine overheats it may be damaged. It all depends on how quickly you notice the overheating on your temperature gauge. Your water pump is not leaking real bad yet. I do however recommend you replace it now before it does fail, stranding you on the road. I checked your records, and the radiator and heater hoses have been replaced within the last year. We didn't replace your fan belts, which we recommend you replace now with the water pump. We have to take off the belts to replace the water pump, so there is no extra labor. If you don't replace the belts, and we have to do them later, it will cost you $60 in labor. As you can see, it's a good idea to replace the belts now with the water pump. I don't foresee any problems while replacing the water pump. The cost of the water pump with labor, coolant, and belts is $275.17. The water pump will bring your revised Estimate up to $605.24. All the parts are available and I can get this done today if you like. If it helps you at all, we do accept all major credit cards. Can I go ahead and replace your water pump and belts?"

Again, wait for the customer to respond.

Customer responds: "Well if the car needs the repairs, you might as well do it all. Let's get started right away." You might say at this time: "The last items on the Safety Inspection may not need immediate attention, but I should inform you anyway. The clutch on your car is starting to slip. You probably notice the slipping when you accelerate uphill and shift into a higher gear, or feel the engine race when you shift. These are early signs of clutch slippage. With all the driving you do, your clutch may not last until your next service, in 7,500 miles. I have prepared the cost to replace the clutch for you. The total cost of the clutch job is $570.03. This will bring your bill up to $1175.26. If you would like me to replace the clutch while we have your car, I wouldn't be able to get that done today. I would have to keep your car overnight. I can however get you a free rental car if that helps you at all. Now before you respond to the clutch, I should tell you the last below-par item the Safety Inspection detected was your shocks. Shocks are the least of your worries at this time. Replacing the shocks makes your car handle better, not sway as much while cornering, and improves ride quality and tire wear. To replace the shocks you're looking at another $673.68, with an alignment. This would bring your total repair bill to $1848.94. I could also get this item done tomorrow if you're interested."

Again, let the customer take the time to think about his options and respond.

Customer responds: "I want to keep my car right now, and I'd rather not spend the money. But if these

repairs will save me time and money, then go ahead and do all the repairs you recommend. Thank you for the offer of the rental car, but I can get a ride to work. Keep my car as long as you need it."

- The customer was provided with options. He considered all his options and decided to spend the money, charging a portion of the bill on his Visa card. The customer got his car into tip-top shape while absorbing some of the expense with his credit card.

- The reason for offering the free rental car is simple: Customers may not want to leave their car overnight. They often do not see the importance of having repairs done now. Usually, a customer's main concern is how to get by without a car. A free rental car solves the problem. In most cases, customers do not take advantage of the free rental car offer. They appreciate the offer, but quickly conclude they can get by for a day or two without their car.

- You'd be amazed at how often customers agree to all of the repairs, if not most of them. If you present the need to the customers, they cannot say "No" to you to do the repairs. Most shops are afraid to tell customers everything their car needs. It's your job to inform the customer of what his car needs — and the customer makes the decision, not you, to have the repairs done.

- If a shop recommends additional repairs when the customer picks up the car, obviously the needed repairs are not that important. The customer will put off the repairs or have another shop do them. The additional repair jobs could have been yours — had you just asked for them.

Be sure to:

- Summarize all repairs to be done and any possible problems that may arise.
- Confirm the total revised Estimate with the customer.
- Document any revisions on the Repair Order.
- Confirm as to which day and time the customer can pick up his car. This is the ideal opportunity to offer your extra service of picking the customer up when the car is done.
- If the customer doesn't want to leave his car overnight, offer him a rental car at no charge. If he takes his car home, he may get cold feet — or shop for a cheaper price.

In the chapter, "Shop Paper Flow", we'll take a look at how the paperwork should flow through the shop during the Upsell process, and look precisely at what should be done when the customer comes in to pick up his car. We can't leave anything to chance in our quest to put more of the pieces together.

Chapter 23

Customer Service History

Many a man never fails because he never tries.

— Norman MacEwan

Are you using customer service history to your advantage? You have information at your fingertips that can increase your sales and profits, and at the same time provide another valuable service for your customers. All this from your customer records sitting in your file cabinets. We often compare ourselves to doctors. When we visit our doctors, the first thing they look at is our medical history in their files. Doctors know from experience that what may be ailing us today may have a link to a problem in our past. Also, from looking into our past medical records, doctors can recommend medicine, shots or physical exams as needed. As automotive professionals, we must use our customer records in much the same way. We don't use our customer records often enough. The diagnostic work we perform today provides answers to the problems found in a customer's service history. Whether a car is overdue for a servicing or is experiencing a lean-running condition, the information required to make a prognosis is in the customer file. (You can even use these files as a mailing list when it comes time to advertise your shop specials.)

Customer Perception is something discussed in almost every chapter. Just like the doctor looking at medical histories, your service writer must look through customer history files with confidence — showing that your shop cares enough to check out the car's medical history. Customer Perception of your shop increases when you show customers the effort your shop takes to keep accurate records of the work done on their vehicles.

Routine maintenance is your bread and butter. We've all had customers come in for a minor service six times in a row, to eventually find out the customer hasn't received a major or major biennial service in a long time. We aren't aware of this condition until the customer has a driveability problem. You can still hear those words from the customer: "You just did a service on my car," followed by, "Why didn't you tell me then that I needed a major service?" You probably wondered the same thing. What is this customer's perception of you and your shop?

We simply had a system failure. Our organized methods of conducting our business didn't catch the problem. Yet, all the information we needed to avoid such a problem was right in the customer's service history file. Where else did we go wrong on this car? Obviously we didn't send the customer a Reminder card or

letter informing him he was due for a major service. (Later in the "Customer Follow-Up" chapter we go into this aspect of the business.) We didn't have the customer on a Service Schedule either. The last technician who worked on the car should have noticed the need for a major service. My shop has 3x5-inch Service Sticker that we affix under the hoods of all customer cars **(see Figure 23.1)**. These plastic labels are permanent and we change the written information with a grease pencil — such as when the next service is due in time and miles and what that service should be. I've never liked the use of Service Stickers on the door jam. They are messy and hard to read. Our Service Stickers look nice and are easy to read. We even write down when the timing belt is replaced. You can't afford to miss a selling opportunity. If you do, a shop down the street takes advantage and does the repairs instead.

A plastic sticker under the hood is not affected by engine heat, oil, and grime. By using grease markers that wipe off, only one sticker per customer is ever needed. An added benefit of these stickers is when someone purchases the car from your customer. The new owner knows exactly where to go to keep the car as well maintained as it has been, your shop.

Figure 23.1 Underhood Service Sticker

Later in this chapter is a form to add to your customer's file for tracking his repairs and servicing. Make it a company policy to pull and review the file of every customer. Have an office person pull the files the day before the customer's appointment. Better yet, you should pull the customer's file before you make his appointment. When he sets a date to come in, you need to know what his car is truly due for. Keep customer files in a file holder for easy access the day the customer arrives for his appointment. You'll find times during the day when you must refer to the files. If a car needs an Upsell you must know if it was your shop that did the repairs last time and how long ago.

You never want to hear a customer say, "You just did that a little while ago." The customer's immediate perception of you is that you're trying to sell him the same repair twice, or sell him something he doesn't need. With the customer file reviewed and in your hand, you can say, "A little while ago was three years

ago." Now the customer's perception of you is, "I shouldn't have doubted this professional's knowledge of my car," and "It doesn't seem that long ago...how time flies." If the customer claims you did the repair recently, you have the information in your hand to prove yourself correct. Without customer files, you don't look prepared in the customer's eyes. (Again, the importance of Customer Perception!)

In summary, use customer files to your advantage. If you don't have your customer records filed by customer name, start today. If you have a computerized shop management system that automatically shows you customer history records whenever you write up a customer or make an appointment, the better off you are. You'll appreciate the time savings your computer gives you. Inform your customers that you look at their service history to improve your shop's service. (Great for Customer Perception!)

Service Records for:

Date						
Mileage						
Service						
Oil & Filter wt oil						
Minor Service						
Major Service						
Biennial Service						
Timing Belt / Chain						
Tune up						
Valve Adjustment						
Spark plugs						
Spark plug wires						
Distributor Cap & Rotor						
Distributor Service						
Vacuum advance						
Ignition module / Ignitor						
Carburetor overhaul						
Fuel Injection clean						
Transmission / Diff Service						
Cooling system service						
Thermostat						
Radiator rod out / replacement						
Radiator hoses						
Heater / Bypass hoses						
Water pump						
Belts						
Clutch replacement						
Front Brake pads / shoes						
Calipers / cylinders						
Front rotors / Drums						
Rear Brakes shoes / pads						
Rear wheel cylinders/calipers						
Rear brake drums / rotors						
Brake master cylinder						
Power brake booster						
Brake system flush						
Wheel bearing repack						
Battery						
Alternator						
Starter						
Electrical system test						
A/C recharge / repair						

Chapter 24

Safety Inspections

No person who is enthusiastic about his work has anything to fear from life.
— Samuel Goldwyn

In the last chapter you learned the importance of customer service history and how that information increases your sales. A Safety Inspection performed at the last service also helps you sell more service and repairs.

Most shops don't do Safety Inspections — they feel that customers think the shop is trying to sell more work than necessary, or that customers think less of them if they find too many problems with the car. Isn't it your responsibility to the customer to do a thorough Safety Inspection to determine what upcoming conditions may affect his car? Since his car is his transportation to and from work, a vehicle that breaks down is his worst nightmare. Did you manufacture the customer's car? Did you design the car? Did you sell him his car? Did you put all the mileage on his car? No. Most customers appreciate the Safety Inspection. The ones who don't are the customers who are afraid to know what's going to fail. These are the customers we call "Maintenance by Crisis People." They drive their car from one failure to the next. To these people, there is no such thing as Preventative Maintenance.

A good 98% of your customers want to know what needs attention on their car. This large percentage of customers also like to budget their time and money. If they are aware they'll need brakes in 10,000 miles, many will replace their brakes at the next service — 7500 miles. I don't recommend you do a Safety Inspection on every car or every job. I do recommend you perform a Safety Inspection on every service. At the end of this chapter is a copy of my shop's Safety Inspection form. During a minor service, for example, we won't perform a compression test. We simply mark "Does Not Apply" on the form. We encourage our technicians to use Safety Inspection forms when they work on cars that may not require Safety Inspections. The technicians usually notice several items needing attention. Go ahead and use the Safety Inspection form to show what needs attention. This saves the technician the time of writing everything down. Plus, the Safety Inspection stands out when the customer's file is reviewed next time. Have your Safety Inspections done on NCR paper. Keep the white copy for your files and give the yellow copy to the customer. For new car inspections we use the same Safety Inspection form.

We should no longer consider ourselves service writers. We don't simply write up Repair Orders — we consult with each and every customer. We are service consultants to our customers. They take our advice and decide what we should do on their car. We help them see the "big picture" of Preventative Maintenance. We show them what must be done today, and what can be put off until their next visit. They

come to us for advice and to bounce ideas off us. They rely on our knowledge and experience. We need the information on those Safety Inspection forms just as much as the customers need it. We put the needed items on the Safety Inspection into perspective for customers, breaking it down in terms they can comprehend. Without a Safety Inspection, what do we really know? Not much, other than the fact we fixed what was broken. If we only fix what is broken, what kind of customers would we have. Ones who appreciate Preventative Maintenance? Probably not.

Who do you want for customers, the ones who only come in when their car breaks, or the ones who come in like clockwork for their service? It's wonderful when a customer comes in for a service and brings his Safety Inspection form from his last service, especially when he says "Do everything on the Safety Inspection." It's also nice when you take the time to list, by priority, what items need to be done first, second, third, etc. This allows the customer to budget his money to get everything done by a certain date. Collecting money from the customer is easier because you've made it convenient for him to justify spending the money for Preventative Maintenance. When he gets his Safety Inspection and everything is marked "Good," he is happy. You have a relieved customer who knows his car doesn't need any repairs for awhile, other than servicing.

A side benefit of your technicians using Safety Inspection forms is they now have to respond to everything they checked. Since the form is easy to use, the technicians won't forget to write down what the car needs. We have all forgotten to write down something on a Repair Order. Have a shop policy that no Upsell on a service is to be turned into the service writer unless it includes a completed Safety Inspection form. We know what it feels like to call a customer a second and third time, merely because the technician didn't remember to write everything down or do a complete inspection before he turned in the Upsell.

I especially like to see Safety Inspections when they measure the brake pads and shoes. My shop takes the time to measure new brake pads and shoes. We give all our customers an accurate percentage remaining on their brakes. If the new brake pads are 10 millimeters new and have four millimeters remaining, you have 40% remaining. The only problem with measuring the brake pads is the wear indicators. If the wear indicator hits at 2.5mm and the brakes have 2.6mm remaining, do the brakes have 26% or 1% remaining? If you tell the customer 26% and the wear indicator makes noise next week, your credibility suffers. You and your shop have to figure out what 0% is. Be aware of riveted brake pads. As you've seen before, there appears to be plenty of brake pad left, with rotor damage occurring soon after.

In summary: Come up with a Safety Inspection form for your business. You and your shop will never regret it. I have a copy of my shop's Safety Inspection form on the following page. If you would like to use my Safety Inspection form, copy it or give CARS a call and we can modify the form with your business name, etc. The CARS phone number is 1-800-622-2776.

The Car Care Center

2852-A Soquel Ave. Santa Cruz, CA
(408)479-4777

Safety Inspection

Under Hood	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
Engine Oil Leaks				Engine Needs Cleaning
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
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				Hard / Swollen / Cracked / Leaks
Thermostat / Fan Switch/Sensor				Stuck open / Runs Hot / Bypassed
Fan Belts				Alt / Pump / P/S / A/C / Cracked / Worn / Glazed / Oil Soaked
Water Pump				Loose Bearings / Noisy / Leaks
Air Conditioner / Heater				Leaks / Not Working / Noisy / Needs Servicing
Under Car				**Under Car**
Tires L/F				Worn / Leaks / Dangerous
(Set at R/F				Worn / Leaks / Dangerous
32 psi) L/R				Worn / Leaks / Dangerous
R/R				Worn / Leaks / Dangerous
Spare				Worn / Leaks / Dangerous / Could not check, trunk too full
Tire Rotation Yes / No				Need Rotation / Best Tires on Front / Mismatched Tires
Brakes Front				_____% Measurement Remaining _____/_____mm
Rear				_____% Measurement Remaining _____/_____mm
Brake Hydraulics / Brake Fluid				Dirty / Contaminated Master Cylinder / Calipers / Wheel Cylinders / Leaking
Rotors / Drums				L/F R/F L/R R/R Worn / Warped / Grooved Badly / Vibration
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 Control Arm/ Power Steering Rack / Worn / Leaks
Alignment				Pulls Left / Right / Tire Wear
Transmission Std / A/T				Grinds / Noisy / Slips / Needs Servicing / Leaks
Clutch				Slips / Chatters / Will need replacement soon
Clutch Hydraulics / Cable				Worn / Leaking / Master Cylinder / Slave Cylinder
Axles / Differential				Axle Boot Left / Right Inner / Outer Noisy / Leaks
Exhaust Manifold / Front Pipe				Cracked / Restricted / Noisy
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				L/F R/F L/R R/R Low / High Beams Turn / Brake / Tail / License / Side / Parking

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.

Chapter 25

Appointment Scheduling

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

Scheduling appointments is quite frustrating at times. If you underbook your appointments, you have cancellations and end up with not enough work. If you overbook, every job takes longer than you anticipated. Have you given up on an appointment, given his appointment time to someone else, only to have the customer show up late and expect you to honor his appointment? How do you account for drop-ins and tow-ins? It's so frustrating at times that some shops have simply given up. Many shops now are on a "first come, first serve" appointment basis. One thing is for sure, if you have only four hours' worth of work for a technician, the technician takes eight hours to do those four hours of work. Conversely, if you have 12 hours of work to get done by the technician that day, the 12 hours of work gets done in eight hours. You must find a system that allows you enough work to maximize your day, yet not be overbooked.

You don't want to be overbooked for a couple of reasons. First, you don't want to overwork your employees. Second, you need more time to perform Upsells. In reality, to do a better job of performing your Safety Inspections and Upsells you should take on less appointments per day. You should allot so many hours each day for Upsells. Some time and experimentation are necessary to find the number of hours per day for appointments you can book. Look at your appointments and tow-in patterns. You probably see that you take on less appointments as the week progresses. The last day of the week is always the crunch day. All the cars are expected to be completed by then. You find yourself at times booking the least amount of hours on Fridays.

Appointment times when you expect your customers to arrive is another issue to address. Most shops expect their customers to arrive first thing in the morning, let's say at 8 a.m. A problem arises when the shop is overwhelmed with too many customers in the morning. Customers have to wait longer than needed to get their car written up. There are a few things you can do to ease the "morning crunch." You can write up the Repair Order when the customer calls for an appointment so that when he arrives in the morning all he has to do is sign the Estimate. Or you can have your customers come in when it's convenient for them. Reynolds and Reynolds makes a nice Early Drop-Off Box with envelopes. The envelopes are stored in the box and available to customers during your off-hours. The envelopes contain official Repair Orders the cus-

After-Hour Arrivals

This will be your temporary Repair Order, so please fill out completely.

1. **Write your name and phone numbers where you can be reached.**
2. **List the work you wish to have performed today.**
3. **You must enter an Estimate amount. We cannot start work unless you give us an Estimate amount.**
4. **You must sign below where marked Signature.**
5. **Park your vehicle in our lot and lock the doors.**
6. **Place your car keys in this envelope.**
7. **Drop this envelope in our mail slot on our front door.**

Name _____

Phone: Home (____)____-_____Phone: Work (____)____-_____ ext_____

Which is the best number to reach you at ( ) Home ( ) Work _____

Car License # _____ Color _____

Car year _____ Make _____ Model _____

Time you would like to pick up your vehicle _____

ESTIMATE AMOUNT AUTHORIZED $ _____

Work to be performed_____

_____

_____

_____

_____

_____

Do you want the old parts that were replaced? ( ) Yes ( ) No

Please check:

- I will call at _____ for the Estimate
- Please call with Estimate at the ( ) Home, or ( ) Work number _____
- Please call if Estimate will be over $_____

I, the Registered Owner, authorize you to perform the above repairs and furnish necessary materials, I understand any cost quoted hertofore is an estimate only. Your employees may operate vehicle for inspection, testing, delivery at my risk. You will not be responsible for loss or damage to vehicle or articles left in it. I agree to pay reasonable storage on vehicle left more than 48 hours after notification that repairs are completed. I agree they you have an express lein on the above described vehicle for the charges for parts and labor furnished under this repair order, including those from any prior repair order on this vehicle. If I fail to pay such charges. I agree that the vehicle may be sold after 20 days notice. In the manner provided for in sections 3071 to 3075 of the California civil code. In the event of failure to pay charges when due, I agree to pay in addition to repair charges normal shop rates for your time spent in collection efforts plus any reasonable attorneys fees and/of actual costs incurred in collection. Receipt of a copy of this order is hereby acknowledged. Please sign below:

I understand because of using this after hours service, I am not able to receive a copy of this estimate.

Signature X _____

No work can be performed without a signature

The Car Care Center

2852-A Soquel Ave, Santa Cruz, Ca. 95062

(408) 479-4777

Figure 25.1 Sample of an Early Drop-Off Envelope

tomers sign, after which they put their car keys in and seal the envelope. The customer simply slides the envelope through your mail slot (**Figure 25.1** is a sample of an Early Drop-Off envelope). First thing in the morning, you look over the Early Drop-Off envelopes and write up a Repair Order for the cars to be completed early in the day. The others are written up as soon as you have time, after all the drive-up morning customers are done. There is no sense in putting off a customer so you can write up a Repair Order for an Early Drop Off — wait until the customer in front of you is written up and on his way before you conduct any other clerical chores.

Make things easy on yourself by having all your customers at your counter first thing in the morning so you can plan your day. Remember that you have to make coming to your shop as convenient as possible for the customer. If you don't and another shop does, you lose customers. There are those customers who like to wait for their car while it's serviced or repaired. They can be a real pain if you have to pull a technician off another car. Keep in mind how difficult it is to go without a car for an entire day, especially if the car only needs a half hour worth of work. Allowing customers to wait for their cars may become a necessity. Most shops have limited parking space, and customers coming and going without tying up a parking space all day can be a blessing.

Thursday

Date *June 24*

Drop Off			Hours
8:00	Name *Patti Smith*	Year *92*	6.1
Pick Up	Labor *90K Service, Timing Belt, Rotate Tires, Check A/C*	Make *Honda*	Total
3:00		Model *Accord*	6.1
		Phone *479-1344*	
Drop Off			Hours
10:00	Name *Cliff Bond*	Year *91*	.5
Pick Up	Labor *Oil & Filter change, Check Alignment*	Make *Mazda*	Total
12:00		Model *RX7*	6.6
		Phone *688-5237*	
Drop Off			Hours
8:00	Name *Bill Clark*	Year *89*	2.5
Pick Up	Labor *Minor Service, Rear Brake Overhaul*	Make *Toyota*	Total
5:00		Model *Corolla*	9.1
		Phone *423-9250*	
Drop Off			Hours
8:00	Name *Robert Ward*	Year *85*	8.0
Pick Up	Labor *Head Gasket, Major Service*	Make *Honda*	Total
CWD		Model *Accord*	17.1
		Phone *425-7950*	

Figure 25.2 Sample of CARS Appointment Pad

A couple of reasons why "waits" can be such a pain. Every time you pull a technician off a job to start on a car of a waiting customer, your shop loses productivity. It takes time for a technician to begin exactly where he left off on a job and get back in the flow. There's also the downfall from "added" changes of a Comeback. If a technician goes back onto a job and forgets to finish a process, such as tightening a bolt, you have a chance of a Comeback. The possibility of a Comeback in situations where the customer is wait-

ing for his car is 10 times greater than if the technician doesn't stop on a job from start to finish. You can however, prepare yourself if you have no choice of pulling a technician off one job to work on a waiting customer's car.

Your technicians must learn to never stop a job without first reaching a point that is easy for them to restart from. Let your customers know that before work can begin on their car, it will be a few minutes for the technician to finish what he has started on someone else's car. Tell the technician right away when the customer arrives, even before you write up the customer. Those five extra minutes may be needed to get to an "easy-to-restart" breaking point in the job. The technician will be able to start the new job just about the time you're finished writing up the customer. This makes everyone happy: the technician, the customer, and you the owner/manager. Once you have a good dispatching system in place, customers that pick up their cars at various times throughout the day aren't a burden. The next chapter deals with the dispatching of a day's work.

"Appointment Making" is more important than it looks. You must plan your workday a full day in advance in order to have the correct technician and parts to get the job done in the amount of time allotted. You can't just plan a day of appointments anymore. You have to see the entire week of appointments. Appointment books are usually not the best for our type of business. Books do not give you enough room to write down all the information you need to see. Plus, you see only one or two days at a time. You must see the entire week at a glance. Here's a good example of why. Some jobs are started on Monday and not completed until Thursday or Friday due to part arrivals, sublet machine work, etc. It's easy to book a big job on Monday with all of the hours the job should take. But let's say you send the cylinder head out for machining. You better have time set aside later in the week for when the head returns. (Luckily, it's getting easier to get parts back in one day.)

Another problem with appointment books develops when you make an Upsell but can't start the job until a day after tomorrow. You can make the mistake of not writing the job in your appointment pad (and how much time is allotted). You go ahead and book a full day's worth of appointments, only to find you don't have enough time to do the Upsell — and you have an angry customer. Any job that has to stay overnight should be added to the appointment book. How else will you know if you're overbooked? The easiest thing to do when a customer calls asking to bring his car in is to say, "Yes." If you're making that customer angry because you can't get his car done, you're not helping yourself or the customer. You must eliminate any possibility of losing a customer for any reason. (Especially on account of disorganization.)

In summary, make appointments for your customers. Let the customers bring their cars in when it's conve-

nient for them, not you. Allow customers to wait for their car if that's best for the customer. If the customer wants to pick up his car before the end of the day, you need to honor the time if at all possible. At the same time, you must book as many hours as possible for the day without overbooking or leaving inadequate time to perform the Upsells that come up each day. Book enough hours to be productive without causing Comebacks. (I never said it was going to be easy.)

Your appointment book or pad must be large enough for you to see an entire week at a time. It should have enough room for the following information:

1. Customer's full name.
2. Year, make and model of car.
3. Work to be performed.
4. Number of hours the job will take.
5. Time the customer is bringing the car in.
6. Time the customer plans to pick up or wait for the car.
7. Customer's contact phone number.

Figure 25.2 shows you an example of what you should see for an appointment, giving you room for the drop-off and pick-up time. We tend to forget an occasional appointment we make and this is why you need the customer's contact phone number (to call the day before). Besides, it's a nice service to remind the customer of tomorrow's appointment — and so you can plan for it, a good time to see if he needs a ride to work or home.

You need to know the year, make and model to make sure the parts are either in stock or available at your parts supplier. You need room to write down exactly what the customer has asked for, important because he called you when something happened to his car. Often the customer forgets why he called, or he has someone else bring the car in — someone who assumes you know what the car is there for. Using the full name of the customer, have someone in the office pull the customer's file so it's ready for review when the customer arrives.

The estimated hours that you anticipate the job will take is important. In **Figure 25.2**, the box below "Hours" provides a running total of the hours scheduled for the day. From the example, you can see so far that for Friday we have 9.1 hours scheduled. If someone cancels, or the hours planned get changed, cross off the time with a marker and write in the new time. This way it becomes obvious to others the time was changed

— and the lower time reflects the change. As customers arrive each day, highlight their appointments with a large highlighter felt pen. I use a yellow highlighter. If the appointment cancels, use a red highlighter to indicate a cancellation. As your morning progresses, you see appointments not highlighted as customers who haven't arrived yet. At a certain time in the morning you should call all customers who have not arrived (and are scheduled to be there). Again, having customer phone numbers allows you to do this.

When a customer arrives for his appointment, it's important that you check off what you've written down on the appointment pad. You don't want to forget to do something the customer wanted. Everything you do as part of making an appointment should be company policy. Every employee needs to make appointments the same way with the same information. It never fails that you'll have to pull a customer file to find a phone number because an employee was too lazy to ask for the phone number when the appointment was made.

Your appointment pad should be in an easy-to-reach spot for everyone. It must be near a phone. You need enough room on the pad for all the appointments made for a day. My shop's appointment pad measures 3.5 x 3-feet to make room for 30 appointments per day for our 5-day work week. It's easy to read and easy to understand. CARS sells an appointment pad as described. Call CARS at 1-800-622-2776.

Take the time to find the appointment scheduling system that works best for your shop. Remember, unless you schedule enough hours each day, your productivity will never be as high as your goals. If productivity is not high enough, neither will your profits.

Chapter 26

Dispatching

The successful people are the ones who can think up things
for the rest of the world to keep busy at.
— Don Marquis

Since you are now working more productively, you can schedule more work for your shop. It's time to learn the most effective methods for dispatching work to your technicians, and to take a close look at the best ways to schedule your working day, making it as efficient as possible. In this chapter, you'll learn how to:

1. Eliminate the mistakes of having too little work or too much work for the day.
2. Make sure the cars are completed on time.
3. Never find at the end of a day that you forgot to work on a car.
4. Make sure you don't start a car too late in the day, without enough time to finish the car. (And to know early enough when to call and inform the customer.)
5. Know when to get a rental car for the customer. (Early enough in the day when rental car companies are still open and have cars available.)

Most shops dispatch work by placing the Repair Orders in racks divided and listed by the technician's name. Once the technicians are done with their first job, they grab the next Repair Order down the rack. The system is set up this way so technicians don't have to wait for you to figure out which job they go to next. But a problem develops for management — knowing whether each technician has the correct amount of work in his Repair Order rack.

Typical Repair Order racks cover up all the Repair Order information except the customer's name. You can't see the list of service or repair work on the Repair Order. You're constantly lifting the Repair Order to refresh your memory and figuring how much time is needed. You're consistently shuffling Repair Orders to make the work hours fit the work day, while giving every technician enough work to get all the work done that day. You are never quite sure if all the work is being done as planned. Are you able to predict how much time is still available to sell today? You cannot afford to run out of work an hour or two early. All of this leads to a lot of stress in the service office every day.

It's nothing short of amazing when you can make all the variables work out each day, getting all the cars done on time without working overtime or finishing too early. When you push your system to the max, you try to get the absolute amount of work out each day. There are days when you push your system to the max and your entire system fails. The reason behind a more sophisticated dispatching system is to be able to push your system to the max every day, without failure.

The CARS Dispatching Control System is easy to use and works extremely well. I have seen some computerized dispatching systems so confusing and hard to use that they ultimately fail. The CARS Dispatching Control System may look complicated at first, but once you start using it you'll never go back to shuffling Repair Orders in a rack. CARS Dispatching Control System consists of a board with holes in it, and a series of different color pegs that plug into the board. Each day you place a new form on the board so you can write down todays customers with the needed repairs and any previous jobs still in progress from the day before. The object is to see every half hour of each technician's time for the entire day, and to see the status of all the cars in the shop that day. You can view at a glance how much time is needed to do all the repairs and how much time is available to do the work. In **Figure 26.1**, you see a reduced view of the CARS Dispatching Control System board.

Figure 26.1 Dispatching Board

Brian	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5
Mike	8.5	8.0	9.5	10.0	10.5	11.0	11.5	12.0	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5
John	8.5	9.0	9.5	10.0	10.5	11.0	11.5	12.0	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5

Customer's Name	License Color	Year Make	Repair Order #	Pick Up Time	.5	1	2	2.5	3	4	5+
Art Vasconcellos	3BYT998 Black	92 Legend	54321	4:00				15K			
Bill Clinton	2BIT483 Blue	86 Ranger	54322	2:00			RBOH				
Joe Montana	Montana Red	94 Viper	54323	Noon		M/S					
Barry Bonds	MoMoney Black	93 Vette	54324	Wait	OFC						
Mark McGwire	NoMoJose Green	92 Suburban	54325	5:00						TU/FBP	
George Bush	2BBB333 Blue	85 Caprice	54326	CWD							Valve Job
Dan Quayle	Pres96 White	90 Accord	54327	5:00					30K		

On top of the board are a row of pegs next to the technicians' names. So, next to Brian, Mike and John are pegs marked 8, 8.5, 9, 9.5 and so on. These pegs represent the clock times of 8:00, 8:30, 9:00, 9:30, etc. We use 8.5 instead of 8:30 because we use military time-clocks that read in tenths-of-an-hour; so 8:30 prints out as 8.5 and so forth. You can see we have pegs from 8.5 (8:30) through 4.5 (4:30). The technicians' workday starts at 8:00, and the first job they usually have done is at 8.5 (8:30). Since no car can be done at 8:00, when we start, there is no reason for 8.0 or 8:00 to have a peg or hole. Our workday finishes at 4.5 (4:30), and thus the 4.5 peg. The technicians' lunch time takes half an hour. They're gone from 12:00 to 12:30. They start work again after lunch at 12:30, so the next time on the board is 1, which is 1:00.
I'm certainly not implying that we expect all jobs to be done on the half hour. These times are just estimated times. Technicians complete some jobs much earlier or much later than estimated. The CARS Dispatching Control System allows you to make adjustments throughout the day. If you are running behind schedule, you need to know as soon as possible — to either make corrections, or call a customer so you can keep his car longer or overnight.

Below the peg section is a list of our customers for the day. We write down the customer's name, license number, color of their car or truck, the year and make of the car, the Repair Order number, and the customer's pick-up time. To the right of the customer's information is the job to be performed, with the estimated time to complete that job. The first customer is Art Vasconcellos, and we are doing a 15,000-mile service on his car. This service should take 2.5 hours, and so you see 2.5 on the top of the lower section, giving us an idea of the time involved. Jobs farther to the right of the page take longer than the jobs with the labor description to the left of the section. The reason the Repair Order number is listed is because you want every car and job in the shop to be accounted for. You don't want to forget to work on a car. By listing the jobs in order, by Repair Order number, there is less chance of forgetting a car. If you notice a missing Repair Order number, you need to find and add that Repair Order to the dispatch board.

On down the customer's list, we have Bill Clinton, who needs a RBOH (Rear brake overhaul) on his 1986 Ford Ranger. This is a two-hour job and Bill would like to pick his truck up at 2:00. Next we have Joe Montana, whose 1994 red Viper, license number MONTANA, with Repair Order 54323 needs a minor service (M/S) which takes an hour. Joe wants to pick up his Viper at noon. As you go down the list you see the rest of the work we need to do today.

In **Figure 26.2**, we are starting to allocate time to the jobs. We start with Brian. Since Barry Bonds is waiting for his oil change (OFC) on his Corvette, we have Brian do that job first. We put the 8.5 peg into the board under the OFC. You see the pick-up time of "Wait" highlighted. This heading is colorized with a green highlighter pen, making the "Wait" stand out so we don't forget to work on this job first thing. The

next job we give Brian is Joe Montana's minor service. Since we expect Brian to be done around 8.5 and the minor service takes an hour, we put a peg indicating the estimated completion time on Joe Montana's minor service. Again, you see we highlighted noon to make sure the job is completed by noon. By planning to have the car done at 9.5 means there will be no problems. We put a 9.5 peg next to the minor service. You put the 9.5 peg in sideways, indicating that the job has not been started yet. Only the peg for a car being worked on is sticking out straight from the board. The third job for Brian is the 15,000-mile service on my 1992 Acura Legend. Since a 15K service takes 2.5 hours and Brian gets done around 9.5, we add 2.5 hours onto 9.5, which means Brian should be done with my car at around noon. This is all the work we want to dispatch to Brian at this time. All the time to the right of the 12:00 peg next to Brian's name is now turned sideways. This is time not allocated, and still available to sell.

Figure 26.2 Dispatching Board

Brian		9.0		10.0	10.5	11.0	11.5		1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5
Mike	8.5	8.0	9.5	10.0	10.5	11.0	11.5	12.0	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5
John	8.5	9.0	9.5	10.0	11.0	11.5	11.5	12.0	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5

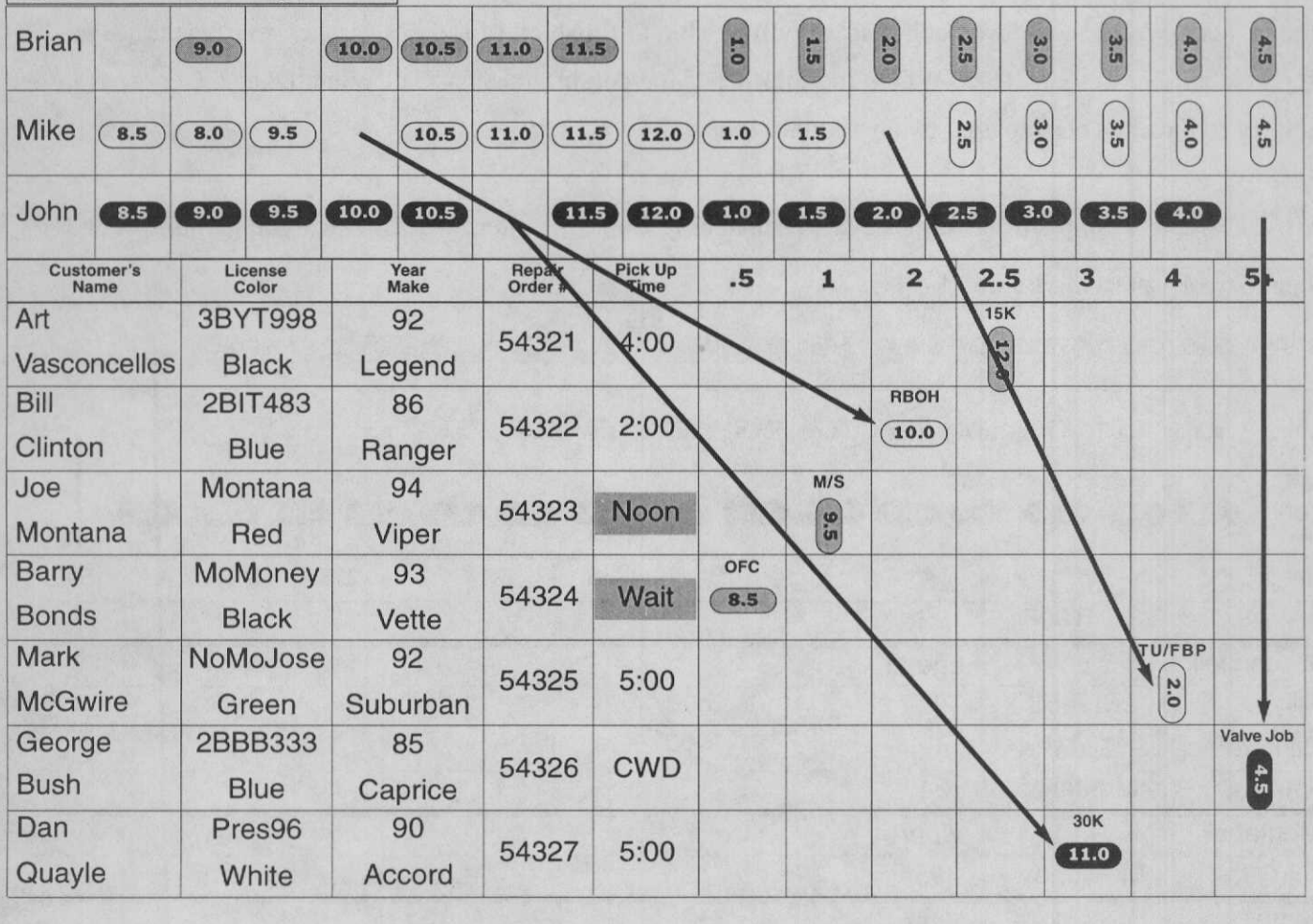
Customer's Name	License Color	Year Make	Repair Order #	Pick Up Time	.5	1	2	2.5	3	4	5+
Art Vasconcellos	3BYT998 Black	92 Legend	54321	4:00				15K 12.0			
Bill Clinton	2BIT483 Blue	86 Ranger	54322	2:00			RBOH				
Joe Montana	Montana Red	94 Viper	54323	Noon		M/S 9.5					
Barry Bonds	MoMoney Black	93 Vette	54324	Wait	OFC 8.5						
Mark McGwire	NoMoJose Green	92 Suburban	54325	5:00						TU/FBP	
George Bush	2BBB333 Blue	85 Caprice	54326	CWD							Valve Job
Dan Quayle	Pres96 White	90 Accord	54327	5:00					30K		

Figure 26.3 shows how we dispatch work to the other technicians. We give our technician Mike, Bill Clinton's Ranger, which needs a rear brake overhaul, a two-hour job. We put the 10 (10:00) peg on the RBOH. Remember, we start work at 8:00, so the two-hour job should be done at 10:00. The next job we

give Mike is Mark McGwire's tune-up and front brake pads (FBP), which takes around four hours. Mike should be done with Mark McGwire's Suburban at 2 (2:00). Again, we put the peg sideways since Mike has not started Mark McGwire's Suburban yet. Next, we give Dan Quayle's 1990 Honda Accord 30,000-mile service to John, who has a completion time set at 11. John will then go onto George Bush's valve job, which takes the rest of the day and then some.

At this point you see that we have allocated time for all the jobs on hand. If you look next to the technicians' names on top, you see we still have from 12.5 to 4.5 time left to sell for Brian, and from 2.0 to 4.5 for Mike. Remember, that is why the pegs are sideways, to show the time still available. And John is

Figure 26.3 Dispatching Board



booked until the end of the day.

In **Figure 26.4**, the time of the day is now 12:00, lunch time. At this point you see the cars for Art Vasconcellos, Joe Montana, Barry Bonds, and Dan Quayle are completed. We use a red highlighter to color over their sections to show which cars are completed. This allows us to focus on the white sections, which show the cars that are not done yet. We just found out our service writer sold more time and work on Bill Clinton's truck. Bill needs new rear axle seals and shocks on his truck. We keep Mike working on Bill's

truck, but we have a problem. Mike doesn't have enough time remaining in his day to also do the tune-up and front brakes on Mark McGwire's Suburban, as in **Figure 26.3**. Since we still have time available in **Figure 26.3** for Brian, we give the Mark McGwire job to Brian. Brian was done at 12 on the Acura Legend, and should be done with Mark McGwire's Suburban at 4, so we still have a half hour available to sell at the end of the day. Since Mark McGwire plans to pick up his truck at 5:00, we are looking good. We have Brian set for the day until 4; John is busy on George Bush's valve job until the end of the day; and we have Mike working until the end of the day finishing Bill Clinton's car.

The CARS Dispatching Control System shows us our time available even though we have many variables in our workday — and that we have to take a car away from Mike so he has enough time to finish Bill Clinton's car. We know before noon that we will be able to finish all of today's cars, except for the valve job on George Bush's car. The CWD in the Pick-Up Time column means "Call When Done." George is in no hurry to have his car repaired by any certain time.

This is a simple example of how the CARS Dispatching Control System works. Once you get used to the

Figure 26.4 Dispatching Board

Customer's Name	License Color	Year Make	Repair Order #	Pick Up Time	.5	1	2	2.5	3	4	5+
Art Vasconcellos	3BYT998 Black	92 Legend	~~54321~~	~~4:00~~				15K			
Bill Clinton	2BIT483 Blue	86 Ranger	54322	5:00 ~~2:00~~			RBOH				Shocks 4.5 Seals
Joe Montana	Montana Red	94 Viper	~~54323~~	~~Noon~~		M/S					
Barry Bonds	MoMoney Black	93 Vette	~~54324~~	~~Wait~~	OFC						
Mark McGwire	NoMoJose Green	92 Suburban	54325	5:00						TU/FBP 4.0	
George Bush	2BBB333 Blue	85 Caprice	54326	CWD							Valve Job 4.5
Dan Quayle	Pres96 White	90 Accord	~~54327~~	~~5:00~~					30K		

system, it's extremely simple. (It's simpler with the real board being much larger, with all the colored pegs making it easy to pick out each technician.) We use different color highlighters when marking the jobs to indicate many things. Such as green for a "Wait" or "Early Pick-Up," red for when the job is completed, pink for a sublet, yellow for parts, and orange for when we're trying to contact a customer because he needs an Upsell.

The beauty of the CARS Dispatching Control System is that it eliminates phone tag between your customers and your office staff. The system is also valuable when a customer calls to check on his car. Anyone in the shop can look at the board, see exactly which technician is working on the car, and determine what stage the repair or service is at, along with the time of day the job will be completed. The system organizes a lot of information into a convenient format, getting a bunch of worries off your mind.

With the CARS Dispatching Control System I can look at the clock at 11:00, view the board and see that every technician is on time. I have nothing to worry about. All of my attention can go to preparing my Upsells and listening to my customers. When it comes time for an Upsell I know how much time is available and I plan accordingly. If a technician finishes a job earlier than planned, just move the pegs down in time as needed. You are aware you have time to sell, so when someone calls and asks you to look at his car, you can say, "Yes, I have time available from 3:30 to 4:30. Come on in!"

Without the CARS Dispatching Control System, I'm not sure of the extra time available. An important rule we have at my shop is "Appointments Come First." We only squeeze a car in when we know we have the time. Never put off the customers who took the time to book an appointment. A Comeback that needs to be done as soon as possible is the only exception. Later, you'll learn to use Customer Survey cards. My survey cards informed me of many unhappy customers before we started using the dispatching system — we weren't getting their cars done at the times they requested. With the CARS Dispatching Control System we never have a problem getting a car done on time. If we run behind schedule, we have enough time to call the customer and make arrangements to get the customer a ride or a rental car.

If the CARS Dispatching Control System sounds like a good idea for your shop, you can order the system by calling 1-800-622-2776. CARS has a 30-day money-back guarantee on all products, so feel free to try it at no risk. Included with the CARS Dispatching Control System is a video tape with thorough instructions on how the CARS Dispatching Control System is used. If you prefer, we can send you just the video tape so you and your employees can learn about and discuss the system and determine if the CARS Dispatching Control System will work for you. CARS is more than happy to help you in any way possible.

Chapter 27

Shop Paper Flow

Never leave that till tomorrow which you can do today.

— Benjamin Franklin

Whether your shop is computerized or not, you still have to manage paperwork. The saying goes, "We will someday be a paperless society." Today, we are anything but a paperless society. Most of us who started out as mechanics in the automotive service and repair business never imagined we would be involved with so much paperwork. We don't have enough time to do all the paperwork required to deal effectively with each day. Computers make our job easier but they actually give us more paperwork. The biggest problem with paperwork is, what to do with the paperwork when we're done.

We have to devise systems to handle our paperwork, something suited to our line of work. If we can't find a finished document, what is the use in preparing the document? Like everything else in the shop, the paper has to flow through the shop. It's not much different from the cars or customers flowing through the shop. When everything stops flowing, we have a jam. This chapter analyzes a shop's paper flow for the Repair Order/Estimate and shows you how to eliminate paperwork jams in your shop and office. The below example showcases a shop that is not using computerized Repair Orders and using the typical 4-part Repair Orders.

Adapt the following to fit your own situation and needs.

A. Repair Order/Estimate

1. **White copy — Shop keeps.**
   Has customer's signature.
   Used for Revised Estimate.
   Used as a Final copy.
   Parts are written onto this and yellow copy.
   Stays with yellow copy (with carbon).
2. **Pink copy— Estimate copy given to customer.**
3. **Yellow — Final Invoice given to customer.**
   Stays with white copy until customer picks up car.
   Customer's Final Invoice copy when job is paid for.

4. **Hard copy — Technician's copy.**

   Dispatched to technicians.

   All technician notes go on hard copy.

   All times are flagged on hard copy.

   Information is transferred to white and yellow copies.

B. Parts

Parts are written onto the white and yellow copies as parts arrive or are pulled from inventory.

Parts to be ordered by car and invoice number are used for reference.

Only one car per Parts Order invoice.

Parts Tags get attached to hard copy.

C. Sublet

Any Sublet Sales get added to white and yellow copies.

Attach the Sublet Tag to the hard copy.

D. When customer pays.

Customer is given the yellow copy as his receipt.

White copy and hard copy are kept together.

Check and credit card sales receipts are stapled to the Final Invoice copy. (Some shops even staple the cash to the Final Invoice.)

E. Daily deposits. (refer to "Daily Deposits" chapter)

Bank deposit usually the following workday morning.

All finished Repair Orders are collected.

All cash paidouts are collected.

Any Accounts/Receivable payments are gathered together. Credit card sales summary printout for the previous workday. (If you are on an electronic credit card machine.) Daily deposit is calculated and deposited at bank.

F. Filing Finished Repair Orders.

Final Repair Order, Original Estimate, Technician's Copy, and Safety Inspection form should be stapled together. Leave any notes that pertain to an Upsell the customer didn't authorize in the customer file. If