

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.*



Shop Management Tools for Success

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Shop Management Guide*

Third Edition

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2852-A Soquel Ave. Santa Cruz, CA 95062

800-622-2776 fax 408-479-9250

Email: art@carsconsulting.com

Internet: www.carsconsulting.com/

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by Art Vasconcellos

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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.

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the customer decides later to do the Upsell, you'll have your notes with part numbers, etc., at your disposal, saving you lots of time. Parts Tags should be removed.

The above group of papers should be filed under customer's last name, the most efficient way to file customer records. Each customer should have their own file folder. Do not file Repair Orders by invoice number. Keep the most current records in the front of the file folder — with older files to the rear and the oldest file to the very back. You can quickly review customer records, from your most recent job all the way to your oldest job.

G. Parts Tags.

After the Parts Tags are removed from the Final Invoice, they need to be filed. If you have to review the recent Parts Tags quite often, punch holes in the tags and put them on a ringed clipboard. The Parts Tags for the current month can be reviewed without having to pull the file. Once the month is over, file the Parts Tags.

Part warranties: Place a copy of the Parts Tag with the customer's Final Invoice. If there is a part problem and you need to warranty the part, the Part Invoice is in the file, making it easy to return the part for a credit. This is especially important on rebuilt parts. Rebuilt parts are known to fail, so keeping the Part Invoice makes returning the parts easier. If you use several vendors for your parts, filing the Part Invoice makes sense. Otherwise you have no idea who sold you the part.

All your paperwork for the service office should be in files and stored in easy-to-reach file cabinets. Getting a handle on your shop's massive paper flow with an efficient filing system frees up valuable table space for office paperwork such as bills, statements, and the like. You also won't lose so many pieces of important paperwork that are instrumental to the productive operation of your business.

Every year you should purge your customer files. If you haven't seen a customer in over a year, you probably won't see this customer again for whatever reason. So remove all the old and dead files to make room for your current customers. You do have to keep your customer's records for at least five years. Store your older files in boxes and store them away from the office.

Chapter 28

Customer Flow

Everyone thinks of changing the world, but no one thinks of changing himself.

— Leo Tolstoi

Like every other aspect of your business, the “customer flow” through your office must be thoroughly managed. Make sure you manage every detail — from customers calling to make appointments, to you calling customers with a reminder that their car is due for its service. Your shop may not have service writers, dispatchers, and parts people, but someone should be responsible for these tasks. That someone will often be you.

Make modifications as needed with the following Customer Flow example to create the perfect fit for your situation.

- **Customer** calls for an appointment.
- **Service Writer** answers phone and reviews Customer’s records to determine what is needed on the car, then advises Customer of the needed items and price quotes.
- **Service Writer** makes appointment, determines which day has available time, and gets drop-off time, pick-up time, and phone number from Customer.
- **Service Writer** advises the **Parts Person** of the parts needed for the day of the appointment, then readies the Customer file for incoming work on the day of the appointment.
- **Parts Person** orders the parts, making sure they are in inventory or that the parts store has the parts available on the day of the appointment.
- **Customer** arrives for his appointment.
- **Service Writer** completes the Repair Order, has Customer’s file available to recheck prices. Also checks Customer file for further information if needed.
- **Service Writer** gets the required signature from Customer.
- **Service Writer** turns in Repair Order to **Dispatcher** for dispatching to **Technician**.
- **Dispatcher** gives copy to the **Parts Person** to get the needed parts.

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- **Parts Person** informs **Dispatcher** as to the arrival time of the parts.
- **Dispatcher** enters the Repair Order to be dispatched at the appropriate time.
- **Dispatcher** dispatches the Repair Order to the best available **Technician**.
- **Technician** finishes job and turns in the Repair Order, when done, to the **Dispatcher**.
- **Dispatcher** checks the Repair Order to make sure Technician performed all the needed work, then checks with parts department to make sure all parts have been entered on the Repair Order.
- **Parts Person** adds all parts to the Repair Order, then returns it to the **Dispatcher**.
- **Dispatcher** marks the dispatch board that the job is complete and gives all paperwork to the **Service Writer**.
- **Service Writer** reviews the Repair Order, completes any needed items on the Repair Order and adds up the Final Invoice for Customer.
- **Service Writer** calls the **Customer** to tell him the car is done and can be picked up anytime, making sure Customer picks up car today.
- **Customer** arrives to pick up car.
- **Service Writer** reviews the Repair Order with the Customer, answers any questions, receives payment for the work, and has car delivered to front door.
- **Service Writer** opens the car door for the Customer and again thanks the Customer for allowing the shop the pleasure of servicing or repairing the car.
- **Office Person** prepares and sends Thank You letter to the Customer, using letters mailed in envelopes instead of postcards whenever possible. (Letters are much more personal than postcards.) Letters should be signed by the Service Writer, with little notes to show personal attention and ensure that the Customer is happy and returns to the business.
- **Service Writer** calls the Customer to make sure he is happy with the service or repairs. Perfect time to further explain the repairs and additional recommendations. If Customer is not happy, getting the Customer back with as little inconvenience as possible to the Customer is a priority. Take immediate care of the problem if it's related to the repairs performed. (Refer to "Comebacks" chapter.)

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- **Office Person** prepares and sends a letter or postcard reminding the **Customer** he is due for another service. (Refer to “Customer Follow-Up” chapter.) Show mileage of last service and what was performed, and explain what is needed for this service. Also, add any recommended repairs from last service that were not done.
- **Service Writer** calls the Customer if an appointment has not been made since mailing of Reminder letter. If the Customer is not yet to the suggested service mileage, Service Writer should make a note of that mileage and date, and call Customer at that time.
- **Customer** makes an appointment. Everybody is happy.

You have completed the ideal Customer Flow cycle. Managing this flow is crucial — your shop will run like a dog or a race car depending on how well you perform this essential responsibility. You are managing your shop with the gusto of a leader in the automotive service and repair industry. People in your town are recommending your shop to others. Congratulations!

Chapter 29

Increasing Shop Productivity

We have forty million reasons for failure, but not a single excuse.

— *Rudyard Kipling*

By this point, you have learned how to measure productivity — namely how to use the time-clock, perform effective service writing and Upsells, manage your customer and paper flow, while constantly looking for ways to increase efficiency. Now it's time to learn how you increase your shop's productivity.

The responsibility of increasing the shop's productivity falls solely on the owner and manager. Most technicians know how to work hard, but they may not know how to work smarter. The manager must see that every step the technician takes has a purpose. Cars should go up in the air only one time (in most cases). Every line on the Repair Order should be read by the technician before he starts the job. A plan of attack should be created by the manager and performed by the technician. I often see technicians read only the first line of labor on the Repair Order. They change the oil and filter, then lower the car. They read the next line, raise the car and rotate the tires. After they rotate the tires they read the third line, which says to check the brakes. After they check the brakes and put the car back together, they drop the car down again. The next line of labor says to check the muffler. The car is raised a total of four times and the wheels are removed twice. Total time on this job is over an hour. But if everything is done at once, only .6 of an hour is needed. Almost half an hour is wasted. You might as well throw forty dollars into the trash. I spent eight hours in a shop that hired me as a consultant. During all those hours I heard the air tools used only once. The technicians were removing the lug nuts with hand tools. They told me it was in their best interest to use hand tools — they felt that if they used air tools they would get their work done quicker and run out of work. Never did anyone at this shop think that if they got more work done, they could bring more work in. Imagine the time and money wasted by not utilizing the equipment available. I have been in shops where the shop rags were regulated. Technicians only got ten rags a week. The guys spent more time protecting their shop rags from each other than using them.

Shop Meetings

Shops must hold routine employee meetings to increase productivity. Shop meetings are intended to find ways to make everyone's job easier and more productive. Every job must be analyzed — from oil changes

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and tune-ups, to clutch work and engine jobs. A key ingredient to increasing productivity is the proper use of labor descriptions. Each job in your shop has its own list of "actions" that are required to be performed. On too many jobs, exactly what the technician is supposed to perform is vague. You can't afford to have your technicians do more or less than what's required of them. An example I used earlier is the routine servicing on a car. Does the technician clean the battery cables as part of the service? What if the battery is dirty — does he wash the battery? If the battery is removed, is a good cleaning part of the service? (When the battery is removed to clean it, add .3 to .5 of an hour to the technician's time.) The customer should be called, and charged extra to remove the battery for service. If your technician doesn't understand this, he will never be productive and you'll never be efficient. You may not want to charge the customer for the extra time, but if you're aware of the extra time spent, you can at least tell the customer the extra service was done for no charge. Before you say "No Charge," look at the amount of time spent on the job versus the time you're charging. Yes, do your Job Costing first — then decide if you want to give your labor away.

Precise and clear labor descriptions show your technicians exactly what to perform on each job. What should your technicians do, for example, when checking the brakes? Do they pull all four wheels? Do they measure the pads, shoes, rotors, and drums? Check for rotor and drum run-out? How about rotors being out of parallel? Do they clean and adjust the brake shoes when they put the car back together? All this is the difference of .3 to check brakes to .6 for the inspection. You don't want to charge .3 and spend .6 on every job unless you choose to do so. Even worse, you don't want to charge .6 of an hour to have your technicians spend only .3 and not pull the wheels. As a team, your entire shop should discuss job procedures and labor descriptions. Talk about questions such as: When you replace a clutch, do you always replace the disc, plate, and throw-out bearing? Do you resurface the flywheel on every clutch job? If you resurface the flywheel, do you replace the rear main seal at the same time if it's a relatively easy job? What are your procedures for checking a charging system? Do you clean the battery cables first? What exactly is being performed during a check tune? Are the spark plugs pulled? Is the scope even used?

Improving productivity means knowing what items can be charged for, and that's only possible by knowing what your technicians are doing. The more aware you are of what is going on, the easier it is to charge for your technicians' time. If you can sell all their time, you can be more productive. The technicians win and the shop wins. Even the customer wins — they may have paid more, but they know they received the best service in town. Your shop meetings should have the policy that any employee can suggest time-saving equipment he feels may improve productivity. An example of one such piece of equipment most shops could use is a pressurized parts washer. The time it takes a journey-level technician to clean parts is an incredible waste. A parts washer costs your shop, let's say, \$10 per day to lease. Your technician takes six

minutes to wash a valve cover, spending \$10 worth of time. How many valve covers and other parts per day need cleaning? My shop seldom uses the solvent tank because it's easier to throw a part into the parts washer. Most parts washers use degreasers, so rinsing a part with water is all that's needed. Have a wash basin next to the parts washer to rinse off parts. Even better, have a hose with a spray nozzle to wash off parts right inside the washer. Below, is a list of ways to improve productivity in your shop. Show the list to your staff so they can think of ways to implement the suggestions. Come up with other ideas to improve productivity in your shop. Remember, your quest to improve productivity should never end.

Increasing Productivity List

Shop

- Must have and use a time-clock on every job.
- Use only the Reynolds and Reynolds time-cards (**Figure 29.1**).
- Air hoses from ceiling, two or more per car/stall.
- Water hoses from ceiling, one per stall.
- Electrical cords and lights hanging from ceiling, one each per stall.
- Tool box must be in a convenient and semi-permanent location.
- One stall per technician — make it his home.
- All employees should park as far from the shop as possible to leave room for customer cars and have them close to work bays.
- Never pull a car off a hoist, only to put it back up later.
- Finish all parts of the service or repair before moving onto another job.
- Consider the time savings of pulling a car out to work on another where it is convenient and faster, versus trying to work outside or in another stall away from tools.
- Shop must be clean.
- Safety Inspection done on all cars with a service or major repair.
- Use thorough Safety Inspection forms.
- Do technicians have the equipment they need?

Oil drain

Drain pans

Two air hoses (hanging from ceiling)

Hoist

Brake fluid dispenser

Own workbench

Proper tools and air tools

Bench-mounted vise

Miscellaneous Items:

- Plenty of shop rags
- Chemicals
- Carburetor cleaner
- Lube
- Brake cleaner
- Silicone seal tube
- Are shop manuals easy to reach?
- Technical Service Bulletins? (Consider an *AllData* or Mitchell's *On Demand*. Saves time!)

Working on Car

- Do technicians have to wait for parts?
- If parts are a problem, determine immediately which parts need to be replaced.
- Safety Inspection should be performed first to give service writer time to Upsell.
- Cars, in most cases, should go up in the air only once.
- Technicians should always look for ways to save time.
- Keep eyes busy looking for repair or service items — like when adding oil, checking the brake fluid, belts, hoses, etc.
- When wheels are off, check shocks, brakes, hydraulics, and accessible fuel filters.
- If wheels are pulled, always adjust the brakes and parking brake.
- Once established, follow a set procedure on every car.
- If door squeaks when opened, lube it.

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Note: Technicians should minimize the number of steps they take around the car. If working on the right side of the car, they need to make sure they have all the tools and parts ready. If checking the brakes, for instance, adjust them, check the wheel bearings, check the tire pressures, and lube the bearings if it's part of the job. If working on the right side of the engine compartment, doing a tune or service, bring tools to clean the battery and cables, and compression gauge, remote starter, etc.

- Technicians shouldn't clean up shop. (Compare the cost of a clean-up person to the wages of your technicians.)
- Shop should have a foreman with the authority to make decisions when manager and service writers are tied up.
- Have a "15-Minute Rule": If you spend 15 minutes and cannot figure out a problem, it's time to ask for help.
- Asking for help should be encouraged and not frowned upon or laughed at.
- Technicians should be ready to work on cars the minute they report to work.
- Limit personal phone calls and persons stopping by to visit.
- Lunch time should be the same time every day, and for all technicians.
- Dispatching of work
- Set up a dispatching system.
- Track work by the hours needed.
- Tell technicians how many hours of work are needed to get all work done for the day.
- Never pull a car off a hoist just to put it back up later.
- Finish all parts of the service or repair.
- Work on one car at a time.
- Sometimes it's best to have one technician do all the work on the same car.

Repair Orders

- Must be as complete as possible.
- If checking clutch, try to sell clutch if needed when first writing up customer.
- Make sure you get the correct phone numbers.
- Use pagers to notify customers who won't be near a phone.
- Must have descriptions for the common jobs as to what exactly was performed.
- Technicians must know what work is expected and charged to customer.

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Finally, buy a computerized shop management system A.S.A.P. Whatever the cost, the system will save you time and money, while sparing you headaches. Also, specialize in certain makes of cars or certain types of repairs. You can specialize in domestic, Asian, or European automobiles; or you can specialize in transmissions, electrical, even servicing or brakes. The sooner you start specializing the sooner your profits will increase as well.

Chapter 30

Daily Deposits

The best mental effort in the game of business is concentrated on the major problem of securing the consumer's dollar before the other fellow gets it.

— Stuart Chase

After your customers have paid their bills, you need to total up your Daily Sales and make your daily deposit. Whether you're on computer or not, you must have an accountant prepare your Profit and Loss Statement each month. For your accountant to prepare this valuable monthly document, he needs to see your "Daily Sales Summary." Your accountant puts all the pieces together for the month to give you a thorough Profit and Loss Statement.

- **Daily Sales Summary:** Your accountant needs to know the amounts of your Labor, Parts, Sublets and Sales. Provide your accountant with a summary of your Sales for the month. Also, calculate your daily deposit. To do this, you take into account any cash paid-outs, your own company charges (Accounts Receivables), and any monies paid on account. Before discussing the preparation of your Daily Sales Summary, let's look at a few of the components you work with.
- **Credit Cards:** If you accept all the major credit cards, you probably do it electronically. The credit card monies are deposited electronically into your account. When the bank does this, they automatically take out their credit card bank charge from the electronic deposit. Some banks take all the credit card fees in one lump sum at the end of the month. Other banks take it out at each deposit. Visa and MasterCard use a certain method, American Express and Discover Card use another. Look into your account to see which way your bank takes credit card fees.

To summarize what happens: If you have \$100 of credit card sales today, for example, the money deposited into your account is \$100 minus your credit card fee. If your credit card fee is 2%, your deposit shows in the bank's computer as \$98. If you have a bank where credit card sales are deposited, you probably have a separate checking account at that bank — and write yourself a check each day to your regular business checking account. To keep your books accurate, your check should be in the amount of the credit card sales minus the bank charge. This way you won't have to keep much of a balance in your account to make up for the bank charges. It's easier for your accountant to see if your deposits match your Daily Sales records. You don't want your accountant looking for a \$100 deposit when the real amount is actually \$98, as per our

above example. It's extremely important to account for all your money. In a later chapter, we discuss the possibilities of embezzlement within your company. As you become more efficient and make more profits, it's crucial you maintain good records that account for all your money. You'll see the importance of this if you get audited by the IRS or the Sales Tax people.

- **Money Under the Counter:** Since we're talking about money, we must talk about "money under the counter." I don't care if you do this or not. However, you should be aware of the pitfalls of money under the counter. (You are essentially stealing money from your business and defrauding the IRS.) It is difficult to borrow money from banks. Everyone in business for themselves knows about lean times. But if you're stealing money from your business, your profits will be lower. Of course, this is why people steal money from their businesses — to pay less taxes. When the time comes to borrow money, their profits are too low and they can't get the money they need. It's a double-edged sword: the more profit you show, the more taxes you owe.

All this must be taken into account when looking at your Business Plan. What are your future plans for the business? Do you want to own or build your own building? Do you want to expand? Well, you need to show profits in order to borrow the money to do these things. There are times you can make a little money under the counter. Just keep it under control. A hundred dollars here and there quickly adds up. Remember this: If you steal from the business, your employees may take the liberty to do the same.

- **Accounts Receivables:** When a customer wants to charge his bill to an account, I tell him, "I have an agreement with my bank — I don't lend money, and my bank doesn't fix cars." The customer gets the point. Keep your Accounts Receivables to a minimum. You can't afford today to loan out money. If you are allowing customers to charge work with you, you are lending them money. You don't have the time to send out statements. Keep in mind, it's not your fault the customer doesn't have enough money to repair his car. You may want to let some customers charge because you need the work to keep your technicians busy. But when do you say "Yes," and when do you say "No"? Once you stop allowing people to charge repairs with you, you'll see them come up with the money anyway.

Here's a great example. I had a customer who demanded that I charge the repairs and put the bill on account. When I said no, the customer replied, "Okay, I guess I'll have to take the money out of my savings account." The point is, this customer would rather have me take money out of my savings account so he won't lose interest on his money. Another reason I shun Receivables is if a customer owes me money, he won't come in for other repairs he needs. He actually goes to my competitor for the repairs. (You lose both ways.)

Daily Sales Summary

Now it's time to prepare your Daily Sales Summary report. **Figure 29.1** shows an example of a Daily Sales Report. It gives you room to list the invoice number, the customer name and related sales information, with room for the sum of the Total Sales.

- **Cash, checks, credit card sales:** At the far right of the form is room to separate the Total Sales from the amount of sales that are from cash and checks, credit card sales, and your own company charges.
- **Totaling each column:** At the bottom of each column add the above totals. The totals of the labor, parts, sublet, waste disposal, fuel, and taxes, minus discounts and deposits should equal the Total Due. The totals of the cash/checks, credit cards and Accounts Receivables should also equal the Total Due. If they don't, recheck your numbers.
- **Cash drawer:** Maintain a certain amount in your cash drawer every day. When you or your office person counts the money in the cash box, take out all the money except for the fixed amount that is always kept in the drawer. The rest is the amount of money to be deposited. If you find that your cash paid-outs, checks and credit cards don't leave you enough money in the cash drawer, don't worry. We'll get to this dilemma in a little bit.
- **New Receivables:** Enter the names of the customers you allow to charge with you. Also enter who pays "On Account." Remember, your American Express and Discover Cards are a Receivable until American Express and Discover Card pay you, then they're paid On Account. At the bottom of this section, enter the Receivables Total from yesterday's form. Now add any New Receivables to that total. Subtract any Paid On Accounts. This gives you a new total for your current Receivables Total. You need to know what this number is each month. If your profits are down one month, it may be because your Receivables are up, or vice versa.
- **Sales Section:** Where all the numbers come together to make your deposit. You'll know if you're over or short for the day.
- **Total Paid by Cash and Check:** This is the same amount from the above totals.
- **Total Paid by Visa and MasterCard:** We keep this total separate from the American Express and Discover Cards because this money is typically credited the same day as the deposit.

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- **Total Paid by American Express and Discover Card:** Remember this is a Receivable and you're entering the amount paid as an Accounts Payable.
- **Paid On Account:** This total comes from the left side of the Sales report form under the New Receivables title. You only want to show part of your deposit and Sales report for the monies Paid On Account. If you don't have the money yet, you can't deposit it.
- **Cash Paid-Outs:** On the back of the form is room to list your Cash Paid-Outs. Total all the Cash Paid-Outs and enter the Totals.
- **Credit Card Bank Costs:** Next to where you enter your Visa and MasterCard, and American Express and Discover Card Totals, multiply these Totals times your Visa and MasterCard transaction fees and the American Express and Discover Card transaction fees. It's usually a percentage between 1.6% and 5%. Enter your American Express and Discover Cards transaction fees when you receive the American Express and Discover Card funds and add them into the Total Paid by American Express and Discover Card (Paid On Account) section.
- **Total Deposit:** You need to add the above totals, except you subtract the Cash Paid-Outs and Credit Card Bank Costs. This is the amount of your bank deposit.
- **Actual Deposit:** This is the amount you added from the cash drawer.
- **Over/Short:** You now subtract the Actual Deposit from the Total Deposit. If there's a difference between the two numbers you are either over or short, meaning your numbers are off, you're missing a Cash Paid-Out, or you didn't receive the full amount of a repair. A customer may have written a check for a different amount than you're aware of, or you entered the wrong amount into the credit card machine. Depending on the amount of the difference, you should spend some time finding where the discrepancy came from. Check your cash drawer. You may have shortages because of employees taking liberty with money without telling you. This is one way of checking for embezzling. Every business has some form of embezzling going on.
- **Adding Money Back to the Cash Drawer:** If your Cash Paid-Outs remove more money from the cash drawer than the Customer Paid In Cash, you need to replenish this money. Calculate the amount of money required to reach your cash drawer's fixed daily amount. When you go to the bank to make your deposit, write a check for the amount needed in the cash drawer. You should document the amount on the back of

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the Daily Sales Report on the Cash Paid-Out section. This way your accountant knows the check for cash was to balance the cash drawer and not for personal income.

- **Monthly Sales Summary:** Sample form at the end of this chapter is a Monthly Sales Summary. Each day once you fill out your daily deposit form, transfer the daily totals to the Monthly Sales Report. At the end of the month you total up all the columns and now you can now give your accountant the daily deposit reports and a monthly summary as well.

All of this may seem complex at first. Once you start using the Daily Sales Report, it becomes easier each day. Make sure your accountant sees the form before you start. You want to make sure it fits into the accountant's way of doing things. Using this form allows your accountant to see the amount of your Daily Sales and Receivables in less time. Hopefully, the end result is a lower accountant bill to you. Your accountant does only as good a job as the numbers he receives from your business. Don't leave anything to chance — get your numbers together.

Chapter 31

Inventory Control

Don't make excuses, make good.

— *Elbert Hubbard*

Are you supposed to control your inventory? How do you control something that's out of control? As mentioned earlier, you are living off your Parts Profit. One of your biggest keys to higher profits now and in the future is your Parts Profit. You must manage your inventory and Parts Profit if you are to manage the Gross Profits and Net Profits you want and need. If you don't have a high enough Parts Profit you'll never have the Net Profit you're looking for.

The average shop has a \$10,000 to \$20,000 inventory. Shops can actually operate efficiently with half this amount of inventory. We have all experienced running out of a part, ordering five of them so we don't run out again, only to have the parts sit on our shelves for eternity. We throw our money away on dead parts lining our shelves. No matter how much we invest in our inventory we never have the part we need right now. We could have a million-dollar part inventory and not have half the parts we need. Throwing money at a problem doesn't solve it.

If you have a \$20,000 inventory, wouldn't you love to get \$10,000 of that back in cash right about now? You need to run your business like most big corporations and new car manufacturers run theirs. New car manufacturers have only enough inventory to build cars for 45 minutes. If for some reason their next shipment of parts is delayed, they must stop the production lines in 45 minutes. This is called "Just In Time Parts Ordering". They have worked out deals with their parts manufacturers that guarantee parts will be there at the correct time (or another company gets the contract to supply parts). The large corporations have learned something you must also learn. You can no longer afford a large inventory, the space for the inventory, and the time to manage that inventory. Why have a part on the shelf if you won't be needing it for two weeks? Nearly all new car manufacturers and parts suppliers have the part on hand or can ship the part overnight.

Change your business so you too can have a "Just In Time" parts system. There are some parts though you must always keep on your shelves. Basic filters and tune-up parts are a good example. But keep the quantity down to a minimum if you can.

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I hate bringing up the need for a computerized shop management system again, but inventory control is one of the easiest chores a computer system can handle for you. As you use your parts in stock, the computer gives an updated report on parts you need to reorder. The computer calculates how many times a month you use a certain part and tells you the last time you used that part. It also provides your last cost, the company you bought the part from, how much your Parts Profit is on the part, and gives you different pricing levels on each part for selling to other shops, fleets, etc. Some of the newer shop management systems display on your screen (and print on the Estimate) not only the labor description and the customer's Labor Cost, but what parts are to be used, their cost, and their availability at your local parts supplier. The computer determines what your part cost is, how much you want those parts marked up, and gives you the customer's cost instantly. You never have to guess the price of the labor or the part. The computer even orders the part the minute you write up the Repair Order. This means you don't have to pick up the phone to order the parts or look them up.

The computer system knows what year, make, model, and what accessories the car has in order to determine the correct labor figure for the car. The computer uses the same information to look up the correct parts for the car. Some systems tell you what parts are needed for servicing the car you write up. Based on your part suppliers, and whether they're on a computer system that responds to part orders generated from your computer system, you know how soon to expect all the parts you need for the day. You don't even have to stock any of them. When the customer makes an appointment, you need to tell your parts supplier you need the parts on Thursday morning. Not Tuesday or Wednesday, but Thursday morning. If they don't normally stock the part, they can make sure they have it in time for you.

I could spend a lot of time on manual part inventory control systems, but the best inventory control system is not having any part inventory. No matter what type of manual inventory system you have, it costs you more in time managing your inventory correctly than the computer system costs. For now, maybe you can't afford a computerized shop management system, so you need to utilize the "Just In Time" parts ordering system. Browse through the following chapters to refresh yourself on part management: "Customer Flow" explains how to order parts when customers make an appointment, and "Upsells" shows how to order parts as soon as you make an Upsell.

Talk to several part suppliers. Find out how soon they can get parts they run out of. Reputable suppliers call other suppliers to find the part for you and deliver it. Many new car dealers do the same. Remember, you can't always be the miracle worker. You shouldn't spend hours on the phone trying to find a part. If you can't get a part today, that's okay. The customer may not like it, but they'll understand. They can't expect

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you to make the part. If you send someone a half hour away to get the part, consider charging extra to do so. It all depends on the customer and the situation.

A big problem with inventory control in most shops is technicians pulling their own parts. Their valuable time is wasted looking up and getting parts. We have all worked on cars and forgotten to write down the parts we used. If you want true control over your parts inventory, you need someone to be in charge of the inventory. Someone in the office should be responsible for looking up the parts for the technicians — and locating and bringing them to the technicians. This same person should make sure the parts are entered on the Repair Order. Many shops complain that their Parts Profit is too low.

They mark up their parts heavily, but at the end of the month their Parts Profit is half what it should be. They think their technicians write down all the parts used every time. That will never happen unless someone other than the technician writes down the parts used from inventory.

As parts are ordered from your suppliers, do a few key things. Every time you order a part, have the supplier make a Parts Receipt for each car. For example, if you're ordering parts for two cars, say a Ford and a Chevy, give the supplier a single Purchase Order number for each vehicle (actually the Repair Order number for each car). As you know, it's difficult determining what parts on the Parts Tag are for which car. But if you number your Parts Receipts by Repair Order number, it's easy to make sure the correct parts get on the appropriate vehicle and Repair Order. As you receive parts and write them on the Repair Order, be sure to write the customer's name on the Parts Receipt. This tells you that you've written or entered all the parts from that Parts Receipt onto the Repair Order. Once that is done, staple the Parts Receipt to your copy of the Repair Order. It's a good idea for someone to double check all the Parts Receipts to make sure all parts were entered on the Repair Orders. This allows you to calculate your Parts Profit for the job and the Gross Profit for the entire job.

Chapter 32

Comebacks

To avoid criticism do nothing, say nothing, be nothing.

— *Elbert Hubbard*

One word that strikes fear in the auto repair shop owner or manager is the word *Comeback*. You would think *Comeback* is a good word, as in “Come back and see us again!” Most businesses want all customers to be *Comebacks*. But in our industry, a *Comeback* is not good — it means our customer is not happy with the work we performed. *Comebacks* can never be eliminated in our business. If shops claim they have no *Comebacks*, they’re lying or have a different definition for the word *Comeback*. Since we know there will be occasional *Comebacks*, we better learn about the situations the best we can. Before we can deal with the problems of *Comebacks*, we must determine all the possible ways that *Comebacks* are created and what causes them.

Technician Comeback

This is the *Comeback* we see most often. The technician did not repair the problem correctly or he created a new problem. These *Comebacks* can be very costly, partly why more shops are not rebuilding engines, transmissions, and carburetors any longer. The work involved to do these jobs is time-consuming. When the job fails, the cost to redo the job is tremendous. Instead, it’s safer and cheaper to install rebuilt engines, transmissions and carburetors. Not that I agree with using rebuilt parts.

Part Comeback

Part *Comebacks* are due to failure in a part we install. This is the easiest *Comeback* to prevent. Use higher quality parts and the *Comebacks* die down dramatically. Many shops today are primarily using Original Equipment Manufactured (OEM) parts, otherwise known as dealer parts. Parts from a new car dealer are produced by the manufacturer that built the car. It’s very hard to improve on OEM parts for both quality and how they fit. This doesn’t mean there isn’t quality after-market parts. If you find a line of parts that prove to be good quality, use that line as often as possible. Many shops use whatever part is available, without knowing if the part is of good quality. When the part fails, the shop has no idea where the part was purchased. Try to rely on a few good part suppliers who have good availability reputations. That way, if you do have a Part *Comeback*, you may get Labor Cost consideration from the part manufacturer, since the part supplier can verify that you’re a very good customer.

Customer Comeback

This happens after a customer assumes a problem can be solved with a service or repair. After your shop works on the car the symptoms remain. The customer didn't tell you about the problem in the first place. (You see this Comeback often with engines not running as well as normal.) The customer asks for a tune-up, hoping it solves the problem. This can also be considered a Service Writer Comeback.

Service Writer Comeback

This type of Comeback happens more often than you think. It may be the most costly, since you can also lose the customer. Service Writer Comebacks occur for several reasons:

1. The service writer doesn't ask enough (or the correct) questions of the customer about the car's problem. Commonly, the problem the customer senses is related to driveability situations. Without the proper information, the technician doesn't have the needed clues to develop a logical conclusion on how to solve the problem.
2. The service writer assumes he knows what the solution is, and stops listening to the customer. What happens is the service writer writes on the Repair Order to replace a certain part. During the replacement of the part, if the technician would have known what the symptoms were, the technician might have detected the true problem, before the wrong part was replaced. It is not the job of the service writer to diagnose a car. It is his job to inform the technician of the symptoms and complaints. It is the job of the technician to diagnose and repair the car. Employees replacing the wrong items from a wrong diagnosis from the service writer can be very costly to the shop. If you do replace the wrong part, what do you do? Take the time to remove and install the original part, or leave the new part in? Many times your cost of labor is greater than the cost of the part.
3. The service writer doesn't tell the customer the need to solve a problem, and assumes the customer will be happy with the way the car runs. The customer comes back because he isn't happy at all. An example of this is a customer's complaint that the engine dies at stops. The service writer assumes since the dying problem is solved, that if the car runs rough without dying, that is good enough. Doing any more diagnostic work will be costly, so why give the customer the option. The service writer doesn't give the customer the choice of spending more time to solve the entire problem of dying and rough running. Of course, in the customer's mind the shop didn't solve a thing because the repair is still not satisfactory. The engine running rough is not that much better than the engine dying.

4. Service writer tries to save the customer money, and writes up a lesser repair that doesn't solve the problem. A common mistake is thinking that removing the top of the carburetor and spraying cleaner down the passages solves the carburetor problem. Overhauling or installing a rebuilt carburetor is what the car really needs — no matter what the service writer says. The customer won't pay for a job that doesn't work, and in this case he'll feel he paid for the repair twice. The customer usually wins in Small Claims Court.

5. Service writer doesn't write down or inform the technician as to the history of the problem. (You can never write down too much information on the Repair Order, nor can you give too much information to the technician.) I used to make the mistake of writing "See Art" on the Repair Order. I was too lazy to write down all the information. I thought if the technician came to me before he started the job, I could communicate the history of the problem at that time. As it often turned out, he couldn't find me or I was too busy to be interrupted. The technician would try to diagnose the problem without all the information needed. Many times this created a Comeback. I no longer use the "See Art" on Repair Orders. I write down all the information every time, no matter how long it takes.

6. Used parts: Otherwise known as gambling on the customer's behalf. The customer can't lose though, only you. If you install a used part and it fails, your shop has to pay for the replacement part and labor, according to California's Small Claims Court. It doesn't matter if you use warranty used parts or if you have a written disclaimer signed by the customer. The court's reasoning is: If you couldn't warrant the repair, why did you do it? The customer isn't the expert, he didn't know the consequences. California courts feel the industry trade standard for warranties is 90 days or 3,000 miles on all repairs. In other words, if you cannot give a warranty on a job, you should not do the repair. Not all courts or judges agree with this. The bottom line is to never compromise your quality. If a customer doesn't want to repair the problem correctly, have the customer take the car away. Let him find someone willing to compromise quality. Good reputations are not made because of how you compromise your quality. Good reputations are made because you never compromise your quality.

Shop Comeback

This type of Comeback occurs when a shop is not organized to stop Comebacks before they happen. Most of the following are policy items that should be performed by every technician in your shop.

1. Resurface the flywheel on every clutch job.
2. Turn rotors on every brake pad job.
3. Never use rebuilt parts. Find and use quality re-manufactured parts.

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4. Road test every job.
5. Never let a customer pick the car up if a technician feels problem isn't solved.
6. Never let a car go if it's not right. Cheaper to rent a car for the customer than have a Comeback and angry customer.
7. Technicians have the right to take as long a road test as needed.
8. Encourage technicians to point out their mistakes. If you don't, your technicians may let a car go, hoping the customer won't notice the mistake. Technicians shouldn't be humiliated or get fired over a mistake. Your technicians must trust that you won't hastily fire them.
9. If two or more technicians work on a car at the same time, or at different times during the car's stay at the shop, double check all work to avoid having both technicians not finish or do a repair thinking the other guy did it.
10. Never force a technician to rush a job. The job is done when it is done.

Most of these Comebacks are from a lack of understanding of shop policies. Policies are designed for the good of the customer, and they must be fair to both the technicians and the business. If a situation comes up where the technician doesn't know what to do and you feel the shop lacks a policy to handle the situation, take the time to stop all technicians and ask the technicians what is best to do. This shows them the situation is important enough to be brought to the attention of all. Everyone knows what to do the next time the same situation pops up. You set an example that quality is the most important shop asset the technicians should be aware of.

Handling Comebacks

Every technician has Comebacks at one time or another. These Comebacks are going to cost you money. This is a fact of life in our business, so get used to it. The worst thing that can happen from a Comeback is the shop not learning from the problem — not understanding what caused the problem and knowing what to do to prevent the problem from happening again. Your technicians should know that having Comebacks is normal. But having two or more Comebacks from doing the same thing wrong is grounds for dismissal. They have to learn from their mistakes. Technicians that don't learn from their mistakes cost you money and customers.

Each and every Comeback has to be analyzed as to what caused the Comeback. Was it a Technician, Part, Service Writer, Customer, or Shop Comeback? Finding the guilty party is not as important as knowing why the Comeback happened. You don't want your technicians covering up for each other — you'll never know the true cause of your Comeback. Everyone in the shop must know how and why the Comeback occurred.

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Everyone needs to learn from the Comeback. I heard a story that an IBM employee made a million-dollar mistake. The employee, realizing the mistake, was ready to turn in his resignation to the president. The president, being aware that the employee was ready to resign, said to the employee, "Don't worry, I can't fire you." The employee replied, "Why not?" The president answered, "I just spent a million dollars on your training."

With it becoming more difficult to find good technicians, you as owner or manager have to develop your technicians. Let them make their mistakes and learn from those mistakes. In the chapter "Employee Development" you'll learn how important this development process is, and how rewarding it can be. Keep track of all Comebacks. See if a certain technician has too many Comebacks. It's your job to find out why. Is the technician having personal problems at home? Is there a drug problem? Does the technician need more training? Money problems are very common for employees, especially technicians. They aren't always careful with their money. Don't simply fire the technician; your next technician may be worse. If you find a good person in that technician, work with the technician and the person. Mold the technician into the person and technician you need.

Handling the Customer

Because the shop makes a mistake doesn't mean you have to lose the customer. You also don't have to give your business away to satisfy the customer. Strangely, having a Comeback may be the opportunity to have a customer for life. Most of the time you can turn something bad into something very good. Let's look at a Comeback from a customer's point of view.

First, the customer goes out of his way to bring his car to your shop. Often, he has to get a ride or take a bus. He makes do without his car all day. He loses his freedom and he has no choice. He brings the car in knowing it's going to cost more than the Estimate. (It usually does.) He pays a lot of money for you to service or repair his car. Money he could use for other things. He pays thinking the car will now be more reliable and last longer, making his investment worthwhile.

After he picks up his car, the problem occurs. The customer is very upset. Another day of going without his car. Now he isn't sure if you are even competent to work on cars. He paid more money than he could afford and his car wasn't repaired correctly. He's not sure you will fix the problem under your warranty. Maybe you'll deny the problem, or blame the problem as a coincidence, or say another part of the car needs repairing. The customer is now positive he has to take you to court to get the car repaired correctly. He has every reason to be mad. He's rehearsing in his mind exactly what he's going to say to you. He's even rehearsing

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his own response to your response. He's hot and mad. You are the scum of the earth at the moment. The customer arrives at your business and you're the one that greets him. The customer hates you, your family, your family's family. The customer is attacking you personally and professionally. You want to fight back to protect yourself. The customer is not threatening you physically, just verbally. You have customers in the office and you're being thoroughly embarrassed in front of them. What do you do?

The first thing you do is show compassion. Next, let the customer vent and get out his anger. He needs to take out his frustration. If you try to stop him or yell back, you will never win. Do not make excuses for the mistake. Do not deny you made a mistake or say that you never make mistakes. Once the customer has vented, or as soon as you can get a word in, tell the customer you understand his anger and you would be just as angry.

Then say, "I understand and I will personally take care of the problem. The most important thing right now is for us to make this as easy on you as possible. Do you need to get home or to work right now?" If he says, "Yes," ask if he wants a rental car free of charge or a ride from one of your employees. If he wants a rental car, make it happen. Assure the customer you will personally look into the problem and take care of it. You won't return his car until it's right. Tell him he won't be charged for either the repairs or the rental car. At this point the customer has vented and is a little more rational. You have proven your honesty and trustworthiness. You listened and didn't deny the problem. You understood the customer's concerns and transportation dilemmas. You offered a remedy to his immediate problem of getting home or to work. You personally proved you would make sure his car was repaired correctly.

Believe it or not, at this point you haven't given anything away. You agreed to look at his car and establish what when wrong. You now have to inform the customer that as soon as you determine exactly what happened with the car, you'll personally call him. At that time you'll know how long it will take to make the needed repairs. If your technicians made a mistake that affected other parts, you'll also repair those at no charge.

Once the customer leaves, find out what the hell is wrong. Once you determine the cause, find the solution before calling the customer. Explain to the customer in detail what went wrong and how you are making sure this problem won't happen again. Explain the process you went through to diagnose and repair the problem. Explain how you personally drove the car to make sure it ran to your satisfaction. Apologize again for the mistake and ask him to find it in his heart to give your shop another try — you'll make sure he never has another problem. At this point he may not agree to come back to your shop again. Make sure the car is clean when he picks it up. Personally greet the customer when he arrives. If you have to deliver the

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car to the customer, do it. Do whatever it takes to make this as easy on the customer as possible. If you have to bring back the rental car, do it.

Now the customer has his car back and it runs great. The very next day call the customer and make sure his car is running as good as it should. The second day the customer should receive a personal letter from you apologizing again for the inconvenience your shop caused him. The third day send the customer flowers to his work if possible. It doesn't matter if the customer is a man or a woman. Everyone appreciates the thought behind flowers.

Now in the customer's mind, you never argued back. You were compassionate. You went out of your way to make sure he got a rental car, at no charge. You personally made sure the car was repaired correctly this time. You called to make sure the car was running well. You sent a nice letter apologizing again. Then, you even sent flowers. You proved you are honest, trustworthy, willing to correct a mistake, and personally take care of problems. When the customer receives flowers at work, he tells everyone how great your shop was in taking care of the problem. (Taking time to send flowers shows you don't make mistakes often.)

Hopefully, you not only saved a customer, but a customer for life. This customer, if happy, goes out of his way to tell everyone how great you are. If he's not happy, he tells everybody of the bad experience.

This Comeback may have resulted from a part you didn't even touch during the course of the service or repair. Maybe it was just a coincidence that a part failed right after you did the service or repairs on the car. What do you do, fix the car for free? It depends on how good a customer he is. Look at the customer's service history before you decide. If you think he isn't going to return anyway, you may not want to give him anything. On my computer system we have a labor code that states if the problem is caused by us we repair the problem for free. If the problem is not caused by us, the customer is aware he may have to pay for the diagnoses and the repair. The customer must sign the Repair Order — or we don't look at the car. Usually the customer understands. You have been honest and caring up to this point. Hopefully, during the initial service or repair your technicians put something down on the Safety Inspection form warning of possible problems — like the part that failed was recommended to be replaced, but the customer declined.

You have to determine on your own what you should do, on a case-by-case basis. Do what is fair for both you and the customer. You can't afford to give too much away, but you can't afford to lose a good customer. Your technicians will learn from this experience, that things not even caused by you or them still cost you. Each employee in the shop has to do everything possible to detect problems before they happen. In the end, if you pay for the repairs anyway, you are a very nice person.

In summary, here's how you handle a Comeback:

- Don't deny the problem or be defensive when the customer confronts you.
- Let the customer vent his frustrations.
- Show the customer you understand his anger and frustration.
- If possible, repair the car while he waits.
- Do whatever is necessary to make things convenient for the customer.
- Get the customer on his way — with a free rental car, or a ride to home or work.
- Reassure the customer that you will personally correct the problem.
- Deliver the car to the customer if possible.
- Call to apologize the day after.
- Send an apology letter.
- Send flowers.
- Hope you did everything right so the customer returns to your shop.

Learn from your Comebacks and find ways to make sure they don't happen again. Document what causes your Comebacks, along with the steps you've taken to prevent the problems from reoccurring. Add all your costs for fixing a Comeback and document everything. Keep a copy for your Comebacks File, and place a copy of the Comeback report in the customer file. If the Comeback is a result of technician error, place a copy of the Comeback report in both the customer file and the technician's employee file. A copy in the customer file keeps you aware of previous Comebacks on that car. If you get more than one, you'll have a hard time keeping that customer. A copy in the employee file gives you valuable information for Employee Performance Reviews (covered in the "Employee Development" chapter).

Technician-related Comebacks are costly, and you can't take the cost of the Comeback out of an employee's paycheck. In the chapter "Employee Incentives" you'll learn how to penalize your technicians by taking money away from their Productivity Bonuses. Sometimes, unless a technician's pay is directly affected he won't appreciate the importance of eliminating Comebacks. You can take the Comeback cost out of the bonus because you can do whatever you want with a bonus — it's not part of the employee's base pay. Also in the "Employee Incentives" chapter you'll learn how to determine the amount of money taken out of the bonus based on the degree of stupidity of the Comeback. The reasoning here is simple: If a technician leaves an oil pan drain plug loose, you can have a \$10 Comeback or a \$3000 Comeback, all depending on the degree of technician carelessness. The "Employee Incentives" chapter shows you how to determine penalty factors for needless mistakes.

Finally, when you face a technician to inform him of his Comeback, do it in a positive manner. Discuss the mistake and how it can be prevented in the future. Yelling at employees won't make the problem any better, plus they can be hurt emotionally and their productivity drops dramatically. The technician loses concentration and has more Comebacks. All of us have times when everything goes wrong, no matter how hard we try. Don't lose a good employee merely because he had a hard day and bad luck. Next, you will find the Comeback Report I use for my shop. Feel free to copy the report and use it for your shop.

The motto at my shop is:

**“Quality Work Gives Us
Quality Customers,
Which Gives Us All
A Quality Life.”**

Comeback Report

Technician's Name _____ Today's date ____/____/____

Customer's Name _____ Original repair date

____/____/____

Yr _____ Make _____ Model _____

Today's mileage _____ Original repair mileage _____

Mileage since repair _____ Days since last repair _____

Was Comeback caused by: Technician ____ Parts ____ Service Writer ____ Shop ____

Customer's complaint _____

Actual problem _____

Actual time to repair Comeback _____ hours by technician _____

Related Expenses Repair Costs

Towing \$ _____

Labor Costs (Labor Cost x Labor Time) \$ _____

Rental Car \$ _____

Parts Costs \$ _____

Other shop's repair bill \$ _____

Sublet Costs \$ _____

Credits / Other \$ _____

Hazardous Materials Costs \$ _____

Total Costs of Comeback \$ _____

Severity Rating _____

Did shop lose customer? Yes No ?

Shop's Total Costs of Comeback \$ _____

Total Costs times the Severity Rating equals \$ _____

Divide by shop Labor Rate per hour \$ _____

Equals hours taken from Productivity Bonus _____ Hours

Date hours taken from Productivity Bonus ____/____/____

Customer's response _____

Employee response _____

Management response / Action taken _____

Chapter 33

Customer Service

He that is good for making excuses is seldom good for anything else.

— Benjamin Franklin

What does good customer service mean to you? How do you define good customer service? What is exceptional customer service? Do any two customers have the same answer to what good customer service is to them? Most importantly, does your shop give good customer service? Does your shop give the best customer service in your area? Are other shops giving better customer service than you are? What are they doing that you're not doing? Are you doing all you can to give the best customer service? What can you do to provide even better customer service? First, you need to figure out what good, great, and exceptional customer service is.

Good customer service means many things to many people. When you get down to the nitty gritty, it means doing whatever it takes to make a customer's visit to your shop as pleasant as possible. It means doing things for your customers they didn't expect — to go out of your way to prove to your customers that you're willing to go to great lengths to serve them; to go out of your way; and to look and feel like you're more than willing to make them happy.

Many shops give good or great customer service. They do things such as give customers a ride home or to work and pick them up. They offer a free rental car if the customer's car can't be done on time. They have an employee go out to the lot and bring the customer's car to the front door, and they send "Thank You" letters to all customers. They greet every customer with a smile and a handshake.

Many shops give good customer service and fail at the small things. They don't have flexible hours for the customers to drop off their cars. They don't allow customers to pick up their cars until the end of the workday. They make customers wait too long before someone in the shop or office takes the time to acknowledge them. They don't take the time to thank the customer when they pay their bill. They don't accept credit cards. It may cost a shop a little more in credit card fees, but the convenience to the customer is tremendous.

There is little difference between exceptional, great, and good customer service. The very successful shops have discovered this important fact. Their customer service is exceptional because they do everything the

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great customer service shops do — but the exceptional shops do everything with flair. They go out of their way to help the customer. They greet the customer at the front door, opening the door for the customer. They walk the customer to his car and open the car door. Before the customers get their cars back, exceptional shops make sure every car is washed and vacuumed, its windows washed and ash trays emptied. The technicians leave their card, their own personalized “Thank You.” Exceptional shops call each customer two days after the customer picks up his car to make sure everything works perfectly. They deliver cars to the customer’s home or work if that’s most convenient for the customer. Learn a lesson from the great restaurants that give exceptional service — Everyone is happy and jumping at the chance to help you in any way. Staying competitive and profitable in the automotive service and repair industry means you must replace “We can’t do it” with “We would be more than happy to.”

As you can see, exceptional customer service means different things. I like using this point to illustrate what exceptional customer service is. If you went to a restaurant that had exceptional food, but had average or poor service, would you go back? Maybe, if the food was absolutely exceptional. If both the food and the service were exceptional, would you go back? You would go back, and you would tell all your friends about the exceptional food and service at this restaurant. Is your shop any different than other shops in town? Is your shop cleaner and painted better? Is your office warm, quiet and friendly? Do you answer the phone with a pleasant voice, no matter how you feel? Do you go out of your way to serve your customers? Can you do a much better job of giving exceptional customer service? You can, and you can start today, with the next customer or the next phone call. To fully excel at customer service, the entire shop has to join in. Every employee in the shop must be ready to go out of his way. The technician closest to the front door when a customer walks up should greet the customer and open the door for him. If a customer drives up to check something, your technicians need to jump to the task. (As if they can’t wait to serve the customer.)

Once you achieve a higher level of customer service than anyone else in town, your customers tell their friends about the exceptional shop they go to. You have no competitors. You have customers that trust you, even during their first visit. Why? Because of all the good things they hear about your shop. Many customers won’t even notice why your shop is so exceptional — it’s because of so many little things. They just know they feel special every time they come to your shop. No other auto repair shop ever made them feel special before. Don’t you like to feel special when you go to a business. Be the shop that makes customers feel special and gives customers the most exceptional service they’ve ever had. Remember, feel happy to do it.

A good way to measure your customer service and customer satisfaction is to send Customer Survey cards to your customers. You can include the survey card with the customer’s Thank You letter. Use cards so you

can have the back side of the card printed with your shop's address and a Postage-Paid mark on the card. It costs around sixty-eight cents when you receive a Postage-Paid card. Sixty-eight cents is more than a normal Postage stamp, but since a small percentage of cards get returned, I find it cheaper in the long run. If you don't put a stamp or Postage-Paid mark, many customers won't send back their cards. You need their information, so make it as easy as possible for the customer. I use Postage-Paid marks on my survey cards. The longer you use the cards, fewer and fewer customers send them in, since they have seen the cards before. As you can see in **Figure 33.1**, I am quite interested in the amount of time it takes my shop to write up a customer and get him into a car for his ride to home or work. You need to tailor your cards to find out about things you feel your shop is weak at. This is not the time to bury your head in the sand. You need your customer's honest comments. Then and only then can you make positive changes. If you're going to give exceptional service and be one of the exceptionally-successful shops, you can never stop learning and improving.

The Car Care Center Customer Survey

Please circle the answer that best describes your recent visit to The Car Care Center.

Yes No Were our service advisors friendly and helpful over the phone?

Yes No Are you a first-time customer to The Car Care Center?

Yes No Did you use our Early Drop Off or late Pick-Up envelopes?

Yes No Did our service advisor prepare your Estimate in a reasonable amount of time?

Yes No Did you require a ride to home or work?

Yes No Was our driver what you would consider a good driver, was he courteous?

Yes No Did you need extra repairs once you brought your car in?

Yes No Did you understand the need of the extra repair?

Yes No Was your car completed on the agreed pick-up time?

Yes No Did we pick you up from your home or work?

Yes No Was the Final Invoice more than the original Estimate without us notifying you first?

Yes No Did our service advisor explain all repairs and recommendations clearly?

Yes No Was your car serviced or repaired to your satisfaction?

Below, tell us how you would rate your recent visit to The Car Care Center.

Excellent Very Good Average Poor Terrible

Comments _____

Figure 33.1 Front of a Customer Survey card.

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 between the time of _____ - _____ with Estimate

() 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 heretofore 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 lien 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 to the right:
Warranty on reverse sign of this form:

I understand because of using this after hours service, I am not able to receive a copy of this estimate until I pick up my vehicle.

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

The Car Care Center Late Pick-Up Customer

- Please insert your check or cash in this envelope.
- If you are paying by credit card, and you have not given us the credit card numbers yet, please enter your credit card number _____ exp ____ / _____

Signature x _____

- Then insert this envelope through our mail slot to the right of our front door.

Thank You

Sample of a Late Pick-Up customer envelope. It is very hard for some customers to pick up their cars by our closing times. And sometimes we would like to leave early. This envelope allows the customer to pay their bill after hours. Most customers have a second key for their car which allows you to lock the car with the bill inside.

Chapter 34

Customer Follow-Up

The successful business man sometimes makes his money by ability and experience; but he generally makes it by mistake.

—Gilbert K. Chesterton

A customer follow-up system increases your business by 25% or more. Yes, this is a bold claim. But if you think about it, how many of your customers *forget* to do the last two services on their car? Customers don't realize that so much time and so many miles have gone by since their last visit. You may have sent out postcards every few months, but that seldom works well. Each customer differs in how many miles he drives per month. The customer follow-up system I have used for years will allow you to calculate how many miles your customers drive per month. Once you know that figure, it's easy to calculate the number of months or weeks until the car is due for a service (and the type of service). Send your customers a Service Reminder card, informing them of their vehicle mileage and the date they should come in for a particular service. The customers look at their odometers and are surprised at how accurate your calculations are.

Below is a sample of my Service Reminder card.

From The Car Care Center

Dear **ROBERT WARD**

Our records show that your **1992 HONDA ACCORD** is due soon for a factory maintenance service on **3-1-1995** or at **60,000** miles. The Service we are recommending is a **MAJOR BIENNIAL SERVICE.**

Your last service was a **MINOR SERVICE** on **11-15-94** and the mileage at that time was **53,205**. During your last service we recommended the following repairs:

**REPLACE FRONT BRAKE PADS AND
REMACHINE FRONT BRAKE ROTORS**

We look forward to hearing from you, and as always we will be more than happy to answer any questions you have. Remember, we offer all our customers a free ride to and from work or home anywhere in the county. If you need a rental car, give us a call and we will make the necessary arrangements for you. At your convenience, please give us a call at (408) 479-4777 to make an appointment.

Thank you,
ART VASCONCELLOS

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Most of this Service Reminder card is preprinted. You fill in the blanks as needed. As you can see, it's tailored to the customer. The card informs the customer about which car is needing the recommended service, notes the date and mileage the service is due, and includes a brief description of the service recommended, in this case a 60,000-mile Major Biennial Service. It shows the customer how long ago his last service was and at what mileage that service was performed. We bring up some of the recommended repairs from the last service, and offer the customer a free ride and pick-up from home or work. Finally, we ask him to make an appointment. The nice thing about these cards is that you can use your copy machine to make them. Purchase 8.5x11-inch sheets with postcards that tear off. Use a variety of colored paper and patterns to make your cards look a little more special, rather than plain white. A typewriter can easily fill in the blanks.

Information for compiling the follow-up Service Reminder cards comes from the customer service records. Track the times between service dates, mileages between service dates, and what type service is due next. From this information, you can calculate how many months or weeks until the next service. First off, determine how many miles you expect the customer to drive before returning for a routine factory maintenance service. In our example above, the car is a Honda Accord. Honda recommends a service every 7500 miles or six months, whichever comes first.

If your customer is a first-time customer to your shop, you won't have any records to give you an idea of how many miles per month this customer drives. The best way to get a close estimate is to determine when the customer purchased his car. All you have to do is look at the car's rear license plate sticker. If the sticker is May, that's the month he bought his car. Look at the car's registration only if it's accessible — I don't like digging through customer's glove compartments without permission.

Count how many months old the car is and divide that number into the miles on the odometer. This gives you the "miles-per-month" he has driven on an average. In our example, we have a miles-per-month of 1,667. If we want to see this customer again in 7500 miles, we divide 7500 by the number of miles per month he drives. Example: $7500/1667 = 4.5$ months until this customer is due for his next 7500-mile service. Add 4.5 months or 18 weeks from today's date (or the date you serviced his car). This is the date you put on his Service Reminder card. If this customer has been in before, you have more current mileage information to use.

From our service history records we see the types of service that have been performed and we can determine what service is due next. Now, simply add 7500 miles to the mileage of the customer's last service to predict the mileage at the next service. We know what service the customer is due for, the date it is due, and

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at what mileage. All you have left to do is file the card in a card file divided by months. Our example shows this customer will be due in March so we place the card in the March section.

On the 15th of each month, pull out all the cards for the next month and send them to the customers. When the 15th of February comes around, you would pull out the Service Reminder card for the above customer, who is scheduled for March. Have the cards mailed and delivered two weeks before the due date on the card. The customers won't believe the cards at first. They'll look at their odometers and be amazed at how accurate your records are and how thorough your shop is. You won't be perfect all of the time, but the majority of your *predicted* times will be very close. It's a good idea to call customers around their service due date if they haven't made an appointment yet.

What if a customer comes in for a service before your follow-up system predicted? As you prepare the Service Reminder card for his next service, notice the due date on your customer follow-up sheet. See what month the service was predicted, go to your card file, and remove the follow-up postcard before you mail it. Not placing postage stamps on the cards until you're ready to mail them is a good idea.

Your Service Reminder cards might not predict the correct time for customers who haven't driven their cars in the last six months. It doesn't matter — you have proven to them that you take the time to remind them of their next service. You do more than any shop they have ever gone to, proving you care and that you are very professional.

Like any change you make, it takes time to experience the benefits. You won't notice an increase in business right away. Remember, you're reminding customers to come in 4-6 months from now. Once you have used this system for awhile, you'll notice the high number of customers coming in on the date you recommend. You won't believe the volume of phone calls from customers saying, "Yes, I just received my Service Reminder card and I need to make an appointment."

It's simple, it's easy, it doesn't cost much, and it works.

Chapter 35

Tools and Equipment

He that will not apply new remedies must expect new evils.

— Francis Bacon

Each shop owner has his own unique personality, business ethic, managing style, and management philosophy. One thing most of us have in common is, *We are Toolaholics*. We love to buy tools and equipment. It feels great to buy a new piece of equipment, all shiny and new. Brand new tools and equipment give the entire shop a modern high-tech aura. New equipment not only looks good, it makes us money. We can do things faster, often in half the time. Life is great, right?

Problem is, a few months down the road you realize your sales haven't gone up, and now you have another lease payment you can't afford. Did you make the extra time savings and profits you planned? Were you wrong in thinking you could increase the bottom line?

How many salesmen have come through your doors over the years promising great profits with their piece of equipment? I remember back during the 1973 gas shortage all the gadgets that could increase gas mileage. According to the ads, if you used all the gadgets on your car it would start making more fuel than it used! The same reasoning goes for all the equipment salesmen we see each year. Today however, we are analyzing our costs like never before. Many of us are in trouble because our expenses are too high. We constantly try to find ways of lowering our expenses. (Let's be glad we're not equipment salesmen.)

Where did we go wrong? All of us are working to attract and maintain as many customers as we can. Sometimes we feel it necessary to keep up with the other shops and buy the same new equipment they have. We want to be the one shop our customers go to. We want to do everything on their cars, leaving no chance of another shop getting some of our business. Can we afford to do everything our customers need or may need. An example is my shop could also sell alignments. I am sure we could sell four or five alignments each day with no problem. The problem being four or five alignments will not pay for the equipment. Even worse is the space the equipment uses, I could have another technician doing services and repairs eight hours a day. You just can't afford to tie up a stall to be used only half the time or less. Added to the problem is the price most shops are selling their alignments for, and the customer's perception of how much an alignment should cost. I remember when I had my own machine shop. Now I can reflect back and think, "Was I stupid or what?" Fortunately I was able to sell my machine shop equipment before the entire machine shop business dissolved.

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We see our industry splitting into different specialties. Shops are opening up to specialize in Smog's, A/C work, alignment, brakes, etc. Many of these shops are capitalizing on the type of work many shops no longer are willing to do. They also are looking for their own specialized market. Since they specialize and are using their equipment to its fullest, they can also be more competitive in their pricing than maybe your shop can. We can no longer do everything or have the equipment to do everything. We should take a hard look at equipment and determine what really fits into our Business Plan and our goals.

Air conditioning work is a good example. It was bad enough when we had to buy one A/C recycling machine, but we now need a second machine to keep using the first. Most shops aren't seeing that much A/C work. The systems in today's cars are so reliable they don't leak as much anymore, except for Fords. The need for recharges, like we used to perform, is rare. You can sell people to take out their Freon, just to put it back in and call it an A/C service if you want. Customers aren't going to spend money on their A/C unless it quits working. There may still be a big market in retrofitting the older A/C systems with new R134A Freon systems. We don't know yet how expensive this service is going to be, or how many customers are going to spend the money, especially with shops stockpiling their Freon. Shops may have enough Freon to keep R12 in systems for another year or two. Now with R134A systems in these new cars, before long we'll have to purchase an R134A recycling system just to keep working on R12 systems. I don't see much money in A/C work in the near future. You may be better off either recommending another shop to do the A/C work, or subletting your A/C work to another shop, particularly if you know of a shop specializing in A/C only. (This way, there's little possibility of them stealing your customer.)

Same goes for Smog checks. The amount of money for the machine and the training plus the fines if you make a mistake isn't worth the trouble. For what shops are charging for Smog checks, the cost is hard to justify. If you have only one Smog machine you need to perform several Smog checks a day to truly justify the cost of the equipment. You must weigh the pros and cons before you decide. If you're counting on the extra work to be generated from failed Smog's, you need to actually charge more per hour for any work that doesn't include Part Sales, such as diagnostic work. If you're doing the Smog checks for a loss, and then diagnosing cars at your regular Labor Rate, you're losing money on every job. You may want to go back to the "Charging for Diagnostic Time" chapter to evaluate your Diagnostic Labor Rate.

Look at your competitors and what they're charging for the services you're thinking of getting into. If you decide to purchase a new piece of equipment, be ready to market that equipment and new service. If you purchase a new piece of equipment you should modify your advertising to promote the new service you're providing. If your customers do not know you have a new service, how can you expect your customers to ask for the new service. You must increase your sales and your profits. Otherwise, you'll be like the slow

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shops that have a Smog machine, A/C machine, alignment machine, and a machine shop — they don't tell their customers nor do they market or advertise what they have to offer. All they truly added when they bought their equipment were more payments. Something else to maintain and clean.

Your Business Plan is a big help when you're purchasing new equipment. It shows you the direction your business is taking and assists you in deciding what services to offer: what markets you wish to expand in, what your competitors are doing, what no one else in your area is doing. Don't purchase new equipment just because everyone else is. I have learned over the years to never, ever purchase any equipment unless I get the okay from my technicians. There is nothing worse than buying a new piece of equipment and finding out the technicians don't like it or feel they don't need it. If they're not comfortable with a new piece of equipment or don't fully understand the benefits of it, they'll never use it. A majority of the shops I visit have new and very expensive scope/diagnostic machines. I watch in amazement as the technicians use timing lights and tach/dwell meters to make their adjustments. It is bad enough they're not using the scope/diagnostic machine, but it's just as bad for the customer who assumed the price of the job included using the scope/diagnostic machine. The customer is correct in assuming so. By using the scope/diagnostic machine, your technician notices more items the customer needs to purchase. These same items may be a Comeback two weeks from now.

A policy at my shop is: On every major service job, we not only scope the car, but we perform an all systems test. Most of the newer scopes do an automatic test of the battery, charging system, compression, spark plugs, plug wires, voltage output, emissions, etc. (And produce a printout for the customer.) We take time to show customers their printouts and how thorough our work is. I made my two new scopes pay for themselves quickly. Our scopes get used so much that my technicians wouldn't consider anything else. Don't your customers expect you to be using that big new tune-up machine? Are they paying you to use that machine? With the computer printouts we prove to the customers that we did in fact use the expensive diagnostic equipment, and we further sold the customer on our services by the fact we did the printout and took the time to reassure him that his battery, starter, alternator, ignition system, fuel injection, and emission systems are all working perfectly. Remember the customer's perception of your shop and the work you do. My shop just proved to the customer we did more for his money than any other shop — just because of the computer printout and explaining the detail our services go to.

Return on Your Investment

Every accountant and financial advisor will give you a different formula for Return on Investment. Return on Investment is how much profit you make on your investment. No formula will ever give you the correct figure. You need to look at purchasing a piece of equipment the same as hiring another employee. Expect

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new equipment to earn you extra money. If the equipment costs you so much a month, it must increase your sales and profits by a certain amount, at least several times its monthly cost. If not, you're just adding another expense. You have too many expenses as it is. You can't purchase equipment thinking it will simply bring in more business, because it usually doesn't.

The way your business should be run regarding equipment is demonstrated in this example. If a customer needs to have his car put on a scope, you should charge a *scope usage fee*. It's as if the customer is renting time on your equipment. The nice thing is, you can track how many times a month you sold a scope fee, then determine if you sold the fee enough times to give you your Return on Investment. Few shops are willing to charge a scope fee, so customers might feel you're padding their bill to pay for your equipment. What do you do then? If you purchase a new scope and it costs you \$400 per month, you should plan to use the scope forty times per month. You must raise the amount you charge to check the tune, and certainly raise your Diagnostic Labor Rate by \$10-20. You simply include the cost of the machine as part of your Labor charge to perform the test. Hopefully, the technician takes less time than before, and you receive *added* labor to use the new machine. A time-clock assures that your technician is performing the test in the amount of time you quoted.

The only other way you can make a profit from your new equipment is to increase the productivity of the equipment. How many pieces of equipment do you have in your shop that actually improve overall productivity? Do your diagnostic scopes increase productivity? Let's say that normally, it takes two hours to diagnose a tough problem, but with your new scope you are able to diagnose the problem in only an hour. Great, you saved an hour. Did you charge the customer for two hours or only the one hour you actually spent? You say, "We only spent an hour, how can we charge for two hours?" Remember your knowledge, experience and equipment are worth money too. In most cases, shops charge only for an hour — and so they don't make any increased profits. Purchasing extra equipment won't make up for your unwillingness to charge the correct Labor Rate in the first place.

Equipment that Increases Your Productivity

The pieces of equipment that increase your productivity and profits every time are: hoists, time-clocks, and computer data machines such as Mitchell's *On Demand, AllData*, (or their book counterparts), some diagnostic equipment when sold correctly, and pressurized parts washers. A pressurized parts washing machine (the tank works like a dishwasher) saves an incredible amount of your technicians' time. These parts washers use pressurized hot water-based degreasers to clean the parts. You simply put the part in the tank, turn on the timer and walk away. You can't clean a part any better than a parts washing machine. How long does it take your technician to clean parts during, a transmission overhaul, engine overhaul, or just a valve

cover? Look how much time each day technicians spend cleaning parts. They probably should spend more time cleaning parts than they actually do. With four technicians, shops save an hour or more per day by using a pressurized parts washer. This means the shop can generate another hour's worth of labor each day, plus the Part Sales and profits that go with the labor. I still have a solvent tank (with a degreaser, not a solvent), but we never use it. Why should we? It's easier and faster to use the parts washer. You'll soon see new environmental laws that deal with solvents. Pressurized parts washers use water-based degreasers, not solvents. Solvents put out VOC's (Volatile Organic Compounds). VOC's will soon be regulated in your shop. Solvents put off air polluting vapors which are considered a health hazard to your employees. Future shops won't use any solvent-based cleaners, just water-based degreasers. The sooner you get rid of your solvents the better off your shop will be. Just another reason a pressurized parts washing machine will help you and your shop. There are companies that can come to your shop and clean your parts washing machine and haul off the hazardous waste on a set schedule if you like. My shop spends \$100 every three months to service our parts washing machine, and haul the waste off to be recycled. You probably spend this much to have your solvent tank serviced.

These are the main items that make your shop and its technicians more productive. If you want to make your office more productive, a computerized shop management system is the only way to go. Also, a good telephone system with plenty of phone lines saves time. A phone system with extensions near the technicians saves time and energy versus walking out to the shop just to ask your technician a question.

All of this leads to my reasoning on why you can't pay your technicians a percentage of the labor. If you purchase a new piece of equipment that makes the technicians more productive, all you did was give the technicians a raise. An example is if you're paying your technician 50% of the labor and you add equipment to save the technician time. The technician gets more done per day, making more money as well. Wouldn't it be nice if you could make your technicians more productive, while you kept the extra labor they produced?

Before you consider purchasing any new equipment, are you utilizing to the fullest what you already have? Let's concentrate on making your shop more efficient and productive. Let's increase your profits as far as we can. Once you get your shop to where you're doing all you can, only then consider buying equipment that can enhance your service and profits.

Equipment the typical repair shop should have:

- Computerized shop management system. (Notice I mention this first.)
- Computer data base such as Mitchell's *On Demand*, *AllData*, or at least their book counterparts. It can

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be a part of your computerized shop management system.

- Time-Clock.
- Hoist for each technician.
- Pressurized parts washer.
- Air compressor, air lines and hoses.
- Engine diagnostic scope.
- Battery charger.
- Jumper battery on a cart.
- Battery, alternator, starter tester.
- There are plenty of other pieces of equipment, but you should have at least the above.

For now, do not purchase anything yet. You still have to take time to figure out where you want your business to go. You need to determine what you want for yourself and from your business. You must learn about your market area. Keep moving through *Shop Management Tools for Success*. In the end, you'll put all the pieces together and find yourself on the road to success.

Chapter 36

Labor Operation Codes

In a progressive country change is constant; ... change ... is inevitable.

— Benjamin Disraeli

In our never-ending quest to streamline our shops, we must find ways to save time. Service writers and technicians can save valuable time in routine operations by using Labor Codes. All Labor Codes are simple abbreviations of labor operations performed every day. If you have a computerized shop management system that prepares Repair Orders, these Labor Codes streamline your system of entering labor on the Repair Orders. This chapter contains a list of the Labor Codes I use at my shop. These codes are the same as the computer codes we use to list the labor performed on each job. For example, FBP stands for Replace Front Brake Pads.

My computer prints on the Repair Order:

Check and replace front brake pads

Replace with Repco Semi-Metallic brake pads

Measure front brake rotors for wear and warpage

Check and adjust the rear brakes

Adjust parking brake

Road test car

Since your shop does a large number of these jobs, you probably only write in a hurry: *Replace front brake pads*. A good computer system — such as the one that prints out my labor descriptions as in the sample above — gives a thorough and more professional labor description. To the customer, the shop that uses labor descriptions printed out by a computerized shop management system looks high-tech and very professional. The shop with short, handwritten labor descriptions looks weak and outdated.

Save time by having your service writers and technicians communicate between themselves using Labor Codes. During dispatching and appointment scheduling, always use the same Labor Codes. Since room on a dispatching board is somewhat limited, Labor Codes fit beautifully. Use the codes that apply to your shop and add any codes you see fit. (Modify the Labor Codes in your computer system to add additional lines of labor for making your labor descriptions more complete.) The more complete the labor description, the easier

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it is for the customer to justify the cost of the service or repair. Same goes for part descriptions — be as complete as possible. As an example: I use Antifreeze/Coolant instead of just Coolant, and Repco Semi-Metallic Brake Pads instead of Pads.

Let's say a technician has determined a car needs more work or Upsells. The car needs a water pump, belts, antifreeze, a thermostat, upper and lower radiator hoses, heater hoses, and the bypass hose. Using Labor Codes, all the technician has to write is:

WP
Belts (2)
AF
AFD
THER
RHB
HHB
BPH

WP is for Water Pump, AF is for Antifreeze/Coolant, AFD is Antifreeze Disposal, THER is Thermostat, RHB is Radiator Hose (Both), HHB is Heater Hoses (Both), BPH is Bypass Hose. You can have variations of a Labor Code too. RHB, Radiator Hose Both also can be changed to RHU, Radiator Hose Upper, or RHL, for Radiator Hose Lower. Try to use U for upper, L for lower, B for both. We have Labor Codes down to AXBLO, or Axle Boot Left Outer.

When the service writer receives the information for a needed Upsell, he also uses the same codes to prepare the Upsell on paper, just like you learned in the "Selling Upsells" chapter.

	Time	Labor	Part	Tax	Total	Grand Total
WP	2.5	\$125.00	\$56.18	\$4.63	\$185.81	
Belts (2)			\$19.34	\$1.60	\$20.94	
AF			\$12.66	\$1.04	\$13.70	
AFD			\$3.50		\$3.50	\$223.95
THER	0.8	\$40.00	\$12.34	\$1.02	\$53.36	\$277.31
RHB	1.5	\$75.00	\$4.90	\$0.40	\$80.30	\$357.61
HHB	1	\$50.00	\$45.67	\$3.77	\$99.44	\$457.05
BPH	0.6	\$30.00	\$4.99	\$0.41	\$35.40	\$492.45

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Back to the technician's copy of the Repair Order. Use a green felt pen to highlight all the items that were sold to the customer. Use an orange felt pen on the items you will be recommending only. Give the Repair Order back to the technician — he sees that everything green is sold, and at how much time. This leaves no room for miscommunications between the service writer and technician.

The following is an example of what's used in my computer system to describe a 60,000-mile service, with timing belt. As you can see, I indent the second and following lines to show they are part of the first line's description. The advantage of a computer system allows me to simply input "60." The computer automatically displays the following information:

Major Biennial Service, (60,000 and 120,000-mile service)

Replace engine oil, oil filter, and drain plug washer

Adjust engine valves, replace spark plugs, compression test

Replace air and fuel filters

Check and adjust brakes and clutch, and service battery

Computer scope test with printout, Safety Inspection, and road test car

Flush brake fluid, replace brake fluid and bleed system

Replace engine coolant/antifreeze and check cooling system for leaks

Replace rear wheel bearings and replace rear wheel seals

Replace Engine Timing Belt

Inspect camshaft and crankshaft seals

Check water pump for looseness or leakage

Replace engine drive belts (fan belts) if needed

My computer system then prints — on the Repair Order — all the parts that go with this job. The computer even knows the correct labor description that matches this year, make and model car, at the same time adding all the parts and part numbers to go with the labor description. All we have to do is pull the parts from inventory and that's it.

The following is a list of Labor Codes and labor descriptions used most often.

15	Major service (15,000-mile service)
60	Major biennial service (60,000, 120,000-mile service)
30	Major biennial service (30,000, 90,000-mile service)
4WA	Four-wheel alignment
AF	Replace antifreeze/coolant
ALB	Replace alternator belt
ALIGN	Align front end
ATS	Automatic transmission service, change oil and adjust bands
AXBBI	Replace both inner axle boots
AXBBO	Replace both outer boots and repack both inner CV joints
AXBL	Replace left rear axle bearing
AXBLB	Replace both axle boots on left axle and repack joints
AXBLI	Replace left inner axle boot
AXBLO	Replace left outer axle boot and repack left inner
AXBR	Replace right rear axle bearing
AXBRB	Replace both right axle boots
AXBRI	Replace right inner axle boot
AXBRO	Replace right outer axle boot and repack right inner
AXL	Replace left front axle with a new axle
AXR	Replace right front axle with a new axle
AXRB	R&R both axles and replace outer CV joints and boots
AXRL	R&R left axle and replace outer CV joints and boots
AXRR	R&R right axle and replace outer CV joint and boots
BAL4	Balance all four tires
BALF	Balance front tires
BALR	Balance rear tires
BELT	Replace drive belts if needed
BF	Replace brake fluid and bleed brakes
BMC	Replace brake master cylinder and bleed brakes
BPH	Replace bypass hose, check coolant level and protection
BS	Battery service: check water level, clean/repair cables/ends
CADJ	Check clutch operation/adjust and report condition
CCO	Check coolant/antifreeze for protection and condition
CKAT	Check automatic transmission for slipping when shifting
CKAXB	Check for torn axle boot(s) and check CV joints
CKB	Inspect brake system, adjust as needed and report
CKBG	Check for grinding noise when braking, check brakes
CKT	Check engine tune for cause of poor running and report repairs needed
CL	Replace clutch disc, plate and bearing and check flywheel
CLC	Replace clutch cable and adjust clutch
CLM	Replace clutch master cylinder
CLMS	Replace both clutch master and slave cylinders
CLS	Replace clutch slave cylinder

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CO	Change coolant/antifreeze and check for leaks
COFL	Install radiator flush kit and flush radiator
COH	Overhaul carburetor and replace fuel filter
COL	Pressure test cooling system for leaks and report
DCR	Replace distributor cap and rotor
DIE	Scope engine: check for why engine dies at stops and report
EXLK	Check entire exhaust system for leaks and report
FBP	Replace with Repco Semi-Metallic brake pads Measure front brake rotors for wear and warpage Check and adjust the rear brakes Adjust parking brake Road test car
FBRB	Replace both front brake rotors
FBRL	Replace left front brake rotor
FBRR	Replace right front brake rotor
FP	Replace fuel pump
FSS	Clean fuel injection system, remove carbon buildup
FWBB	Replace both front wheel bearings and seals
FWBL	Replace left front wheel bearing
FWBR	Replace right front wheel bearing
HEAT	Check engine for overheating
HG	R&R cylinder head, replace damaged head gasket, inspect for head warpage and/or hidden damage. Replace thermostat and recheck cooling system operation
HHB	Replace both heater hoses, change coolant if needed
HS	Check for hard starting at all times
HSC	Check for hard starting when cold and report
HSH	Check for hard starting when hot
LPU	Late pickup. Customer will be unable to pick up car during business hours. Lock keys and Repair Order in car and customer has agreed to leave check in mail slot.
MF	Replace muffler with original equipment parts
MS	Minor service (7500-mile service)
OFC	Replace engine oil, oil filter and drain plug washer
OILL	Check for oil leak
PSB	Replace power steering belt
RAXB	Replace both axles with rebuilt axles
RAXL	Replace left axle with a rebuilt axle
RBOH	Replace both rear brake cylinders and shoes, bleed brakes Clean hardware, backing plates, inspect drums, road test
RBP	Replace rear brake pads and adjust parking brake
RBRB	Replace both rear brake rotors
RBRL	Replace left rear brake rotor
RBRR	Replace right rear brake rotor
RFS	Replace radiator fan switch and check its operation

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RHB	Replace both upper and lower radiator hoses and coolant
RHL	Replace lower radiator hose and coolant
RHU	Replace upper radiator hose and replace coolant if necessary
RT	Rotate tires, re-torque wheels, check spare and set to 32 PSI
RT5	Rotate all tires including spare tire
RTS	Scope engine: check for not starting and report results
RWBB	Replace both rear wheel bearings and seals
RWBL	Replace left rear wheel bearing
RWBR	Replace right rear wheel bearing
SAVE	Save old parts for customer
SI	Safety and maintenance inspection Compression test, check spark plugs Check oil, air, and fuel filters Check battery, battery cables, engine belts and hoses Check tires, front and rear brakes and suspension Check clutch, transmission, and differential Check wheel bearings, shocks, and exhaust system Check lights and road test car Scope engine and do computer test of electrical system
SPW	Replace all spark plug and coil wires
TB	Replace timing belt and inspect cam and crank seals
TD	Re-machine brake drums
TF	Change transmission fluid
THER	Replace thermostat and check cooling system operation
TOH	Overhaul transmission
TR	Re-machine front brake rotors
VAC	Replace distributor vacuum advance retard unit and reset timing
VAJ	Adjust valves and replace necessary gasket(s) and seals
VAT	Check alternator, starter and battery operation and report
VCG	Replace valve cover gasket
WB	Replace wiper blades
WP	Replace water pump, antifreeze and check all belts

Chapter 37

Employee Manuals

The men who succeed are the efficient few. They are the few who have the ambition and will power to develop themselves.

—Herbert N. Casson

Even if you have one employee, full-time or part-time, you need an Employee Manual. The best way to explain the importance of an Employee Manual is to give you a couple of true examples of what can happen if you don't have one.

Example 1.

You have an employee who comes back from lunch staggering. You approach the employee to see what's wrong — you not only smell alcohol on his breath, but you know what brand of liquor it is. This isn't the first time, so you go ahead and fire the employee. A short time later you find yourself in Labor Court.

The lawyer for your ex-employee asks you, "Are you a qualified physician?"

You say of course not.

"Well," says the ex-employee's lawyer, "Then what makes you think you are qualified to diagnose if someone is intoxicated. You are not qualified to determine the blood-level alcohol content of this employee."

The lawyer goes on to say that his client had a reaction to some allergy medicine which gave the symptoms of intoxication. You have no proof to the contrary. You have to re-hire the employee, pay all back wages and legal fees, and punitive damages for the emotional strain of false accusations of being intoxicated. In other words, you lose BIG TIME.

Example 2.

One of your employees does not show up for work. Days go by and not a word from your missing employee. You call his house, with never an answer. After awhile you figure the employee must have left town. You hire another employee to take his place. Several months go by, and one day the missing employee shows up for work. You explain that you gave the job to someone else, so he's out of luck. You don't have an opening, so you suggest that your now ex-employee look elsewhere for a job. Some time later you find yourself in Labor Court.

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The lawyer for your ex-employee asks you if you have a written policy for Leave of Absence. You say no. Before you can get a word in, the lawyer states, "It was my client's understanding that there was a Leave of Absence Policy, and he would never have taken the leave if there had been a policy."

Unless you can prove you have a written policy about unauthorized Leave of Absences, you must give the employee his job back, plus missing pay from the time he returned until the day he started working again, and reinstate his seniority and vacation time. Yes, you lose again.

The laws today are designed for the employee, not the employer. However, an Employee Manual helps keep you out of Labor Court because all your company rules and policies are in writing. The Employee Manual basically explains the laws of the business: what is expected of each and every employee; who to contact if a problem arises; what the employee's rights are, etc.

In our first example, of the intoxicated employee, you falsely accused him of being drunk and you were found liable in court. If you let him work and he hurts himself or another, including a customer, you are also liable. It sounds like a "No-Win" situation and it is — unless you have an Employee Manual. Your manual would state for instance:

"If for any reason the management feels an employee's senses may be impaired for any reason, the shop has the right to send the employee to a physician of its choice. The shop will pay for the cost of the physician and pay the employee for his time. If the report comes back stating the employee was under the influence of drugs or alcohol, which is clearly covered in the Employee Manual as against shop policy, the management has the right to terminate the employee."

You can also state that you have the right to give every prospective employee a drug test before you give the final okay to hire him. If this is done for all prospective employees and not just singled out persons and is in writing and a condition of getting the job, it is legal (at least in California). Every state varies and all laws can change at any time. Frequently consult with an Employee Law attorney to keep abreast of new law changes.

In our second example, of unauthorized Leave of Absence, your Employee Manual would state:

"If any employee does not show up in (so many) days without a call or written message, he is assumed to have quit, and his job will be given to someone else. Upon his return, if there is an opening and he is the highest-qualified person applying for the job, he may get his job back." (You can also say he has no chance of getting his job back.)

Chapter 37 Employee Manuals

There are many items you can thoroughly cover in an Employee Manual. The hours of operation for the shop, and the hours each employee is expected to arrive and leave unless notified otherwise. The employee's conduct at work. What clothes he is expected to wear each day. What holidays are off and which are paid, if any. Who to contact if he is going to be late or ill. Vacation policies, both in the amount of time per person and the amount of years worked. How days are accumulated for vacation. What the policy is if an employee quits or is terminated and how vacation time is accrued. Leave of Absence. The company policies on weapons, drugs and alcohol at work. A sexual harassment policy, and how it is to be handled once a report of sexual harassment has been filed. Sexual harassment is a very sensitive issue today. Telling a dirty joke in front of the wrong party can constitute sexual harassment. Sexual harassment by itself is an important reason to have an Employee Manual.

Many companies sell generic employee handbooks. Computer software companies offer a word processing format that allows you to remove items you feel don't apply to your business, with room to add information as needed. I hired the best Employee Relations lawyer I could find to write my Employee Manual. I have worked too hard over the years to have someone sue me, and I avoid trouble with a good Employee Manual. Remember, it's very difficult for an employee to live up to your expectations if he doesn't know what your expectations are. Your Employee Manual states what your expectations are of all the employees.

I sell copies of my Employee Manual tailored to you and your business. At the end of this chapter is the Table of Contents for my Employee Manual. Give it a browse. In the CARS Store section at the end of this book is a form asking you questions I need answered to custom tailor your Employee Manual. I don't feel comfortable selling my Employee Manual outside of California. (I haven't consulted any lawyers outside of California.) It's a good idea to purchase the CARS Store Employee Manual, have your lawyer look it over, and suggest changes as needed. It's cheaper to have a lawyer review an existing manual than to write a new one. We will make the changes for you, keeping the manual nice and neat. I continually compare my Employee Manual to every new computerized Employee Manual that comes out to make sure ours is up-to-date and not lacking anything. If you would like a sample, give the CARS Store a call.

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Chapter 38

Employee Relations

*There is something that is much more scarce, something finer far,
something rarer than ability. It is the ability to recognize ability.*

—Elbert Hubbard

Employees, for most of us, are a fact of life. Many shops have given up on having employees. It's hard enough finding and motivating good employees, but it's a real struggle dealing with taxes, vacations and Worker's Compensation Insurance, etc. When we were young we worked long hours and produced enough Labor and Parts Profit to live comfortably. As we got older, those long hours became harder and harder to face. We had families, and it was difficult to spend those long hours at work yet be with our loved ones. If you were able to manage your time with both business and family, you worried about getting sick or injured and going out of business. Years of hard work would be for nothing if a major illness or injury occurred. Employees who could take over at your shop may or may not have been the solution to your absence, especially if you never delegated your responsibilities to them.

Most of the answers to this dilemma are found in your Business Plan and your personal goals for life and business. Say you never want to have an employee — well, then you need to plan for that. You better be prepared to pay for health insurance, disability insurance, and life insurance for yourself. These benefits are costly, but if something goes wrong you won't lose everything you've worked hard for. You should have insurance on all your equipment and even the building if you own it, so that if you become disabled, the payments get paid (and your family eats).

A simple fact of the automotive service and repair industry is: Employees are a crucial ingredient in reaching high success. A self-managed and self-running business gives you freedom to do whatever you desire, to retire and have income for the things you want to do, or to start a new business or enterprise to increase your income and security. Very few millionaires earned their fortunes without employees somewhere along the way. The only way to be a millionaire or financially secure for the rest of your life and not have any employees is through inheritance, winning the lottery, a lawsuit, or being a professional athlete.

If you are going to have employees, get prepared. Don't consider hiring employees unless you have a good accountant, a professional who can help you with all the legal forms, taxes, and Worker's Compensation that goes with having employees. Many shops eliminate Worker's Compensation and withholding taxes by

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hiring employees as independent contractors. The employee is a self-employed businessman who receives work from you. It's as if you sublet work to another business. That business is a person who works in your shop. The IRS doesn't permit this relationship anymore. A business comprised of one employee, that gets a majority of its work from one business, is considered an employee of that business, especially if that business works in the same building. You may have been doing this for years without a problem. You can also cheat on your income tax for years without a problem. When the IRS does notice, you're in for big trouble.

Let's look at this scenario in a different light. You have an employee who is working as an independent contractor and everything is fine. Of course, the employee is making more money this way than if he receives a paycheck from you. So everybody is happy. One day the employee/independent contractor gets hurt on the job. As an independent contractor he pays for his own insurance and Worker's Compensation — but in this case he is without health or disability insurance, or Worker's Compensation. The first thing he does under these circumstances is to claim he is actually your employee, and that you should have been paying for Worker's Compensation, or disability insurance for him. When the dust settles, you not only have to pay for the disability of this person and all the back taxes you should have been taking out all along, but you must also pay fines to the IRS, State, and Worker's Compensation people. Now, if you were supposed to take out, let's say a third of his wages for taxes, and another eight-percent or more for Worker's Compensation, you'll see this all adds up to a lot of money. If you have the money to pay, you still may face criminal charges. What does the employee/independent contractor lose? Nothing. The employee was only doing what you told him to do. You are the one responsible for all this mess. Even if you have an agreement in writing, this employee only has to say he signed it to get and keep his job.

Employees can be your business's greatest liability, and yet, your greatest asset. It's easy to be accountable for your own actions. But you must be accountable for all your employees' actions as well. Great patience is required to manage employees. It's much the same as having children. You raise them, nurture them, and discipline them when necessary. The days of finding the perfect employee are over. It's easy to expect an employee to work as hard and with as much enthusiasm as you do, but most employees don't have any focus of where they want their jobs and careers to go. Most are just looking for a paycheck and some security. They can't see how working both harder and smarter allows them the chance to make more money and create more security. Employees are much like us at times. We get into a rut where we're comfortable working just hard enough to get the job done. We get comfortable with our income. Employees, like us, would like to make more money, but are not willing to work harder or find ways to improve skills that lead to higher pay.

Chapter 38 Employee Relations

We must learn to be better managers of our employees. We have to learn how to hire and how to fire employees. We need to find creative ways to motivate our employees. And learn how to discipline our employees. We need to get the most out of our employees, without paying them more than necessary. Find ways to get your employees to enhance their skills by attending more schools, and recruit new employees to get the qualities you're looking for. Realize that in order to get and keep good employees, you must offer benefits that exceed or at least equal your competitor's. Find ways to create Incentive Programs that reward the high producers. Share your vision of not only your shop's future, but the future for your employees if they're willing to meet the challenges.

Remember the reasons for having employees — increased sales and profits, less physical work for yourself, more personal freedom and time for your family, and eventually a self-running business, early retirement with income from your business, financial freedom and success.

One of the hardest things about having employees is learning blind confidence in delegating responsibilities to them. You'll never reach true success and the freedom that comes with it if you can't ever leave the shop. I consulted a shop where the owner hadn't taken a vacation since opening his shop twenty-two years ago. Being in business today is harder than ever — we must deal with labor laws, discrimination, sexual harassment, drugs and alcohol abuse, and violence in the workplace. Did you ever imagine in the old days a fired employee coming back with a machine gun for revenge?

Before we go any further, I must confess I'm not an employee relations expert. I have attended many classes and seminars over the years to help me learn more about myself, my business and industry, and my employees. I do know what has worked for me. I can help you in many ways, but I highly recommend you seek out an expert in dealing with employees. There are many companies that assist you with your employees. These firms do everything from drug testing, screening applicants, and creating Employee Manuals, to disciplinary advice and helping you terminate an employee within the limits of the law. Some of these companies go as far as being the employer. Many companies now lease their employees from other companies. The employee company handles the payroll, taxes, Worker's Compensation, health insurance, vacations and holidays. They even fire an employee if that's what you want. All this comes for a fee, but the amount of hassle they eliminate is well worth the price. Again, you should consult a competent accountant and Employee Law attorney to help you.

As mentioned before, finding the perfect employee may be impossible. What do you do if you can't find the employees you need? You develop the employees you have into the employees you are looking for. If

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you have a good and loyal employee, why not nurture him into the ideal employee. It's worth your time to develop your employees. When I interview prospective employees, I look for personality, a willingness to learn, a drive to better themselves, and a team player over everything else. It's much easier to train an employee with these qualities. It's impossible to change an employee's personality and give him the drive to learn, succeed, and be a team player. I am at the point of allowing my employees to help me hire a new employee. I do the initial interview, background check, etc. Once I find the candidate who has the ingredients of a very good employee, I have my employees talk to the prospect. I take my employees' comments into consideration and then hire the best person.

No matter how good an employee prospect may be, if he can't get along with the other employees it's better to keep looking. I have an outstanding group of employees working at my shop. They see the vision of the shop's future and what they can expect for themselves by us working together. You want employees who are willing to share a vision. If an employee isn't a team player and not willing to live up to quality standards, you don't need him. You aren't looking for a warm body to fill a position. You're looking for another team player to help achieve your goals. Say to the prospective employee, "You have to want to join our family if you want to work for my shop. We all have to work together, trust each other, respect each other, and support each other to make work both fun and rewarding."

You are building a winning team. Like most teams, only a few ever achieve their goals of reaching the top of their field. Fortunately, you're not directly competing against other teams. You are however competing with other businesses for the good players, the good employees. Stay aware of the going pay-scale rate, along with the current benefits relating to vacations, holidays, health insurance, dental insurance, disability insurance, retirement and pension plans, advancement and pay raises. You'll never find the quality employees walking into your shop looking for a job, or even from a newspaper want-ad. The good employees are mostly working for someone else. They may not be happy working for that company, yet feel secure staying there. They're probably very loyal to their employer, but just wish they had either a more enjoyable working environment, more or better benefits, or room for advancement and higher pay. If you can offer this prospect what he's looking for, you might be able to convince him to come work for you. If he does, you know you'll have an ideal employee — great work standards, personality, a team player, and an employee who doesn't want to move from employer to employer. In other words, an employee who may be with you until he retires. But is that person going to come work for you for less pay, poor benefits, worse working conditions, and no chance of advancement or higher pay? The next chapter goes into more detail on developing the employees you have or just hired.

Chapter 38 Employee Relations

Along with today's complicated laws dealing with employees, you must be careful when asking questions during a job interview. You can be sued for discrimination. You can even ask a question as part of a casual conversation during an interview and still be liable for discrimination. Later in this chapter are examples of what's legal to ask and what isn't.

Included in this chapter are some generic employee forms:

- Technician Job Application.
- Sexual Harassment Policy Form.
- Application and interview questions that can be considered illegal.

Technician Application for Employment

(Please print)

Date ____/____/____

Name (in full) _____

Address (in full) _____

City _____ State _____ Zip _____

Phone (____) ____-____ Soc. Sec. # _____

Position applied for _____

Are you a citizen of the United States? Yes No

If you are not a citizen of this country, what is your status? (Do you have work papers?) Yes No

Education

Please record your education below

	Name of school	City and State	Highest grade level?
High School	_____	_____	_____
Bus./Trade	_____	_____	_____
College/Univ.	_____	_____	_____

Previous Employment and References

(Starting with most recent position)

Name of firm _____

City _____

Name of supervisor _____

Nature of business _____

Dates of employment _____

Position(s) held _____

Ending salary per hour _____

Reason for leaving _____

Name of firm _____

City _____

Name of supervisor _____

Nature of business _____

Dates of employment _____

Position(s) held _____

Ending salary per hour _____

Reason for leaving _____

Name of firm _____

City _____

Name of supervisor _____

Nature of business _____

Dates of employment _____

Technician Application for Employment

Position(s) held _____
 Ending salary per hour _____
 Reason for leaving _____

Personal References

Please give the names and addresses of two persons to whom you are not related and by whom you have not been employed.

Name _____
 Address _____
 Phone _____

Name _____
 Address _____
 Phone _____

How did you hear of this job opening? _____

Technical Qualifications

If you are applying for a position as a technician, are you ASE Certified? Yes No

If so, mark below the areas of certification

- | | |
|---|---|
| <input type="checkbox"/> Engine Performance | <input type="checkbox"/> Electrical systems |
| <input type="checkbox"/> Engine Repair | <input type="checkbox"/> Brakes |
| <input type="checkbox"/> Automatic Transmissions/Transaxles | <input type="checkbox"/> Manual Drivetrains and Axles |
| <input type="checkbox"/> Suspension and Steering | <input type="checkbox"/> Heating and Air Conditioning |
| <input type="checkbox"/> Emission Controls | |

Do you have a current Smog Check License for this area? Yes No

Below rate your experience on the following systems.

	Master Tech	Journey Level	Apprentice Level	Little or none
Engine Performance/Tune	_____	_____	_____	_____
Electrical & Computer Diagnosis	_____	_____	_____	_____
Smog Testing and Diagnosis	_____	_____	_____	_____
Heating and Air Conditioning	_____	_____	_____	_____
Engine Repair	_____	_____	_____	_____
Brakes, Suspension and Steering	_____	_____	_____	_____
Automatic Transmissions	_____	_____	_____	_____
Manual Transmissions	_____	_____	_____	_____
Routine Maintenance and Servicing	_____	_____	_____	_____

If you were to specialize on any systems, which systems would you choose?

Technician Application for Employment

Below rate the make of cars you feel you have the most experience in.

1. _____ 2. _____ 3. _____ 4. _____ 5. _____

Below rate the makes of cars you feel you have the least or no experience.

1. _____ 2. _____ 3. _____ 4. _____ 5. _____

What makes of Diagnostic Scopes are you familiar and comfortable with?

What makes of Scanners are you familiar and comfortable with?

As a condition of employment you will be required to take a drug and alcohol test, are you willing to do so? Yes No

Do you have any physical problems that will restrict your abilities to service and repair cars, such as lifting heavy objects like wheels, cylinder heads, etc. And bending over for long periods of time while working under the hoods of cars? Yes No. If yes please explain. _____

Do you possess a valid driver's license? Yes No

I certify that answers given herein are true and complete to the best of my knowledge. I authorize you to make such investigations and inquiries of my personal, employment, financial or medical history and other related matters as may be necessary in arriving at an employment decision. I hereby release employers, schools or persons from all liability in responding to inquiries in connection with my application.

In the event of employment, I understand that false or misleading information given in my application or interview(s) may result in discharge. I understand, also, that I am required to abide by all rules and regulations of the Company.

Signature of applicant _____ Date ____/____/____

Sexual Harassment in Our Workplace

This company believes that each individual employed has the right to be free from harassment because of age, color, religion, creed, national origin or sex. Sexual harassment is defined as including:

- Unwelcome physical contact.
- Sexually explicit language or gestures.
- Uninvited or unwanted sexual advances.
- Offensive overall environment, including the use of vulgar language, the presence of sexually explicit photographs or other materials, and the telling of sexual stories.

This company will not tolerate any form of sexual harassment. Should you feel you are being harassed, please follow these guidelines to help us remedy the problem:

Harassment by other employees should be brought to the attention of your manager immediately. The manager will investigate the matter, and if the allegation is sustained, the responsible employee will be disciplined, up to and including discharge.

A second proven charge of sexual harassment against any employee will result in immediate discharge.

Should you feel that your manager has not investigated the matter to your satisfaction, contact

_____ immediately.

Should the harassment originate from your manager, you are to contact

_____ immediately.

Lawful Job Application Questions

As an employer, you must remain aware of the job applicant's lawful rights. Certain subjects that you wish to inquire about during an interview — or on an application form — are lawful, while other subjects are discriminatory and capable of landing you in court. Make sure you do not ask discriminatory questions during the employee interview process or at any time. There are several categories of questions that can and cannot be asked during the interview. Familiarize yourself as to which questions are discriminatory and which are acceptable.

With respect to the applicant's name, you cannot ask for a maiden name or whether there was ever a name change. As for the applicant's name and relationship to your company, you may ask, "Have you ever worked for this company under a different name?" You may also ask whether the applicant has ever worked or been educated under another name. (Allowed only when the information is needed to verify an applicant's qualifications.)

You may not ask for the applicant's age or date of birth. However, you may ask whether an applicant is 18 years of age or older. If the applicant is not yet 18, you are allowed to ask his or her age. The laws are designed to protect applicants who might be barred from employment because of age discrimination. (Hint: Driver's License number code may reveal age.)

You may not ask an applicant for duration that he or she has spent at his or her home address. You may ask for applicant's place of address. As for birthplace and residence questions, you may not ask for the birthplace of the applicant, nor for the birthplace of his or her parents. It is also discriminatory to ask for a birth certificate, naturalization papers or a baptismal record. You may ask to see citizenship data as necessary to comply with alien hiring laws.

You may not ask for the name and address of a person to call in case of emergency.

You may ask the applicant: "Do you possess a valid driver's license?"

It is discriminatory to ask an applicant about his or her native language, the language commonly spoken at home, or how the applicant acquired the ability to speak or read a foreign language. You may inquire into which languages the applicant speaks or writes fluently. It is acceptable to inquire about foreign language skills when required by the job.

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Regarding relatives, you may not ask for the name and address of any relative, the numbers, names, addresses and ages of applicant's spouse, children, or relatives not employed by the company. You may, however, ask for the names of applicant's relatives already employed by the company.

You may ask the applicant, "Have you ever been convicted of a crime?" It is permissible to ask for details of the conviction. You may not ask, "Have you ever been arrested?" When asking questions about whether the applicant has a criminal record, you may not ask about the number of arrests or the charges involved. You may, however, inquire about convictions which relate to the job and which have not been expunged or sealed by a court.

Likewise, it is unlawful to inquire, either directly or indirectly, about an applicant's birth control method.

You may not ask about an applicant's physical and emotional disabilities. You may inquire only whether a prospective employee can perform specific tasks in a reasonable manner. Any inquiry into an applicant's physical or mental disability which lacks a direct bearing on satisfactory performance of the job in question is discriminatory. (Example: asking a wheelchair-bound applicant about mobility when the job is normally performed in a single location.) You may ask the applicant whether he or she has any condition to prevent him or her from performing in a satisfactory way. (Example: a hearing impairment in a person applying for a position as a telephone operator.)

You cannot ask or inquire about marital status, national origin, race or color of skin, hair or eyes, nor religion and sex. There are no acceptable questions you may ask applicant relating to sex or marital status. You may not ask any question that could be used to determine the applicant's sex or marital status, nor to find out the number of children or other dependents. Nothing in the law regarding religion shall bar any religious or denominational institution or charitable organization which is operated, supervised or controlled by or in connection with a religious organization from giving preference to persons of the same religion or denomination. Regarding religion and race, there are no acceptable questions that you may ask. You must not ask about an applicant's religious affiliation, church membership, nor religious holidays he or she observes.

There are no acceptable questions you may ask the applicant relating to height and weight. Make no inquiries into the applicant's height or weight.

You may ask the applicant the following questions: "Are you a citizen of the United States? If not, do you intend to become a citizen of the United States? If not a citizen, have you the legal right to remain permanently in the United States? Do you intend to remain in the United States?"

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You may inquire into an applicant's academic background by asking what vocational or professional education, or public and private schools were attended (and the dates of graduation). You may not ask whether the applicant is a high school graduate. You may ask about the highest grade completed and details of educational background.

You may ask about military background, such as which branch of the Armed Forces, as well as ask whether the applicant received a Dishonorable Discharge. You must explain that a Dishonorable Discharge is not an absolute bar to employment. You may not ask about military experience in other than U.S. Armed Forces, National Guard, or Reserve units to which the applicant belongs. You may not ask about draft classification or other eligibility for military service, nor about applicant's whereabouts during periods of war, or date, type, or condition of discharge. You may ask about U.S. military experience as part of employment history, and whether applicant has received a notice to report for active duty.

As for professional and organization memberships, you may only ask the applicant about organizations he or she considers relevant to his or her ability to do the job. It is discriminatory to ask applicants about any clubs, social fraternities or sororities, lodges or similar organizations. You may, however, ask about memberships to unions, societies or other job-related organizations.

You may not ask for a photograph, nor affix one to the job application. It is discriminatory to ask for the submission of photographs with an application or at any time before hiring.

When it comes to references, you may not ask the applicant for the name of a pastor, rabbi, or other religious leader. You may ask for the names of persons who are willing to provide personal or character references.

Chapter 39

Employee Development

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

—John G. Pollard

Wouldn't it be nice if you could clone yourself? You would always have the perfect employee, someone able to fill all your needs. Until cloning technology arrives, you must develop the employees you have. Of course, you won't find perfect matches to yourself — but you can get quite close if you try. It's tremendously rewarding to develop a technician into your "top-notch" technician.

Answer the following questions. How many employees have you fired or let go because they didn't meet your expectations? (For many of you, the former employees may be too many to count.) How many of those employees did you tell, verbally or in writing, what you expected of them? (We are all guilty of not fully explaining job responsibilities.) How many of these employees truly thought they were doing a good job and were shocked when you let them go?

We tend to think our employees can read our minds and figure out what is expected of them. When we were employees, we always knew what our employers expected of us and what had to be done to excel in our line of work. That's why we were all very good employees. The entire time we were working for someone else we knew we would someday have our own business. Now that we have our own employees, we expect our employees to be just like we were. Very seldom do we ever find an employee like that. Cloning sounds pretty good about now, doesn't it? Let's get back to reality.

Never stop developing your employees. Just like you never stop looking for ways to develop your business. You must always be looking for new and more effective ways to develop your employees.

Technician Development

The greatest need of every shop is to develop the technicians. What do you usually say to new technicians, "Here is your stall, and these are the guys you'll be working with. Good Luck." No wonder they never meet our expectations. If a new technician is competent and productive, you'll notice the technician produce a lot of work for two to four weeks. Then the productivity drops to about the level of everyone else in the shop. This happens because of peer pressure from the other technicians. They don't want to look bad or lose their jobs — so they convince the high producer to produce just enough to get by, like the rest of them. High

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producers learn to produce just a little more than the other guys, to make sure they are the last to be laid off or terminated. Why should anyone in your shop produce more? They know if they produce more, you will expect them to produce more all the time. Why should technicians work harder than they have to? Are they going to make more money? Are they going to get special recognition? Or will they make enemies in the shop?

Employees are no different than you and I. All of us can make more money if we work harder. We would even work more hours each day and on weekends. We'll work like dogs only if the environment is comfortable. It's our job as managers and employers to find a comfort zone for our employees. What our technicians are producing now is no longer good enough. Our expectations have changed and we expect much more. We don't give a damn how it was done before. The rules have changed, and we are writing the new rules. From now on, employee pay increases will be based on productivity, not seniority. Technicians will be paid by not only how much they produce, but by how much they know and are willing to learn. We want over-achievers for technicians. When we tell our technicians there's a training class available, we want to hear them say, "I can't wait to go!" We don't need technicians who think they're too knowledgeable to take classes.

I worked hard some time ago to get a training company to come out to my shop and teach specialized classes for shops in my area. I called one shop to see how many technicians would be coming. The owner talked to all ten of his technicians, and every one of them refused — they didn't have time to come to the classes. Who was in charge of quality and productivity at this shop? The owner wasn't, the technicians were. My philosophy differs: I expect all of my technicians to attend training classes. I pay their wages to attend, I pay for dinner, the class, and for gas, even supplying a car if needed.

My Employee Manual states: You are required to attend at least 24 nights of training per year, as I see fit. If you legitimately have a reason why you cannot attend, you can be excused.

Employees shouldn't pay for the classes they attend. If the classes benefit the shop, the shop should pay for the classes. Can you expect your technicians to attend required classes without getting paid? If you require them to attend, you are required to pay them. If you pay their wages and for the class and they still aren't willing to attend, you have good grounds to legally terminate them. If you expect them to go on their own time and they don't attend, and you terminate them for that reason, you may find yourself in Labor Court. The point here is nothing more than stating, both verbally and in writing, what you expect of each employee. This is why it's so important to have Employee Evaluations at least twice a year. Most shops don't conduct them because they feel they must give the technician a pay raise with each Employee Evaluation. This is not

set in stone. Look at Employee Evaluations as merely taking the time to meet with each employee personally at least twice a year: To measure the employee's progress and to understand his needs so you can supply what is required for him to achieve more.

Employee Evaluations

Let's pretend we have a technician sitting across from us at this moment, and we're performing his first Employee Evaluation. This is going to be a very relaxed and informal meeting. It's during working hours, so the technician is getting paid during the evaluation. The object now is to get higher performance, increased training, and additional experience from all the technicians. As mentioned earlier, Employee Evaluations and pay raises often go hand in hand, and so the technician sitting across from us would like a pay raise. But will he work harder for the extra pay? Probably for a couple of weeks, then taper off to what he is producing now.

I start off by inquiring how his personal life is going? In this case, the technician is married, with one child. I may say, "Are you planning to buy a home anytime soon?"

He says, "We can't afford a house on the income we're making now."

I say, "How much do you need to earn to afford the house you would like?"

He has no idea how much he needs to earn to purchase a home. I then convince the employee to go look for a house and find out how much he needs to purchase that home. Or I give him an idea of how much a home costs and how much I think he has to make to qualify for the home.

I say, "It looks like you need to make \$500 more a month to get the home you want. You can make this much more money if you do these things. Increase your productivity to this level, find training classes or attend the local community college's automotive technology classes to get training on electrical and computer diagnoses, plus automatic transmissions."

We have shown the technician what is expected, and given him a goal to reach. I have the technician get a picture of the house he wants to buy and hang it over his workbench to see each day. (A reminder to keep working hard to reach his goal.) Now, is there any amount of peer pressure from the other technicians trying to stop this employee from reaching his goal? Usually not, especially if the goal is truly achievable. If there isn't a possibility of increasing employee productivity as much as you require, why try? Generally, you're looking for a 10-20% increase in productivity. A 10% productivity increase means producing another 48 minutes of work each day. Each job needs a tenth of an hour or less time spent on it. A very reachable goal

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for most shops. You'll find the above technician, within a year, producing 25% more with no or very few Comebacks and with higher skills and knowledge than before.

As an example, let's say this technician's productivity is average at 60%. We want to increase it to 80% productivity, to give the pay raise the technician needs to buy the house he desires. If his productivity is 60%, he produces 60% of 8 hours or 4.8 hours of work per day. At \$50-per-hour, he produces \$240 of labor for the day or \$4800 of labor for the month. If he gets extra training and becomes more productive to reach the 80% productivity figure (Journeymen technicians should produce 100% or more), he will produce 6.4 hours a day, \$320 per day, and \$6400 per month in labor. This is a total increase of \$1600 in Labor Sales. With Part Sales included, the total climbs to \$3000. The shop shows a total profit increase of \$2160 for the month. If the technician achieves this goal, you can very well afford to give him a \$500-a-month raise. Ideally, you want the technician's wages with benefits to be one-third of what he produces. In the case above, the raise is based on less than 25% of what he produced. All of us would be willing to spend \$500 to get \$2160. Remember, the whole idea is to motivate the employee to achieve more. The more the employee makes, the more the business should make. The better everyone does, the more profitable the business becomes. We all have dreams of getting something: a boat, motorcycle, or a nice vacation. Show your employees that together they can reach their goals. They will reach their goals, and their lives and careers will benefit in the long run.

Giving pay raises doesn't guarantee that your technician's productivity remains constant. In most cases it will not. Reasons to keep technicians motivated become harder and harder to find. And if you give a raise and your business drops, you lose money. Find a way to base the technician's pay on productivity. The next chapter, "Employee Incentives", offers ideas that pay employees for higher productivity.

For now, find out how your employees feel about their jobs. What goals have they set for themselves. Find out how you can help them reach their goals if they help you and your shop reach your goals. Find out what you need to do, as manager or owner, to help them be more productive. What tools or equipment do they need? Maybe you're not giving them the type of work they like, but you didn't know it until you asked them. It's your job to make your technicians more productive. Help them organize their stalls to increase productivity. If a technician gives you valuable input on how to increase productivity, you must do it right away, if at all possible. Prove to all your technicians that you're willing to do what it takes to help them produce more. The following is a Technician Survey. This helps you find out how your employees feel about their jobs. After the Technician Survey, you'll find a form for Technician Evaluation. Remember, be open for suggestions and for some change. You can't expect your employees to change if you're not willing to change.

Technician Survey

(Circle one number for each question)

Training and Development

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
1. I am given a real opportunity to improve my skills in this company.	1	2	3	4	5
2. I am satisfied with on-the-job training for my present job.	1	2	3	4	5
3. I am satisfied with the progress I'm making in my career.	1	2	3	4	5

Working in the Shop

4. Things run smoothly with other technicians.	1	2	3	4	5
5. The workload is divided fairly among the technicians.	1	2	3	4	5
6. The people I work with all cooperate to get the work done.	1	2	3	4	5
7. The shop has enough people to get the work done.	1	2	3	4	5
8. Morale is high in the shop.	1	2	3	4	5

Working Conditions

How satisfied are you with...

9. The physical working conditions, heating, lighting, ventilation?	1	2	3	4	5
10. The attention paid to safety in the shop?	1	2	3	4	5
11. The equipment you need to perform your job?	1	2	3	4	5

Work Quality and Productivity

How frequently are each of the following conditions a "roadblock" to you in getting work done in your current job?

How often...	Almost Always	Very Often	Half the Time	Seldom	Almost Never
12. Do you have trouble getting the information you need to do your job well?	1	2	3	4	5
13. Are you given deadlines that are unreasonable?	1	2	3	4	5
14. Does getting the job done on time get higher priority than quality repairs and services?	1	2	3	4	5
15. Does keeping costs down get higher priority than providing quality repairs or services?	1	2	3	4	5
16. Do you have trouble getting the parts & materials you need to do your job?	1	2	3	4	5

Technician Survey

Management Support

Management is primarily responsible for giving you work direction and evaluating your performance. The following questions are about your current manager, even if you have been reporting to that person for only a short time.

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
17. My manager is fair toward me.	1	2	3	4	5
18. My manager makes it clear as to what I am expected to do.	1	2	3	4	5
19. My manager gives me useful feedback on how well I'm doing my job.	1	2	3	4	5
20. My manager listens to my ideas.	1	2	3	4	5

Job Satisfaction

1. We are interested in finding out what factors are important in determining job satisfaction. What do you like best about your job?

2. What things make you most dissatisfied with your job?

Productivity

1. What things get in the way of doing your job efficiently?

2. Have there been any recent changes that have helped you become more productive in your job?

Work Quality

1. What factors contribute to the quality of the product or service you provide?

2. What things prevent you from providing as high quality repair or service as you would like?

Technician Evaluation

Name _____ Date _____

Technician Skill Level _____ Master Technician _____ Journey Level _____ Apprentice _____ year

Skills	Excellent	Very Good	Satisfactory	Needs Improvement
Engine Performance/Tune	_____	_____	_____	_____
Electrical & Computer Diagnosis	_____	_____	_____	_____
Smog Testing and Diagnosis	_____	_____	_____	_____
Heating and Air Conditioning	_____	_____	_____	_____
Engine Repair	_____	_____	_____	_____
Brakes, Suspension and Steering	_____	_____	_____	_____
Automatic Transmissions	_____	_____	_____	_____
Manual Transmissions	_____	_____	_____	_____
Routine Maintenance and Servicing	_____	_____	_____	_____
On the Job				
Recognizes problems	_____	_____	_____	_____
Analyzes causes of problems	_____	_____	_____	_____
Generates alternative approaches	_____	_____	_____	_____
Sets realistic goals	_____	_____	_____	_____
Establishes work priorities	_____	_____	_____	_____
Handles pressure	_____	_____	_____	_____
Team Player	_____	_____	_____	_____
Follows through	_____	_____	_____	_____
Meets deadlines	_____	_____	_____	_____
Balances work quality and quantity	_____	_____	_____	_____
Takes responsibility for actions	_____	_____	_____	_____
Attitude				
Cooperates with others	_____	_____	_____	_____
Takes criticism well	_____	_____	_____	_____
Has a positive outlook	_____	_____	_____	_____
Tries to do the best job possible	_____	_____	_____	_____

Technician Evaluation

Areas of development needed in Skills.

Areas of development needed in On the Job.

Areas of development needed in Attitude.

Strengths and Accomplishments

Professional Goals

Personal Goals

Comments

Performance Assessment

Current productivity average _____ %

Last evaluation's productivity average _____ %

Difference + / - _____ %

Overall Performance Assessment (check one)

____ Needs Improvement ____ Satisfactory ____ Very Good ____ Excellent

Pay Level

Current pay rate per hour \$ _____ Last pay rate change ____/____/____

Technician Skill Level Change.

From _____ Master Technician _____ Journey Level _____ Apprentice _____ year

To _____ Master Technician _____ Journey Level _____ Apprentice _____ year

Technician's Signature _____ Date ____/____/____

Evaluator _____ Date ____/____/____

Chapter 40

Employee Incentives

I've never met a person, I don't care what his condition, in whom I could not see possibilities.

I don't care how much a man may consider himself a failure, I believe in him, for he can change the thing that is wrong in his life any time he is ready and prepared to do it. Whenever he develops the desire, he can take away from his life the thing that is defeating it. The capacity for reformation and change lies within.

— Preston Bradley

As mentioned earlier, from now on you must find ways to base the pay of your employees on how much they produce — especially your technicians. Just giving a technician a raise doesn't guarantee higher productivity or higher quality. Before we go any further, we should analyze how various auto repair shops pay their technicians.

- **Commission:** In years past many shops paid their technicians a percentage of the labor. If business was down, payroll was down, which kept expenses down and profits up. Two problems arose from paying technicians by percentage of labor.

First, the more work produced by the technician, the higher the technician's pay. At times during repairs, corners were cut by technicians to save time. This led to many Comebacks and a loss of customers. The quality of the work in general was poorer than shops that paid their technicians by the hour. Also, some technicians tried to Upsell repairs that weren't needed — it was very profitable for the technician, who saved time with the car already apart. If there wasn't enough work for the day, the technicians could create more work for themselves by selling repairs not truly needed.

Secondly, the Internal Revenue Service and Labor Board stepped in. In many cases the technicians were making \$50,000 or more a year. The problem, according to the Labor Board, was that technicians were working 60-hours-a-week or more. The law stated that after 8-hours-a-day or 40-hours-a-week, you pay your technician overtime. Shops that were caught had to comply with the law, paying 33% of the technician's wages to compensate for the extra 20-hours-a-week in overtime, or \$16,666.66, for the previous year. Today, shops can't afford to pay someone by a percentage of what he produces. There are legal ways to achieve the same results, some of which you'll learn about later in this chapter.

- **Hours Produced:** This is roughly the same as paying on commission. Instead of paying a percentage of the labor, you pay so much per every hour the technician produces. The difference is, if you raise your Labor Rate your technician's pay rate remains the same. If a shop that pays on commission raises its Labor Rate,

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the technicians basically get a pay raise, another reason why paying on commission doesn't work. You can never lower your Labor Cost, it will always be the same because of the percentage of the labor sold. An example: a shop that pays a percentage of the labor sold charges \$50-per-hour and pays the technician 50% of the labor, or \$25-per-hour. If the shop raises its Labor Rate to \$60, the technician now gets \$30-per-hour. A shop that pays by the hours sold differs. If it charges \$50-per-hour, it pays its technicians \$25 for every hour sold. If it raises the Labor Rate to \$60, the technician still makes \$25 per hour sold. This allows the shop to make a higher Labor Profit. Even if you pay your technicians by the hours sold, if they work more than 8-hours-a-day or 40-hours-a-week, you must pay them overtime. To comply with the law at this time you should consult with an accountant or Labor Law attorney. (You never know when the laws change.)

- **By the Hour:** Shops that pay their technicians 'by the hour' usually have less Comebacks than shops paying their technicians a percentage of the labor. The problem with shops that pay by the hour is their productivity is usually 20-30% (or lower) than shops that pay on commission. It's difficult to motivate employees to work harder if they won't be seeing an increase in their pay for the extra work. When you run low on work, the technicians still get paid. Many technicians learn how to produce just enough to keep their job and not get fired. When you do run low on work, a four-hour job can take all day. The IRS loves shops that pay by the hour because it's easy to determine if overtime was worked.

In summary: We have the commission technicians who offer good productivity but a higher Comeback ratio, and the pay-by-the-hour technicians who have better quality but much lower productivity.

Pay Incentives and Bonuses

Obviously we must find a combination of both commission and paid by the hour. We should take the good points of each system to come up with a better system. That means Employee Incentives and Bonuses. Be very careful in developing a Bonus Plan for your shop. Make a mistake and your employees can make so much money you'll go out of business. At my shop, I have the best of both worlds. I pay my technicians by the hour. If they work overtime, they get paid overtime. They feel secure in knowing they have a steady pay-check each week. I do send my technicians home early if we run low on work. (More on this later.) To reward my technicians for high productivity I give them a monthly Pay Bonus. The bonus is based on how many hours they produce, just like pay by Hours Produced. How about Comebacks? I like using bonuses because anytime I feel a technician is trying too hard to produce too much (and thereby causing Comebacks), I can take the bonus away. It's difficult to lower an employee's wage, but a bonus is considered a gift, not necessarily part of his pay.

The Labor Commission considers bonuses as base pay if most of the income is from the bonus. A drawback to paying by commission or by *hours sold* is additional paperwork for you — determining how many hours

were sold each week, how much to give two technicians who worked on a car together, and how much to give each technician as part of his bonus. Good or bad, your technicians are going to tell you every time you write a Repair Order that you didn't quote the correct amount of time. They'll say you cost them money. At least your technicians will keep you honest. If you want to give labor away for free, work it out with your technicians in advance or compensate them for their time. It's a big hassle, but the amount of work produced by the technicians is well worth the effort.

Starting a Bonus Plan

Do not jump into this too quickly. You may not want to tell your technicians your plans quite yet. You need to crunch some numbers. Find the correct '*amount-per-hour-sold*' to pay each technician. The amounts based on the Bonus Plan might differ with each technician. Take into account their skill level, pay level, their present productivity, and how much you think they can produce. I wouldn't include what I consider apprentices in a Bonus Plan. An apprentice should be concerned with gaining experience and reducing Comebacks. As time goes by, his productivity increases. If you think an apprentice is ready for a Bonus Plan, give it a try. Calculate what each technician's productivity is and has been over the last few months. Make earning a bonus easy for the technicians. If it's too hard, the technicians feel they can't accomplish the bonus, and their productivity drops.

For the below example, our technician is 60% productive. We feel this technician and the shop are capable of 80% productivity. We are currently paying this technician \$12-per-hour or \$480 for a 40-hour-week. Sixty-percent productivity times 40-hours-a-week equals 24 hours of produced/sold labor. Twenty-four hours of sold labor times \$50-per-hour equals \$1200 in Labor Sales for the week, or \$4800 for the month. If we increase to 80% productivity, times our 40-hour week, our produced/sold labor would equal 32 hours. Thirty-two Hours Produced times \$50-per-hour equals \$1600 in Labor Sales for the week, or \$6400 for the month. We are attempting to get our technician to produce eight more hours a week, or \$400 more in labor each week, which equals \$1600 for the month of extra Labor Sales. How are we going to base the Incentive Plan if we keep the same hourly pay rate we're currently using? If we pay our technicians by the hours they produce at a certain Labor Rate, at the end of the month we add up their pay for the month, then calculate how much they would have made if they got paid at a different Labor Rate times the number of hours they produced for the month. The difference is the amount of the bonus, if it's a positive number. We're not going to take pay away from the technician for not reaching his bonus.

- We currently pay our technician in this example, who works 40 hours, \$12-per-hour, \$480 for the week, or \$1920 a month.
- The Productivity Incentive will be based on the \$16.50-per-hour for every hour produced. Yes, we're

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going to give our technician in this example a raise of \$4.50 per hour. We wanted to give an incentive to produce more work, didn't we? Before you panic, continue on and pay close attention to the explanation regarding the table below.

Explanation of the below table and the column heading definitions.

Hours Produced are the number of hours produced by the technician in this example. Productivity is the percentage of Productivity, based on a 40-hour work week.

Bonus Dollars Produced are the hours sold by the bonus Labor Rate of \$16.50-per-hour produced/sold.

Technician's Bonus is based on the Bonus Dollars Produced minus the 40-hour pay of \$480. In the 30 Hours Produced row, the Bonus Dollars of \$495 minus the 40-hour paycheck of \$480 gives a bonus of \$15.

Extra Labor Produced are hours sold, times \$50-per-hour Labor Rate in this example.

Extra Profit Dollars are simply the Extra Labor Produced, minus the Technician's Bonus — which are extra profits for you and the business.

Hours Produced	Productivity	Bonus Dollars Produced	Technician's Bonus	Extra Labor Produced	Extra Profit Dollars
30	75.0%	\$495.00	\$15.00	\$300.00	\$285.00.
31	77.5%	\$511.50	\$31.50	\$350.00	\$318.50
32	80.0%	\$528.00	\$48.00	\$400.00	\$352.00
33	82.5%	\$544.50	\$64.50	\$450.00	\$385.50
34	85.0%	\$561.00	\$81.00	\$500.00	\$419.00
35	87.5%	\$577.50	\$97.50	\$550.00	\$452.50
36	90.0%	\$594.00	\$114.00	\$600.00	\$486.00
37	92.5%	\$610.50	\$130.50	\$650.00	\$519.50
38	95.0%	\$627.00	\$147.00	\$700.00	\$553.00
39	97.5%	\$643.50	\$163.50	\$750.00	\$586.50
40	100.0%	\$660.00	\$180.00	\$800.00	\$620.00

Remember, our technician is only 60% productive and making \$480 per 40-hour work week. In our above example, if the technician can produce 30 hours a week or more, he gets a bonus based on \$16.50-per-hour produced. If he produces 32 hours, the Technician's Bonus for the week is \$48, or \$192 for the month. (Pay your bonuses based on the end-of-the-month totals. I'm using weekly totals to keep things simple.) That \$48 bonus created \$400 more in Labor Sales, or a Net Gain to the shop of \$352. If the technician gets real productive and produces 40 hours worth of work, which is being 100% productive, the Technician's Bonus

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would be \$180 for the week or \$720 for the month. Every technician would like to have an extra \$720 per month. The extra labor sold however is \$800 for the week and \$3200 for the month, or a Net Gain to the shop of \$620 for the week and \$2480 for the month. As you can see the shop has nothing to lose and everything to gain by this type of Bonus Plan. That is, if you and your technicians are up to the challenge. The numbers you choose are up to you, which is why you should take time to make sure the Incentive Plan works for both you and the technicians. Make it possible for technicians to make a bonus or they'll never try. Are you as manager willing to work harder to bring in the extra work? If you are, the technicians clearly see the importance of doing Safety Inspections so you can sell more work. The extra work you and the technicians sell means more profit for the both of you.

Once you decide on the ideal Incentive Plan for your shop, hold a shop meeting to explain the details of the plan. The first thing you say is, "I am going to give a raise to all the technicians, or at least the ones participating in the Incentive Program." This always gets their attention. Give them each a piece of paper that states how much per hour the bonus is going to be based on (if the bonus amount is going to be different for each technician).

The Incentive Plan Rules for the technicians are simplified below.

- Your monthly Productivity Bonus is based on the dollar-per-hour figure you have, times the number of hours worked for the month.
- Whatever that amount is, deduct the amount of money from your normal paychecks for the month.
- The difference between the bonus dollars and your paychecks is your bonus for the month. (Only if it's a positive number.)
- The bonus is paid as a separate paycheck on the 15th of the following month.
- If at any time the management feels this Bonus Plan is causing any problems or extra Comebacks, it can be canceled at any time. If a certain technician gets too many Comebacks, the Bonus Plan can be stopped or put on hold until that technician and management see fit to restart the Bonus Plan.

Bonus Plan Example

Technician A produces/sells 170 hours for the month. (170 times bonus rate of \$16.50 equals \$2805.) The total of the weekly paychecks, including overtime hours at 1.5 the number of overtime hours for the month, equals \$2016. The Bonus Dollars of \$2805 minus the paycheck totals for the month of \$2016 equals a bonus of \$789 for the month. The \$789 is paid on a separate bonus check on the 15th of the following month, or the nearest working day.

Shop Management Tools for Success

The following is a sample of a shop producing 120% each month. A Productivity Bonus for this shop gives quite different numbers than preceding examples. The actual Bonus-Dollars-per-hour produced turns out to be lower than the amount the technicians get paid per hour. In the below example the technicians are making \$21-per-hour or \$840 for a 40-hour week plus overtime of 1.5 for every hour over eight in a day or 40 for the week. Their Bonus-Dollars-per-hours-sold is \$18 per hour produced/sold. The Labor Rate of the shop is \$65 per hour. The table below shows you how the numbers work out.

Hours Produced	Productivity	Bonus Dollars Produced	Technician's Bonus	Extra Labor Produced	Extra Profit Dollars
48	120.0%	\$864.00	\$24.00	\$520.00	\$496.00
49	122.5%	\$882.00	\$42.00	\$585.00	\$543.00
50	125.0%	\$900.00	\$60.00	\$650.00	\$590.00
51	127.5%	\$918.00	\$78.00	\$715.00	\$637.00
52	130.0%	\$936.00	\$96.00	\$780.00	\$684.00
53	132.5%	\$954.00	\$114.00	\$845.00	\$731.00
54	135.0%	\$972.00	\$132.00	\$910.00	\$778.00
55	137.5%	\$990.00	\$150.00	\$975.00	\$825.00
56	140.0%	\$1,008.00	\$168.00	\$1,040.00	\$872.00
57	142.5%	\$1,026.00	\$186.00	\$1,105.00	\$919.00
58	145.0%	\$1,044.00	\$204.00	\$1,170.00	\$966.00
59	147.5%	\$1,062.00	\$222.00	\$1,235.00	\$1,013.00
60	150.0%	\$1,080.00	\$240.00	\$1,300.00	\$1,060.00

As you can see, the technicians must have a Productivity rating of 120% or more to reach their bonus. Technicians in this shop have an average Productivity of 130% to 150% with no Comebacks. So they are getting bonus checks of \$400 to \$1000 per month on top of their \$3360 monthly pay. That's right, \$50,000 per year, plus health insurance, dental insurance, eye coverage, all for the technician and his family. He also receives two to four weeks of vacation and eight paid holidays per year, plus a Christmas Bonus. In this shop, every month, each Journey Level technician produces \$25,000. That's \$25,000 in Parts and Labor Sales per month, per Journey Level technician.

Commission Shops

If your shop is paying by commission, try to convert the shop to an Incentive Plan as explained above. Mainly, from now on you're going to pay your technicians by the hour to keep you and the shop out of trouble with the Labor Commissioner and the IRS. Remember, you must pay the overtime like the law states. If your technicians are on a percentage of the labor, freeze that 'amount per hour produced' — they will get paid this amount toward their bonus. This way, if you raise your Labor Rate, you won't have to raise the Technician's Bonus Rate. When converting your shop to this plan, the amount your technicians make per

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month should be the same as before. You don't want to scare your technicians into thinking they're somehow getting cheated during this conversion. You might have to make their new amount paid per hour rather high, so their weekly paychecks won't drop too much. Do your homework first, and have that shop meeting to explain the reasons for the change. No matter how you interpret the law, you can't go wrong paying for hours worked and using Productivity Bonuses.

When the shop is running low on work, Productivity Bonuses are a major benefit to the business. Technicians still work hard to maintain their productivity because they know at the end of the month their Productivity Bonus will be there. The amount of hours worked doesn't matter that much. If the day begins without enough work for the day, the technicians still work as hard as ever. Otherwise, they might move into a slowdown mode and not get the extra work done that day if the shop gets busy.

In the next chapter you'll learn about employee disciplining, how to handle technician Comebacks and how these affect the bonus. Review if necessary the "Comebacks" chapter. You need to determine what causes each Comeback. If the Comeback is caused by parts, the service writer or the shop, the technician shouldn't be penalized by losing his bonus or having money taken out of it.

Good luck and take plenty of time to do your number crunching before you establish your shop's Productivity Incentive/Bonus Plan.

Chapter 41

Employee Discipline

No bird soars too high if he soars with his own wings.

—William Blake

With regard to most employees, there comes a time when you must either warn, discipline, suspend or terminate them. These managerial actions are sensitive subjects for several reasons. Understanding employees and what motivates them is a science. Few employers consider themselves experts when it comes to Employee Law, and I'm not claiming to be one. I can though, from experience, give you some cautious advice and prudent guidelines in dealing with employees.

Each employee takes criticism differently. Some look at criticism as a way to improve. Others, it goes in one ear and out the other. Employees can be emotionally destroyed if criticized the wrong way. I've seen employees respond positively to being touched or even hugged, while others needed their distance and felt violated if I got too close. Some people are loners, while others are *people* people, always needing others around. Some talk all day, others never talk unless asked a question. Some need music on all day, others can't work with music. Treat each and every employee as an individual. What works for one might not work for another.

I discipline employees in a way that they don't appear put down or humiliated. The level of disciplining is determined by whether the problem is a small nagging type, or a much more serious infraction. On simple problems, we discuss the issue that concerns me, or I find a way to get the point across while having fun. Here's an example of how I handled an employee who was chronically coming in late. One morning I saw my employee arriving late again. When he got to the time-clock I was standing in front it and beating on the clock. The employee asked, "What's wrong with the time-clock?"

I told him, "It says you're late and that can't be true? It must be a malfunction of the time-clock!" We both laughed and the employee got the idea that this was a real concern. The problem was solved.

Another employee had a problem of too many friends calling him at work. We allow personal phone calls, to a point. The personal phone calls to this particular employee kept being a problem, and so I talked to the employee about it. But the problem persisted. One day I went out to this employee's stall with a tape measure. I was measuring from the employee's tool box to two different walls and to the ceiling. Finally the employee asked, "What are all the measurements for?"

I said, "Well, since you're getting so many phone calls, I was considering your own personal phone extension." Again, we all laughed and everyone got the idea that the numerous phone calls were a problem. The phone calls stopped.

In both cases, I could have given a written warning, but I didn't see the reason to make too big a deal out of the problems. By having some fun, everyone got the point and we went on with our jobs and lives. If the problems had continued, I would have had no choice but to give written warnings, with the possibility of termination. When I was younger, I worked for employers who came down hard on everyone just for the hell of it. I remember how uncomfortable all the employees were. As soon as I opened my own shop, I created an atmosphere that said, "We're all here to do a good job, with the best tools and equipment, and have fun." No one likes to work in an environment that's stressful with yelling bosses. In the book, *The One Minute Manager*, the author talks of some bosses' method of managing as "The Seagull Method of Managing." They fly in making loud squawking noises, flapping their arms, and crap all over everybody, then leave. These bosses wonder why none of their employees ever come to them to explain their problems. I learned at an employee seminar to never fire an employee in the office. If you do, employees won't exactly want to come to your office to discuss a problem. Some managers think the office is the only place to terminate an employee. It has to be your decision, depending on your management style.

Terminating/Firing an Employee

You better be documenting all verbal and written warnings, and your reasoning for terminating the employee, all before you tell him of his fate. California is an "At Will" state, meaning employers can fire any employee at will, without giving a reason. Employers can nonetheless run into problems because of the reasons for the termination. It always feels that the best time to terminate an employee is when you're extremely mad. Of course, this is the absolute worst time to terminate an employee. You can't let your emotions get the better of you. If you do, the employee you're firing may get the better of you. If needed, send the employee home with pay for the rest of the day. Make sure the employee knows that you want to meet with him the next morning when it's convenient for you. You may not even want the employee working until you have the time to meet with him. That's okay, but pay him until you're prepared to terminate him legally.

Many employers make the mistake of saying when they fire someone, "I want to unload you on another company." Simply say, "You're fired." The employee wants to know why. You can still land in Labor Court for saying things like, "You do bad work, You come in late, You take too many sick days, You have a bad attitude." The employee's attorney can grill you in court, saying:

“Did you document any instances when the employee did bad work? No? You accused my client of coming in late, did you warn him or document any tardiness? Yes? But other employees came in late also, and they didn’t get written warnings, is that correct? Do you have any proof that my client took sick days when in fact he wasn’t sick? No? What is a bad attitude? Have you taken the time to warn or even convey what you determine to be a good attitude?”

You get the idea — don’t say any more than you have to. In California, you only need to say, “It didn’t work out,” and that’s it. Even so, you really need to go through the entire warning and document process to safely terminate an employee. You can’t take any chances. You have too much to lose, especially if you consider back pay, legal fees, punitive damages, and your time and grief. Again, your Employee Manual sets guidelines for both you and your employees. If you follow the guidelines in your manual, employees can’t accuse you of any surprises.

Comebacks and Termination

Terminating an employee over Comebacks is a delicate topic. Comebacks as you know occur for several reasons. Many times it’s from lack of concentration. Usually, lack of concentration means there are outside forces causing a lack of concentration at work. It’s often personal problems at home. If you see a normally steady employee suddenly getting lots of dumb Comebacks, find out what’s going on. The employee may not even be aware of his lack of concentration or the fact he is having Comebacks. If he is having problems with a spouse or otherwise, all you can do is be understanding. Most of us have gone through rough emotional times during relationships. When personal problems interfere with work it’s time to suggest the employee get professional counseling. A change has to be made to better the situation, or the problem will continue. I have gone so far as make appointments for the employee with a psychologist and paid for him to go, just to help the employee solve his problem. I have also had employees go from one bad relationship to another, then another, then yet another. After awhile, you can’t help someone who can’t see the problems they’re getting into. No matter what the situation, document the incidents and give the verbal and written notices before you terminate an employee.

Drug and Alcohol Problems

I have never used drugs. I have very little compassion for someone who uses drugs. I had one employee with a drug problem (that I was aware of). Terminating him was the hardest thing I’ve ever done. I didn’t want to fire him and cause him to go deeper into drugs. When this person tried to convince me why drugs were okay for him, it made firing him much easier. I called a shop meeting the next day during work. I’m not the type of person who just fires someone. I wanted everyone to know the reasons why I fired their fellow employee.

Shop Management Tools for Success

When it came down to it, all the employees could have lost their jobs and I could have lost my business — all because of one employee using drugs. If this employee was high on drugs and caused an accident that hurt or killed somebody, everyone reading the local newspaper would assume that me and every employee were also using drugs. The customers would stop coming in and the business would close down in a flash.

At the same time, I wanted my employees to know that if someday they developed a drug or alcohol problem, to feel comfortable coming to me for help. If someone comes to you and needs help beating a drug or alcohol problem, and you can help, then support that person through his ordeal. He may be a better person and employee after finding his cure. I believe in people and am willing to give them a chance. I may make a big mistake for doing so, but at least I try to help them. Over the years, I have proven to others the type of person I am. When you treat everyone fairly, and are willing to give people a second chance, and even a third chance, you receive more respect from all of your employees, with the end result being a loyal and dedicated group of the same great employees for many years. (Building a second family, so to speak, even though they happen to work with you every day.) There is nothing more important than family.

If Comebacks Remain a Problem

No matter how hard you try, Comebacks happen. I can understand having Comebacks; I had Comebacks when I was a technician, and I still make occasional mistakes. The big problem in our industry is stupid Comebacks, such as a loose oil pan drain plug. This type of Comeback is from either a lack of concentration or not having a set procedure for doing the repair. I believe if you have procedures for doing every type of job, you'll have very few or no Comebacks. If you're seeing the same stupid Comebacks, you're not doing anything to solve the problem. What did you learn from the Comeback? Was it a procedural problem? Did an interruption cause the Comeback? You must learn from your Comebacks or they will keep on coming. If they keep coming, the technician doesn't have the right stuff to work for you. Be sure to document all your Comebacks. By the time a technician's third Comeback happens, a definite probational period has to be set. Often, with the second written warning, the employee realizes his days are numbered and is looking for a new job. He knows getting terminated never looks good on a job application.

One of the reasons I like using a Productivity Bonus is that if the technicians have a Comeback (or I feel the quality of their work is suffering in any way), they can lose their bonus. If they have a Comeback, they'll see less money in their bonus paycheck. If they make a stupid mistake, such as a loose oil pan drain plug, they'll be missing a lot of money in their bonus paycheck. A loose drain plug can be a \$10 Comeback or a \$3000 Comeback. If the Comeback somehow costs the employee money, the Comebacks seem to stop. You can't take money out of their paychecks to pay for a Comeback. You can take it out of a bonus check. A bonus

check is a gift, not a regular part of their pay. Don't tolerate a stupid Comeback. Either your employees change their procedures or they look for a new job. It takes years to establish a great history of excellent and quality work. You can't afford to tarnish your shop's reputation for any reason.

You can terminate any employee at any time for no reason, and maybe never have a problem. To terminate an employee legally today, you need to follow at least the following procedures. Even then, you should consult a lawyer or an Employee Law attorney or consultant before terminating any employee.

Employee Warning Process

Verbal Warning

If you have a problem with an employee, you usually give him a verbal warning that he made a mistake and must find a way to stop it from happening again. A verbal warning doesn't mean yelling and cussing at an employee. Give a friendly warning. It may be something simple the employee isn't aware of. But, even if it is a verbal warning you need to document the incident.

First Written Warning

Make sure the employee sees the importance of making changes to avoid Comebacks. Generally, the written warning solves any problem the employee has. Along the way, don't give one person a written notice for something another employee wasn't disciplined for. Do not single out one person. Be very consistent in your warnings.

Second Written Warning

You now have a serious problem, serious enough that you must do something to solve the problem right now. You have to either suspend the employee (give him some time off without pay), or give him a probationary period to remedy the problem. Usually, you should give a 30-day probationary period. If you give the probationary period, document the exact date and time that you and the employee will again review the situation. Keep the date, or the employee assumes there's no longer a problem. If you then terminate the employee and didn't have that meeting at the end of the probationary period, you may have a problem in Labor Court with "Termination without Cause." You can however, state as part of the second written warning that if the same problem happens again, the employee has been warned about immediate termination. Have the employee sign all written warning notices, and give him a copy of the written notice. All written notices should stay in the employee's file. This is a good reason to have a locked Employee Files cabinet. You don't want a written notice disappearing, if you know what I mean.

Termination

Firing someone should be done as quickly as possible. Do not give any more reasons than you must. You don't want to give the employee any grounds to sue you. Don't give the employee ten reasons why he's getting fired. You only have to give one wrong reason to find yourself in court. Remember, the employee isn't real happy with the situation. He would have no bad feelings in taking you to court. He has nothing to lose; and you have everything to lose. His termination has to be documented. If the ex-employee takes you to court, you need exact reasons of termination as proof for the firing. You should, in fact, have a paper trail leading to the termination — the verbal and two written warnings, as well as the termination documentation all on hand. (If the employee signed the two written warnings, you have all the proof you need.) I highly recommend consulting an Employee Law attorney before you terminate anyone. Let this professional look over your documentation to make sure you have done everything according to the law. It's a small investment to prevent a costly court hearing later.

The majority of the time you won't have any problems with a fired employee. But you must weigh the consequences if you don't follow the proper procedures. You only have yourself to blame if you don't do it correctly.

Employee Gives Notice or Quits

No matter how good of an employer you are, there comes a time when an employee wants to leave your company. People need to move out of town or change to a more challenging job. When an employee leaves, have him fill out an Exit Survey. (The Exit Survey form is at the end of this chapter.) This form is designed for you — to understand what you and the business could have done to meet the needs of the departing employee. You may find you thought you were communicating well with the employee, but he thought otherwise. It's bad enough to lose one employee; but you want to make sure the reasons of an employee leaving are solved before you lose more employees.

Employee Verbal Warning Report

Employee Name _____

Position of employee who was given verbal warning _____

Date of Warning ____/____/____ Time _____

Date of Violation ____/____/____ Time _____

Warning given by _____ Position/Title _____

Nature of Violation

- | | |
|--|---|
| <input type="checkbox"/> Comebacks | <input type="checkbox"/> Substandard work |
| <input type="checkbox"/> Disobedience | <input type="checkbox"/> Carelessness |
| <input type="checkbox"/> Tardiness | <input type="checkbox"/> Absenteeism |
| <input type="checkbox"/> Inappropriate conduct | <input type="checkbox"/> Intoxication / Substance Abuse |
| <input type="checkbox"/> Other _____ | |

What was the actual cause to force a warning? _____

Has this problem occurred before? Yes No

Was a verbal warning given at that time? Yes No Yes, but not officially.

Why not? _____

Why is this a problem now? _____

How long is the employee to be on probation? _____

What is the employee supposed to do during the probation time? _____

Date in which probation will be over ____/____/____

What consequences from this warning were given to the employee?

Termination Loss of pay Suspended from work, for ____ days

Other, explain _____

What was the employee's response to verbal warning? _____

Signature of person giving warning _____

Title/Position _____

Comments _____

Employee First Written Warning

Employee Name _____

Position of employee who was given written warning _____

Date of Written Warning ____/____/____ Time _____

Date of Violation ____/____/____ Time _____

Nature of Violation

- | | |
|--|---|
| <input type="checkbox"/> Comebacks | <input type="checkbox"/> Substandard work |
| <input type="checkbox"/> Disobedience | <input type="checkbox"/> Carelessness |
| <input type="checkbox"/> Tardiness | <input type="checkbox"/> Absenteeism |
| <input type="checkbox"/> Inappropriate conduct | <input type="checkbox"/> Intoxication / Substance Abuse |
| <input type="checkbox"/> Other _____ | |

What was the actual cause to force this warning? _____

Has this problem occurred before? ____ Yes ____ No. Was a verbal warning given? ____ Yes ____ No.

Was the verbal warning documented ____ Yes ____ No. Date ____/____/____

Verbal warning given by _____ Position/Title _____

Is employee still on probation? ____ Yes ____ No. Since what date ____/____/____

How long is the employee to be on probation? ____ days. Date probation will be over ____/____/____

What is the employee supposed to do during the probation time? _____

What consequences from this warning were given to the employee?

Termination Loss of pay Suspended from work, for ____ days

Other, explain _____

What disciplinary action was taken? _____

Employee response to this first written warning? _____

Signature of employee _____ Date ____/____/____

Signature of person giving warning _____

Title/Position _____

Comments _____

Employee Second Written Warning

Employee Name _____

Position of employee who was given written warning _____

Date of Written Warning ____/____/____ Time _____

Date of Violation ____/____/____ Time _____

Nature of Violation

- | | |
|--|---|
| <input type="checkbox"/> Comebacks | <input type="checkbox"/> Substandard work |
| <input type="checkbox"/> Disobedience | <input type="checkbox"/> Carelessness |
| <input type="checkbox"/> Tardiness | <input type="checkbox"/> Absenteeism |
| <input type="checkbox"/> Inappropriate conduct | <input type="checkbox"/> Intoxication / Substance Abuse |
| <input type="checkbox"/> Other _____ | |

What was the actual cause to force this warning? _____

Has this problem occurred before? ____ Yes ____ No. Was a first written warning given? ____ Yes ____ No.

Was the first written warning documented ____ Yes ____ No. Date ____/____/____

First written warning given by _____ Position/Title _____

Is employee still on probation? ____ Yes ____ No. Since what date ____/____/____

How long is the employee to be on probation? ____ days Date probation will be over ____/____/____

What is the employee supposed to do during the probation time? _____

What consequences from this warning were given to the employee?

Termination Loss of pay Suspended from work, for ____ days

Other, explain _____

What disciplinary action was taken? _____

Employee response to this first written warning? _____

Signature of employee _____ Date ____/____/____

Signature of person giving warning _____

Title/Position _____

Comments _____

Employee Disciplinary Report

Employee Name _____

Position of employee who was given disciplinary action _____

Discipline is part of a _____ Verbal _____ First Written _____ Second Written Warning

Date of Warning _____/_____/_____

What disciplinary action was taken?

_____ Suspended from work for _____ days _____ With pay _____ Without pay

_____ Loss of bonus

At end of probation will loss of bonus stop? _____ Yes _____ No

_____ Cut in pay From \$ _____ per _____ hour _____ month

to \$ _____ per _____ hour _____ month

At end of probation will cut in pay stop? _____ Yes _____ No

_____ Loss of benefits, Explain which benefits _____

At end of probation will loss of benefits stop? _____ Yes _____ No

_____ Other, Explain _____

At end of probation will above stop? _____ Yes _____ No

Is employee on probation _____ Yes _____ No Until what date _____/_____/_____

Employee response to disciplinary action? _____

Signature of employee _____ Date _____/_____/_____

Signature of person giving discipline _____

Title/Position _____ Date _____/_____/_____

Comments _____

Employee Termination Report

Employee Name _____

Position of employee who was given written warning _____

Date of Written Warning ____/____/____ Time _____

Date of Violation ____/____/____ Time _____

Nature of Violation

- | | |
|--|---|
| <input type="checkbox"/> Comebacks | <input type="checkbox"/> Substandard work |
| <input type="checkbox"/> Disobedience | <input type="checkbox"/> Carelessness |
| <input type="checkbox"/> Tardiness | <input type="checkbox"/> Absenteeism |
| <input type="checkbox"/> Inappropriate conduct | <input type="checkbox"/> Intoxication / Substance Abuse |
| <input type="checkbox"/> Other _____ | |

What was the actual cause to force this warning? _____

Has this problem occurred before? ____ Yes ____ No. Was a verbal warning given? ____ Yes ____ No

Was the verbal warning documented ____ Yes ____ No. Date ____/____/____

Verbal warning given by _____ Position/Title _____

Is employee still on probation? ____ Yes ____ No. Since what date ____/____/____

How long is the employee to be on probation? ____ days. Date probation will be over ____/____/____

What is the employee supposed to do during the probation time? _____

What consequences from this warning were given to the employee?

Termination Loss of pay Suspended from work, for ____ days

Other, explain _____

What disciplinary action was taken? _____

Employee response to this first written warning? _____

Signature of employee _____ Date ____/____/____

Signature of person giving warning _____

Title/Position _____

Comments _____

Exit Interview Survey

Please circle the response that best describes your feelings, using the key as follows:

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

- | | | | | | |
|--|---|---|---|---|---|
| 1. The work I was doing, as a whole, was approximately what I originally expected to be doing. | 1 | 2 | 3 | 4 | 5 |
| 2. Management demanded a lot less from me than I thought they would. | 1 | 2 | 3 | 4 | 5 |
| 3. I wanted more responsibility than the company gave me. | 1 | 2 | 3 | 4 | 5 |
| 4. The people I worked with were interesting and stimulating. | 1 | 2 | 3 | 4 | 5 |
| 5. Generally, my co-workers were friendly and supportive. | 1 | 2 | 3 | 4 | 5 |
| 6. Overall, I was satisfied with the working conditions. | 1 | 2 | 3 | 4 | 5 |
| 7. I had the necessary freedom to make my own decisions. | 1 | 2 | 3 | 4 | 5 |
| 8. I would recommend this company as a good organization to work for. | 1 | 2 | 3 | 4 | 5 |
| 9. There was too much pressure on the job. | 1 | 2 | 3 | 4 | 5 |
| 10. I found my workload to be excessive. | 1 | 2 | 3 | 4 | 5 |
| 11. I found my work to be interesting and challenging. | 1 | 2 | 3 | 4 | 5 |
| 12. I was able to make good use of my skills and abilities. | 1 | 2 | 3 | 4 | 5 |
| 13. I had ample opportunities for advanced training and development. | 1 | 2 | 3 | 4 | 5 |
| 14. I had ample opportunities for pay raises. | 1 | 2 | 3 | 4 | 5 |
| 15. I knew that if I performed well I would get ahead. | 1 | 2 | 3 | 4 | 5 |
| 16. The company's performance appraisal system accurately reflected my strengths and weaknesses. | 1 | 2 | 3 | 4 | 5 |
| 17. My salary increases were clearly linked with my performance. | 1 | 2 | 3 | 4 | 5 |
| 18. I was satisfied with my salary. | 1 | 2 | 3 | 4 | 5 |
| 19. I received adequate support (materials, resources, etc.) from the company. | 1 | 2 | 3 | 4 | 5 |
| 20. I did not always find the company's pay raise policy a fair one. | 1 | 2 | 3 | 4 | 5 |
| 21. I did not have easy access to my supervisor/manager. | 1 | 2 | 3 | 4 | 5 |
| 22. My supervisor/manager treated me fairly. | 1 | 2 | 3 | 4 | 5 |
| 23. My supervisor/manager supported me adequately. | 1 | 2 | 3 | 4 | 5 |
| 24. My supervisor/manager was generally sensitive to my needs. | 1 | 2 | 3 | 4 | 5 |
| 25. My supervisor/manager was open and willing to help me. | 1 | 2 | 3 | 4 | 5 |
| 26. My supervisor/manager let me know when they were pleased with my work. | 1 | 2 | 3 | 4 | 5 |
| 27. My supervisor/manager made every effort to be fair with me regarding pay increases. | 1 | 2 | 3 | 4 | 5 |

Comments: _____

Chapter 42

Accidents and Illnesses

Nothing is so wretched or foolish as to anticipate misfortunes.

What madness is it to be expecting evil before it comes.

— Seneca

Hopefully you won't need the forms in this section. Unfortunately, accidents happen and they must be dealt with in a skillful manner. Therefore, the most important form in this chapter is the Accident Report. Anytime an employee in the shop has an accident — one that causes some form of injury — you must document the accident. You never know, a year or two down the road, a past injury may act up again or cause a new medical problem. What didn't seem like a big deal at the time becomes a major ordeal later, especially if Worker's Compensation or your health insurer are involved. It's better to be safe than sorry and have the accident well documented.

For your own records, get a report from the employee who is ill or from his doctor to determine the extent of the injury or illness. Find out if you need a temporary replacement for this employee. I've had employees come back to work too soon and re-injure themselves. Had I required a Doctor's Report that recommended the employee not do certain things, or return to work at a later date, I would have been in a better position to do my job as owner and manager. I've seen shops get sued because they allowed an employee to come back too soon. All they did was listen to the employee, who said he was ready to come back to work. The rule at your shop should be, "You don't come back to work until you give me a Doctor's Release that allows you to work, and under exactly which conditions."

Efficient shops have an office person or in-house bookkeeper in charge of medical-related paperwork. The forms used for employees should be the responsibility of one person at the shop. This is the first thing most managers and owners delegate to someone else.

Accident Report

Date ____/____/____

Employee _____ Employee No. _____

Date of accident ____/____/____ Time _____

Location of accident _____

Nature of Injuries _____

Description of Accident

Cause of Accident

Did employee have to leave work? ____ Yes ____ No

If employee left work, what time did employee leave? _____

Did employee return to work the same day? ____ Yes ____ No

If yes, at what time? _____

Did employee go to a doctor or a hospital? ____ Yes ____ No

Name and address of physician _____

If hospitalized, name and address of hospital _____

How did employee get to the doctor/hospital?

____drove himself ____driven by _____ taken by ambulance.

What is being done to avoid such accidents in the future?

Comments _____

Supervisor's Signature _____ Date ____/____/____

Illness Report

Date ____/____/____

Employee _____ Employee Number _____

Illness was

_____ Reported at work

_____ Called in by _____ employee _____ other _____

Is illness related to employment? _____ Yes _____ No.

Describe the Illness:

Did employee leave work? _____ Yes _____ No. Time left work _____

Did employee return to work the same day? _____ Yes _____ No.

If not, what date did the employee return ____/____/____ Time _____

Did employee go to a doctor _____ Yes _____ No.

If employee left work, how did employee get home or to the doctor / hospital?

_____ drove himself _____ driven by _____ taken by ambulance.

Name and address of physician.

If hospitalized, name and address of hospital.

Comments:

Supervisor's Signature _____ Date ____/____/____

Chapter 43

Hazardous Chemicals / OSHA

*Let us not be content to wait and see what will happen,
but give us the determination to make the right things happen.*

—Peter Marshall

Managing hazardous chemicals in a modern auto shop takes up a lot of time. The laws are constantly changing, so you never really know if you're in compliance or not. Hazardous chemical laws differ from state to state, from county to county, from city to city, and from one bureaucrat to another. It's impossible to give you all the details you need to legally comply in your own area. I can however, give you an idea of the basics of dealing with hazardous chemicals. You can no longer play dumb and claim you didn't know you were supposed to comply. The bureaucrats believe you are responsible for figuring out what to do. (And they're not afraid to give you a citation and fine.) It can be very difficult to fight these people. They consider what they're doing to be in the public's interest. How willing are the courts or a jury to argue that your shop is more important than the public's safety?

Hazardous Chemical Containment

The main objective for all businesses is to be able to "contain" the chemicals in their building if there is a leak or spill. You must admit, this isn't exactly a bad idea. Can you imagine what would happen if you had thirty gallons of carburetor cleaner, or fifty gallons of hot-tank cleaner, or one-hundred gallons of used oil spilling into a storm drain leading to a nearby creek or river? Cleaning up the damage would cost you loads of money. If you spill chemicals into a storm drain, most insurance companies won't even cover you. Just imagine the cost of all those people in white plastic suits. The time they spent doing paperwork would cost you a small fortune.

The bureaucrats want you to "double contain" your chemicals — putting one container into a bigger container. Oil companies already provide you with fresh oil tanks that are double contained. Many shops keep their used oil in 55-gallon drums, placing their drums in metal or plastic horse water troughs. (It doesn't have to be pretty, just has to contain a chemical leak.) For my pressurized parts washer, I calculated how many gallons it held, then made a 10-inch high metal container to put the parts washer in. Since the washer had to be over a foot from the rear wall to give clearance for the lid of the tank to open, I used the rear section to allow for the volume of chemicals to spill into the second containment tank. In fact, the chemicals

have leaked out overnight. All it takes is a bad fitting or O-ring. Even during the day, the chemicals are under pressure when the parts washer is being used, and several gallons can leak out before the machine is stopped. Because of a little ingenuity, I don't have to worry about leaking chemicals, even when the shop is closed. (And it didn't cost me much money or time.)

Hazardous Waste Disposal

For most of us, disposal of chemicals hasn't proven to be much of a problem. We have companies that recycle our used oil, used oil filters, solvents, parts washers, antifreeze, and brake fluid. Nothing is ever really disposed — it's all recycled. Once the recycler takes the chemicals, you are no longer liable. If you have hazardous chemicals stored in drums at a waste disposal sight, you live with the liability forever. But not with recycled chemicals, at least at this time. Make sure the recycling companies are properly licensed. If they aren't, you could be liable. Your customers generate the hazardous chemicals, so they should pay you to store, recycle, or legally dispose of the hazardous chemicals. You should only be paying for the storage, containment, and the training of your staff to handle the hazardous chemicals.

Employee Right to Know Law

The "Employee Right to Know Law" allows your employees to know what chemicals they're working with. They must be informed of the hazards and health risks that can occur by handling the chemicals incorrectly. They also have the right at any time to see the Material Safety Data Sheet (MSDS) on any chemical your company has or had. The general rule is, you should have an MSDS sheet for every chemical, in both your shop and office, that can cause illness if ingested or inhaled, cause a skin rash, or irritate or harm the eyes if contacted. (This pretty much includes every chemical at your business, including the White Out on your desk.) Don't forget the copier toner and bathroom cleaners along with all the shop chemicals. Use as few chemical companies as you can. Don't allow any company to send you even a sample of a chemical without also sending the MSDS sheet with it.

Many companies sell Hazardous Chemical Employee Kits that include training books or videos, along with binders for all the MSDS sheets. These kits aren't such bad ideas. It's better to be prepared for a hazardous spill then try later to defend why you weren't prepared. One employee should be in charge of all hazardous chemicals.

It should be your shop's policy that no one has the authority to dispose of any chemical, for any reason, down a storm drain or sewer. They must come to you for the correct course of action when disposing of any chemical.

Hazardous Spill Response Program

Somewhere conspicuous in your shop you must, in writing, state what should be done in an emergency — to contain a spill, to pick up a spill, or who to call if a spill gets out of hand, even outside in the dirt. List the phone numbers of all agencies that can be affected: fire department, public works, sanitation department, local hazardous control people, Air Resource Board, police and others to be notified. There are local companies that can help you with this type of program.

Fire Department

It's not unusual today for fire departments to want a map and a list of all chemicals in a shop or building. They don't want to go into an engulfed building to find exploding drums of hazardous, flammable, or combustible chemicals. A map detailing where each chemical is located can save them time and their lives. It's a good idea to help them with any information they need. You don't want to see the fire department standing outside your burning shop because they're afraid to go in due to unknown hazards.

Employee Safety Programs and OSHA

Employee Safety Programs help your shop comply with the Occupational Safety Hazards Administration (OSHA). They want a safety program for every business, essentially a manual on how to operate all the pieces of equipment. The operating instructions are for general awareness as well as emergencies. Safety programs protect you, the owner or manager. You could, let's say, hire a technician. The technician tells you his last shop had hoists just like yours. What if the technician is lying and has no idea how to operate your hoist. If there is a manual available for this employee to read on how to safely operate the equipment, maybe he won't let a car fall and hurt himself or others. Your safety program should include directions for the use and hazards of every piece of equipment in your shop and office. Mention things such as compressed air causing eye injury, and even computers, typewriters, and calculators causing repetitive motion injuries such as Carpal Tunnel Syndrome.

Here is an enlightening story of my encounter with the Occupational Safety Hazards Administration.

An OSHA agent visited my new shop one day. I was excited because I was thoroughly prepared. I had implemented every rule and regulation OSHA had ever thought of. Everything was great, until the OSHA agent asked to see my shop's air compressor.

The OSHA agent went through all the procedures to make sure the wall thickness of my compressor was legal. I asked him if it's possible to purchase air compressors with too thin a metal wall on the air tanks.

“Only if you purchased the air compressor before 1927,” he said.

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Here we were in my million-dollar shop with all the newest and greatest equipment I could buy, with an OSHA agent looking for an air compressor built before 1927. Low and behold, my air compressor passed. I was home free.

Then the agent looked up and asked, "Are those air lines plastic PVC pipe?"

I said, "Yes they are, this PVC pipe is great and it's rated to 480 PSI."

Notice I made sure to mention the 480 PSI part.

The agent said, "Aren't you aware of OSHA Requirement XXXXX that doesn't permit plastic PVC air lines. You must have either copper or steel air lines."

I got my citation. And I now have copper air lines throughout the shop. This goes to show you, no matter how hard you try to comply with all the rules and regulations, there's always one you miss. Complying with all the local, county, state, and federal regulations is a major portion of your duties, something you must remain constantly aware of. Once you understand the regulations and take the time to comply, there is very little to do after that. (You just have to find the time to understand and comply with all the regulations.)

Hazardous Spill Containment Instructions

- 1. Contain spill with absorbant links.**
- 2. Do what is needed to stop spill from either entering the floor drains or spilling outside into storm drains.**
- 3. Use absorbants to limit spill from spreading.**
- 4. Notify your manager/supervisor.**
- 5. Notification: If spill gets into floor drain or outside into the storm drain, call appropriate agencies below.**

Agency

Phone

All large spills (Environmental Health Dept.)

Spills with fire hazard (Fire Department)

Spills into storm drains (Fish & Game Dept.)

Spills into sewer (Sanitation Dept.)

Spills with air pollutants (Air Quaility District)

- 6. Use absorbants to pick up spilled chemicals. Do not throw used absorbants into trash. Used absorbants are to be disposed as hazardous chemicals.**
- 7. Log spill in Hazardous Spill Log Book.**

Hazardous Spill Report and Log

Date and time of spill? _____

Location of spill? _____

Name of chemical spilled? _____

Anyone injured from spill? Yes / No

If yes, who _____

Make sure accident report is filled out.

What caused spill to happen? _____

Who if anyone caused spill? _____

What was the extent of the spill? _____

How was the spill picked up? _____

What manager was notified, and at what time? _____

What agencies were notified, and at what time? _____

How was the chemical then disposed? _____

What company disposed of the spilled chemicals? _____

What precautions are needed to prevent this type of accident from happening again? _____

Name of person filing this report _____

Date and time of report _____

Chapter 44

Understanding the Profit & Loss Statement

We are face to face with our destiny and we must meet it with a high and resolute courage.

For us is the life of action, of strenuous performance of duty; let us live in the harness, striving mightily; let us rather run the risk of wearing out than rusting out.

—Theodore Roosevelt

What do all those numbers mean in your Profit and Loss Statements? You already know how to look at the bottom, to the Net Profit. That's easy to understand — either you made money or you lost money. Other than that, many of us have no idea how all the money from Sales gets gobbled up by all those Expenses. It's amazing we keep less than ten cents from every dollar we sell. Thousands of dollars go through our shops each month, yet we're lucky to get paid at all. With business going down and Expenses going up, will we ever gain control? We have so many Expenses and still don't have all the things we wish for: like health insurance, a pension plan for our employees, a retirement plan for ourselves, and all the tools and equipment we truly need.

In today's business climate, for your shop to be profitable you must learn to understand your Profit and Loss Statements. Each shop should have an accountant that prepares a Profit and Loss Statement every month. If you do not have a credible accountant for your business, get one right now. The success of your business is based on the numbers of your business. If you don't have accurate numbers, you'll never know where you truly are — or if you're going in the right direction. Besides, if you are going to make higher profits, you need a good accountant to help with your taxes. Every month you should analyze your Profit and Loss Statements to determine whether you must raise your Labor Rate or not. If you become unprofitable, you need to know as soon as possible.

All shops eventually borrow money to expand business or purchase equipment. In order to get these loans (and be successful today) you must know how to watch the Profit and Loss Statements and make them come out the way you want. I'm not saying re-type the Profit and Loss Statement to show different numbers. I am saying to plan and project what the bottom line of the Profit and Loss Statement comes out to be. You cannot take money from "under the counter." That's difficult since this is the money some of you shop owners are living on. The less money you take from under the counter, the more you have to pay in taxes. (No one likes to pay any more taxes than required.) But unless you can show some decent profits on the

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books, you'll never be appealing enough to the banks that lend money to finance dream shops. If you steal money from your business, you may be cheating yourself more than you think.

Learn to project your Sales and potential profits or losses for upcoming months. Most shops merely look at the Total Sales and the Net Profit for the month. Instead, they should be more interested in the Daily Sales Average for each month. Take the month of February for example. Everyone says February is a bad business month, with the lowest Total Sales for any month of the year. I find February to be one of my best months; our Daily Sales Average for February is consistently one of our highest. There's just not enough working days in February. It's obvious that the person who designed our calendar wasn't a businessperson. If a businessperson had designed the calendar, every month would have thirty-five days and no holidays.

Once you get a feel for what your Daily Sales Average should be, you can determine the number of Sales per day, on the average, by each technician. You can project the Sales for next month by knowing how many technicians will be working (some may be on vacation) and how many working days there are. Every day I monitor our number of Sales, and what our average is for the month-to-date. I even go so far as to track how many working hours were available each day. That way, if a technician gets sick for a day or two, I can make corrections to my Daily Sales Average chart to see if we're doing as good as we should, based on the available hours we worked. By projecting the Sales of upcoming months, you'll know what you can afford to buy that month. If you have technicians taking vacations during certain months, you'll know what the Sales for the month will be in advance. You can then compensate by making adjustments to your business.

If you're going to have a few technicians on vacation during a certain month, you may not want to purchase an expensive piece of equipment. By tracking Daily Sales Averages every day, you can see early if the Sales for the month are going as planned. Monitoring your Daily Sales can be a motivational tool to keep striving for more and more Sales. I even monitor how many hours each day were available for sale, and how many hours my technicians produced. If three technicians have 24 hours for the day available for sale, and they only produce 20 hours of work, I can ask questions like, "*What happened? What can we do to sell all 24 hours for each and every day? Where did our system fail? Did we not schedule enough work? Did we not have the parts we needed? Did we not try hard enough to make our Upsells?*" Every day, of every month, of every year, you must find ways to make your shop better and run more efficient.

Back to the Profit and Loss Statement

Again, have an accountant prepare a Profit and Loss Statement each month. In the chapter "Understanding

Chapter 44 Understanding the Profit & Loss Statement

Gross Profit” I showed you how to measure your shop’s Gross Profit. Make sure your accountant is using the correct costs to give you the correct Gross Profit. Gross Profit is the amount of profit the shop has, after you subtract the Cost of Sales — which are your Technician Costs, Part Costs, Sublet Costs and Hazardous Waste Disposal Costs. If you are charging customers for hazardous waste disposal, you should include that cost as part of your Cost of Sales. Subtracting the Cost of Sales from the Total Sales gives you your shop’s Gross Profit. From the Gross Profit you subtract all your Expenses, such as rent, insurance, office help, utilities, etc. Before you calculate your Expenses, you must first contact your accountant to see which employees he has added to the Technician Costs of the Cost of Sales. Remember, you only want the employees who are actually doing the labor that you sell. Employees such as your clean-up person and parts person should not be a part of the Cost of Sales. They are considered an Expense, which comes out of the Gross Profit. If you, as owner of the business, also work on cars you can’t put your costs in the Cost of Sales. You take a pay draw from the business. Unless you’re a corporation, you don’t actually write yourself a paycheck. As owner or partner your pay comes from the Net Profit. You are not a Cost of Sales or an Expense. For your own calculations, if you work on cars, I would add your draw to the Cost of Sales to give you a true idea of your shop’s Gross Profit figure. But for bookkeeping purposes, your pay comes from the Net Profit only.

From the Cost of Sales you need to make sure you have all the correct costs of parts. Some of your shop supplies you actually sell. You pay Sales Tax on the shop supplies you use for the shop which are not intended for resale. (Another good reason to charge customers for shop supplies such as aerosol cans of cleaners, grease, electrical connectors, nuts, bolts and washers.) The reason to check some of these things out with your accountant is to clarify every change as it occurs. For example, a clean-up person may have become a technician without the accountant even aware of the job change. Pay attention to all these details. The future of your business is based on the numbers found in your Profit and Loss Statements.

Gross Profit Percentage is a key number that reveals the true profits of your business. The higher the Gross Profit, the higher your Net Profit, and the easier it is to pay your bills. The goal I try to get most shops to shoot for with their Gross Profit Percentage is 60% or higher. This number is if you, as owner or manager, do not work on cars. If you do work on cars, and your costs are not part of the Cost of Sales — as they shouldn’t on the Profit and Loss Statement — your Gross Profit Percentage will be much higher. After you get your Profit and Loss Statement, on your own calculations you can add your costs to the Cost of Sales to make sure your Gross Profit Percentage is near the 60% mark. If your Gross Profit is not close to the 60% mark, three things are wrong.

1. Your Technician Costs are too high (they’re not productive enough).
2. Your Part Costs are too high (Parts Profit is not high enough).

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3. You didn't sell the work for enough labor time (sell more labor time or raise your Labor Rate), and/or you didn't sell a high enough Parts Profit.

You'll find it very difficult to lower your Cost of Sales. What you actually have to do is sell more labor time and get a higher Parts Profit. You can save money on parts by buying from better part sources. Often, you're not getting enough Parts Profit if you're marking parts up higher than the end-of-the-month Parts Profit Percentage shows. A sluggish Parts Profit may be the result of two problems. One, you or your technicians are not writing all the parts onto the Repair Orders; or two, your inventory is going up. You really need to know if your parts inventory is going up or down each month. Let's say your Net Profit went up \$2,000 last month. Were you more profitable, or did your inventory go down \$2,000? If your inventory went down, your costs for your parts will be lower for the month. (Which shows up as a misleading profit.) In contrast, assume you had a very good month and your profits didn't go up. Maybe your inventory went up \$3,000 and you actually made \$3,000 more profit, but you didn't see it because the profits went into your inventory. This is another good reason for a computerized shop management system. Your computer system tells you each month how much money is in your inventory, comparing month-to-month figures to determine if the inventory went up, down, or stayed the same.

To calculate the profit percentage of something like your Gross Profit, take the Total Sales and subtract the Cost of Sales. This gives you the Gross Profit Dollars. Take the Gross Profit Dollars and divide by the Total Sales. This number converts into a percentage figure, the Gross Profit Percentage. The same goes for Parts Profit Percentage, Net Profit Percentage, and Expenses Percentage of Sales. You need to know the profit or difference amount. Subtract that amount from the biggest number. Example: Cost of Sales is \$15,000 per month. Your Sales for the month are \$30,000. (\$30,000 minus \$15,000 rent equals \$15,000.) Now divide \$15,000 by monthly Sales of \$30,000 and that equals .5, move the decimal point to the right two places and you have a 50% Gross Profit Percentage. If you want to know what percentage of the Sales is your Rent Cost, take your Rent Cost of say, \$2,000 and divide it by the monthly Sales, \$30,000. (\$2,000 divided by \$30,000 equals .06), move the decimal point two places to the right and you get 6, or 6%. So, of every dollar you sell, six cents goes to pay the rent.

In summary, take your Total Sales and from that subtract your Cost of Sales. This gives you your Gross Profit. From the Gross Profit you subtract all your Expenses. After you subtract your Expenses, you have your Net Profit. And whatever the Net Profit Dollars is, you then divide that number by the Total Sales number, giving you your Net Profit Percentage.

Important Numbers to Calculate and Know

- **Total Sales:** Of course, the total Sales for the month.
- **Daily Sales Average:** Like I said earlier, divide the Total Sales by the number of working days for the month. This gives you your Daily Sales Average for the month. Now you can compare the Daily Sales Average from month to month to see if business is truly up or down.
- **Total Expenses Percentage:** Add all your Expenses, but not any part of the Cost of Sales, and divide that number by the Total Sales. This gives you the percentage of Sales that are Expenses.
- **Gross Profit Percentage:** Gross Profit Dollars divided by the Total Sales (without Sales Tax).
- **Net Profit Percentage:** Your Net Profit amount divided by the Total Sales.
- **Loan and Lease Payments:** Most accountants agree that your loan and lease payments are not Expenses. They are an obligation to be paid from the Net Profit. If your Net Profit is \$2,000 and your lease payment is \$1,000 your true Net Profit is much lower than you think. Ask your accountant if your loans and leases are under Expenses or listed as an obligation from the Net Profit.
- **True Profit of the Business (Sole Proprietor or a Partnership):** If you are a sole proprietor or in a partnership, your draw comes from the Net Profit. Depending on how much you pay yourself for the month, the True Profit is your Net Profit minus your draw and the loan and lease payments for the month. The True Profit gives you a clear picture of whether your business has any money left over or if you're paying yourself more than the monthly profits. Your Profit and Loss Statement may show a small profit, but in reality the business lost money for the month.
- **True Profit of the Business (Corporations):** Your paycheck is an Expense of the Corporation because you are an "Employee of the Corporation." The Corporation itself needs to make a Net Profit to pay for loans and leases, just like a sole proprietor or partnership. (Plus, it needs to save for future equipment purchases or expansion.)

Keep your Gross Profit Percentage as high as possible. Keep an eye on all your Expenses. Project your Sales and Profits for upcoming months, while adding in any calculations when you plan to purchase a new

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piece of equipment. If the cost of the equipment is going to be \$500 per month, you must increase your Sales by \$1,000 to truly take advantage of the equipment. Spend time talking to your accountant, who should also be your financial advisor. Work with your accountant to plan the profits for your business. To understand the tax consequences coming from your extra profits, you need to determine which equipment is depreciating in value and over which time period. If you see something you don't understand, call your accountant. Accountants make mistakes and are only as good as the quality of information and data they get from you and your business. If you purchase equipment with cash but neglect to tell your accountant, how can the accountant add it as an Expense. (Since the accountant doesn't input the proper figures, you'll pay taxes on the extra income shown in the Profit and Loss Statement.) Every business needs the advice and counsel of a good accountant and lawyer. I didn't say a cheap accountant or lawyer — you must hire respected and trusted people to get the proper advice.

I see most shops make the huge mistake of hiring a bookkeeping service instead of an accountant. A bookkeeping service only crunches numbers, and may not have the skills and experience to interpret the best tax advantages for you and your shop. Ask other shop owners and your friends about their accountants. Find out if they're satisfied with their accountants. If you're looking for a quality accountant, your success depends on this valuable feedback.

The more you work with your Profit and Loss Statement, the more of it you'll understand. Business is a game of numbers. There is more money to be made by you and your business in the office than in the shop. Your future and your success are based on the numbers of your business. You know how to repair the cars. It's time to learn how to repair the numbers of the business to give you the most important number you're looking for — a higher Net Profit.

Chapter 45

Business Planning, Your Road Map to Success

*I find the great thing in this world is not so much where we stand, as in what direction we are moving:
To reach the port of heaven, we must sail sometimes with the wind and sometimes against it,—
but we must sail, and not drift, nor lie at anchor.*

—Oliver Wendell Holmes

Are successful shops merely lucky? Did fate shine on them one day and assure them they would live long and prosper? Was it easy for these shops to become successful? Was it their locations? Did the owners inherit money to build the businesses? Successful and profitable shops are where they are today because of hard work and business planning. It's that simple. Do you have a Business Plan for your shop? Would you like to find out where your shop is going to end up years from now?

When you plan a vacation — if you ever take a vacation — does it go along as planned? When you build an addition onto your shop or home, does that go along as planned? These things of course work out when you plan for them to work out. You may have had some difficulties along the way, but you had a plan. You had a start time and a completion time. You knew what had to happen in the middle to make everything work out and everyone happy. A Business Plan is basically the same thing. You know where you are, and where you want to be by a certain date. All you have to do is figure out the details in the middle. You may have difficulties seeing exactly where you want to be in the future. A majority of people today spend more time planning their two-week vacations than they do planning their careers.

I give many talks at high schools and junior colleges, trying to get across to the students the notion of, “Pick a career, before a career picks you.” Students, and business owners for that matter, need to plan their career fate, or fate will plan their careers. Look at other shops and businesses for guidance — to give you a “future vision” of where you want your shop to be. A road map is much like a Business Plan. You can see where you're starting from, and you can see where you want to go. All you have to do is plan the best, most direct route to get there. Some shop owners run their businesses as if they're on any ol' road and seem to think, “Why plan the route when any road eventually gets me there?”

We shouldn't keep driving down a road hoping to get to a destination where we'll find happiness. Since we don't truly know where we're going, we may miss some very important shortcuts along the way. (We may have been on the correct route a few times, but ended up straying off to parts unknown.) Assume we know where we are, and where we want to go, and at what point in time we want to be there. All we have left to determine is how we're going to get there. We can figure out what size vehicle the trip will require, what we'll bring with us, and even predict the kinds of problems we'll encounter along the way. We know we'll run into some storms, so we better prepare for a little rough weather. We'll go through the desert, so we should take extra water. It will be a long trip, so we'll need some cash. If we don't have enough cash, we need to know now so we can plan accordingly. All of this preparation is what a Business Plan is designed to do. That's why I say, **Your Business Plan is Your Road Map to Success.**

Plan Your Life

Before you start designing your Business Plan, you need to plan for the personal things you want. Let's start off by planning your personal life. How much money would you like to make per year, reasonably. (Let's use \$150,000 per year for our example.) What will that \$150,000 do for you? What kind of vacations and where in the world would you like to go? What kind of house do you see yourself in? You can do better than that, think harder! What kind of cars and toys can you see yourself having? Now the important question. How soon would you reasonably like to see yourself getting these goals? How hard are you willing to work to get there? Will it be worth the time and effort? Do you really see yourself having these things? If you don't, you must find out why you can't see yourself having such success.

Many people are afraid of success. People can be terrified of making too much money. Much of their nervousness depends on how they were raised. My family, for instance, felt money was the root of all evil. Too much money meant tax problems that could wipe you out financially. A few people are afraid to win the lottery for the same reason. They play the lottery to win, but they don't want to win too much money because it would lead to bad things, like losing friends and being unhappy. Other people feel you can't make over \$50,000 and be honest, and that you'll be cheating your customers. If you're not capable of being financially successful, how about your employees? Are they to always receive below-standard wages and benefits? How about your employees' dreams of having their own future and retirement? The home they wish for? The vacations and the schools they want? The only way you can help your employees and their families reach the success and security they desire and deserve is for you to first become successful and secure. Most millionaires, along their way to making millions, made millionaires of the people they worked for. If you own an auto repair shop, you deserve to make more than \$100,000 a year. Just think of the long hours. The money you have invested personally. The liability you face if a technician hurts or kills

an employee or customer. A million-dollar lawsuit is small nowadays, yet many shops couldn't survive a million-dollar lawsuit.

Back to the Business Plan. Now that you have planned to make \$150,000 per year of income for yourself, you must calculate how much business to create — to net you \$150,000 in profits. If you have a Net Profit Percentage of 10%, you have to create \$1.5 million in sales a year. If you have a 20% Net Profit Percentage, you need \$750,000 in sales per year. To be on the safe side, try to do \$1 million in sales and maintain a 15% Net Profit Percentage. How big will your shop have to be, and how many technicians and stalls will you need? And how many customers will you have to get? If you follow my plan in *Shop Management Tools for Success*, you must have each technician do \$25,000 per month in sales. If you have four technicians, you can do \$100,000 per month in sales. That gives you total sales for the year of \$1.2 million. To do a million dollars a year in sales, you must average \$83,333.33 per month. This can be done easily with four technicians. If you need four technicians, you need a shop with at least four stalls and hoists, plus an office and a small parts room. How much sales volume are you doing per month now? Let's use \$50,000 per month for average sales. You probably have three technicians now, so growing to add another later is no problem. Most of you can do \$1 million a year in sales in the buildings you're already in. If not, you must plan to someday move to a different building or add onto your existing building. (Or even build your own building for your shop.)

Once you can get your income over \$80,000 per month, you'll be able to get a Small Business Administration (SBA) loan to buy or build your own building and shop. You need to do about 50% more business than you're doing now. But you're already working as hard as you can. Now is the time to truly evaluate how you're running your business. How can you become more efficient? How can you get more cars through the shop each day? How can you attract more customers to the shop? All journeys start with a first step. Someday you may be able to beam to a different location, like in *Star Trek*, without taking a step. For now, you must take steps one at a time. Everyday you're going to search hard to find new ways to become more efficient and work on more cars. You are never going to say, "It is not possible." Anything is possible if you try hard enough. (Thinking hard doesn't hurt either.)

If your Daily Sales are \$2,500 per day, raise your Daily Sales goal average to \$2,600 per day, then \$2,750 per day, not stopping until you do \$4165 per day. That's the amount per day it takes to do \$1 million in sales annually. If you are already doing \$2,500 per day in sales, you only need to grow another \$1,665 per day to give you the \$4165 per day average. You've had days when your sales were higher than \$4000, right? Why can't you do it more often? You can, but only if you try. Will you have setbacks? Yes. Will it be

hard? Yes. Will it be worth it? Oh, definitely Yes. Will it be fun and exciting along the way? You bet. Just take that one step each day. Do not give up. Keep focused and determined and you'll make it. Will others tell you it will never happen? Yes. Will others tell you they tried, and they couldn't do it, so you shouldn't even bother trying? Yes. But did they have the vision and the determination you have? No. Are you willing to work harder than they ever did? Yes. Your entire family will support you every step of the way if you share your vision and goals with them.

The best definition of a goal I've ever heard:

“A goal is nothing more than a dream, but with a deadline.”

Take the time to write down on one piece of paper your Business Plan. You can even purchase computer programs for business planning. They include over 250 pages of information to build a Business Plan that gives a bank the reasons to lend you millions of dollars. (You don't need these programs unless you want to borrow a large sum of money.) The advantage of putting your Business Plan on one piece of paper is you can review it each day. We must all review or plan each day at our shops. From that one piece of paper — your Business Plan — you can set daily and monthly goals as you go. Each time you reach a goal, change the goal a little higher, and then higher, until you reach your ultimate goal. Then what do you do? You make an even higher goal. Let's say you want to launch a rocket to the moon. Do you aim real good, and once the rocket is launched you hope for the best? No Way. Every day you must adjust the course of the rocket to keep it on target. That's what you must do with your Business Plan. You make many changes along the way.

You should come up with new ideas each day to make your shop more efficient. You may find a shortcut to your goal. Find new ways to bring in new business. Keep focused, keep the faith, and do what Winston Churchill told the English during the WWII bombing: “Never, never, never give up!” That is my advice to you — never, never, never give up. Enjoy the journey and the adventure. And enjoy the success and the rewards you'll receive. A journey doesn't happen just to get to a point. A journey is an adventure to enjoy every step of the way. When you finally reach your destination, you'll find that it is nothing more than a starting point for where the next journey begins. Just like life. Our lives are a journey during which we see how far we can take ourselves. Life is the journey of fulfillment and happiness. Remember to cherish and enjoy every step of your journey to success and happiness. Never stop searching for more and more happiness.

Chapter 46

Advertising and Marketing

Doing business without advertising is like winking at a girl in the dark.

You know what you are doing, but nobody else does.

—Stewart H. Britt

Do you advertise your shop and have an advertising budget? You'd be surprised at the number of shops that use no form of advertising. When the subject of advertising comes up during my seminars, shop owners and managers ask me, "Does advertising work, and what's the best form of advertising?" My answer is, "All advertising works, and yet all advertising is a waste of money." Years ago you could place an ad in the local newspaper or radio station and be guaranteed a flow of new customers. Today there's dozens of radio stations, television channels, and newspapers, and you couldn't possibly afford to advertise in enough places to guarantee a bundle of new customers. You can easily spend thousands of dollars each month on advertising and never see one new customer.

Do you have a plan for your advertising? Advertising is the medium used to reach the customers you want. Our common mistake is that we often advertise when what we really should be doing is marketing.

Marketing Plan

Marketing is knowing the exact type of customers you are looking to attract. The kind of cars they drive. (Their primary car and second car.) The areas where these potential customers live. The amount of money these potential customers make per year, per household. Their driving habits. The radio stations, television channels and programs they watch; the papers they read, and how often. Knowing this type of information allows you to determine the kind of auto repair shop they need. You can figure out what customer services appeal to them, and what type of servicing and repairs they need. Take into account your shop's location with respect to where your customers live or work, your competition and other shops in your area — and most importantly after you're aware of all of the above — determine the advertising mediums suitable and effective for you. Think about the image you want to project to the community. What makes you and your shop stand out from the rest? Does your shop offer services that are different from other shops? Does your shop look better than the others? Do you have newer, more high-tech equipment? Do your employees have specialized training and skills? You don't have to market and advertise the same way as the other shops. Set your shop apart from the rest by highlighting your strengths.

Positioning

Figure out your shop's position in the market for your area. This means looking at where your business stands in the line of automotive repair shops — a line that goes from the worst shop to the best. Who is your greatest competitor? What is that shop's weaknesses, if any? You are trying to win a larger portion of the auto service and repair market from your competitors. Why should a customer switch from a shop he may be happy with? Why should a customer take the chance of going to your shop? He may not be happy at the shop he's using, but at least he knows what to expect. The customer has no idea what to expect from your shop. Besides, you are no different from hundreds of shops in your area. How successful will you be at selling a product (your shop) just like all the others?

Once you know the position of your shop in your area, your marketing plan may be subject to change. If you're considered the best and/or biggest shop in the area, you want everyone to know you are #1. Everyone likes a winner. Potential customers think that if you are #1, you must have a lot of happy customers, so why go elsewhere. If you're #2, like Avis Car Rental, you can market yourself as the fastest growing, and use slogans such as: "We try harder. We don't rest on our laurels. We always strive to be the best." If you're farther down the competitor chain, you can offer more personalized service than those "big impersonal shops." You can state in your advertising that customers get to talk to the technicians, watch their cars being worked on, etc. Find the angle that works for you, and make that your marketing theme. Pay close attention to other shops' advertising. Look carefully at newspaper, radio, television, magazine, and billboard ads. Try to find a theme from another industry that may work for you, with some changes. Once you find your theme, stay with it for awhile — a year isn't considered too long, according to marketing experts. It all depends on whether your theme works or not. Many company themes have been the same for many years, a reason why they're known.

Customers You're Looking For

The customers you're after are your competitor's best customers. You want to keep your name advertised regularly, so the first time the other shops' good customers are dissatisfied, they immediately think of your shop. You want the customers to enter your shop already knowing what your shop is all about. They already like the theme of the shop or they wouldn't have come in. They trust you the minute they arrive at the front door. They have found a new home and plan to stay with you forever (or until you no longer meet their needs or expectations). I often say to my employees, "We have no competition. If we had a customer and we didn't keep him, we can't blame anyone but ourselves."

Here's a breakdown of the various forms of marketing you can use to attract customers to your shop. You can choose from radio, newspapers, television and cable, direct mail, and newsletters.

Radio

Let's say you're looking for Mercedes and BMW customers. Well, they tend to listen to certain radio stations. You won't have much luck reaching them by advertising on hard rock stations catering to teenagers. (You can reach customers on these stations, but not if you're looking for higher-income customers.) The radio stations you listen to may not be the stations most of your customers listen to either. Marketing experts and often the radio stations themselves can give you surveys that categorize listening audiences. These surveys provide information about listener time-slots, income brackets, age groups, and whether the main audience is men, women, students, etc. Find the best station and time slots to advertise your shop. (Look in your customers' cars to take your own survey of which radio stations are selected on their radios.)

If your customers commute to work on a busy highway, "news talk" stations during commute hours are your best bets for radio. Unfortunately, these best times to advertise on the radio have the highest rates. If your shop isn't open Saturdays or Sundays, advertising on Friday mornings or evenings won't help you. Before you advertise on radio, take the time to listen to other commercials or "spots." What is it in those spots that appeals to you, and what doesn't appeal to you? Make your radio commercial very visual. Your potential customers should see in their minds what your shop is like. You need to make them feel comfortable about your business. The commercial should be so appealing that potential customers want to leave the shop they're using. Advertising a tune-up special brings you business, but the customers these ads tend to bring in are just looking for the best deal, not a shop they can keep using. You may win-over some customers, but most of them aren't worth the effort.

Newspapers

You have plenty of "print media" choices today — daily newspapers, weekly newspapers, monthly newspapers, and national newspapers. Have you ever placed an ad in a newspaper and you weren't able find it? There are so many ads in newspapers they all seem to blend together. How often do you see the ads while reading a newspaper? If you can't find your own ad, it's time to rethink newspaper advertising. How much time do you have to read a newspaper? If you're like me, you don't have much time to read a paper. Not everyone in our society reads newspapers.

Find out who reads the paper you advertise in (or plan to advertise in). What areas of the paper are the most read, other than the front page? What percentage of the readers are men, versus women? If you're looking for more women customers, the Sports section may not be the best location. Newspapers are a lot thicker on

some days. Do you want to advertise in a large paper, or a small paper? Different days the paper has different circulation numbers. If you find a newspaper that seems to be the medium for you — and you have located the issues, the sections, and the placement for your ad — you must create an ad that stands out from the rest. I'd rather have one ad that's larger and stands out than a business card ad in several issues. It all depends on what works for you and your budget. Newspapers are visual mediums of course. You must have an ad that attracts attention, yet isn't too wordy. We don't have a lot of time to read newspapers, like I said earlier, and we might not read a long ad. Sometimes, just seeing your business name out there is what you're looking for.

Television

Television used to be the territory of big corporations. Today, with local cable television, you can advertise inexpensively. The nice thing about television advertising is you can easily show your shop and the image you want to project. You can say much more on television than in a newspaper ad. Television advertising, if done correctly, gives the local community a good image of your shop. Cable advertising costs are low enough in some areas to have your ad shown several times a week. There are so many channels available on cable that you must avoid having your ad lost in the whirlwind of viewing choices. If your area has only a few channels, you have a good possibility of a large number of people seeing your ad. With sometimes a hundred channels or more, your odds of a large segment of viewers seeing your ad is slim. Do your homework and find the channels and times that give you the best exposure. Advertising on "news" channels or programs works well, especially if a big news story is capturing a lot of attention. Companies that advertised on news channels and programs had tremendous success when the Allied Forces began bombing Iraq during the Gulf War — everyone in America watched the news. You may want to have a cable television commercial ready for the next "big news" happening.

Direct Mail

Direct mail is the most cost-effective method of advertising, especially if you use a current copy of listed motor vehicles (by make and model) in your area. In 1989, however, the State of California prohibited the selling of motor vehicle lists. But if your state allows the sale of lists, you can mail "flyers" or cards directly to the people who have the makes and models of cars you work on or are having a special on. If you specialize in only a few makes, these lists can be a gold mine. Direct mail is the only advertising I used to do. Why not, I thought, it reaches only the people I am looking for.

Direct mail today can be quite expensive. Even if you have a Bulk Rate Permit — which gives you a better postal rate — the printing costs, the time to put the labels on the pieces, and all the sorting takes a good deal of time. With the work required to prepare an item for print, direct mail is expensive if you're trying to

reach a large number of potential customers. For you bargain hunters, you can advertise a cheap special in “junk mail” mailings to appeal to customers who read junk mail.

There are companies that specialize in direct mail and all the particulars of mailing. They can print, label, sort, and mail the pieces for you — at a cost. They also offer a wide selection of mailing lists. Check these lists out, they may be exactly what you’re looking for. Direct mail works because it gives you plenty of room to say what you want to say. You can use text, pictures, and graphics to get your point across. If you send direct mailings, make sure the mailed pieces are worth the effort for both you and the potential customer.

Newsletters

I’m a big believer in newsletters. I try to publish four of them a year, sending them to my customers and keeping a stack on my service counter for potential customers who drop in for a look-see or price quote. Newsletters can work much like a brochure, showing customers the type of service your shop provides. Many daily and weekly newspapers allow you to insert your newsletters into their publications after printing. (Costs about \$30-per-thousand to insert your newsletter.) You can also get discounts: the more newsletters you insert, the lower your cost. You even pick the areas of distribution. Newsletters take time to prepare, write, lay out, and mail. You also pay for the printing.

There are companies that specialize in producing newsletters for businesses. The cost is often reasonable. These newsletter companies interview your employees and customers, take pictures, and bring you a finished copy to proofread. It’s painless and easy. You can show a lot of class by featuring your staff and their qualifications, hobbies, and family life. A well-constructed newsletter shows your customers the quality of your staff, how they work as a team, and how your business is part of the community. I’ve had great success with my newsletters by summarizing Manufacturer Recalls and Technical Bulletins for various makes of cars we work on. My newsletter shares the shop’s technology and the care we offer our customers by publishing bulletins that solve particular automotive problems. Most of the bulletins show that repairs can be done under warranty at the dealer. (We don’t make money if the customer goes to the dealer for a warranty repair.) Customers love us for pointing out a problem and that the cure is free under warranty. They tell all their friends and show them our newsletter. They call and write us to say how much they enjoyed reading our newsletter. Again, we’re just doing something special, something none of our competitors are doing. Our shop must be better, right? As long as the customer thinks so, that’s all that matters.

Best Form of Advertising: Your Customers

What a bold claim for a form of advertising that has the least amount of energy put into it, yet works the

best. Who better to advertise exactly what services you perform and the specials you have than your own customers. That's right, your customers are your best form of advertising. How many times have you had a good customer's car on the hoist and noticed a new muffler, shocks, and brakes. You asked him why he would go elsewhere to have the work done. The customer always said, "I didn't know you did brakes, mufflers, and shocks."

Do your customers know about all the services you provide? Do they know you do Smog checks, alignments, air conditioning work, and other such specialties? A shop client that I consult decided to have a special which included all his services. His shop was giving away free wiper blades and washer fluid. The problem was, he never told anyone about this free service. The customers had no idea the wiper blades and washer fluid were replaced, and so they didn't appreciate the extra effort. You need to keep your customers informed of any new services you provide. If you give free rides to home or work, tell your customers. If you have an early drop-off service, make your customers aware of it, before they find a shop that offers the service.

As you have found in every chapter of *Shop Management Tools for Success*, there is much more to this business than meets the eye. I wish I could give you all the answers you're looking for. Most of the time, only you can determine what's best for you and your business. When it comes to advertising and marketing, my advice is to hire a marketing professional. This person has the expertise to help you determine your business image and the advertising mediums that work best with your marketing plan. Once you have a marketing plan in place, you can do much of the advertising part yourself. If you don't have the time, find a company or person to help you market your business. Give them a budget to work with, and the goals of increasing your customer base and sales. Advertising and marketing are crucial assets for achieving the success you want and are capable of.

Chapter 47

Future Shops

*I do not believe in a fate that falls on men however they act;
but I do believe in a fate that falls on them unless they act.*

—Gilbert K. Chesterton

What are the shops of the future going to be like? What's in store for us and our businesses? Will our children be able to keep the family business going for many years to come? Is there a future in Auto Service and Repair?

When I was in college in 1970, cars as we knew them were going to be nonexistent by 1976. It was obvious back then that the auto industry was destined to use turbine engines, and that by 1985 the turbine would be replaced by electric motors. The electric cars would be self-guided vehicles that followed a route using computers and sensor wires imbedded in the roadway. The internal combustion engine was at the end of its era. By 1990 we would be flying cars like in the *Jetson's* cartoon. I was beginning a career in an industry that was ending.

The turbine engine never made it into production. Electric cars still have a doubtful future. The internal combustion engine is staying with us for quite a few more years. Our industry has been saved, for now.

It's amazing how far cars have evolved over the years. In many ways, cars are the same as forty years ago. Shops have gotten more equipment, tools and high-tech gadgets, but many are still managed the same way they were when Franklin D. Roosevelt was president. Automotive and truck technicians are still considered "mechanics," and still considered high school dropouts by many in the public. Who'd have thought they would see the day when a mechanic would be making as much money as an engineer, or that we would have a shortage of mechanics? Just the last ten years have shown us that we need to specialize in a single or a few car makes.

I see my own auto repair shop — which specializes in Honda, Mazda and Toyota — becoming less of a specialized shop. We have a Honda that is actually an Isuzu (Honda Passport), a Mazda built by Ford, a Ford built by Mazda, a Mercury built by Mazda, an Acura which is a Honda, a Sterling which is supposed to be like an Acura, a Lexus built by Toyota; yet we have Lexus models that aren't considered a Toyota, a

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Toyota built in conjunction with General Motors, and Chevrolet Geos which can be either a Toyota, Isuzu or Suzuki, but not Chevrolet. Does this mean if I specialize in Honda, Mazda, and Toyota, that I'm also qualified to work on an Isuzu, Ford, Mercury, Suzuki, and Chevrolet? Is a Mazda built by Ford really a Mazda, or a Ford? If the Honda Accord is built in Ohio, is it an import or domestic car? How can a Mazda truck built by Ford in Michigan be considered an import truck?

How do you know what you're truly working on today. The auto repair manuals never tell you that the Mazda you're working on is really a Ford, and that if Mazda doesn't have the part in stock, you can call Ford to get the same part (though a different part number). All I know is the last time I looked, my Chevrolet Suburban looked nothing like a Honda. It's very difficult to be a specialist. If you have a specialized shop, like my own shop, how do you pass up the opportunities to work on other makes of cars which are actually the same as the cars you specialize in? How many makes of cars can you work on before you're no longer considered a specialist? How long before the cars we work on never need a service and never break down?

What is the auto repair shop going to look like in the 21st Century? Will you and I be part of the picture? With all this uncertainty regarding our futures, it's obvious most of us are in for big changes. What are those changes and can we handle them? Only the best managed shops will survive. I feel that shops with less than six technicians will have a tough time. The cost of equipment is getting higher. You'll need six technicians or more just to afford the equipment of the future. To pay for all the equipment, each piece will have to be used many times a day. The smaller shops will have to specialize in a select few makes of cars. The smaller shops will also have to find ways to get the bigger shops to sublet some work to them. (Such as air conditioning work.) Many shops will have to find ways to get two or three classifications of technicians working for them because they won't be able to afford an entire staff of certified master technicians doing routine maintenance and repair work. The best people will do the high-tech work while the low-tech technicians do the parts changing. The top technicians will perform all the diagnostic work, along with overseeing the other technicians and being in charge of quality control for the shop. Assuring the quality of repair will be difficult. The quality of the technicians doing the actual wrenching will be low because of much lower skill levels.

No matter how you look at it, payroll is your largest expense. Worker's Compensation insurance is based on payroll numbers, so lowering your payroll costs lower your Worker's Compensation costs as well. With highly-qualified technicians becoming difficult to find — and most technicians being of lesser qualifications — we may have no choice but to share our managing duties. If you think you have a difficult time in dele-

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gating some of your responsibilities to others, master technicians are even worse. They have accomplished what they have because of their skills and quality of work. Master technicians know they can't rely on others during any service or repair. Only they can be assured that every detail of the service and repair will be done to their high standards. The master technician takes full responsibility for a repair, and demands to be involved in every part of the repair. Master technicians are doers. They're willing to jump right in and do what's necessary to diagnose and repair a car. How can you have them stand back and be in a supervisory role? (A role that most of us as master technicians and shop owners and managers have done in the past.) Today's management responsibilities take more and more time each day. You find yourself less in the shop and more in the office. Then on top of it all, you must find time to deal with your customers.

Diagnosing cars in the future will be easier. The quality of car sensors and computers is getting better every year. With every car's on-board diagnostics, and our sophisticated diagnostic equipment, the time and skills required to diagnose cars will be lessened in the future. There will always be a great need for master technicians to diagnose a wide variety of problems.

Shop management computer systems have evolved more in the last couple years than in the previous fifteen years. The shop management systems of the future will be so easy to use that a customer will write up his own car, determining what is needed on the car with the help of the computer. The systems will help the technicians too. Anytime they have a diagnostic problem, the computer system will know exactly how many other technicians faced this problem, and provide a list of items that have been found to remedy the same problem. The system will allow the technician to check out the most likely problems first — finding the exact problem a majority of the time, saving the shop time and money. Customer service will no doubt increase.

Training technicians will be easier as well. With interactive computer systems and Virtual Reality, shops will place the student right in the middle of a diagnostic training program — testing the student's responses to each exercise. Virtual Reality will put the trainee inside the car's computer system so he can visually experience exactly what's going on. Every technician can get extra advanced training the minute he needs it, and particular diagnostic problems can be dealt with on the spot. In the very near future, shops will be using computer compact discs (CD-ROM's) that store a number of training videos relating to every automotive function. Interactive diagnostic discs that walk the technician through a diagnostic procedure will be in shops soon. The automotive industry is close to creating diagnostic equipment having the capability of simulating computer sensors.

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The industry that services and repairs automobiles has exciting times ahead. Unfortunately, by the end of this century many shops will be out of business. The shops that remain will be the ones that have been the best managed and staffed, consistently making a profit and giving the best customer service. There is no way any of these shops will possibly exist without the use of computers, especially very good shop management computer systems. We are in the Information Age, the Age of the Computer. Computers aren't nearly as hard to use as most people think. All the shop management computer systems don't require you to know a single thing about computers. You just follow the instructions and "menus" on the screen and away you go. Many systems don't even come with an Owner's Manual. (The operating instructions are built into the computer system and are at your fingertips with just one command.) When you see firsthand the advantages of a computer system you'll be hooked for life. There's so much information at your disposal it's truly amazing. Your life will be richer forever because of the computerized shop management system.

I hope *Shop Management Tools for Success* has helped you and your shop. I'd like to hear from you, and get your comments — both good and bad. Your input allows me to enhance my own management skills. I would also like to have you on my mailing list. Updates to this manual plus a wide variety of shop management products to increase your shop's efficiency and profitability will be offered. I am constantly traveling and conducting my various shop management seminars and would enjoy visiting your shop if I'm in your area.

My goal in life is to make managing shops much easier and more profitable. I know how hard you work every day, and I know all about the sacrifices both you and your family make on account of the business. One of my personal quests is to see all shop owners and managers receive rewards for their hard work. I want to see them make incomes they and their family can be happy with, along with having time for family vacations. We only have one life and we should make the most of it. I hope this guide helps you make the most of your life, and your family's life.

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