

EMOTIONAL FIGURES

ARE YOUR SERVICE ADVISORS SELLING OR JUST LISTENING TO CUSTOMERS?

BY CHRIS "CHUBBY" FREDERICK | CONTRIBUTOR

HOW'S business? Are things back to normal or at pre-recession times in your shop? Do you really know? I mean do things "feel" better? More importantly, how do the numbers look? That is where we really can see how things are compared to pre-recession figures, providing that you know what numbers to look at. You do look at the numbers of your business, don't you? Or are you running your shop based on pure emotion?

Let's listen to a successful shop owner, Rick Johnson, who works on his business, not in it. Johnson has a second-in-command who runs the day-to-day operations of his shop. He also is an ATI coach who has helped hundreds of shop owners drive profits and dreams home to their families. Here is his story.

Let's talk about some particular numbers that are important to running your shop. Being a shop owner myself, I know the number that I like to look at first is net operating profit on my profit and loss statement (P&L). But so many different things go into making a positive net operating profit that we really must try to understand some of the numbers behind getting there in the first place.


Labor Hours per Ticket


We like to see 2.5 hours of labor sold per average repair order (ARO) as a model. To find out how many hours you have, take the labor hours sold every week and divide it by the weekly car count. That will give you your hours of labor sold per ARO. Anything 1.5 hours or less per ARO means that you don't have a service advisor, you have an order taker, and that needs to be fixed.

In today's world with cars made much more reliably, we must have advisors who recommend and ask for maintenance sales along with the repairs that



are needed. Are your advisors looking for maintenance recommendations by mileage? Are they asking for shock and strut sales, timing belt sales, tune-ups and fluid exchanges? If not, they need to be, or you will have some slow days and low hours per repair order. Aim for 30 percent of your weekly sales to be maintenance sales.



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“WHAT IS THE EASIEST WAY TO INCREASE THE SHOP LABOR ON THE AVERAGE REPAIR ORDER? THE ANSWER IS SIMPLE: FOCUS ON YOUR SHOP LABOR ON THE AVERAGE ESTIMATE.”

CHRIS “CHUBBY” FREDERICK [ATI CEO]

To reach this number, it is crucial to have excellent courtesy checks or vehicle inspections from the techs as well. Excellent means they can't be pencil whipped or just fill-in-the-blank. The inspection form must be one that is very thorough and has the technicians' buy-in as well.

The service advisor needs a very good inspection with all needed repairs and maintenance recommendations so that they have something to sell. At ATI, we recommend that 75 to 90 percent of the vehicles that go through the shop every week get a good courtesy check or vehicle inspection.

Average Repair Order

The service advisor needs to get the mileage and ask a few simple maintenance history questions when the customer drops off the car. They also have to have maintenance brochures available to them, to help show the customer the need for and value of maintenance items. This will lead to more labor hours sold per ARO, a better-maintained car for your customer and increased customer satisfaction.

Another number that is important to know is your ARO dollars. We recommend that you have a \$350 ARO. That is not only our recommendation, but AAA has a lot of data to back this up as well. So how do we get to a \$350 ARO? It starts with knowing another simple number and tracking it as well. That number is the size of your average estimate. If your estimate is \$350 you will never have an ARO of \$350. Why? Simply because no one sells everything they offer or ask for, that's why.

Average Estimate

So what should your average estimate be? It depends on your shop's demographics to some point, the age of your

average customer's car, the mileage they drive and the level of neglected maintenance. One thing is for sure: the average age of your customers' cars is at record highs, and this is going to increase the size of your estimates.

Most full-service shops that we work with believe that the proper size of your average estimate should be right around \$1,500, obviously varying by the year/make/model of the car. By converting oil changes to “K” services and asking for other factory-recommended maintenance by mileage, this is a very realistic number to shoot for.

If we find we have 1.5 hours of labor sold per ARO, what do we do? I would start with letting the advisors know that the goal is 2.5 hours and equip them with the tools and training to be able to hit that number. I would also recommend that you review your vehicle inspection process. You can't expect what you don't inspect, right? These are measurable items that need to be tracked on a daily basis. The good news is that you can request a very simple-to-use form called the Daily Tracker that will help you track all of these very important numbers.

And now here is a real scary subject: How long has it been since you have adjusted your labor rate? I know that sounds scary, and with unemployment and all the high gas prices, etc., you might be hesitant to want to do that. But whether you like it or not, things have not gotten cheaper for you with utilities, insurance, marketing and on

and on. If you need to raise it, then I recommend that you raise it.

Being a shop owner is not for the faint hearted, is it? But again we can't run a shop on emotions, can we? We have to run it by the numbers if we want to be successful. All too often I talk to shop owners who tell me that they feel like they are doing pretty well and they think their service advisor is doing a pretty good job of selling. Then we look at the numbers and we find major problems that need to be fixed. The numbers don't lie; they tell it like it is.

No one ever went out of business because they set their goals too high and just missed. But far too many have gone out of business because they set their goals too low and hit them.

Do you know what your numbers are? If not, go to www.ationlinetraining.com/2012-05 and request your own copy of the Daily Tracker. Once you know where you are, you can set your compass to do better. **ZZ**



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