



PROFIT MATTERS

HOW DO YOUR NUMBERS LINE UP? | BY CHRIS "CHUBBY" FREDERICK

'Cowboy Up' and Rope in Your Shop

Believe me when I tell you that when I first meet a shop owner (or service manager), most are very proud of being a businessman or woman and happy to tell me about their shop. They tell me how long they have been in business, how many bays they have, how many techs work there and so on. However, there is always this little something in their voice that says, "I want my business back!"

I wanted you to hear a real pep talk from our leader of trainers and coaches at ATI, Bryan Stasch. He is a former shop owner who manages other former shop owners and service managers in implementing changes in 948 shops every week. He is accountable to create a two-to-one return, and here is how he does it.

The shop owners are not making the money they want or need to make. They are tired of the inmates (the associates) running the asylum (the shop). Or even worse, they are scared of confrontation or holding people accountable for the roles they fill and the paychecks they receive, Stasch says. They are hoping for the best when it comes to their marketing plan. They have no control. Their shop runs them, not the other way around.

After that little pep talk, Stasch's advice is simple. You have to "cowboy up"



and take back your business.

Take back your numbers.

Take back your people.

Take back your marketing.

Take back your life.

I know you might be saying, "I have heard this before, but what does it mean?" What it means is, if you are not happy with the performance of your shop, you either have lost control or never really had control to start.

Take Back Your Numbers

You need to know and measure the numbers, what they mean, what best practices are, how they affect your business and your bottom line, and how you control them. This all starts with an understanding of what your sales are. In the automotive repair world, that is car count and average repair order (ARO). You also have to know where your sales come from: parts, labor, sublet or whatever other profit centers you might have.

Along with knowing where sales come from, you need to know and measure the appropriate cost of those sales. We will call these production costs, which are different from your fixed and operating costs, because you have to know how to differentiate the two. From these numbers — sales and costs — you need to know and understand the profit margins, what the best practices in our industry are and how you close the gap. If you have been following my articles, you know the margins. The question is do you know how to fix them.

Once you have the numbers, the costs and the margins, the next step is to build a business model (sales) and a financial model (the margins and expenses) for your business so you can win. I hear quite often about a so-called "break even"

QUESTION OF THE MONTH

QUESTION:
When is it time to terminate associates?

When non performers and bad attitudes become uncoachable to change, both of you will be better off.

Do you have a question for Chubby? E-mail him at cfredrick@autotraining.net.

number. However, the problem there is that it's designed to break even, so you need to build your model to make money.

Take Back Your People

You hired your employees for a reason. You recruited them, you interviewed them, you made a decision to hire them and you pay them. Now what? You need to make sure they do the job they were hired to do. Don't get me wrong, a lot do. However, a lot don't. They start out doing exactly what you need them to do, but that slowly erodes into what you have today. Why? Because most do not have set expectations for the role they fill or how they will work and play with others.

Along with no expectations, many have no measurement of performance, metrics for performance, coaching for performance or accountability for non-performance. Now, you have no control. You have what you have. Take back your people, set expectations of their roles, set metrics defining success for that roles, measure performance and coach for improvement.

For technicians, along with the policies and procedures you expect them to follow, you need to set expectations of production. This means in both parts sales and labor sales, because the financial model mentioned above relies on both to win. Create technician hourly, daily and weekly budgets based on the effective labor rate, hours available per week and your benchmark for your part/labor ratio. This is simple math, and they can't argue with the math. They can just argue on why it is not their fault, and if you can't keep enough cars coming at them, it's not.

Then another question rises, how many do they need? About 3.5 vehicles a day, as long as they are handled correctly (i.e., hours/dollars per ticket). Once the expectations for performance have been set, measure their performance against the expectation. When they do well, reward them. When they don't, coach them. Find and remove obstacles that get in their way, whether it's training, efficiency or their ability to keep the customer informed and getting those tools to your service writers.

For service writers and managers, again, along with the policies and procedures you expect them to follow, you

need to set expectations of production. These metrics could be the total sales and profit margins you need to win, along with other sales and financial key performance indicators like average repair order, weekly car count shop productivity by team (SPBT) and CSI just to name a few. Once the expectations for performance have been set, measure their performance against the expectation. When they do well, reward them. When they don't, coach them. Find and remove obstacles that get in their way.

All of the above is just simply a function of leadership and management skills. But once the expectations have been set, the performance is measured and the coaching for performance is in place, what do you do if they still are not performing to your expectations? Well, you might need to replace them, but only after you have done your due diligence of coaching. In today's world, you cannot afford to allow the non-performers to control your business. Take your business back, work with the committed and replace the others.

Take Back Your Marketing

You can take this back only if you had control to begin with. Unfortunately, most never had control of this area. Most shop owners blindly throw money at their marketing efforts and hope for the best. And most, unfortunately, are very disappointed with the results. That is typically caused by a failure to plan. Marketing should be a strategic and very dynamic planned course of events.

Marketing starts with you, the shop owner. You need to decide what you want to be, how you want to be positioned in your market place and what differentiates you from any other service provider. What are your core values? How do you want to be remembered by your customers and the neighborhood you work and live in?

After the position has been established, you need to create your brand to match. Once completed, this vision needs to be shared with your people, and they are to act and carry themselves parallel to your vision. We call that choreography. Your shop's choreography sets the tone for the customer experience. How your people dress and interact with customers, what the customer sees, hears and smells all

are part of this choreography.


Then, and only then, is it time to think about going after customers. Before blindly throwing money at marketing and advertising, you need to determine the right number of cars for your business model. As mentioned previously, building a model to win includes knowing the car count and ARO to do so. That number of cars and your current average car count is the place to start.

The second factor comes from your customer visit frequency and what percent of customers do you see less than twice a year. These numbers, along with typical return rates from Customer Acquisition Marketing (CAM) and Customer Retention Marketing (CRM), will determine the number pieces or actions that need to be done on a daily, weekly and monthly basis to deliver the right number of cars you need to win.

That's the strategic part, and now for the dynamic piece of marketing. All of your efforts need to be measured. The number of each piece or actions sent or done, how many customers came in from each piece, how much did they spend and did they return for a second visit. If these numbers meet your standards (or mine), keep moving and keep measuring. If not, you need to change the piece or action until it brings the numbers.

Now you have the basics for a consistent and effective marketing plan. And that's taking control of your marketing.

The time has come. If you are not getting what you expect and need from your business, it's time to "cowboy up" and take back your business.

Send me an e-mail at cfrederick@autotraining.net for a complete list of productivity obstacles to taking back your business, and I will give you a free coaching call or e-mail response with one of Stasch's coaches to discuss taking your business back. 

Chris "Chubby" Frederick is CEO and president of the Automotive Training Institute. He is thankful for assistance from George Zeeks and Brian Canning in preparing this monthly column. Contact Chubby at cfrederick@autotraining.net.

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