

SHOW ME THE MONEY

MONEY COMES IN MANY FORMS, AND YOU NEED TO LOOK BEYOND THE P&L FOR IT.

BY CHRIS “CHUBBY” FREDERICK | CONTRIBUTOR

I AM sure there have been times in your life when you had to pay taxes on profits that you didn't think you had earned. And if you did earn it, where had the cash gone? I was listening to one of our coaches, Brian Hunnicutt, explain to a shop owner where the money might have gone. This shop owner was not feeling the money in their wallet. According to their profit or loss statement, they were doing great. So where is the money?

This is not as uncommon as we think. Most of my clients were technicians, not accountants, before they opened the doors. So it is not a big stretch to think of a shop owner sitting at their desk, seeing that our financials show one thing and the checkbook shows another.

Take Inventory

We have to know what we started with and where we are now. If you have increased your inventory by \$50,000, then it won't be in your checkbook. How many parts have you not sent back that have become inventory by default? How many credits have you not tracked from the vendors? Do you have a way to manage your parts to make sure they don't become inventory, or worse, grow legs and walk off? Are you keeping a rolling inventory going, where you check a couple of different line items a week and do it in front of the crew? Do it loud and make a big deal out of it when the count is right or wrong. How many parts are being put on vehicles that don't find their way to the invoice?

Another take on this is parts that the employees, friends and family get their hands on without reimbursing you for them. An air filter or an oil filter, five quarts of oil, a hose clamp, the anti-freeze to go with it. All the little items



that you have such a hard time charging the customer for that are listed under shop supplies — those are the same items that the people around you take from you without even thinking about it.

Look at Your Receivables

What about account receivables? Once again, what did we start with and where is it now? Have we written anything off or has the number just gotten bigger? Are we carrying any of our good customers? You know the ones that have always been good for it.

I had one of my people actually tell me that after a year and a half and more than five different repair tickets, the customer when asked to pay said, “I don't have any money.” To which my guy responded by asking why she had him keep fixing the car. She answered that since he kept fixing it for no money, it must have been OK to not pay. Back on track, what did you start with and is it bigger or smaller?

Stay Focused on Margins

Margins always seem to sneak up on us as well. The normal client starts out with a 25 to 30 percent parts margin and not getting very much if anything on shop supplies. Then we get them up to 50 to 55 percent, and the relief to the checkbook and comfort zone is great. Time passes and they take their eye off the ball. Then they themselves or the service writer starts getting retrained by the customers to discount or just not charge as much, and we are right back into not as much money.

Think about the 80/20 rule and the eight out of 10 customers in a normal shop that do not buy; most of them say their reason for not buying is that they do not have the money. That is the No. 1 objection that my people hear on the front counter, because it is designed to get you to back off of them and not hold the line on the sale. It also trains your writer to not ask for as much or as hard, cutting the margins along the way.

“WHAT IS THE BEST WAY TO MAKE REAL MONEY IN A SHOP? THE OWNER HAS TO STOP TURNING WRENCHES, SELLING SERVICE AND WORK ON THE BUSINESS, NOT IN IT.”

CHRIS “CHUBBY” FREDERICK [ATI CEO]

Back debt seems to be the biggest one we deal with. I have had a client who paid off more than \$220,000 in back taxes, debt and fines, and could not find the money he owed the back taxes on. It seems that money that does not drop in the checkbook is not money at all sometimes. Money that is in a shoe box, buried in the back yard or sitting at the college with the kids is not money either.

The new car or the new equipment is not money as well. In one instance, the new plane that went with the new boat was not money. But when I had a shop owner park the new Diesel Pusher Motor Home at the shop and complain about business, the motor home was not money at that point. Your customers think they paid for all that stuff, and they are right, so don't flash it around them.


If you are not feeling the money, please look into your profit or loss state-

ment and see if the fixed expense has gone up. Also take a good look at the money your people are now making versus what they were making. Look at your inventory on all its different levels. Look at your account receivables, and see if you are not footing the bill for your customers. But most of all, look at your back debt and see if it has shrunk at all. Then for good measure, look at your lifestyle and your kids' lifestyle and see if maybe the money is there.

Many Shapes and Sizes

When all is said and done, and you want the money, remember it comes in all shapes and sizes. You should make sure you have an emergency fund set up as well, and that it is big enough to choke a horse. Then never touch it.

We have a very useful checklist that could help show you where the money

is, or in the worst case, give you ideas on how to create more cash. For a limited time, you can receive your own copy by going to www.ationlinetraining.com/2014-11. 



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Chris “Chubby” Frederick is the CEO and founder of the Automotive Training Institute. ATI's 108 associates train and coach more than 1,250 shop owners every week across North America to drive profits and dreams home to their families. Our associates love helping shop owners who are having the same struggle as many of them have had, and who are looking for the same answers – and in some cases looking for a lifeline. This month's article was written with the help of ATI Senior Coach Brian Hunnicutt.

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