

FINDING A PROFIT BOOST

LEARN NEW WAYS TO GET IMMEDIATE INCREASES TO SALES AND PROFITS

BY CHRIS “CHUBBY” FREDERICK | CONTRIBUTING EDITOR

ALL OF us have been in a position where sales or profits need an immediate boost, and we look for anything that we might be missing in our processes to get back on track. It doesn't matter whether you have been doing maintenance and repairs for 40 years or four years; it happens to all shop owners at one point in their lives. Some shop owners work on it and are motivated by being the best shop in their market by focusing on their processes daily. Some owners work in their business and only get to look at their business processes once a month. If you are looking for a quick fix that you might have done in the past, which you have stopped doing for a host of reasons, consider this article your wake-up call! Let's listen to a former shop owner from Arizona and current ATI coach, Kim Hickey, explain how she increases sales and profits immediately for her clients.

It goes without saying that you should be auditing your repair orders daily and then having meetings to discuss any problems, missing items, etc. Most shop owners perform their audits at the end of the day or first thing the next morning. The only problem with that is by the time you perform the audits, the vehicle is already gone.

The 100:10 rule

One of the things you can do throughout the day is pay attention to the 100:10 rule. Surveys done by both for-profit and not-for-profit automotive organizations are conducted annually to determine how much in repairs or maintenance is needed on the average vehicle. Some of the surveys have been carried out by pulling over random vehicles on the road and performing a complete inspection. It doesn't seem to matter who performs the studies and surveys, the results are relatively the



same. The average vehicle needs about \$100 worth of repairs or maintenance for every 10,000 miles the vehicle has on it. Studies and surveys have also shown that the average vehicle in the U.S. has 120,000 miles on it. What that means is that the average vehicle mileage for your customers is 120,000 and the vehicle should need about \$1,200 worth of repairs or maintenance.

So now we have the rule of thumb you should be using to audit your repair orders throughout the day and on the fly. So what do we do with that information? For this example, let's pretend that your customer brought in a vehicle with 80,000 miles on it. After your service advisor completes the intake process and the walk-around with your customer, your service advisor will have gotten the mileage. Once your advisor gets the complete and thorough courtesy check back from your

technician and types up the estimate, it should come in at roughly \$100 worth of repairs/maintenance needed for every 10,000 miles on the vehicle. This is, of course, assuming the following:

- Your technician performed a complete and thorough courtesy check.
- The history was reviewed and any declined work is included in the estimate.
- The history was reviewed and any maintenance that was due but not yet performed is included in the estimate.
- Your advisor — being the gatekeeper — notices if the technician didn't note any items that should be due for the current mileage and adds the items to the estimate (after conferring with the tech as to why the items were not mentioned).

If the intake was performed, the history was reviewed, the tech performed a complete and thorough courtesy

inspection and your advisor was on top of any possible missing services or items, it is safe to initially assume that the estimate your advisor built on this vehicle will total \$800. If the estimate didn't total approximately \$800, the next step is to find out why. History should be reviewed. If you recently performed a big service or big repair, you can throw this estimate in the ready-to-call the customer pile (after, of course, your advisor practices out loud what they are going to say to the customer again and again until it is exactly what they want to say and exactly how they want to say it).

If the vehicle wasn't in very recently for a bigger repair or maintenance interval, it is time to dig deeper. Give your shop foreman (owner, lead tech or whoever is in a position to perform this part) a copy of the completed courtesy check along with a blank courtesy check form. Have the foreman pull the vehicle back in, rack it and then spot-check three items on the vehicle. If all three items that are spot-checked were on the courtesy check, then chances are it was a thorough courtesy check and just a fluke that it didn't come in at 100:10. If any of the three items that were found needing attention were not marked, give the blank courtesy check form to the tech who performed the inspection and ask him or her to do another courtesy check. You want to be sure and change up what items you chose to spot check. You don't want the techs to know what items you will be spot checking or else they will always make sure those items are checked.

At this point, many shop owners choose to announce to all the techs that it is time for a meeting to demonstrate how to properly perform a com-

plete and thorough courtesy check. The reason behind this is similar to when a player comes late to practice — the whole team has to run. When someone at your shop is not performing a complete and thorough courtesy check every time on every car, they are letting down the team and the customer. The customer deserves better and so does that technician's co-workers. Hopefully your techs care about their team enough to not want to be responsible for causing them all to have to stay late for a courtesy check meeting.


Test your team

Another good test is to have all your techs perform a courtesy check on the same vehicle independently. Once they are done, choose the best and worst ones. Give your advisors the worst one and have them build an estimate. Then give your advisors the best one and have them build an estimate. The order of this is important. Remember when I mentioned earlier that your advisor is your gatekeeper? Your advisor should be able to look at history and current mileage and determine if any services and maintenance were not noted by the tech but should have been. This is your chance to see that in action. If they start with the best courtesy check first, they will already have seen things that should have been on the first one. If you have more than one service advisor, this is a good way to compare them as well. Have them all build an estimate off the worst inspection and then the best. See who filled in the blanks better and did a more thorough job of building an estimate. When actual estimates are built, it is easy to show the techs and advisors the difference in quality.

People seem to universally under-

stand money. If you show your techs and advisors that courtesy check A resulted in a \$300 estimate and courtesy check B resulted in a \$600 estimate, they get it. Showing them that the difference between A and B is \$300 carries a lot more impact than saying, "You didn't mention the belts and hoses were OE." The biggest difference I have ever seen between the best and worst courtesy check was over \$3,000. The smallest difference was around \$100. Any difference is too big a difference. If you had even a \$25 difference in the quality of the courtesy check and it happened with 30 cars a week, that would result in a weekly revenue loss of \$750 per week or \$39,000 per year. If you are realizing the average net profit margin that ATI does, that is almost \$10,000 missing directly from your pocket!

ATI Audit Checklist

If you don't know what your clientele's average mileage is, use your POS system to run a report and find out. This will give you a good barometer of how much your average estimate should be. If you are not tracking the difference between your estimate dollars and actual sales dollars, YOU SHOULD BE! Pull a lost sales report from your POS immediately. Remember what Chubby says: "If we can measure it, we can manage it." Chubby always reminds us that knowledge is only powerful if you can take action and change your results. If you would like a copy of our ATI Audit Checklist, you can download it at www.ationlinetraining.com/2016-05 for a limited time. 



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Chris "Chubby" Frederick is the CEO and founder of the Automotive Training Institute. ATI's 115 associates train and coach more than 1,400 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 former shop owner and current coach Kim Hickey.

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