

ATI Shoptalk



Issue 7

January–February 2010

In this issue:

Upcoming Classes	1
2009 Shop Owner Economics—Chubby's ATI Financial Shop Survey	1
Sam's Corner	2
The Tale of Two Courtesy Checks	3
Outside the Box	4



Upcoming Classes:

Shop Owner

February 3–5
February 17–19
February 22–24
March 3–5
March 24–26

Service Advisor

February 1–2
February 25–26
March 1–2
March 22–23
March 29–30

Advanced Service Advisor

February 10–12

Advanced Shop Owners

March 11–12

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2009 Shop Owner Economics Chubby's ATI Financial Shop Survey

By Chris Frederick



How are the tire and service shops in North America doing? In light of the economic downturn experienced, you would expect the answer to be “bad”, “awful” or “terrible”. While there are areas that have been hit much harder than others, there are also many shop owners holding their own and a few having record years. Many shop owners got scared and were forced to make tough decisions they wouldn't make before the Great Recession. They looked at their help, pay plans, and most especially, productivity and began to demand production. They were forced to make decisions they wouldn't have made before (but absolutely should have). These shops were sleeping giants where fear acted as a catalyst for improvement. And as you would have guessed, many of the marginal shops that wouldn't change are now gone! According to our annual survey, stress was way up in 2009 because shop owners were forced to change many of their long-term operational practices.

About the survey

It is critical to understand what kind of shops are in this survey. I have read some good surveys that are from the best-of-the-best shops and whose owners are students of the business. The problem is they might not tell you that some of the results frustrate the average shop owner. This is why I want to give you a complete explanation of my three groups.

Our 2009 seminar attendees are made up of over 2,393 shop owner's financial data spread evenly across North America. The numbers are averaged so you can see what the typical shop attending our seminars for the first time is accomplishing. Some of them are new owners and some are seasoned professionals. The majority of the shop owners, however, work in their businesses, not on them, and are involved in the day-to-day operations of their business. They attended one or more of our five different courses offered in every state in the United States and Canada.

Our 2009 ATI training and coaching clients represent 947 shop owners that report their financial data every week to a personal coach who helps them implement changes to their business. These owners are students of the business with about half of them working on their business and not in it. They range from two to 22 bay shops with average tenure in the business being 14 years. The

numbers represent an average of all reporting so there are many above and below these averages. The important point to remember is this is what the average shop owner is capable of achieving by working on the financial side of their business.

Our Top Shops represent the very best of the best from a financial standpoint and are certainly students of the business, working on it and not in their business. The numbers represent the ATI profit model goal and are achieved by our very best clients. These shops



are located in very strong markets, have been in business a long time and are active in learning new skills to grow their business.

ATI Financial Shop Survey

I will begin by explaining what formulas make up the results so you can better compare your results to these. I don't have the space to explain why we do it this way, but keep it in mind when you are looking at the statistics. Throughout 2010 we will address each category in detail so you can have a better understanding of why we do what we do.

Parts Margins—The percentage is generated with parts, hazmat and shop supply sales less all

Continued on page 2

Continued from page 1

	Seminar Attendees	Coaching Clients	Top Shops
Parts Margins	35%	52%	60%
Labor Margins	37%	57%	60%
A.R.O.	\$185	338	5 times labor rate
S.P.B.T.	45%	76%	80–125%
G.P.M.	35%	49%	54%
Profit	2.5%	19%	20–30%

associated parts cost. Many shop owners are convinced they can't hold over 50% on parts so they don't accomplish it. Almost 1,000 shop owners did accomplish it by using the ATI Parts Matrix. Our matrix is simply multipliers that mark up the less expensive parts more than the expensive parts where there is increased customer sensitivity. The owners using the matrix were able to implement it easily without pushback from the customer, but I'll bet not all of the employees. Send me an email at cfrederick@autotraining.net and I will send our Parts Matrix to you.

Labor Margins—Labor sales minus tech payroll fully loaded. Costs include FICA, FUTA, SUTA, Workman's Comp, Health, Life, Disability Insurance, holidays, vacations, sick days and training. Typically, Labor Margins are affected more by shop productivity than your actual labor rate.

A.R.O.—Average Repair Order is a good benchmark to measure the effectiveness of the techs and service manager working together as a team. Written courtesy checks performed for the customer's safety and reliability presented by a relationship-based service advisor with the right amount of cars per tech / per day.

S.P.B.T.—Shop Productivity By Tech is the number of hours billed vs. the number of hours on the floor. You will notice most

shops are billing less than half the hours the techs are working. This is where most shop owners are losing their personal income. Re-engineering your business will greatly improve this percentage. Stabilizing car count by scheduling the next appointment coupled with the basics of generating good average repair orders is the key to a high productivity percentage.

G.P.M.—Gross Profit Margin at ATI is measured by all sales minus all parts associated cost, all labor cost fully loaded and all sales cost fully loaded at the front counter. These percentages range from 35%–54% and if you were doing \$500,000 in annual sales and you were the owner of just the 49% shop you would earn \$70,000, more than the 35% G.P.M. shop owner. This is the second most important of all the key performance indicators. Gross profit dollars is #1 and we will discuss it at length this year.

Profit—This is simply cash profit after subtracting expenses from gross profit dollars. It is what buyers of your business are looking for when you plan to retire. Most shop owners are receiving 3–4 times earnings before taxes plus inventory and real estate when they sell. Since most buyers with money don't want to work in operations, make sure you have a good service manager or the buyer will reduce your profit to cover the cost of hiring a service

manager and pay 3–4 times after reconstructing the earnings.

Summing it all up

This year's data shows the challenges faced by shop owners in an economic slowdown. While there are some notable bright spots, most of the key performance indicators indicate flat or slightly declining results when compared to 2008. To put things in perspective, even while the United States is in the midst of one of the worst economic slumps in history, the automotive service business continues to be an outstanding profession that enables shop owners to make a healthy living.

I was pleasantly surprised this year to find shop owners finding creative ways to be successful. Many that experienced fewer customer visits worked on their

A.R.O. and G.P.M. to make up the difference. Even though our 80 ATI associates felt it was a very stressful year for many, the average results for 2009 weren't that bad. Many of our associates use to be shop owners and service managers so they understand what you all went through last year.

I believe we will see a brighter picture in 2010. This survey shows shops weathering the storm and seeing the first specks of blue sky. I recommend using this survey as a tool to benchmark your performance, review policies and systems, and to create a better shop in the 2010. If you would like a copy of our Parts Matrix send me an email at cfrederick@autotraining.net. Next month we will work on increasing car count so buckle up!



Sam's Corner



Those of you that have been keeping up with the restoration of my Mom's 1969 COPO Camaro, it was completed in 2009. It was restored by Legendary Motorcars, the creator of The Dream Car Garage show in Canada. Peter

Klutt and his team did a great job of putting her back together. The COPO sat outside near the Chesapeake Bay for 38 years and self destructed. It was not a good value to restore the car but it brought back tons of great memories from growing up. I was trying to complete the restoration before my Mom passed away and we succeeded. However she smacked me when I tried to get her in the front seat for a picture. She actually had her license revoked in North Carolina after speeding several times in one week on the way to our family reunion in 1970. After she passed I found a letter from the MVA reinstating her license. When she returned from the reunion, I was caught drag racing and decided to run from the Maryland State Police. Apples don't fall far from the tree! During the chase I drove the COPO into a nice lady's front porch which made me easy to catch. My father made me take it off the road so I became involved racing in Super Stock/DA in the NHRA Division 1 against the likes of Ronnie Sox's Hemi Cuda. Ronnie always won which is why I have a complete Ronnie Sox die-cast car-model collection in the lobby.

Trying to accomplish your bucket list, my best advice is never give up and "HANG IN THERE!"

C.L. Frederick
Chubby

The Tale of Two Courtesy Checks

By Rick Johnson



Recently I was in a shop that I coach in southern California. This is a really good shop that puts up pretty good

numbers, has a beautiful waiting room and probably the best, most modern bathroom I have ever seen in any shop and most houses. This shop has a really good website and does an excellent job of marketing to its clients and does awesome follow up. The owner spends a lot of money on training and is constantly working on making his shop better.

Recently I had the good fortune to visit this client and while there I observed as one of his customers came in with his son's car and stated that his son has been in Iraq for two years and was finally coming home. This father said he wanted to have his son's car thoroughly checked out and he wanted to do any required maintenance or repairs as he wanted to give the car back to his son in great shape. This is what we are looking for in a customer, someone who wants to have a vehicle inspected, repaired and maintained.

The tech brought the car into the shop and proceeded to do the courtesy check. When the tech was done with his inspection, he had found approximately \$920 worth of needed maintenance and repairs. At this point the shop owner and I decided to do an inspection ourselves. I have always recommended that on a regular basis (at least once a month) that shop owners do a random double check of the quality of their technicians courtesy inspections.

What we found amazed the shop owner, but truthfully did not surprise me at all, as I see this all the time. We found and sold \$5,200 worth of needed repairs and maintenance! There is quite a difference between \$920 and \$5,200! The tech had marked the

drive belt as okay, the brakes as okay and the tires okay. The car was due for a tune up and all flushes, and all of this was marked as being okay. Original shocks and struts, radiator and heater hoses, and yep you guessed it, all marked as okay as well.

The truth was the belt could not have been more cracked and worn, the brakes were past the squealers and almost metal on metal, and all four tires were at or past the wear bars. The right rear tire was way past the wear bars and had a slipped belt and was almost to the cords on the inside of the tire! How could this possibly happen? It was the same car in the same shop. Was the tech just marking the things down he wanted to do? Was he deciding for the customer what he may or may not be interested in fixing? Did he check the car over, and then from memory, try to remember and write down what he could remember?

The shop owner and I called an impromptu shop meeting at this car to go over what we had found, with all of the techs and the service advisor. I told them that my purpose was not to fire someone or embarrass someone, but to try to learn from this. I asked them if they realized just how much of a responsibility there was in doing a quality courtesy check. I asked them if they understood the opportunity and responsibility that go hand-in-hand with courtesy checks and the privilege that our customers give us when they have us perform a courtesy check. The said that they did, so I asked them if they had thought of it this way. I asked them what if this car had not been selected for a re-inspection by the shop owner and I. The customer would have authorized the \$920 of work found in the first inspection and paid the bill and gone home. When his son got home from Iraq, this owner gave his son the keys and down the road he goes. The father feels good because he had the car in the shop and had it all checked out and fixed all maintenance and repairs that were

needed. Now what if this young man who just served his country for two years in Iraq—successfully dodging bullets and surviving all of that—got into this car with a bad belt, bad brakes and bad tires headed down the freeway? As he is driving along the right rear tire blows out and he ends up in an accident and loses his life. He survived Iraq and being in a war for two years but came home and did not survive the courtesy check that this shop preformed.



I can tell you it got real quiet in that shop at that moment of realization of the responsibility we have in doing a quality courtesy check. I told them that in reality these courtesy checks break down into two areas; opportunities and responsibilities. A courtesy check is an opportunity for the tech to find all necessary and needed maintenance and repairs that the vehicle needs. It is an opportunity for the owner to know exactly what his vehicle needs to be safe and reliable. It is the responsibility of the tech to be thorough and write down all needed maintenance and repair needs as he goes through the inspection process and not use his opinion as to what the customer may or may not be interested in, or whether or not the vehicle is worth fixing. It is the responsibility of the service writer to write up the complete estimate and present the customer with all findings and ask for the sale from the customer.

It is at this point that the customer has the opportunity to make a decision as to what he will or will

not authorize on his vehicle. It is also at this point that the customer has placed his trust in us to have done the best and most accurate courtesy check as was possible so that he can make the best decision, based on his driving needs.

A lot of shops I talk to are still looking for that "magic bullet", that secret marketing piece, that latest greatest website to fix all their problems. Truthfully there is just no such thing. Or is there? How about great courtesy checks and a great courtesy check process that includes all appropriate maintenance checks and our pulling fluid samples? I can guarantee this shop owner was both embarrassed but also encouraged like never before on getting his guys doing the right type of courtesy checks and at his being very visible checking up on that process.

How about you looking at courtesy checks in a whole new way? Maybe instill into your techs just how many opportunities and responsibilities there are in each and every one? Great courtesy checks and a great service advisor who will actually ask for the sale can make all the difference in the world. I would even say that until you do these courtesy checks with this kind of reverence, you don't need to worry about websites or marketing. I would even say that most shops really don't need more cars; they simply need to do better courtesy checks and a better job of asking for sales.

Your people will almost always do the things you ask them to do, especially if they see you standing there, waiting for the results. As long as we're asking, let's ask for something better. Thorough and consistent courtesy checks are a great place to start.



ATTENTION SHOP OWNERS AND MANAGERS:

If you have something you would like to share, e-mail your coach or ATI at office@autotraining.net.

Outside the Box

By George Zeeks



The winter needs to be a time for reflection in the automotive world. I find myself in West Virginia just after the New Year. The snow outside is three weeks old, still a foot high and still white. The wind howls past occasionally, announcing its presence and intensifying the 10 degree cold outside. The woodstove dominates the inside with a dry, baking heat that quickly vanquishes any intruding snow that has been carried inside. This is different from my home, but a good kind of different. It is a good time to think, while looking out at the snow. The New Year is a good time to review last year and plan for the new one. Most shops in the country are slower, some a bit and some a lot. This is the time to evaluate the success and failures and sometimes come up with something different and better. The problem is that the something different and better may not exist in our reality. Our heads fit nicely inside the box of reality that we are comfortable with.

It is only when you can break outside that box that something truly new can happen. If your business was growing but has now flattened out. If you have some problems but have been unable to come up with a solution. If you need something new but don't know what it is, then your head is stuck inside the box.

“What box are you talking about and how do I get out of it?” is the cry I hear all of the time. Well, one thing you can do is to go to class. Ask yourself, when was the last time I went to class? If the answer is more than six months, then it has probably been too long. If the answer is more than a year, then it has definitely been too long. ATI has classes every month, advanced classes every quarter and the 20 Groups that are available to most clients. If you can't come to class due to some dire emergency or placement on the FBI's “No Fly List”, then we have the articles in the newsletter which can help you. The resource section in the portal has teleseminars on almost every possible subject. There really is no excuse to keep learning and that is the key to continued growth. If you continue to do what you are doing now, but you commit yourself to working harder at it than last year, you are setting

yourself up for frustration. Sometimes it may work but most of the time you need a different outlook on the problems.

Talk to your coach, that is what they are there for. Share your frustrations and you will probably find that they are frustrated just like you. Your coach wants you to achieve your goal and, this may surprise some of you, it is one of the biggest satisfactions that we can get from our job. Often, when your coach goes outside your box, it can be an uncomfortable experience. One thing to keep in mind is that going outside your box is not always going outside theirs. One of our advantages is that we deal with the same problems in a host of different situations and that gives us a much wider spectrum of experience. You can do the same thing by coming to class and talking with the other owners, but we will get to that in a moment. There is almost no problem that is too small or large or personal, that your coach cannot help you with. Take a chance and it will, most likely, make you happier.

I mentioned going to class but that is only part of it. You need to talk to the other owners and you will find the same problems all over the country regardless of the size of the shop. Making the

contacts and the sharing involved enriches the class experience. Keeping in touch with some of the people that you have met broadens your support network. Many times I have asked my clients to contact each other to discuss a problem that one client may have and the other client just got past that issue. Some do not take advantage of this resource, but those who do find they are not alone and it helps to expand the borders of the box and the solution becomes available.

Getting your head out of the box that it has grown accustomed to is not the easiest task. We are all, in varying degrees, prisoners of our past. The main difference is that you have the key. You do not have to be the prisoner, just unlock the box and take your head out and see how big the world really is. I'm not saying that it is always easy but it is always available to you. Hunter S. Thompson once said “Buy the ticket, take the ride.” Most of you reading this have bought the ticket, just get on and take the ride and pay attention to ALL that is available to you. Last thing to remember, **Get Your Head Out of The Box!!!**

I think I will go outside and play in the snow now...

Happy New Year!