



Is Your Labor Apple Going Bad?

By Chris Frederick and George Zeeks

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Upcoming Courses:

Shop Owners

- December 6-7
- December 10-12
- January 16-18
- January 30-31

Service Managers

- December 3-4
- December 17-18
- January 7-8
- January 14-15
- January 28-29

Master Mind Group

- January 10-11



Many times during the course of a busy day I've started to eat lunch or a snack and usually get interrupted. Have you ever taken a couple bites from an apple and have to put it down to take care of something? The problem is that when you come back it has already started to turn brown and just doesn't look as good as it did. The same thing happens to your labor margin. If you "put it down" or don't pay attention to it on a constant basis you will find your labor margin going bad and it just doesn't look the same on your bottom line. A complete understanding of what affects your labor margin and how to hold a 60% margin fully loaded with benefits is essential to maintaining a profitable shop.

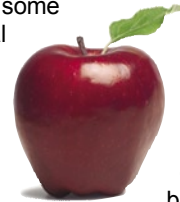
One of the major things that contribute to a declining labor margin is your payroll as compared to your labor rate. Labor is a commodity that you buy and sell, much like your parts inventory. The major difference is that, like the apple, it goes bad on a constant basis. Labor is perishable, you purchase it for a short period of time and when the time is up, you have to re-buy it. One of the problems is with that big juicy apple, the "A" technician. The

only problem is that the big juicy apple comes with a big juicy price and rightfully so, given their skills and talent. But do we need them and can our labor rate support them and still give the shop the profit that it needs to make? Many owners need some help keeping things in line; a good accountant who understands the automotive field or some type of professional coaching. It helps prevent the tunnel vision that occurs when running a busy auto repair shop.

We need to look at our labor rate and see if it has the ability to support the staff and still give the shop the proper return. A Labor Rate Analysis is a simple way to check on your more expensive employees and see if your labor rate can support them. Take your most expensive technician's rate, then add to their pay for that one-hour the additional costs involved in having the technician there. You have to keep in mind that they cost you more, sometimes much more, than just the basic pay. Take into consideration the FICA, FUTA, SUTA, workers compensation, unemployment insurance, health insurance, uniforms etc. Take all these factors and add them to the hourly rate for the one-hour. This gives you the actual cost involved for that juicy apple. Now, remembering that this labor is something we buy so we must sell it to make a

profit, we take the total that we have come up with and multiply it by 2.5 to give us a 60% margin on the tech's labor. The number that you come up with should be at or lower than your current labor rate. If not, then you need to raise your labor rate or you may not be able to afford that apple. Shopping the competition will let us know if we are charging a competitive price for our labor. If we are lower than those around us, we can raise our rate & that may help, but if we have a labor rate at or above the competition and the magic number that we found at the end of the exercise is higher than our current labor rate, guess what - you can't afford, the big juicy apple that you have!!

Remember, we divided the expenses by the amount of time the techs are standing on the floor. So if they are billing out less hours than they are on the floor, this will increase your actual cost per hour. The majority of shops are making a 60% profit on the first hour but by the time they calculate their profits on the 40th hour they are making only a 15% profit margin. This is where most owners are getting hurt! Many of our clients have a labor rate that is higher than the competition and there lot is full of cars. The reason for this is their clients are willing to pay more because



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they trust them and like the experience visiting their shop. Be very careful attempting this strategy unless you have done a customer satisfaction survey and have scored over a 95% CSI rate.

Another guideline is to make sure you have the right staff for the job. The expensive "A" technician is offset by your lower level technicians who make less but are able to perform the maintenance items. Keeping your less expensive technicians productive will help your labor margin and you are building the bench for the future. Having the right mix of high skill to lower skill level technicians is a huge key maintaining the right profit on labor. How do we know if we have the right mix? Instead of guessing, try this exercise. Take all the invoices for a certain time period. Then break them down into piles based on what level of skill was needed to perform the task that the car originally came in for. Then count up the number of labor hours on the invoices. It does not matter if you have an oil change in the "A" tech pile, if it started with a diagnostic then that is the pile it goes in. At the end we should have 4 piles broken down into "A" through "General Service" technicians and we should know how many cars are in each pile and how many hours each level is performing. This will give us a good guide on what type of staffing we need compared to what we have.

Remember that the big juicy apple looks good but once the day has started, you have just taken a big bite. Make sure the last bite of the day is as good as the first.



Ever Thought About How Your Shop Smells?

By Richard Menneg



Chances are, you pay careful attention to all the little details your customers see and experience when they visit your facility –tidy waiting room, pristine rest rooms, current, interesting magazines, Internet access, comfy chairs, toys for the kids, fresh coffee and clean uniforms. The list goes on and on, all keenly focused on making the customer repair experience the best it can be. All of these details reinforce loyalty, pleasure and trust. But have you ever thought about the bad stuff or even the grocery store air fresheners we put in our rest rooms. Let's think bigger picture for a moment.

At last year's Superconference in Scottsdale Arizona, I noticed a strange looking machine inconspicuously plugged in and running behind a large fern in the lobby (see picture above right). While pre-visiting this year's Superconference property in Ft. Lauderdale, I noticed the exact same little box. After some research, here is what I found: the major hotel chains have been spending literally millions on smell alone. No longer content to rely on a smile at check in or a bed to die for, they are now counting on "signature scents" to bring guests back again and again.

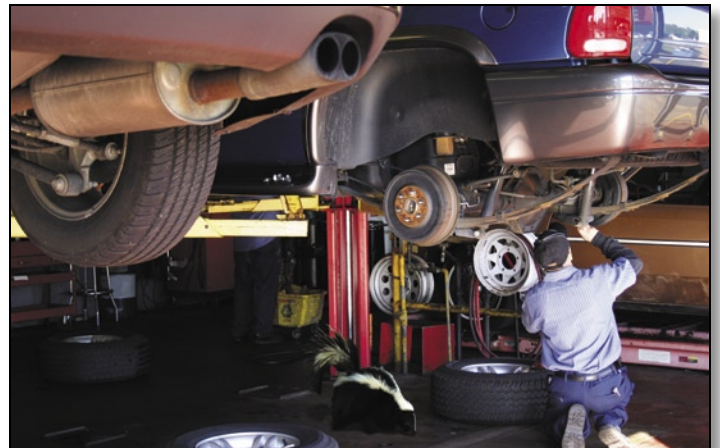
Omni Hotels spread the scent of lemon grass and green tea in their lobbies. Starwood Hotels have been working on a lobby scent to roll out to their 600 hotels as a "brand-building exercise hoping to build guest loyalty. For their Westin brand, they choose a white tea scent with geranium and freesia that

is designed to be calming and relaxing. Sheraton's scent of fig, bergamot, jasmine and freesia are designed to convey a sense of belonging. Ever stay at a Four Points hotel? Well, their scent is apple cinnamon to remind guests of mom and of course apple pie. These scents are pumped out by inconspicuous vaporizers (like the ones I saw in the Westin lobby).

Signature scents are part of a practice called "sensory branding". Smell is actually processed by the same portion of our brain as memory and emotions so it is a pretty important sense.



you could easily jump on the bandwagon. After all, they usually don't spend big bucks on initiatives that don't get results. A quick trip to Linens & Things or Bed Bath and Beyond might get you exactly what you need. For example, Homedics makes



While the big hotel chains are relative newcomers, Las Vegas hotels have been doing this for some time. The Mirage has had a signature scent for over 15 years. Even many of the big Las Vegas shows use scents to enhance the experience. At the Cirque du Soleil theatre at the Bellagio they have a sensual, exotic, silky scent to go along with the exotic visuals of the show itself. Heck, come to think of it, movie theatres have been pumping out the smell of fresh popcorn for decades.

I don't think you have to go as far as the big boys but

a low cost "Breathe Air Revitalizer" with scents of either Calming Lavender, Soothing Vanilla or Refreshing Citrus. However you pull it off, be sure to pick a scent and stick with it. Remember, it will soon become your smell, a part of your business brand. You might be surprised when your customers say I love how your waiting room smells every time I come in. Then you know it is working.



ATTENTION SHOP OWNERS AND MANAGERS:
If you have something you would like to share,
e-mail your coach or ATI at
office@autotraining.net.

Expectation As A Cure For Low Productivity

By Brian Canning



In an ideal world, our current service technicians would show up for work each morning, on time and raring to go. Newly hired technicians would move their toolbox in, immediately take the plunge and reliably deliver one billable labor hour for every hour they were on the floor. We wouldn't suffer the trauma of ramp up and time getting comfortable. I don't know about any of you, but it would seem that I never worked in the ideal world and trauma would not begin to describe the challenges that I suffered in getting existing technicians to be productive and new techs up and running and acclimated. Ideal, is hardly the word that I would use.

As frightening a prospect as it might be, in our efforts to be productive, a great place to start would be to verify that we have set expectations and whether we have gone the extra step of communicating these to our staff, both on the counter and in the shop. I want to shock you and embarrass many of you by stating that far from generating one billable hour for every hour our techs are on the floor, the average shop in the US stands at a pathetic 67% in this critical area. Major contributing factors here are no expectations, poor communications & no accountability. Eliminate cell phones in the shop, manage smoke breaks, set realistic goals, improve expectations & lead. You will find a new momentum and in celebrating progress, you will find that success really does breed success. We cannot complain if our people do not know what we expect of them and they have no possibility of achieving goals

that do not exist. Measure it, set realistic expectations, communicate and hold your people accountable to the results. Accomplishment will beat sleep-walking every time.

In beginning the journey toward 100% productivity, it is very important to have a plan that will transition us and our operation in the right direction. Everyone will need to know their role and understand that they will be held accountable to the result. It might be very useful at this juncture to review what



type of compensation plans we have in place and whether or not we have incentives to support the journey we expect to take. There is no universal plan here, but whether we are paying our techs flat rate or our service advisors a salary, we want improved performance to be rewarded. We also would want these plans to be a big win for our staff by creating excitement and constructed in such a way that they are an equally big win for the store. It is not by accident that I would include service advisors in this. I ask those of you who think this is strictly a tech issue to investigate your counter and sales process and verify that all that you think is happening is actually taking place. My experiences would suggest that there is a big disconnect between what we think is happening and what actually is. Fully half the impact we can expect to see will be in our refining and improving our efforts at the

counter. Are we fully inspecting the vehicles we are seeing? Are we talking to our customers when they are dropping their cars off? Are we showing them our care and concern? Are we making maintenance recommendations? Too often the answers here are no. Remember that counter operations will often have a greater impact on productivity than any individual tech, so the goal here is to drive productivity by making the entire operation more efficient. Compensation and incentives will be unique to your operation and staff, but will generally stress productivity at the technician level and gross sales and profitability at the service advisor level. This can be in the form of team bonuses, progressive flat rate, individual performance versus measurable benchmarks or a combination of these. The most important thing is that these incentives support the journey and help us get where we are trying to go. Measure it, manage it and achieve it.

In my observations and discussions with shop owners, I am often disappointed to hear and see how hands-off we are in trying to get our people to perform at levels that will allow us to not only exist, but to grow and prosper. I am astounded at how unaware we are of our productivity levels and how slow we are in reacting once these revelations come to light. Never mind 100%, adding 10 or 15 points to your productivity numbers can have a profound impact on cash flow and the viability of your business. By being a visible inspector and in our working to assure we are doing the things we should be, we can see dramatic improvements in our operation. Improved productivity is often just asking for better.

A great boss I had many years ago said "If you don't ask, you'll never get kissed". His point was that you have no chance of getting better unless you ask for it and you have nothing to lose. I would encourage any business owner, any manager, to take a critical look at your operation, identify two or three procedures or performances that we could improve upon and ask your people for something better. You will often be amazed at what your people are willing to do, although I would warn you that leadership will be very important to your successfully modifying anything in your operation. I know as soon as the "L" work comes out, many of you are diving for cover. These are your dreams and your goals and to whatever degree you can reach your people and make them feel your passion, you have a great opportunity toward success. Again, I can promise if you don't ask, you're not going to get kissed.

It might very well be, that the average shop in the US is under-productive and under-profitable but that is something we can begin to address today. It is something by just in measuring and then asking for improvements that we can literally transform our business overnight. If your techs are not turning the hours, define your expectations, provide incentives and I would guarantee you will see an improvement. If we are not doing courtesy checks or making recommendations for maintenance, I would discuss my expectations with the group, overcome their objections and without ever raising your voice, communicate your commitment to a new approach & reasonable expectations. There is nobody that deserves that kiss more than you. Determine to get better and just pucker up!



Sam's Corner: Knowing My Beans Are Well Counted.

By Brian Canning

I have the great fortune of working with a group of professionals that bring their best coaching effort with them everyday. As hard working as this group of professionals is, we succeed only because our administrative support works even harder. Our efforts as coaches would matter very little if not for the hard work of this small, but very dedicated group. Thank you doesn't begin to say all that needs to be said but it is a place that I would like to start.

I remember many years ago when I took over as the

Director of a large fleet operation, I was assigned an Administrative Manager. I was very confused about what to do with him. I actually asked him what he did. The funny thing is that the more projects I got him involved in, the more problems I was solving with the fleet. I started getting comments about what a great job I was doing. Me? I was doing what I always did, but suddenly everybody was seeing genius. The truth is that suddenly, we were more organized, better able to measure and suddenly we were communicating. All this because I was

assigned what I thought was a clerk, who turned out to be a highly motivated, articulate, highly accurate professional, who also made me look good. That was no easy task, but through this administrative re-organization, we were able to see immediate and dramatic improvements in tech productivity. We were also able to bring parts controls into play and with our enhanced ability to measure, we were able to bring improvements to every aspect of the operation. We saw a transition toward excellence in just knowing where we stood.

I could talk for hours about my team, the great group of professionals that I work with. I could, but I would rather take a moment to talk about and recognize the incredible administrative support we have in doing all the things that we do. Somebody is answering phones, somebody is designing a flyer, somebody is paying the bills or handling the details and somebody is allowing us to shine.

Thank you all, I appreciate everything that you do.



Seven At the Top, *Happy Holidays To All!*



This Month's Winners are:

Richard Duffy

Falmouth Motor Car, Inc.
716 Teaticket Highway
Falmouth, MA 02536

Walt Eger

Walt Eager's Service Center
1450 Grim Road
Severn, MD 21144

Fred Farris

Paul & Sons
140 W. Ridgecrest Blvd.
Ridgecrest, CA 93555

Ryan Stewart

Big O Tires-Riverton
303 S. Federal Blvd
Riverton, WY 82501

Chris Murphy

Chris Murphy's Automotive
11012 Garland Road
Dallas, TX 75218

Mark Hill

Car Plus Tire & Auto Service
27 West 63rd Street
Westmont, IL 60559

Joe & Donna Holzhauser

Holzhauser's Foreign Car
Service, Inc.
1316 South Philadelphia Blvd.
Aberdeen, MD 21015



8611 Larkin Road
Suite 200
Savage, MD 20763