



PROFIT MATTERS

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

Let the Journey Begin

Most of us have encountered low points in our life when we thought there was no light at the end of the tunnel. Some of us put our heads down and fought to survive when many a mortal would have said we had no chance. You may have been that person and rose to become the top shop owner in your market. You may be presently fighting the battle to take you and your family to the Promised Land. You know the land where all your dreams are fulfilled and your bank accounts are full of profits.

What makes this actually happen? And if it hasn't happened to you, when will it take place? How long will you have to fight to ensure a happy retirement and fulfill your family dreams? These are questions most shop owners face every day of their lives and the answer lies only in you and your commitment to hang in there.

So, let's see if I can help you hang in there for a while so you can increase your profits and fulfill some of your dreams. First, learn what makes you tick. Are you really money motivated? Is a healthy bottom line really that important to you or would you rather have a hug from a customer for taking care of their family's car?

You see, the latter is recognition

dependency, and I am addicted to this drug because helping people grow is more important to me than the almighty dollar. The problem with this drug is it can actually hurt the ones you love the most. If you made enough money to afford great middle management, you could spend more time with your family and focus on helping your associates grow without you having to spend your entire life working. Better yet, you could still work for hugs.

Calling in the pros

We can learn from two great books, "Built to Last" and "Good to Great" by Jim Collins that have been on the business bestselling list for years. Much

research has been done on what makes a company great and stay great. There are very few in the world. In most cases the founders had an idealistic dream to help others first, followed by a focus on profits. Unfortunately, most of us can't focus on both without going crazy.

I would like the opportunity to awaken the sleeping giant inside of you to allow you to drive all of your dreams home this year. I recently received a letter from a shop owner that was very near bankruptcy when we met him at a seminar six months ago. He had two employees and was about to throw in the towel when he decided he wasn't going to keep doing the same things that made him miserable and stressed out. He did something that has to be done to make things better.

You guessed it; he changed. He implemented everything he could, from a seven-hour seminar on increasing cash profits, which is very rare for any of us to accomplish. In six months he increased his cash profits \$4,000 a week, hired two more technicians and is now carrying a 25 percent net profit. As Will Smith said to his son in the movie, "The Pursuit of

QUESTION OF THE MONTH

QUESTION:

What is the biggest profit robber in an auto service center?

ANSWER: Most shops suffer lack of profit margin in the labor area vs. the parts area. It is much easier to make a profit on parts than on labor. The labor walks around having a cigarette, talking on the cell phone and taking breaks. The average shop is only making 26 billable hours per technician in a 40-hour week. Once you load up the expenses and benefits to the technicians, most shop owners realize that their profit on labor is not what they thought it was.

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

Happiness”: “Don’t believe anyone that tells you ‘you can’t do something.’”

The model

If you look at the 30 percent profit model, you will see the best practice profit model that a few shop owners have been able to achieve. It is certainly not normal. Typical net profit ran from 1 to 5 percent on the 3,000 profit and loss statements we reviewed in 2006.

So what makes these owners more successful? The answer is their ability to spin all the plates in the air simultaneously. The plate for today is the net profit model and most of those that can achieve best practices are close to these numbers.

In order to succeed at this model, all you have to do is hold 53 percent gross profit on your parts pool. Maintain at least 90 percent shop productivity with a labor rate adequate enough to carry the techs’ benefit loads. Stabilize car count daily for a great relationship based selling service manager and don’t spend over 25 percent of your sales on expenses.

It can and is being done on occasion in every city in the United States and Canada. So why not your shop? In the months ahead we will explore every detail and give you implementation strategies to change your business model. I have never seen a business that could not be re-engineered to net between 20 and 30 percent if the owner wanted to change and was committed to hang in there.

I would like to share with you how my financial coach made me focus on making money. You see, I sleep with her. One morning I awoke to “When are we going to retire? You’re 57, and many of your friends have already retired. So what’s the plan?”

I began to explain my plan, but my nose evidently began to grow because she made an “L” with her fingers and called me a *Loser*. She must have learned that from the grandkids. When she repeated it several times, I knew then she was not

them do it. Motivated by my financial coach, I told them to implement everything today and walk the dead wood out of the building – but if it didn’t work, I would shoot them one by one until I would net what I needed.

The next month, you’ll never guess what the loser had done? That’s right, much to my surprise we posted a perfect 30 percent net profit. This was not my greatest leadership performance, but what a lesson I learned. Focus on the money. I am not telling you this to impress you but

I have never seen a business that could not be re-engineered to net between 20 and 30 percent if the owner was committed to change.


buying it. She told me to go to work and save the world. While I was driving to work I put in a Tony Robbins tape I had listened to for years so I could hear him tell me, once again, that if you are not making the kind of money you need to be happy, you are just not focusing on it. Bull! I had been focusing, but nothing seemed to be happening.

A Big Surprise


When I got to work I called my senior managers in for a meeting. I asked them why we didn’t net 20 to 30 percent because we had many clients that had accomplished it. They said the difference was the clients listened and changed and I

to impress upon you that most of us don’t make the money we deserve because it is only important to us when we need money, not for driving our profits and dreams home.

If you grew up in a family like mine that taught you money isn’t everything and it does not grow on trees, it will be challenging for you not to see money as potentially evil. A healthy bottom line will make you, your family and your associates much happier. Maybe more than a 30 percent net operating profit is greedy, so give the money to your favorite charity and begin to help others with your good fortune, but money is not the root of all evil.

My associates and I live by a mission of driving profits and dreams home to shop owners, so enjoy the journey. And please, buckle up. 

CHRIS “CHUBBY” FREDERICK is CEO and president of the Automotive Training Institute. Contact Chubby at cfrederick@autotraining.net.



30% NET PROFIT MODEL

- SALES = 100%
- PARTS = 18.5%
- TECHS = 20% LOADED
- MANAGER = 7%
- GROSS PROFIT = 54.5%
- EXPENSES = 24.5%
- NET PROFIT = 30%

only listened. They went on to say I had lots of “buddies” that needed to go, fees that needed to be raised and several other changes concerning me. Me?

Well, I said, how long will it take you to fix it? They replied about a day, but they knew I wouldn’t let

READER INTEREST SURVEY

Circle the appropriate number on the Reader Service Card to indicate your level of interest in this article.

High 149 Average 150 Low 151