

PROFIT MOTIVE: YOUR COMPASS TO FINANCIAL SUCCESS

# We only really wanted to fix cars

Many owners can get overwhelmed in the day to day of running a shop

BY TOM MCGEE | CONTRIBUTING EDITOR

I work with many shops and owners, and it is common to come across an owner who started in the industry as a technician. This is great, as we keep the knowledge and skills gained over the years in the industry. But many times they find their dream of being an owner is not as glamorous as they had thought.

Owning a shop is not all about fixing cars. Today, the owner needs to be a master of many disciplines — accounting, cost control, sales, human resources and marketing, to name a few. One critical part of being successful is having the skills to develop an accurate estimate and repair plan.

### Financial performance

I continue to see owners having challenges measuring their financial performance. Often, they have moved from technician to owner and need training on how to effectively manage and operate the business. A common cause of difficulty in the transition is the chart of accounts used in the accounting software. It is often not organized in a way that allows the owner to determine profit margins for labor, parts, paint and materials, sublet or for other key sales and cost areas of their organization.

Many times, I discover that they are relying on their accountant to provide them with their profit or loss statement. In most cases, by the time they get their statement, it is too late to make a correction. It is common to see a shop receive their April profit or loss statement in June. This means the shop owner cannot make adjustments to improve their performance in April or May.

Measuring your financial KPIs weekly and monthly is key to identifying your shop's strengths and opportunities for improvement.

### Vehicle technology

The role of your estimator or repair planner is also changing. When you look at the changes in vehicles today, we are now faced with advanced high-strength steels, collision avoidance systems, multiple air bags, alternative fuels, composites, aluminum and other materials. No individual can make the proper repair decisions from past experience or memory alone. Your estimator or repair planner needs to know, or know where to go to find out how vehicles are constructed, the construction materials used, how they react in a collision, what parts can be repaired and which require replacement, not to mention all of the electronics involved in today's vehicles that require diagnostics, recalibration or re-initialization.

### Estimate, repair toolbox

In addition to vehicle technology, your estimators and repair planners need to be experts at operating the electronic estimating system you use to make sure they

capture all non-included operations for each repair. Give them copies of estimating guides that are available online from the major information providers and provide access to the Database Enhancement Gateway. Your estimator or repair planner also needs access to OEM information to be able to properly create a repair plan specific to the year, make, model and drivetrain for the vehicle they are working on.

I have a difficult time listening to shop owners say, "My guys have been doing this for 30 years," and therefore know everything; or "My estimator doesn't have time to do that," while they are struggling to make a profit. Make sure your team has all the tools they need. They cannot do it by memory or past experience alone.

### It comes down to details

To be successful, you must focus on the details of the estimate or repair plan. Detail out every operation to be performed on every repair. Once you have the detail, you also have a basis to perform any necessary negotiations. No one can know or remember everything about every vehicle and collision damage type; therefore, it is important to have as much documentation as possible to support the estimate or repair plan. It is harder to argue with fact than opinion.

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