

# ShopTalk

**ATI**  
Automotive  
Training Institute

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June 2013

## Discounting and the True Cost of That Repair Order

By Steve Privette, ATI Coach

Many shops tend to discount to get the sale. They say, "I would rather make SOME money instead of NO money." We have all done this at some time or another, but what is the true cost of that repair order, and are we really making money?

In most shops, we figure our profit is our sales minus our cost of goods. An example below:

The sale is \$300 consisting of \$150 parts and \$150 labor, minus our parts cost of \$75. This equals \$225 profit. We figure if we are having a tough time selling the job, we can tell the customer we will do it for \$250 and still make \$175 in profit and that's better than nothing, right?

Wrong. In many cases we will LOSE money completing that sale! Let me explain.

So after discounting we sell the job for \$250 and have \$175 in profit after costing the \$75 for parts to the repair order. Now we have to subtract what we paid our tech to do it. Let's say we paid him two hours and he makes \$20 per hour, which results in \$40 more cost. But wait, what about his benefits or tax-and-benefit load? Things like payroll tax, workman's compensation insurance, health insurance, uniforms, possibly 401k, and vacation time cost. A typical tax-and-benefit load for an employee is 25% of the hourly pay or in this case another \$5 per hour (\$20 per hour x 25% = \$5 per hour more). So what the tech really costs us, including that, is \$25 per hour or \$50 for these two hours. If we subtract that tech cost of \$50 from our profit of \$175 we are now down to \$125 in profit on that \$250 discounted sale.

There's more. What about the service writer and his time spent with the customer, time that you are paying for? Let's figure between receiving and writing up the customer, building the estimate, calling the customer and selling the job, along with invoicing the customer out after completion, he spends an hour with this repair order. Very realistic, right? So he makes \$20 per hour with the same benefits or tax-and-benefit load of 25% just like the tech. That's another cost of \$25 to the repair order, which takes our profit down on this repair order from \$125 to \$100.

We're still not done. What about all the fixed expenses we have in order to run the entire shop every day? Look on your profit or loss statement at all of those expense line items. Items like rent, advertising, utilities, insurance, owner's salary, etc. I could probably list at least 20 expense items a typical shop has monthly or weekly. Let's say in this

example you go through your profit or loss statement and determine that your weekly fixed expenses are \$4,000 (very common). Let's also say you have 35 cars per week. When you divide those 35 cars into the \$4,000, I see that it costs \$114.29 just to write a repair order before the car even comes into the shop! Remember after the other expenses above, we were down to only \$100 profit before these fixed expenses. When we factor in the fixed expenses, we now have lost \$14.29 by performing this repair for the discounted price of \$250!

Here's another breakdown of this sale:

|                        |            |
|------------------------|------------|
| Original sale estimate | \$300.00   |
| Discount               | - \$50.00  |
| Parts cost             | - \$75.00  |
| Tech cost              | - \$50.00  |
| Service writer cost    | - \$25.00  |
| Fixed expense cost     | - \$114.29 |
| NET PROFIT             | - \$14.29  |



What's even worse is that after we have lost money completing this sale, we are going to warranty the job, which

subjects us to the possibility of even more additional cost down the road! Also take into consideration the lost technician and service writer productivity time that could have been spent to make a profit. We only have so many productive hours in a day to make money!

Discounting creates a customer perception that in the future they can always bargain with you on price. In addition, when you discount to get the sale, a customer may wonder why you didn't just quote them the discounted price initially and may think that you were trying to take advantage of them with the original price.

Always consider the effects of discounting, and the true cost of that repair order!

## Are You Happy With Your Courtesy Check?

By Geoff Berman, Coach / Instructor

If you're like most shops, you don't use a two-part Courtesy Check. This makes it difficult to be sure your customer gets a copy while you retain one for your records. Often the single copy gets dirty or smudged from the technician, and that doesn't give the professional image you want to project. Shops that do have a two-part Courtesy Check usually have the second copy as the standard black and yellow carbon copy. What makes our Courtesy Checks different is that the top and bottom copies are the same. This way, you can give the customer the professional color Courtesy Check document you want them to have, without the dirty fingerprints that are likely to be all over the top copy. So go to the **Resource Center** and to the **ATI Marketing Tool Box** to check out a larger sample. If you decide to give them a try, I'm sure you will also be one of the many shops that absolutely love them. If you need further assistance, you can contact your coach or Lori at FSR email: [customerservice@fsr1.com](mailto:customerservice@fsr1.com) or phone: 434-973-4152.

If you are one of the shops that currently use these awesome Courtesy Checks, I would love to get your feedback. Please send your comments to me at [gberman@autotraining.net](mailto:gberman@autotraining.net).



## An Obstacle Course That Led to Success By Matt McMurray, Campus Automotive

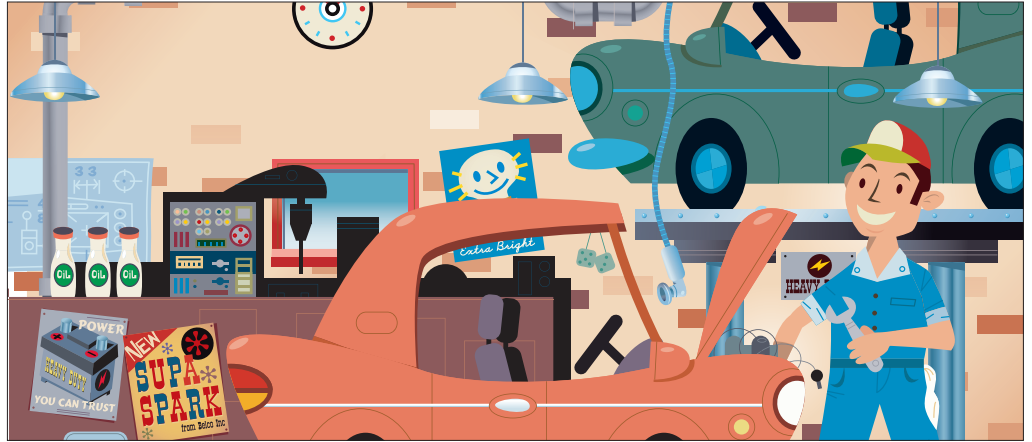
So here is my story...

I worked at my dad's Exxon service station officially from the day I turned 15 years old. When I finished high school, I went to Virginia Tech and graduated in 2003. My degree was in building construction and real estate. I wanted to go to Charlotte, D.C. or Atlanta to get a job with one of the big homebuilders like NVR or Pulte, but for whatever reason it didn't work out. My dad had his Exxon for sale and asked me if I wanted to stay and run it for him. He had gone back to school and then on to seminary and didn't have the time necessary to operate the Exxon. He had previously been the owner of two more Exxon stations and had sold the other two for a handsome profit, and the one I was running was up for sale too. I decided to stay because I had no other job and I could run the Exxon as nobody else could. Plus I had been driving a tow truck since I was 16. (I might be the best tow truck driver in the history of tow truck drivers. Or at least in the top five.)

Time went by, and I got really good at running the little Exxon station. We made a ton of money. I asked my dad if he would sell the Exxon to me, and he wouldn't do it. See, I have two younger brothers and a mom, and it's just complicated.

In 2008, I was rolling ahead. We were on pace to have a record year. I had a technician named Mike Shaw. He had just showed up one day with a 200-dollar tool box and an old pickup truck. I put him to work, and within a couple of weeks he was turning out about 70 labor hours per week working 50 clock hours. I was amazed, because he might have been the dirtiest human I'd ever seen.

Then on the morning of Saturday, January 17, 2009, at about 8:45, Mike called me and said he



was running a little late. At 10:45 I got a call and was told he was dead. He had wrecked on the way to work. The amazing tech was gone, and I had to fill his shoes. Around that time I started to realize that some things needed to change. We had always been a transactional type of business: We would tow your car in, fix it, take your money and send you down the road. I watched a lot of cars leave, and sometimes as a car was pulling off the lot I noticed a bulb was out or something. We let a lot of work drive right off the parking lot. We always stayed super busy so I guess we were just complacent.

I have always had the desire to be the best at what I do, so I've always sought the best training and certification in any field I'm in. So in 2009 I read about ATI, and I knew I had to do it. I went to a Boot Camp and signed up that day. My dad was furious. He couldn't see why I wanted to pay more than \$40,000 to go to a class and have them tell me I was doing something wrong, when we regularly made a quarter of a million dollars every year in net profit. But I knew it wasn't sustainable if we didn't

change and adapt for the future. So we started with ATI in July 2009, and I attended my first shop owner class that month. I figured out pretty quickly that we needed to make some huge changes. So I started making changes. It went OK but things were tough. Kind of like Dalton in the movie "Road House," it gets worse before it gets better. I worked through it. We started using R.O. Writer that same month. We had written tickets by hand to that point, so that compounded the difficulties. Change was painful. Changing the old folks who worked for me was even worse. Dad was right there to say I told you so every time I screwed up.

In 2010, out of the blue, one of the company reps with the oil company that supplied our gasoline called me and asked if we were willing to sell or lease the Exxon property to them. I said damn right and called my dad immediately. He was hesitant at first. I told him deals like this only come around once in a while. I told him that we had to do it. Plus I knew I needed to make a change. I was out of room. My little half acre wasn't getting it done. >>>

### Sam's Corner

## A Book That Will Change Your Life!

The most important job I have as CEO of ATI is to look to the future and predict what challenges and opportunities are coming our way. Just as in your business, there are many associates and their families who depend on us as CEOs to keep focused. Even if we are absent from day-to-day operations, it is our responsibility to create the vision necessary to navigate what the future has in store for us. I hate to read, but I have learned that when the guy at the top stops learning, so do the employees and clients.

I strongly recommend that you invest in David Houle's new book "Entering the Shift Age." David is America's leading futurist, and he has advised more than 2,000 CEOs and business owners on six continents. "Entering the Shift Age" lifts us out of the rapids of techno-change and helps us see the course of the river we have been rafting in.

The Transformation Decade, 2010-2020, will be a time when an incredible amount of change will occur. Most of humanity's institutions and ways of thinking will change their nature, character or form. A fundamental reason that this will happen

is that legacy thinking will be rendered obsolete; it will fall away, collapse.

What do I mean by legacy thinking? Legacy thinking is viewing the present and future through the filter of what we have learned and experienced in the past. A simple metaphor for this would be the act of rowing a boat. You are looking back to where you have been with your back facing where you are going. We are backing into the future, looking at the past.

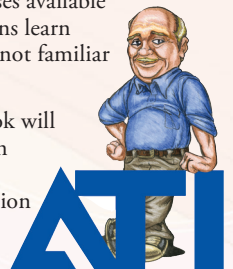
- Tools defined the Agricultural Age
- Machines defined the Industrial Age
- Technology defined the Information Age
- Consciousness will define the Shift Age

Almost everything in the world today is undergoing some rate of shift. Some of these shifts are evident in our daily lives, such as the accelerated electronic connectedness of our world. The internet and cellular connectivity are manifested in the devices we use to communicate and the different ways we do communicate. There is a clear, growing sense of something approaching

that is part consciousness and perhaps spirituality, part intuitive knowledge and growth. What might this next evolutionary step of consciousness look and feel like, and what are the forces that are taking humanity toward it?

David's book takes us into the very near future of brands and marketing in 2015. How will big data affect the way our websites work for us? When voice recognition technology replaces the keyboard by 2015, how will we communicate with our customers? When the politicians get around to approving automatic automobiles, how will that affect the successors of your business? Can augmented reality glasses available currently help my technicians learn how to fix vehicles they are not familiar with repairing?

I sincerely believe this book will be worth your investment in time and will enable you to stay ahead of your competition by learning how to stay the best shop in your area.





# How to Train a Sloth By Brian Hunnicutt



One of our daughters came home recently for her birthday; and even though I train, coach and motivate shop owners and managers as my chosen career path, I found out she had no problem teaching me. I am used to my Lovely Lady giving me huge insight and keeping me on task. Hell, the joke around the ATI office is every time I turn in a project or come up with an idea, they tell me to thank her for it. Not to get too far off the subject.

When I got the call that Heather wanted to come home around the beginning of February, my first reaction was, of course, amazement at her gall and audacity. Every year for her birthday, my Lovely Lady and I go and pick out the most beautiful birthday cake and we buy it. Then we take a picture of it and we send it to Heather and wish her a happy birthday. Then we eat the cake. I guess we could send her some but it tastes too good, so we don't.

Tradition was on the line, and she actually wanted to have her cake and eat it too. A very sad state of affairs if I do say so myself. What is the world coming to? She actually wanted to take the birthday cake right out of my mouth. But we really had no other choice but to finally say OK, so Heather arrived and we had to share.

I asked her how her job was going, as she is working while trying to finish her master's. She responded that it was going well but her boss was training her to be a sloth. The statement was intriguing so I asked for elaboration.

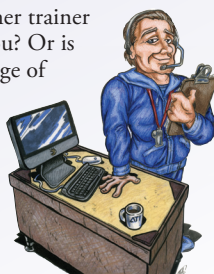
It seems that all the employees where she works move very slowly and don't do what they are supposed to. Sometimes the owner comes in, but

they don't move any faster, and he does nothing about it. If you know me at all, I am very high energy — and Heather makes me tired! She has so much more vitality. She has a great work ethic and moves fast, so she can literally do the job of three or four other people. She realized early that she could move a lot slower and not get in trouble for it, but she has too much character to pull that off. She even asked the owner to empower her and she would change everyone's attitude. He declined, much to her chagrin.

By not holding anyone accountable, the owner is in essence training everyone to be a sloth. Is it fear of losing the employees? Is it that he will appear to be a bad person, or maybe he wants friends instead of employees? I think it is way nicer to hold people accountable and help them succeed, rather than to let them become a sloth, and then have to fire them or lay them off when the business closes! Doing the right thing in this situation is the difference-maker in most of the companies I come into contact with.

The scary part is when owners feel worse if they ask for more and hold employees accountable for doing their job to begin with. Why should owners feel worse? By not holding people accountable to the clear level of expectation, an owner is training sloths!

When you as a leader look in the mirror, what do you see? Is it another trainer of sloths looking back at you? Or is it the person who is in charge of your team and in charge of your life? The choice is yours. Should sloths beware from this moment forward — or are they already running the zoo?



>>> He leased his property to that company for 30 years. It was a good decision for him and will provide him and my mother an income for the rest of their lives. I got to keep my tow trucks, and I rented a little office outside town. That would keep me alive.

While all of that was going on, I had negotiated a deal with a dealership group that had just lost their Pontiac, GMC and Jeep franchises. They had two beautiful brand-new buildings that were lying dormant. They were a little bit out of town but well positioned with good traffic count. We had been in negotiations for several months. I was set to move in July 1, 2010. The Exxon station was due to close in October 2010. I wanted to be in my new building for a couple of months before the station closed. That dealership group was a family business. We had one last meeting with the patriarch of the family, a fiery man in his mid-eighties who worked every day of his life and continued to be at the dealership every day. They had asked my dad to be there too since they needed him to sign a personal guarantee. I had actually negotiated a purchase of the property that was going to be owner financed. I also had an option to lease one or both buildings. The meeting started on a high note then quickly deteriorated. The

old man imposed conditions that we just couldn't make work and my dad got furious, and before you know it, we walked out of that office with no deal and no home.

The next day, there was a notice in the newspaper for a foreclosure sale at a property about a half mile away from our Exxon. I ended up going to the auction. The bank had the high bid because more money was owed on the property than it was worth. One of my good customers at the Exxon was the COO of the National Bank of Blacksburg, the bank that foreclosed the property. I gave him a call and the project was set in motion: I bought it from the bank for less than what was owed. My experience with ATI allowed me to write a business plan and project accurately in a manner that impressed not only the COO but the board of directors, too. They would have to approve the loans necessary for the project.

The property had several buildings on it, one of which had been used as a garage. Those buildings were kind of shabby, but we thought they would work. Turns out they didn't. The Town of Blacksburg had changed their approved uses for general commercial zoning to exclude auto repair without a conditional use permit. I began the process of

## Exercise and the Successful Business Owner

A series by Gary Siegel,  
Fitness Matters Gym



### HOW DO LOW-CARB DIETS WORK?

When carbohydrates are drastically restricted to a mere fraction of the amount found in the typical American diet, the body goes into a different metabolic state called ketosis, where it burns its own fat for fuel. Normally the body burns carbohydrates for fuel — this is the main source of fuel for the brain, heart and many other organs. A person in ketosis is getting energy from ketones, little carbon fragments that are the fuel created by the breakdown of fat stores. When the body is in ketosis, you tend to feel less hungry, and thus you're likely to eat less than you might otherwise.

In ketosis, your body changes from a carbohydrate-burning engine into a fat-burning engine. When you rely on the carbohydrate-rich items you might typically consume for energy, you leave fat stores just where they were before (alas, the hips, belly and thighs). But when you eat a low-carb diet, your fat stores become a primary energy source. The natural result is weight loss.

Please consult with your physician before starting any diet. This high-protein diet is only temporary, so be sure you have a transition plan for going back to a more balanced diet when you have reached your goal weight. And use the planned new balanced diet to maintain your weight loss.

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[garyksiegel@gmail.com](mailto:garyksiegel@gmail.com)

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getting a conditional use permit, which involved about six months' worth of planning commission meetings, design and review board and the Town Council. We had to demolish all but two buildings. Another setback.

We won approval to build and began the architectural phase, which took about nine more months. Our plans finally got approved and we began construction December 26, 2011. The project was supposed to have a six-month duration. It didn't. We faced many setbacks with ground water, underground fuel tanks, special soil testing, a slow architect and an even slower contractor. I didn't think we would ever get finished. But we finally did get finished, and we opened officially on October 1, 2012.

I never stopped going to ATI classes. I never stopped going to my 20 Group, and I attended two SuperConferences during the time I was closed. My coach Kevin Allen called me every week during the project and helped me through it. Thanks to ATI, I never gave up. And ATI never gave up on me.

I was closed from December 5, 2010, until October 1, 2012. Now I'm back and things are going good. We have our growing pains, but we are well on our way. **ATI**

# Your Available Training Programs for July and August 2013

## July 2013

Monday Tuesday Wednesday Thursday Friday Saturday/Sunday

|  |  |                                   |   |   |   |
|--|--|-----------------------------------|---|---|---|
| 1<br><b>Service Advisor</b><br>Part 1  | 2<br><b>Service Advisor</b><br>Part 1  | 3                                 | 4<br>July 4th   | 5   | 6/7   |
| 8                                      | 9                                      | 10<br><b>Shop Owner</b><br>Part 1 | 11<br><b>Shop Owner</b><br>Part 1   | 12<br><b>Shop Owner</b><br>Part 1   | 13/14   |
| 15<br><b>Service Advisor</b><br>Part 2 | 16<br><b>Service Advisor</b><br>Part 2 | 17                                | 18  | 19  | 20/21   |
| <b>Shop Owner</b><br>Part 3            | <b>Shop Owner</b><br>Part 3            | <b>Shop Owner</b><br>Part 3       |   |   |   |
| 22<br><b>Shop Owner</b><br>Part 4      | 23<br><b>Shop Owner</b><br>Part 4      | 24<br><b>Shop Owner</b><br>Part 2 | 25<br><b>Shop Owner</b><br>Part 2   | 26<br><b>Shop Owner</b><br>Part 2   | 27/28   |
|  |  |                                   | Los Angeles<br><b>Service Advisor</b><br>Part 2                                   | Los Angeles<br><b>Service Advisor</b><br>Part 2                                   |   |
| 29                                     | 30                                     | 31                                |  |  |  |

## August 2013

Monday Tuesday Wednesday Thursday Friday Saturday/Sunday

|   |  |   |   |   |       |
|---|--|---|---|---|-------|
|  |  |  | 1   | 2   | 3/4   |
| 5<br><b>Service Advisor</b><br>Part 1   | 6<br><b>Service Advisor</b><br>Part 1  | 7<br><b>Shop Owner</b><br>Part 1  | 8<br><b>Shop Owner</b><br>Part 1                | 9<br><b>Shop Owner</b><br>Part 1                | 10/11 |
| 12  | 13   | 14<br><b>Shop Owner</b><br>Part 3   | 15<br><b>Shop Owner</b><br>Part 3               | 16<br><b>Shop Owner</b><br>Part 3               | 17/18 |
| 19  | 20   | 21<br><b>Shop Owner</b><br>Part 2   | 22<br><b>Shop Owner</b><br>Part 2               | 23<br><b>Shop Owner</b><br>Part 2               | 24/25 |
|   |  |   | Los Angeles<br><b>Service Advisor</b><br>Part 2 | Los Angeles<br><b>Service Advisor</b><br>Part 2 |       |
| 26<br><b>Service Advisor</b><br>Part 2  | 27<br><b>Service Advisor</b><br>Part 2   | 28  | 29  | 30  | 31    |

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### Announcing

ATI's Jim Silverman will be attending the 2013 AAA/CAA Automotive Conference, *SOAR to New Heights*, on June 24-26, San Diego, CA. Stop by to visit at the ATI booth.

### Announcing Service Manager Course

June 13-14 and October 14-15 Randy A. Somers Sr., Instructor

*"Great class! Randy is informative, funny and a great instructor! I really enjoy it."*

The ATI Service Manager Course is built upon the foundation of ATI's Service Advisor Class. This course is geared toward service managers, general managers and owners of multiple locations. Come join me as we go through employee management, service order audits and setting up for success. I believe that at ATI we can help manage your business from a thousand miles away. This course is designed to teach YOU to do just that at your own shop. This two-day course is only offered four times a year so don't wait, **ENROLL Today!**\*

\*Please note the Service Advisor Part 1 and Service Advisor Part 2 courses must be completed before you attend the Service Manager class.

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