



Fixed Operations Digest

July, 2015

In this Issue

- Larry's Ramblings
- Flat Rate Pay Plans, It Is Time for a Change
- Upcoming Edwards & Associates College Courses

[Join Our Mailing List!](#)

Larry's Ramblings:

I'm astounded by the lack of common sense of many Dealerships. It's not "National Chain Dealers" or technology diminishing their profits. It is small thinking and bad habits. You need someone answering phones who has not had their personality surgically removed. You need to get back to callers within a few minutes (there's this invention called a "cell phone"). You need to listen and diagnose, not ignore and prescribe. You need to trust customers, not treat them as potential environmental hazards. I love the answering message that says *"this call may be recorded for quality control purposes"*; there is absolutely no way, anyone, is recording these calls for Quality Control purposes! If they were, you would see improvement!

You must teach your employees to listen to identify customer's wants before they get into their sales pitch. We mystery shop dealers every day and sometimes their staff just wouldn't shut up, they keep cutting us off, NO One is listening. Plus 20% of the time we cannot get anyone in the dealership to answer our calls!

Business success requires big thinking and an open mind.

"Great Managers Have Plans... Losers Have Excuses"

Larry Edwards

2. Or, they will do a thorough inspection but the (rookie) technician who performs the inspection does not know what they are looking at. As a result items that really need attention are not reported to the customer. Usually the customer ends up finding out from an Aftermarket Shop that the Dealer did not do their job.

Flat Rate Pay has created technicians who feel that they are independent contractors who are "renting" a stall from the dealership. This independent contractor mentality also places a tremendous burden on management; they must negotiate the Flat Rate time allowances that technicians feel is too low. Negotiating additional time slows down the entire repair process and creates a rift between technicians, writers, and management.

Flat Rate Shops generally dispatch work based on the "quality of the repair" assignment; so called "*gravy*" jobs usually get dispatched first and difficult jobs are dispatched after all the *gravy* has been handed out. This creates unhappy customers, increases free loaner car costs, and backs up the flow of work through the shop. Flat Rate also puts the Dealer in an un-competitive position when performing maintenance and light repair work. Service Managers are being asked to hold the line on gross profit margins, but, with a shop full of A-Level pay technicians they must either charge a rate that is not competitive or they must sell the job at a loss. This puts the average Service Manager in a no win situation.

Most aftermarket Shops pay their technicians a salary. The really good Aftermarket Shops also pay their technicians a bonus when a technicians' revenue generated reaches or exceeds a pre-set target, for example \$18,000 in total monthly revenue. Some shops have tiered bonus plan for example \$3500 revenue per week = \$200.00 bonus, \$4,000 revenue per week = \$450.00 bonus. These bonus plans are based on the individual technician's skill level and the type of work they do. For example the highest skilled technician has the highest hourly Pay Rate, but usually ends up doing diagnosis and complicated repairs so their bonus may be set at a lower dollar amount than, a technician who does mostly brake repairs all day.

Ask Yourself, if you were a technician working in an Aftermarket Shop being paid a salary with a performance bonus would you give that up to go to work in an Automobile Dealership being paid on Flat Rate? Have you ever wondered why your Service Department has not been able to hire technicians away from Aftermarket Shops? They do not want to work on Flat Rate!



Switching from Flat Rate to Salary

Switching your shop from Flat Rate to Salary is not as simple as changing pay plans... Unless, you like to create pain for yourself!

Remember the 5-P Rule... Proper Planning Prevents Poor Performance! The first item you must plan for is how you will maintain and or increase your shops current production. Remember, Flat Rate Pay relieves the manager from having to worry too much about production. Technicians have the responsibility to make sure they generate billable hours each day. If you want to get an idea of how well managers manage production of work in the shop take a look at how many hours the hourly lube technicians produce each week. Most dealerships hourly lube technicians produce at 25%.

Switching from Flat Rate to Salary with a good Production Management System in place could well be the recipe for disaster. Dispatcher is an essential position when you have salaried technicians. And, the dispatcher must be an individual who has the skills and knowledge needed to manage the flow of work into and out of the shop.

At Edwards & Associates

The 5 P's:

- Proper
- Planning
- Prevents
- Poor
- Performance