



**Edwards & Associates**  
 Consulting • Training • Research  
 Profitability Consultants to the Automotive Service Industry



## Fixed Operations Digest

January, 2016

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### Larry's Ramblings

As we speak, write, and otherwise communicate, I think we have to be honest with ourselves and speak the truth, not what we think others might want to hear (the proverbial "yes men" in the workplace). Great managers need to provoke, to stimulate, to cause others to question themselves. I've always welcomed questions and objections-even fairly hostile ones-as signs of interest in my points. It's apathy that's toxic.

I am not writing to seek agreement, I'm writing to force readers (or speaking to force audiences) to think and to challenge their own assumptions and values. If you disagree after that consideration, that's fine by me. But you don't need to tell me (or anyone else, like the six o'clock news anchor or a sports reporter).

***How are you communicating? Are you seeking affection or respect?***

[See What Our Customers Have to Say](#)

## Is your Department Structured For Profit?

You can train your staff until the **"Cows come home"**, but, if your department is not structured properly all the money you spend on training will be wasted. Consider this, a Service Advisor writing 20 repair orders every day does not have enough minutes in the day to complete all of the tasks associated with each repair order.

***The standard "business school" formula for staffing is; Tasks x Volume = Staffing***

If you take all of the tasks associated with writing a customer repair order and assign the amount of time required to properly perform each task you will discover that one repair order requires approximately 30 minutes to complete all of the tasks associated with writing the repair order. If an Advisor works an eight hour shift then the maximum capacity one Advisor can handle in one eight hour day would be 16 repair orders. Sixteen assumes that every repair order goes smoothly and that no customers will have a mile long list of items they want fixed and that no one needs the Advisor to ride with them and that there will not be any extended warranty companies or insurance companies to deal with. Do you get my point?

**Working Advisor's longer hours will not cure your problem.** Longer hours only causes employee work quality to decline.

What happens when an employee has a greater Volume of Tasks to perform than they have time to physically deal with? Let's take the Advisor; if they have more repair orders to deal with than they can physically handle they will only address the tasks that must be handled in order to get by.

Here is a list of the most common tasks not done by an Advisor when they are overloaded with customers.

- Walk-around's do not get done
- Vehicle History does not get checked
- Menus are not presented
- Additional needed services are not suggested
- Customer follow up while the vehicle is in process
- Quality Checks are not performed
- Next Maintenance Service Appointment is not set
- Customer is not contacted the next day to ensure their Satisfaction

Since many Service Managers do not understand how important structure is to their department, when a dealer asks the Service Manager why the above listed items are not being done the most common response is "They Need More Training"!

**Training will not give an employee more time to do their tasks.** Structure must be in place before you can hold your employee accountable to perform the tasks you expect them to do. There is no perfect structure because each business is different but here are a couple of guidelines we use when developing a recommended structure for our dealer clients.

One Service Advisor for every three technicians. The math is pretty simple, if three technicians work at 100% proficiency they would produce 24 billable hours each day. If the Advisor is limited to 12 repair orders per day they will need to sell an average of 2.0 hours per repair order in order to keep their technicians at 100% proficient. We also find that when the ratio of technicians to Advisors exceeds three technicians per Advisor the technicians always have low proficiency.

E&A also suggest you employ one Greeter for every two Advisors. If you look at the number of holiday, vacation and sick days one Advisor receives each year it works out to over one month out of twelve. Employing a Greeter ensures that you will have someone to fill in when your Advisor is off. Greeters should always be hired with the goal of them becoming Advisors. Additionally, Greeters can add the "*WOW FACTOR*" to every customer experience by greeting them promptly,

escorting them to the lounge or shuttle and assisting the Advisor by answering their phones when they Advisor is busy.

Studies show that customers are willing to pay as much as 20% more for the WOW. Having Greeters to back up Advisors increases sales per repair order and customer satisfaction.

**Organizational Structure is the single most important ingredient to any business success.**

Processes are vital, but, if your business does not employ a sufficient number of people to handle all of the tasks that your process requires your process will NEVER be followed.

Before you decide your employees need more training make sure your structure is correct!

## How Many Hours Must Your Service or Collision Department Produce in order to Generate 20% Net Profit on Labor Sales?

You would think this is the most basic part of any business, employ enough technicians to produce a profit, but we find that over 50% of the dealerships who attend our training do not have a sufficient number of technicians to produce a profit.

### Formula to determine Labor Sales Needed to Produce 20% Net Profit on Labor

$$\begin{array}{r} \text{_____} \text{ Total shop average expenses for one month*} \\ \div \text{_____} \text{ Current gross profit percent less 20 percentage points} \\ = \text{_____} \text{ Labor sales needed to generate 20\% net} \\ \text{(which is E\&A Guide)} \end{array}$$

\*Excludes cost of sales

Now that you know how many dollars in labor sales you need to achieve 20% net you should calculate the number of hours your shop needs to produce in order to achieve 20% net Profit.

$$\begin{array}{r} \text{_____} \text{ Total shop labor sales needed each month to achieve} \\ \text{20\% Net Profit} \\ \div \text{_____} \text{ Current Overall Effective Labor Rate} \\ = \text{_____} \text{ Billed Labor Hours Needed required to generate 20\%} \\ \text{net (E\&A Guide)} \end{array}$$

### Technicians Needed to Produce 20% Net Profit on Labor:

Average hours worked per day by one technician = 8.0

Average Work Days per month = 21

8 Clock hours per day  
 X 21 Work Days per month  
 = 168 clock hours per month per technician  
 X 90% proficiency  
 = 151.2 Billed Hours per month

\_\_\_\_\_ Billed hours needed to achieve 20% net profit

÷ 151.2 Billed Hours per month per technician at 90% Proficiency

= \_\_\_\_\_ Number of technicians needed to produce 20% Net Profit on Labor

Note for Collision shops the average number of billed hours per technician per month we use is 285.6. This is because E&A's guide for Collision technician is 170% proficiency  $8 \times 21 \times 170\% = 285.6$ .

If your shop does not employ enough technicians to produce the billed hours needed all the training in the world will not fix your problem.

This subject is covered extensively in my three day Service Manager and Collision Manager College Course.

## Edwards & Associates Fixed Operations Manager College

### Upcoming Classes:

**Parts Manager College Course... January 19 - 21, 2016** Charlotte NC for more information [Click Here](#)

**Service Consultant Advanced Selling Skills Course... February 9 & 10, 2016** Charlotte, NC for more information [Click Here](#)

**Service Manager College Course... March 15 - 17, 2016** Charlotte NC for more information [Click Here](#)

### [Executive Learning Resource for Top-of-the-Line Fixed Operations Managers or Those Who Want to Be](#)

A free monthly newsletter about Automobile Dealership Fixed Operations. Based upon the Consulting, Training and Research work done by Edwards & Associates and its Chairman, Larry Edwards CMC.

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