

How Much Monthly Labor Revenue Do You Generate From Each Stall?

By Larry Edwards

For years Dealerships have measured Service Managers performance based upon how many billed hours they can get a Technician to produce each day / week / month. This is referred to as Productivity, Efficiency and or Proficiency. Actually proficiency is the proper term, but that's a story for another article.

In any case, measuring a Manager's performance based upon what the Technicians can produce is missing the point of what a Service Manager should be accomplishing and that is maximizing the utilization of the facility he / she has to work with. It is easy for a Technician to be very proficient, when he has three stalls to work out of! But, the facility utilization in this case is only going to be 30% at best.

The aftermarket industry has always used facility utilization as the performance standard for their Managers. This is why you seldom ever see an aftermarket competitor build a shop with more than 10-stalls. And this is exactly why you see Dealers build service departments with 30, 40 even 50 stalls. The aftermarket competitors are doing the same amount of labor out of half the stalls as your average Dealership Service department. Why? It may be because we have been tracking the wrong thing, we've been tracking Technician's output when we should have been tracking stall output.

Last week I was doing market research for a manufacturer and we visited Meineke Mufflers, Goodyear, NTB, Sears and Pep Boys. In every interview, the Manager of these facilities told me they were held accountable for somewhere between \$17,000.00 and \$20,000.00 of labor revenue per stall per month. The Meineke Muffler Shop Manager impressed me with the fact that he only had six stalls and generated over \$130,000.00 per month in labor revenue. When I inquired as to how he did this he informed me that he had eight Technicians working in his six stalls. I asked him how he split up the flat rate times for each job and he said they pay their Technicians a salary and did pay flat rate. They price all work based on the All-Data Pricing Guide System and they do not worry about how much flat rate time a job pays. He does however pay his Technicians a bonus when the shop produces over \$110,000.00 in labor per month. The eight Tech's split a bonus of 10% of labor revenue generated over \$110,000.00. On average they get a monthly bonus of \$200.00 to \$400 per month each. Some months it has been as high as \$700.00 each

It was very interesting to watch how this Manager ran the production of this shop. He keeps a car in every stall and he keeps a car sitting outside of every stall waiting to be worked on. The Writer moves the cars to a staging area right outside each stall so the Technicians do not have to look for cars. He had two "floater" Technicians. The floaters were what we would term as a "C" or "D" level Tech. The floaters would pull a vehicle in while the Tech was road testing a finished job. I observed one floater assisting three different Techs on three jobs at the same time. He was constantly looking for an opportunity to hold something, take something off or put something on. He also would take their

version of a Multi Point Inspection Report to the Writer and clean up the stalls when a job was finished. Watching these eight people work out of six stalls was like watching a choreographed ballet. Obviously, these Technicians had been working together for some time and it was clear that they were focused not on "how much does this job pay" but on "how fast can we get this job done".

What can you learn from this? How about adding another measure of performance to your tracking system. Begin measuring how much labor revenue your stalls are producing each month. A Service Department with a \$110.00 labor rate should be generating approximately \$19,000.00 per month in labor sales for each stall in your shop. That includes alignment stalls, transmission stalls and oil change stalls. Remember a stall is a stall is a stall; they were built so that you can produce labor in them!

You know that old saying you cannot manage what you do not measure. I guarantee that you will improve your stalls labor generation when you begin measuring it.



Larry Edwards is the founder and Chairman of Edwards & Associates Consulting, Inc. E&A specializes in assisting auto manufacturers, auto dealers, and auto repair facilities in improving their results.

He can be contacted at 1-800-979-9904 or email at larry@edwardsconsult.com