



Evaluate Productivity Through Analysis of Comebacks

Every shop has comebacks. In the vast majority of cases, comebacks are time consuming and expensive. Shops experience comebacks for a variety of reasons:

1. The work wasn't done right.
2. The right work wasn't done.
3. The customer expected a different outcome.

Whatever the reason for the comeback, each comeback alerts you to something that needs attention or needs to be corrected to improve the productivity of your shop.

If the work wasn't done right, you need to determine:

- If the technician performed sloppy work, was not capable of performing the repair, or had some extenuating circumstance that affected his work.
 - How many times does work come back from each technician?
 - Is there a higher percentage of particular types of jobs that come back more often than others – shop overall and by technician?
 - If the technician was not capable, was it because of a lack of training?
- If there was a problem with the parts:
 - Were the wrong parts ordered, but used?
 - Were the wrong parts delivered, but used?
 - Did any parts fail?
 - Were all parts installed correctly?

- Were all the needed parts ordered?
- Did slow delivery result in the technician having to work too fast to complete the job on time?

If the right work wasn't done, you need to determine:

- If the customer forgot to request some of the work needed or wanted, or if the service manager failed to ask if there was anything else the customer wanted.
- If the technician performed a proper diagnosis of the stated problem to determine the actual cause of the problem and the repairs that were necessary to resolve the problem.

If the customer's expectations were not met, you need to determine:

- What expectations the customer had, whether those expectations were realistic, and if you are able to meet those expectations after the comeback.
- If the service manager explained what the customer could expect as a result of the requested services. Were any false expectations being promised?

While you never want to discount the concerns a customer may have, and you certainly want to use skill and diplomacy in handling a disgruntled customer, you need to focus most on whether the right work is being done, and whether the work done is right.

A **Productivity Analysis of Comebacks** form on the next page will help you analyze EVERY comeback. This form will also help you determine what the average comeback costs you – along with the number of comebacks per month.

Productivity Analysis of Comebacks

Perform an analysis of EVERY comeback.

Customer Name:	_____	Date of Comeback:	_____
Phone:	_____	Work Order #:	_____
VEHICLE: Make:	_____	Model:	_____
Type:	_____	Year:	_____
		Engine:	_____

Original Problem / Service request: _____

Original Repair / Service Performed: _____

Technician Assigned: _____

Original Total Revenue:	\$	_____
Original Total Cost:	-\$	_____
Original Gross Profit:	= \$	_____

Comeback Complaint: _____

Action Taken to Resolve Comeback: _____

Technician Assigned: _____

Credits or Refunds Issued to Customer:	\$	_____
Total Cost of Additional Labor:	+	\$ _____
Total Cost of Additional Parts:	+	\$ _____
Additional Charges to Customer:	-	\$ _____
Total Cost of Comeback:	=	\$ _____

Evaluate Productivity Through Repair Order Profitability

Too often, shop owners discover problems too late in the month to make needed adjustments. The **Repair Order Profitability** form will enable you to track your overall shop profitability as individual transactions take

place — and make any necessary adjustments the same day. It will also enable you to see which technicians are helping you generate the most profit. At the end of each day, complete a *Repair Order Profitability* form on at least 25% of the jobs for each technician that went through your shop that day. You'll then know if you need to make adjustments.

Repair Order Profitability

Repair: _____ Date: _____	
Repair Order #: _____ Technician: _____	
<p>\$ _____ Labor Revenue - \$ _____ Labor Cost = \$ _____ Labor Gross Profit ÷ \$ _____ Labor Revenue = _____ % Labor Gross Profit % <i>Goal is 60% of Labor Revenue</i></p>	<p>\$ _____ Labor Revenue + \$ _____ Parts Revenue + \$ _____ Sublet Revenue = \$ _____ Total Revenue</p>
<p>\$ _____ Parts Revenue - \$ _____ Parts Cost = \$ _____ Parts Gross Profit ÷ \$ _____ Parts Revenue = _____ % Parts Gross Profit % <i>Goal is 60% of Parts Revenue</i></p>	<p>\$ _____ Labor Cost + \$ _____ Parts Cost + \$ _____ Sublet Cost = \$ _____ Total Cost</p>
<p>\$ _____ Sublet Revenue - \$ _____ Sublet Cost = \$ _____ Sublet Gross Profit ÷ \$ _____ Sublet Revenue = _____ % Sublet Gross Profit % <i>Goal is 35% of Sublet Revenue</i></p>	<p>\$ _____ Labor Gross Profit + \$ _____ Parts Gross Profit + \$ _____ Sublet Gross Profit = \$ _____ Total Gross profit</p>
<p>\$ _____ Total Revenue - \$ _____ Total Cost = \$ _____ Total Gross Profit ÷ \$ _____ Total Revenue = _____ % Total Gross Profit % <i>Goal is 55% of Total Revenue</i></p>	<p>\$ _____ Total Revenue - \$ _____ Total Cost = \$ _____ Total Gross Profit ÷ \$ _____ Total Revenue = _____ % Total Gross Profit % <i>Goal is 55% of Total Revenue</i></p>

Eliminate Critical Failure Factors

Just as there are *Critical Success Factors* for both your Labor Sales Division and your Parts & Sublet Sales Division, there are also *Critical Failure Factors* — aspects of your business that, when ignored or mismanaged, will rob you of your well-deserved profits.

The following are the most common *Critical Failure Factors* that create problems for Service Center owners:

- Succumbing to any of the profit eating time losses.
- Over-compensating technicians for the level of work they perform — costs are too high.
- Allowing “fear of customer complaint” to result in setting too low of a shop labor door rate.
- Not maintaining the proper margins on labor (60%), parts (60%), and sublet (35%).
- Not understanding that you are in the time-selling, labor business; not the parts business.
- Spending \$1.00 worth of valuable time trying to save 10¢ on a part.
- Not understanding that your labor sales must cover your Labor & Operating Overhead in order to make a consistent profit.
- Not knowing the Bay Efficiency Rate necessary to meet your Labor & Operating Overhead.
- No full-time, dedicated Service Advisor.
- No business plan.
- No shop meetings with all shop staff.
- Poor customer communications (not using CCFs)— particularly in terms of selling additional work needed and increasing ticket average.
- No customer retention program.
- Not understanding that, even under the best of circumstances, at least 4% of your customer base will leave every year. No new customer marketing program to constantly bring in new customers to replace those that are leaving and building a stronger customer base.
- Wearing 26 hats and not dedicating the right amount of time and effort to manage the business — never taking the time to do the things that will ensure a successful future.
- Allowing technicians to run you instead of you managing your technicians.
- Failing to budget (and collect) a salary for the management job you perform in your own shop.
- Treating profit as “what’s left over after all the bills are paid” instead of “a necessary expense of doing business.”

**What you fail to do
can cost you as much
or more as the things
you do wrong.**

**How to Improve Income
(Net Profit Before Taxes)**

GOAL: 20% pre-tax income.

With an average of 3% going to the bottom line, if a shop produces \$600,000 in revenue, the shop owner is making only about \$18,000 in profit a year (\$1,500 a month). That's not much profit for a year's worth of risk-taking work. The bottom line is: to be profitable, you need to bring at least 10% of your annual revenue to the bottom line. To enjoy the fruits of your labor, you need to reach the goal of 20%. There are three basic ways in which you can increase your bottom line income:

- **Sell more**

Increase your average ticket by using Customer Communication Forms (CCFs) in the manner covered in the

earlier *Learn to Earn* issues on customer satisfaction. Also increase your Bay Efficiency Rate and technician productivity so you can sell more billable hours.

- **Sell smarter**

Sell your labor at a 60% margin (*150% mark-up of labor cost*), parts at a 60% margin (*150% mark-up of parts cost*), and sublet at a 35% margin (*54% mark-up of sublet cost*).

- **Reduce expenses**

Review all expenses to determine if they are appropriate for your business as it is today. Also, keep a close eye on waste in all areas of the business. As the chart below indicates, even a wasted postage stamp can have significant revenue ramifications.

Gross Revenue Needed to Recover Waste and Losses

To Cover the Loss Of	Revenue Needed At 2% Income (Net Profit)	Revenue Needed At 3% Income (Net Profit)	Revenue Needed At 10% Income (Net Profit)	Revenue Needed At 20% Income (Net Profit)
37¢ Postage Stamp	\$18.50	\$12.33	\$3.70	\$1.85
\$1.00 Cash Theft	\$50.00	\$33.33	\$10.00	\$5.00
\$5.00 Damaged Part	\$250.00	\$166.67	\$50.00	\$25.00
\$20.00 Uncollected Bill	\$1,000.00	\$666.67	\$200.00	\$100.00
\$100.00 Parts Shortage	\$5,000.00	\$3,333.33	\$1,000.00	\$500.00
\$2,500 Excess Payroll	\$125,000.00	\$83,333.33	\$25,000.00	\$12,500.00

Marketing Your Business How to Gain and Retain Valuable Customers

Now that you have taken steps to improve your customer communications and manage the work productivity and financial management of your shop, it's time to aggressively market your business to gain new customers and retain your existing customers.

The remainder of this issue will discuss the marketing issues you need to address. The next few issues will provide you with the tools and templates to develop marketing and sales materials at a very low cost to you.

Customer Imperatives

There are three Customer Imperatives you must fulfill in order to maintain a consistently profitable shop:

1. Acquire new customers

In the section on how to increase profitability we pointed out that, in a major consumer study on why customers quit doing business with a particular company, the results showed that:

- 1% Die
- 3% Move away
- 5% Do business with friends
- 9% For competitive reasons
- 14% Product dissatisfaction
- 68% Poor treatment by the company

Consistently successful and growing service centers engage in new customer acquisition programs throughout the year — every year.

No matter how good you are at satisfying customers, you will lose 4% - 9% of your customers every year.

2. Satisfy and retain existing customers

Customer retention is either costing you or paying you. It can be hard to believe that, with all the hard work and effort that goes into operating a profitable business, retaining

customers can have the biggest impact on your bottom line. Unfortunately, many service center owners simply refuse to look at it.

As one owner said, *“With all I do to make this business work, there’s no way that being concerned about customer satisfaction can make that much difference.”* What service center owners like this one don’t realize is that customer satisfaction can make the difference between surviving and succeeding.

Companies don’t buy TV commercials, newspaper ads, and magazine ads emphasizing customer satisfaction because they simply want to be nice. They are spending hundreds of millions of dollars working to satisfy customers because it is paying them back billions in profits.

3. Increase business with existing customers

One of the most overlooked areas of building a highly profitable shop is increasing the dollar amount of business with existing customers.

“Retained customers increase purchases over time.” That was the finding of an extensive study by *Harvard Business Review*. The study also revealed that, **“Companies with long-time customers can often charge more for products and services.”** This is particularly important when analyzing the appropriate time to raise your labor door rate and how much to raise it.

The more customers you retain, the easier it will be to increase your labor door rate to ensure that you make the profit goal of a 60% gross margin on labor sales we covered in earlier **Learn to Earn** issues.

30 – 50 year old customers spend an average of \$1,000-\$1,250 per year on vehicle service and repairs. 50 and older customers spend an average of \$1,400 - \$1,800 per year. Combined, customers spend an average of about \$1,250 - \$1,500 per year on vehicle service and repairs.

Retaining customers by providing top quality service and excellent customer service are not only necessary to succeed, but also necessary to survive.

It is not enough to simply wait or hope for retained customers to spend more. You need to aggressively solicit their purchase of more of your services. One important way this is accomplished is by evaluating customers' vehicles and selling needed additional work using the Customer Communication Forms (as covered in Volume 1, Segment 3 of ***Learn to Earn***). Another important way this is accomplished is by promoting discounts and specials that will stimulate customers to do additional business with you on a regular basis.

It is well worth reviewing the value of existing customers and the cost of losing valued customers as covered in earlier ***Learn to Earn*** issues on how to increase profitability through customer satisfaction.

This segment of ***Learn to Earn*** is designed to address all three of the *Customer Imperatives*. We will expand on the customer communication and customer satisfaction techniques covered in Volume 1, Segment 3. It will provide you with the business building strategies, programs, tools and techniques for gaining new customers, retaining existing customers, and increasing the revenue you generate from existing customers.

If you have a customer base of 700 customers, with each customer spending an average of \$1,500 per year, losing 4% to 9% of your customers each year costs you \$42,000 to \$94,500 in lost revenue.

In the next few issues, we will cover:

1. Creating a service center company brochure
 - History of the business
 - Customer satisfaction statement
 - Commitment to customers
 - Services offered
 - Warranty information
 - New customer specials
 - Profile of the staff
2. Retaining customers through customer satisfaction
 - Customer Satisfaction Follow-up Program
 - Conducting telephone follow-up
3. Pricing for Discounts and Specials
 - Maintaining profit margins
 - Pricing strategies for promotions
4. Promotional Programs to Generate New Customers
 - Quarterly Specials Program — with an At-the-Pump Inspection Program for service stations.
 - Customer+Plus Program
 - Business Customer+Plus Program
 - Small Fleet Service Program
 - Facility Audit
 - Promotional Planning Calendar

You will be able to develop your preliminary information for each of the business building programs covered. You will then have enough information and promotional templates to go to a local printer to have your promotional materials produced.

Business Improvement Assignment

Begin analyzing every comeback in your shop. After 3 months, go over the results with your staff to point out the problem areas. Ask for their input on how to make needed improvements.

Begin taking 25% of your repair orders and evaluating their profitability for your shop. Use the Repair Order Profitability form on page 3.

Use shop meetings to discuss the Critical Failure Factors. Ask your staff for their ideas on how to avoid or correct their failure factors.

Review Quiz

Answers to quiz at the bottom of this page.

Volume 4, Segment 1

Circle Your Answers

1. Comebacks always occur because the work wasn't done right.
A) True
B) False
2. If your shop makes the national average of 3% net profit, how much gross revenue will it take to cover the cost of a 37¢ stamp:
A) \$3.70
B) \$18.50.
C) \$12.33.
3. Conducting a Repair Order Profitability analysis on 25% of your jobs will enable you to see which technicians are helping you generate the most profit.
A) True
B) False
4. Common Critical Failure Factors include:
A) Spending \$1.00 worth of valuable time trying to save 10¢ on a part.
B) Allowing technicians to run you instead of you managing your technicians.
C) No business plan.
D) All of the above
E) None of the above
5. Increasing business with existing customers is one of the three Customer Imperatives.
A) True
B) False

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- Complete the above quiz by circling your answers.
- Completely fill out the information below:(Please print. Information must be legible to receive credit)

Account Name: _____ Date: _____

TSP Account #: _____ Phone Number: _____

- Fax this page to the following number 1-800-550-2654.
- Keep for your records.

Review Quiz Answers: 1B / 2C / 3A / 4D / 5A