



## Evaluate & Improve Service Center Performance

Using the formulas covered in the last four issues of *Learn To Earn*, you can conduct and analysis of your shop's performance and make the needed profit improvements.

The following is a sample evaluation and improvements made by an actual service center over a 6 month period. Improvements were made by increasing the labor rate from \$60 to \$65, increasing the parts margin from an average 52% to 60%, and increasing bay productivity by 15 minutes per bay per day.

**Increased profit from raising just the labor door rate from \$60 to \$65 per hour average:**  
*(Dollar Amount of Door Rate Increase x Number of Billed Hours in the Period)*

	JAN	FEB	MAR	QTR 1	APR	MAY	JUNE	QTR 2	6 MONTH
10	406	378	495	1,279	525	505	485	1,515	2,794.0
	x \$5	x \$5	x \$5	x \$5	x \$5	x \$5	x \$5	x \$5	x \$5
	\$2,030	\$1,890	\$2,475	\$6,395	\$2,625	\$2,525	\$2,425	\$7,575	\$13,970

NOTE: The additional 8% margin on parts also drops to the bottom line.

### Bay Efficiency Rate (Actual vs. Needed):

**\$60 door rate:**

	JAN	FEB	MAR	QTR 1	APR	MAY	JUNE	QTR 2	6 MONTH
16 Bay Efficiency Rate	38%	39%	45%	41%	50%	49%	46%	48%	45%
17 Needed Bay Efficiency Rate	40%	44%	52%	46%	54%	57%	56%	56%	51%

**6 pts short**

**\$65 door rate + 60% parts margin + 15 minutes per bay per day increased production:**

	JAN	FEB	MAR	QTR 1	APR	MAY	JUNE	QTR 2	6 MONTH
16 Bay Efficiency Rate	41%	43%	48%	44%	53%	52%	49%	51%	48%
17 Needed Bay Efficiency Rate	40%	43%	45%	43%	47%	51%	50%	49%	46%

**2 pts ahead**

### Billed Hours Per Bay Per Day (Actual vs. Needed):

**\$60 door rate:**

	JAN	FEB	MAR	QTR 1	APR	MAY	JUNE	QTR 2	6 MONTH
73 Average Billed Hours PER BAY Per Day	3.08	3.15	3.59	3.28	3.98	3.91	3.67	3.85	3.57
74 Needed Billed Hrs PER BAY Per Day	3.23	3.56	4.14	3.65	4.32	4.55	4.45	4.44	4.05

**29 minutes short between Actual and Needed**

**\$65 door rate + 60% parts margin + 15 minutes per bay per day increased production:**

	JAN	FEB	MAR	QTR 1	APR	MAY	JUNE	QTR 2	6 MONTH
73 Average Billed Hours PER BAY Per Day	3.31	3.43	3.84	3.53	4.24	4.16	3.93	4.11	3.82
74 Needed Billed Hrs PER BAY Per Day	3.16	3.48	3.59	3.41	3.76	4.08	3.99	3.94	3.68

**8.4 minutes ahead between Actual and Needed**

**Shop Ticket Average:**

**\$60 door rate:**

	JAN	FEB	MAR	QTR 1	APR	MAY	JUNE	QTR 2	6 MONTH
20 Shop Ticket Average	256.06	245.47	186.50	220.91	225.47	192.20	169.53	193.98	\$ 205.37

**\$65 door rate + 60% parts margin + 15 minutes per bay per day increased production:**

	JAN	FEB	MAR	QTR 1	APR	MAY	JUNE	QTR 2	6 MONTH
20 Shop Ticket Average	302.06	293.12	221.81	262.38	262.28	219.66	199.23	225.07	\$ 240.85

**\$35.48 more per ticket**

**Income/Profit (Loss):**

**\$60 door rate:**

	JAN	FEB	MAR	QTR 1	APR	MAY	JUNE	QTR 2	6 MONTH
55 Labor Revenue Only Income/Profit (Loss)	(1,258)	(2,938)	(4,540)	(8,736)	(2,740)	(4,940)	(6,140)	(13,820)	(22,556.0)
56 Total Shop Income/Profit (Loss)	8,992	6,712	8,360	24,064	11,830	9,310	6,310	27,450	51,514.0

**\$74,070 possible**

**\$65 door rate + 60% parts margin + 15 minutes per bay per day increased production:**

	JAN	FEB	MAR	QTR 1	APR	MAY	JUNE	QTR 2	6 MONTH
55 Labor Revenue Only Income/Profit (Loss)	1,242	(338)	2,178	3,082	4,115	685	(485)	4,315	7,397
56 Total Shop Income/Profit (Loss)	15,542	13,312	20,953	49,807	23,585	18,410	16,815	58,810	108,617

**\$108,617 possible**

**True Billing Rate vs Labor & Operating Overhead Rate:**

**\$60 door rate:**

	JAN	FEB	MAR	QTR 1	APR	MAY	JUNE	QTR 2	6 MONTH
23 True Shop Billing Rate (Labor Rev. Per Hour Open)	23.07	23.63	26.90	24.60	29.83	29.36	27.56	28.91	\$ 26.76
24 Labor & Operating Overhead Rate (Cost Per Hour Open)	24.26	26.69	31.01	27.40	32.42	34.15	33.37	33.31	\$ 30.36

**\$3.60 shortage PER HOUR**

**\$65 door rate + 60% parts margin + 15 minutes per bay per day increased production:**

	JAN	FEB	MAR	QTR 1	APR	MAY	JUNE	QTR 2	6 MONTH
23 True Shop Billing Rate (Labor Rev. Per Hour Open)	26.86	27.90	31.18	28.70	34.43	33.84	31.96	33.41	\$ 31.07
24 Labor & Operating Overhead Rate (Cost Per Hour Open)	25.68	28.25	29.20	27.72	30.53	33.18	32.42	32.04	\$ 29.88

**\$1.19 ahead PER HOUR**

**When labor costs remain the same,  
any increase in labor door rate drops  
directly to the bottom line – PROFIT!**

**Evaluate Owner and Manager Performance**

There is a lot to accomplish in your job as an owner or manager. The following is a checklist to help you see how you're doing.

Make several copies of the checklist on the next page and retake it every three months to identify where you are doing well and where you need to improve. If you are brave enough, you can ask your staff to evaluate your performance using the same checklist.

## Service Center Owner / Manager: "How Am I Doing?"

Rate your performance in each area on a scale of 1 (Never) to 10 (Always). Answer honestly. This is a self-improvement tool.

	<b>Never</b>	<b>Always</b>
1. I treat profit as "a necessary expense of doing business" instead of "what's left over after all the bills are paid."	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
2. My salary for the job I perform in my shop is within the going rate in my market.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
3. I focus on selling labor instead of selling parts.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
4. I track my shop's Billed Hours Per Bay daily?	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
5. I am achieving a 60% or higher margin on labor sales each month.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
6. I am managing the "time bandits" effectively.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
7. Our labor door rate is in line with OEMs in our market.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
8. We honestly and ethically increase our Shop Ticket Average quarterly.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
9. I am achieving a 60% or higher margin on parts sales each month.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
10. I am setting aside profit funds for retirement every month.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
11. I am setting aside profit funds for the future growth of the shop every month.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
12. I have established and manage Minimum Standards of Production for technicians.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
13. We have a Parts Management System that processes returns and cores out of the shop daily.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
14. We consistently maintain a 6 times or higher Inventory Turn Rate.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
15. I rely on my parts vendor(s) to help me manage my inventory.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
16. I analyze shop productivity and review production needs with my staff weekly.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
17. I evaluate Technician Productivity on a quarterly basis.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
18. I perform a Repair Order Costing analysis daily.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
19. I analyze every comeback.	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
20. We are constantly reducing or eliminating the <i>Critical Failure Factors</i> .	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10

## Owner / Manager Self-Improvement Plan

Select 5 items where you scored less than 8 points and develop an improvement plan for each item.

ITEM # (\_\_\_) IMPROVEMENT: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ITEM # (\_\_\_) IMPROVEMENT: \_\_\_\_\_  
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ITEM # (\_\_\_) IMPROVEMENT: \_\_\_\_\_  
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ITEM # (\_\_\_) IMPROVEMENT: \_\_\_\_\_  
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ITEM # (\_\_\_) IMPROVEMENT: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Once you have implemented these five improvements, select five more items for improvement. Continue this process until all items can be scored 8 or higher.

### Evaluate Service Advisor Performance

There is also a lot for Service Advisors to accomplish in their job. The following is a checklist to help you see how your Service

Advisor(s) is doing. Both you and your Service Advisor(s) need to complete the following checklist. Retake it every three months to identify where your Service Advisor(s) is doing well and where improvement is needed.

## **Service Advisor “How Am I Doing?”**

Rate your performance in each area on a scale of 1 (Never) to 10 (Always). Answer honestly. This is a self-improvement tool.

	<b>Never</b>	<b>Always</b>
1. I ask diagnostic questions until I understand a customer’s problem.	1 2 3 4 5 6 7 8 9 10	
2. I suggest additional services when they will help a customer avoid a problem later.	1 2 3 4 5 6 7 8 9 10	
3. I am prepared for the next job before a technician completes the current job.	1 2 3 4 5 6 7 8 9 10	
4. I keep my knowledge of automotive systems up to date.	1 2 3 4 5 6 7 8 9 10	
5. I focus on solving a customer’s problem instead of just trying to sell service work.	1 2 3 4 5 6 7 8 9 10	
6. I answer the telephone by the second ring.	1 2 3 4 5 6 7 8 9 10	
7. I use the Customer Communication Forms on every service transaction.	1 2 3 4 5 6 7 8 9 10	
8. I check the shop regularly during the day to make sure it is neat, clean and safe.	1 2 3 4 5 6 7 8 9 10	
9. I focus on resolving a customer’s complaint instead of trying to find fault.	1 2 3 4 5 6 7 8 9 10	
10. I use diagrams when describing, explaining and selling work to customers.	1 2 3 4 5 6 7 8 9 10	
11. I assign jobs to the most qualified technicians for those jobs.	1 2 3 4 5 6 7 8 9 10	
12. I keep promises I make to customers.	1 2 3 4 5 6 7 8 9 10	
13. I make sure service work orders are completely filled out and legible.	1 2 3 4 5 6 7 8 9 10	
14. I start and end each day with a list of what I need to do for customers.	1 2 3 4 5 6 7 8 9 10	
15. I ask customers to buy solutions that will help them get the results they want.	1 2 3 4 5 6 7 8 9 10	
16. I offer to help my fellow team members.	1 2 3 4 5 6 7 8 9 10	
17. I keep my paperwork in order and accurate.	1 2 3 4 5 6 7 8 9 10	
18. I check with technicians during a job to verify the work is actually being performed.	1 2 3 4 5 6 7 8 9 10	
19. I maintain a positive attitude and don’t complain about customers, team members or management.	1 2 3 4 5 6 7 8 9 10	
20. I take a test drive with all complaining customers before they leave the shop with their vehicle.	1 2 3 4 5 6 7 8 9 10	

	<b>Never</b>	<b>Always</b>
21. I place taking care of customers above performing other tasks I need to get done.	1 2 3 4 5 6 7 8 9 10	
22. I don't eat, chew gum, smoke or drink beverages while waiting on customers.	1 2 3 4 5 6 7 8 9 10	
23. I communicate with customers with as little technical language as possible.	1 2 3 4 5 6 7 8 9 10	
24. I greet customers with a smile as soon as they come into the shop – even when I'm waiting on another customer.	1 2 3 4 5 6 7 8 9 10	
25. I ask team members for help when I'm not sure what is the best solution for a customer.	1 2 3 4 5 6 7 8 9 10	

### **Service Advisor Improvement Plan**

Select 3 items where you scored less than 8 points and develop an improvement plan for each item.

ITEM # (\_\_\_) IMPROVEMENT: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

ITEM # (\_\_\_) IMPROVEMENT: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

ITEM # (\_\_\_) IMPROVEMENT: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Once you have implemented these three improvements, select three more items for improvement. Continue this process until all items can be scored 8 or higher.

### **Business Improvement Assignment**

Perform an analysis of your shop's performance. Using your shop's numbers, project potential annual increase in profit if you were to increase your labor door rate and parts margin by 5%. (Refer to the *Law of 15% Perceptible Change* in

Vol 3 Seg 1, page 3.) Also implement both the Owner/Manager and Service Advisor "How Am I Doing" evaluations and improvement plans.

In a weekly shop meeting:

- Review progress of improvement assignments made to staff members.

## Review Quiz

Answers to quiz at the bottom of this page.

### Volume 3, Segment 3

#### Circle Your Answers

1. In the sample evaluation, increasing the door rate to \$65, the parts margin to 60% and adding 15 minutes increased productivity per bay per day shifted the Bay Efficiency Rate by:  
A) 4 percentage points  
B) 8 percentage points  
C) 6 percentage points
2. In the same evaluation, the three changes in performance increased the shop ticket average by:  
A) \$35.48  
B) \$22.76  
C) \$47.85
3. When labor costs remain the same, an increase in labor door rate will drop to bottom line profit, but not an increase in parts margin.  
A) True  
B) False
4. Owner/Manager and Service Advisor performance self-evaluations should be conducted every three months.  
A) True  
B) False
5. The goal of Owner/Manager and Service Advisor performance improvements is to get every item on the checklist to:  
A) 4 or higher.  
B) 6 or higher.  
C) 8 or higher.

**The next issue of *Learn To Earn* will discuss evaluating technician productivity in depth.**

#### **Don't miss out on 25 TSP bonus points! Here is how to add 25 TSP bonus points to your account!**

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

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- Fax this page to the following number 1-800-550-2654.
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