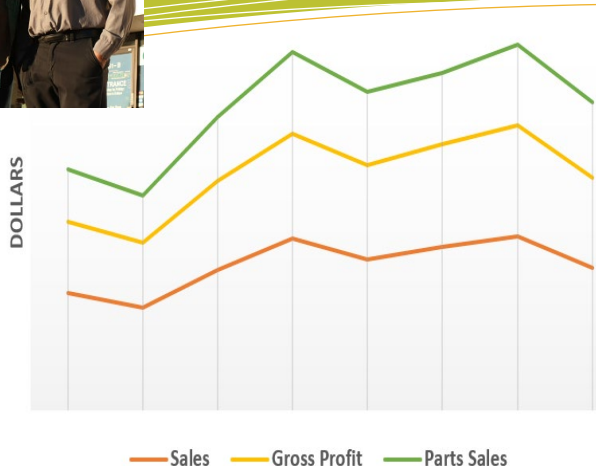


# Case Study

# 01

August 2022



## Owner's Corner

Edgar and Renee began Aurora AutoPros themselves, and grew the team over time to a total of six employees. (They will soon be growing again I expect!) Over this time Edgar would tell you that he's faced many more challenges than he ever expected, but continues to live the quality of life (almost) he was aiming for.

At some point Edgar decided that he wanted to find help to fill in the knowledge gaps he had when running a business.

### Why Seek Help?

There are a number of reasons to seek help growing your automotive repair shop. The accountability factor alone is what many shop owners point to as a success factor. Never assume you know everything! Reaching out to other shop owners, becoming a member of a 20 Group, hiring a coach, or engaging in a Virtual

## this study

Executive Summary **P.1**

Goals and Execution **P.2**

Results **P.3**

## Executive Summary

Over the study period of Sept 2020 to July 2022, Aurora AutoPros shows an average monthly sales increase between 2020 and 2021 of 26% with another 3% between January 2021 and July 2022. Average monthly parts sales increased 37% between 2020 and 2021 with another increase of 5% between January 2021 and July 2022.

Shop Gross Profit showed similar trends with a Sept – Oct year over increase of 28% with another added increase of 6% for the period of Jan – July 2022. Although the data set is a bit awkward to work with for comparison until Dec of 2022, the total period average sales increase was 45%. Gross Profit increased 40% during this total period, and Parts sales increased 20%.

Aurora AutoPros contacted us via their AAP Commercial Account Manager (CAM) in August of 2020. The owner was interested in growing the business, increasing profitability, streamlining workflow, and improving management skills. In September of 2020 this shop was a 3 technician, two Service Advisor, four bay, leased repair shop. Over the period of study a fourth technician was added for oil changes, and a Service Advisor was let go.

During the study period the number of technicians stayed steady with brief fluctuations in the total number due to job changes. When technician levels dropped below three, the owner would step in and conduct diagnostics and produce billable hours to maintain the KPI's.

The entering of KPI's on a daily basis is somewhat challenged in this case by the owner working more in the organization, than on the organization. This is due to the current technician skill level, having a single service advisor, and a shop culture that had developed over the years. The days where entering the new numbers will create a positive forecast, it's easy to enter the numbers. The days when the new daily numbers will lower the monthly goal period forecast are more challenging to input of the numbers.

Over time an understanding of production capacity, gross profit, and their relationship to overall sales has been established. Even with the same technician base (the one tech who left, came back eventually) business has grown through a focus on Goal Setting, Daily Production, and communication of expectations. The hiring process has so far failed to improve the technician skill level, so the organization continues to lean on training and reinforcement.

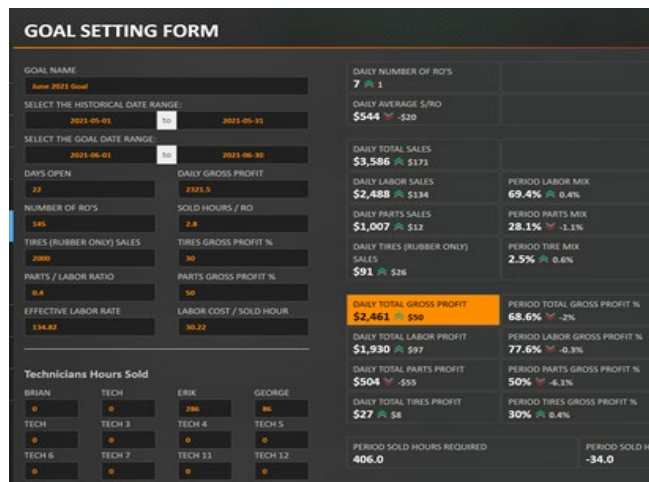
## Principles for Management Success

Managing people is one of the toughest things to learn.

Diagnosing and repairing automobiles can be a logical process that ends with expected results. Managing employees requires patience, time, intuition, and a tool set that must be learned.

Managing people is never easy, and it hasn't been for Edgar either. There will always be constant surprises, unexpected challenges, personalities to manage and a need to cover for a sick employee. Edgar has exemplified patience and understanding, while staying firm on how things are to be done so that consistency could be established. The frustrating thing about managing people is that just when you think they have it, and they're doing well, they go back to their old ways! This is life at the management level and Edgar has slowly learned to manage a wide assortment of personality types.

When hiring replacements for your existing employees just isn't possible, you've got to adjust, be creative, and work with what you have. This is probably what Edgar has done the best with his organization. Out-of-the-box thinking allows the organization to be productive and thrive in less-than-ideal conditions.



## Goals and Execution of Plans.

Virtual Coaching works by focusing on real goals and implementing proven process.

The increase in revenue, gross profit, and parts sales experienced by Aurora AutoPros has been hard won success. Being able to overcome small and large management challenges, working with the skill level present in the absence of new technicians, and pushing through multiple rounds of Covid, employee illness, and vacations is never easy. Most of the success experienced came through an increased understanding of how the many variables of an automotive repair shop interact to create revenue and gross profit.

As in most repair shops, high levels of customer happiness are not enough. A recognition has to be present that you get paid for time. This most precious resource must not be given away, nor needlessly consumed. Time is the resource that lets all goals be accomplished. It affects revenue, customer scheduling, employee schedules and more.

Because Aurora AutoPros needs to pay more than one technician hourly, this creates a situation where incentive programs are used to drive production. With limited skill set much of the diagnosis is performed by the owner and another technician who is offered a "guarantee" to offset time that he may lose. This system has worked to increase the number of billable hours produced in the shop, but is far from ideal.

**“Gross Profit allows an organization to invest in its future success.”**

The only way to ensure high enough levels of gross profit that a second Service Advisor can be hired is to increase revenue, while paying close attention to the accuracy of the Parts Matrix, and being very intentional about who does the actual work on the automobile.

The understanding that gross profit comes from revenue less parts cost and what the technician is paid for the job has helped the service counter monitor each individual repair order and recognize which jobs are higher in gross profit and which are significantly lower. The result has been the turning away of certain "big" jobs such as engine rebuilds that consume time, but rarely result in higher gross profits. This then made room for customers requesting other work. They are also able to make small changes to estimates that protect gross profit but do not limit the ability to sell the job.

The Goal Setting process has visually demonstrated for the owner, and select employees, the real effect certain metrics have on the month-end results. Moving from a culture of "let's see what comes in" to one of "let's closely control marketing, scheduling, and repair orders" to achieve results has brought success to Aurora AutoPros.



## EYE ON IT Important Industry Metrics

Gross Profit – ensures you have the money for payroll and equipment.

Gross Profit Percentage – to ensure Gross Profit dollars, always strive to have a 65% Total Gross Profit on EVERY ticket written.

Hours per RO – this number influences your Gross Profit greatly. You make more money on labor than parts. A difference of just 0.5 hours on every repair order relates to making, or losing, \$200,000 each year in sales!

## SOFTWARE Service Management Systems

When you look at switching up your Service Management System pay special attention to those functions that make your day easier. What is the reporting like? Can you track, and access, the data that helps you make decisions? Will it increase the efficiency of workflow at your service counter?



## Exciting Results

Aurora AutoPros has achieved significant growth over the study period with most of that growth front loaded in the first 12 months. The most significant increases occurred in these areas:

- **\$20,000** increase in Average Monthly Sales.
- **\$12,000** increase in Average Monthly Gross Profit.
- **\$12,000** increase in Average Monthly Parts Sales.
- **The ability to purchase alignment equipment.**

The aforementioned increases in KPI's were accomplished without additional technicians until the very end of the study period when a lube tech was hired.

The Shop Owner now has the ability to create his own monthly goals with a strong understanding of the factors affecting Total Sales, Gross Profit, and Margin % for both Labor and Parts.

This understanding has not only led to an increase in performance metrics, but has resulted in the purchase of new equipment and

a formal marketing program – all of which further drives business upward.

The overall goal, along with continuing to increase key metrics, will be to improve the shop skill set and total shop productivity. Due to market dynamics, the purchase of a shop is only a dream for now, so the Exit Strategy requires bringing Net Profit high enough each year to fund the owner's exit.

Edgar and Renee will continue to strive for a culture of production and teamwork as their future

## This Month's Q&A Growth Tips

### Q: How do I increase my Gross Profit?

A: Gross Profit is a combination of Parts Gross Profit and Labor Gross Profit . Parts Gross Profit is affected by where the part is purchased and how your Parts Matrix reflects your markup. Labor Gross Profit is a function of how much you pay your technician, which technician does the work on the vehicle, and how many labor hours are charged for the operation. Remember, Gross Profit is calculated by subtracting what you paid for the part, and what you paid the technician, from the total amount you collected for the job.

If you want to increase Gross Profit, pay attention to each and every Repair Order. If you assign the job to a different technician, does the GP increase? If you source the part differently will it increase?

Can you add a tenth of an hour to the job and increase Gross Profit? The goal should always be to get the entire job as close to 65% as possible. This ensures you will likely hit your monthly Gross Profit goal.





## Professional Development

Just because someone is awesome at fixing cars, doesn't mean they are equally awesome at running a business. Successful owners and managers constantly seek professional development opportunities and surround themselves with like minded individuals.

## Virtual Coaching Includes:

- **Dashboard Virtual Coaching Tool.**

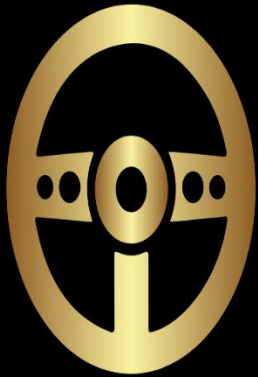
This tool assists in Goal Setting, Performance Tracking, and Employee Education. It can be used with any Service Management System and only requires entering fewer than 10 daily KPI's. Once KPI's are entered the algorithms forecast exactly where a shop's numbers are likely to end up at the end of the goal setting period. The dynamic nature of these forecasts allows for corrective action to be taken during the goal setting period.

- **30 Day Challenge Programs.**

These programs provide participants with short, guided, intentional lessons, on a daily basis. The Service Advisor Skill Challenge focuses on selling at the Service Counter, where the Gross Profit Challenge and Business Development Challenge work together with the Dashboard Virtual Coaching Tool to teach you everything you need to improve your KPI's and organizational culture.

- **Additional Training**

In addition to the Challenge Programs, Service Advisors have access to the Endorsed Service Sales Professional Program that will grow sales and management skills over a 3 year period. The 3-year, three endorsement level, program includes 74 online classes and 9 instructor led programs.



# Driven To Succeed

CREATING THE BUSINESS OF YOUR DREAMS

**Delivered To TECHNET Shops By:**

AAT, Inc.  
PO Box 836  
Forestdale, MA 02644  
802.272.2773  
[www.rsrcoach.com](http://www.rsrcoach.com)