

Mathematics for bodyshop owners

Alan Hargreaves, Director of E. M. A. Computer Solutions, takes you through a few quick calculations to assess the health of your bodyshop.

In the April issue of Scots Auto Scene (page 21) I asked bodyshop owners and managers a series of questions about how they load their shops. I also put my reputation on the line by stating that incorrectly loaded bodyshops will probably be missing promise times, don't have enough estimators and have more courtesy cars than they need – amongst other symptoms of a struggling business.

Thankfully my reputation remains intact as, within days of the questions appearing in print, I began receiving calls from owners/managers who, by their own admissions, thought the 'symptoms' I'd described were all part of "everyday bodyshop life".

To a caller, the owners/managers thought that 'being busy' was 'being profitable' and, amazingly, that full parts bins and an overflowing car park were signs of a healthy business. In each case I asked the caller to reach for a calculator and do a few sums with me: some of which I describe below.

The true cost of idle time

Most owners/managers who contacted me following my 'Loaded Questions' editorial in April didn't recognise (or even know how to recognise) idle time in their shops - and they didn't appreciate its impact on cash flow.

Just because a productive is available for eight hours work doesn't mean he performs eight hours of saleable work. For example, if you ask a productive to help move cars about at the start and end of each day it could take up to an hour of the productive's time.

Not only have you paid the productive one hour's wages (£8 to £10) but you've also failed to sell his labour for (about £25). Plus you've lost profit (say £12) on the paint and parts the productive didn't use.

In reality, having a productive move cars about for 1 hour per day probably costs you between £40 and £50 per day – or between £10,400 and £13,000 per annum. Even if you were to pay a part-timer £10 per day to work the morning and afternoon 'car shuffles' that would save you between £7,800 and £10,400 per annum: just by allowing the productives to do their saleable work.

Also, there's another (and more frightening) way to consider idle time. At £25/hour of saleable time, two day's production for one man should equate to £400. If you're able to make 10% net profit on this income then that equates to £40. So the harsh reality is this: a single hour's idle time can wipe out the profit from two days' hard work.

But idle time isn't just about productives moving cars about. Productives also experience idle time if they are waiting for parts to start a job or if they finish one job and there isn't another waiting.

Estimators and Courtesy Cars

During my time in the motor industry, I've developed many rules of thumb, and the one that most amazes bodyshop owners is: "you need one full-time estimator for every seven productives." On average an estimator should do eight estimates per day. The average job should equate to 12 hours work: so 96 hours. However, not all estimates result in work, so an 80% conversion rate (which is typical for the average estimator) results in 77 hours of authorised work.

With efficient productives to hand the 77 hours of authorised work will keep seven productives fully employed for a day. However, my seven-productives-to-one-estimator rule is not

just a trick with numbers – it is the formula by which successful bodyshops operate.

Another of my rules of thumb relates to the ratio of courtesy cars to productives. In a bodyshop running at close to maximum efficiency, the ratio should be no greater than two courtesy cars to one productive.

Anything higher than that and it's likely that you are over-booking work in, your productives are experiencing idle time and/or parts are delayed. Plus, the customers' cars are probably on site for longer than necessary - and we've already discussed how those might be costing you about £10,000 per annum.



Alan Hargreaves,
Director of E. M. A. Computer Solutions

Conclusion

In this article I demonstrated how performing a few simple sums can provide a quick insight into the health of your bodyshop: and the reason the sums work is because any business is underpinned by well-proven (mathematical) formulae.

At EMACS we've spent the last 10 years embedding these formulae into our PC-based bodyshop loading and management systems, and every manager/owner who contacted me following my editorial in the April issue of Scots Auto Scene requested a copy of our EMACS Presentation CD-ROM. The presentation takes only 25 minutes to play, but will completely change your outlook on the business.

For further information, contact: 01924 463419
or visit www.emacs.org.uk to request a copy of the CD. ■

Time is Money

All bodyshops 'buy and sell time': buying it from their productives in the form of wages and selling it (along with materials) to their work providers. However, 'efficiency', 'utilisation' and 'productivity' all affect how much the time is worth.

Visit www.emacs.org.uk/SAS/August06.html
to learn more. ■