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PART 2: **THE COST OF IDLE TIME**

Alan Hargreaves, Director of EMA Computer Solutions, provides an invaluable back-to-basics lesson on bodyshop management.

These are challenging times for the vehicle repair industry. Bottom-line discounts are increasingly being demanded and repair margins are continually under pressure. In order to prosper under these conditions, it is necessary to embrace a number of 'back to basics' concepts – an important one being that 'time is money'.

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Your business is all about buying and selling time. You buy time from your productives when you pay their wages and/or offer bonuses, and, you sell time to customers and/or work providers.

Managing bodyshop time is like playing the stock market – you need to sell for more than the purchase price. However, bodyshop time gets compressed or expanded by the effects of efficiency, utilisation and productivity.

Are you an A or B shop?

Let's consider two bodyshops, A and B. Both employ 10 productives for 40 hours a week, so have 400 attended hours to sell in a given week. Expressed another way, they are both buying 400 hours from their productives.

If Shop A sells 360 hours, its productivity is 90%. If Shop B sells 440 hours its productivity is 110%. Reality check: many work providers are now requiring discounts of between five and 10%, so Shop B is only breaking even, and shop A is operating at a severe loss!

We started by stating that time was money, so let's set a labour rate of £24 per hour. Shop A's 360 hours sell for £8,640, whereas shop B's 440 hours sell for £10,560. That's a difference of

£1,920 per week.

Or, to look at it another way, shop A is recovering £21.60 per hour and shop B is recovering £26.40 per hour. These figures are derived by dividing the labour value of the hours sold by the attended hours.

Utilisation

Let's now consider the activities of a single productive in your bodyshop and say the productive's attended time in a given day is eight hours. On that day, the productive completed a job for which 8.5 hours had been allowed in just 6.5 hours. However, it was the only job the productive had been allocated that day.

The productive's utilisation is the result of dividing the hours he worked on a job by the number of hours attended, so 6.5 divided by eight equals about 81%.

The reasons why utilisation falls short of 100% include waiting on parts and time wasted on non-productive tasks, such as moving cars around the bodyshop and/or delivering cars to customers. However, the most common reason for under-utilisation is simply not having enough work available.

It is your job as owner/manager to ensure the utilisation of your productives is as close to 100% as possible.

As for the productive's efficiency, he did the 8.5 (allowed) hour job in 6.5, so is 131% efficient. However, his under-utilisation dilutes the

true benefits of you having such an efficient person at your disposal. His productivity is his utilisation of 81% multiplied by his efficiency of 131%, which equals 106% productivity.

Multiply this by the labour rate and that's an effective recovery rate of £25.44.

Lost time

Extending this example to consider what could have been, the productive could have done at least another hour's work during his attended time. Still with a labour rate of £24 and 131% efficiency, here are the sums:

- 7.5 hours out of 8, equates to 94% utilisation
- 94% utilisation multiplied by 131% efficiency equals 123% productivity
- 123% productivity multiplied by £24 per hour produces an effective recovery rate of £29.52

Through not wasting this single hour, the difference in effective recovery rates over a day equate to £32.64. If you have 10 productives under-utilised in this way that equates to £326.40 per day or £75,072 per annum (taking a year to be 46 five day weeks).

Bodyshops that buy and sell time correctly will successfully repair vehicles as a by-product of such a disciplined approach. To manage time you need to measure it and know how much time you have available to sell at any time in the future.

The true cost of idle time

In this article we have identified how you could be missing out on tens of thousands of pounds worth of saleable labour per annum because you are under-utilising your productives.

However, under-utilisation (also known as idle time) is more than just lost sales. For an insight into the true cost of idle time, visit www.emacs.org.uk/BM/July2006.html