

Understand Your ELR and Tech Efficiency

Your Effective Labor Rate (ELR) is simply your Labor Sales divided by the total Labor Hours you have to pay your techs.

Whether your techs spent or flagged 4 hours dealing with an issue that you only charged your customer for 2, it's the same issue on your end. If they're spending that extra time, the customer's bill needs to account for it. If they're on flat rate and flagging 4 hours of work in only 2, it means your techs are 200% as efficient as you're billing for! Either way, if you're not charging the customer for it, you'll struggle to pay your techs what they earned.



The Value Of A Technician

We all know how important technicians are because they are our inventory. They produce the time that we sell, but after this exercise you are really going to understand the value of a technician.

Average Monthly Gross Profit (AMGP): _____

Number of Technicians: _____

AMPG / # of Techs = Gross Profit per Tech

Gross Profit per Tech: _____

Gross Profit per Tech x 12 = Gross Profit per Tech for the Year

Example:

AMGP: \$100,000

Technicians: 7

\$100,000 / 7 = \$14,285

Gross Profit per Tech: \$14,285

\$14,285 x 12 = \$171,428

Gross Profit per Tech for the Year: \$171,428

Now, I am going to ask you the most important question. If your average gross profit per technician was \$14,285, what would you pay for a qualified technician? What would you give them as a signing bonus?

If you think like me, you'd say that you would pay \$10,000 to produce \$171,428. This is what you need to think about when you are writing your ad and putting the headline out there. The tech that you are going to attract with a \$10,000 signing bonus looks like Brad Pitt, he runs on 200% efficiency, he has all his training, he shows up on time, he's the perfect tech.

Since the signing bonus is going to bring in a ton of leads, you can chip away at the signing bonus until you come to an agreement with the tech you want to hire. Here's another thing, never give them the signing bonus upfront. You should always break it up over time.

Raise Your Gross Profit Per Tech

If your gross profit per technician is close to the five or six thousand, then you really need to pay attention to all the costs. In this way, you can get your gross per tech up. Maybe your technicians aren't as efficient or maybe you have too many techs. Whatever the case, your gross profit per tech needs to be around \$12,000, so let's make that happen.



Cost Per Stall

The next exercise I want you to do measures your cost per stall. A lot of managers say that each of their technicians have two stalls each. That's good, only if you can explain this math to me and it works.

Overhead: _____

Number of Stalls: _____

Overhead / # of Stalls = Cost per Stall

Cost per Stall: _____

Example:

Overhead: \$80,000

Stalls: 10

$\$80,000 / 10 = \$8,000$

Cost per Stall: \$8,000

This is from the same dealership. Since our overhead is \$80,000, we net \$22,000. We have seven techs, but we have 10 stalls. Think about this for a second, each stall costs us \$8,000. If your technicians are running two stalls, are they running at 200% efficiency? No, because of the gap between the cost of the stall and the gross profit.

Think about this—a technician running two stalls is burning up \$16,000 worth of overhead but they are only producing \$14,000. However, if you had a technician in every stall then hypothetically you would be doing \$140,000 a month in gross profit. You'd be adding \$40,000 in gross to your top number.

These numbers are extremely important to understand because they help you make educated decisions about your shop. You can decide how much to offer in a signing bonus or you can explain to your technicians why they can't have two or three stalls. You are able to put facts to your decisions, and that is a homerun every time.

