



TECHNOLOGIES

THOUGHT LEADERSHIP SERIES

Using Data to Increase Service Profit

By Adam Madsen and Jason Goby, Karmak, Inc.

Chances are that data is at the center of your service operation. You track everything that goes on in your shop day-to-day and you can pull up any number of reports with just a few clicks of your mouse.

But you have access to so much data that it can be hard to pin down the most critical data points for you to monitor. So how do you find out what information is important?

“The most important thing is to make sure you have easy access to live information that helps you manage your business on a day-to-day basis. Monitoring the information each day allows you to see where you need to tighten up, so you can address those issues with the technicians immediately,” says Justin Vogt, Service Manager at Yancey Bros. Co.

All of your data serves a purpose and is available for a reason, but the following are the five pieces of data that you need to be tracking closely to help increase profit in your service shop.

1. Sales by Repair Group and Repair Type

This information will show you a breakdown of the types of repairs that your shop is doing. Maybe the information will show that a large chunk of the repairs you are doing are relatively minor maintenance procedures that aren't bringing in a ton of revenue, or that very few of the repairs are engine overhauls or similarly complicated repairs.

In that case, it might be time to look at what you need to do to bring more of those high-end jobs through the door. Do you need to bring in more skilled technicians that can handle these jobs? Do you need better training for the technicians you already have? Are you not putting the right tools in the hands of your current team?

This bit of data is particularly important to track when you have different levels of labor cost. If you plan on charging more for a full engine rebuild, but you don't have the technicians or the equipment to do such an extensive job, what good is that doing? On the other hand, if you are doing a ton of routine repairs and you aren't making much profit on those repairs, it might be time to think about bumping their cost.

This information can be combined with reports on technician productivity to see which jobs they are selling most often, which jobs they are most productive on, and which ones they are struggling with. The key to increased profit may just be finding a way to make your existing staff more productive.

2. Preventive Maintenance

Every shop should have an established preventive maintenance program for each vehicle that comes through their doors. If yours doesn't have one, that's your first step.

Once you do, you need to take a long look at putting together a detailed preventive maintenance program for each customer. Not only will this improve your sales numbers, but it gives you an opportunity to provide a higher level of customer service. Sell your preventive maintenance program as a way for the customer to avoid unscheduled down-

time in the future. For many, the thought of money lost due to their truck being parked for an extensive repair will be enough to get them to spend a little money today.

Then, you can take things to the next level by presenting your customer with a preventive maintenance plan that details the intervals in which preventive maintenance is suggested. Even if you don't give them a full plan for the life of their unit, you can at least give them a heads up on what is coming up for them in their next couple of visits to your shop. That allows them to plan ahead and avoid feeling blindsided by the suggested preventive maintenance.

In the end, your customer is happy because they have peace of mind that their truck is going to continue to perform as required and they have trust that you are looking out for their best interest. You're happy because you were able to provide extraordinary service to your customer and your service sales will be better for it as well. That's a win-win.

Sure, the customer could decline some of the work along the way, but you need to be putting the ball in the customer's court every time. As a rule, no one is going to volunteer to have preventive maintenance work done. If you want to capture these sales, you need to be proactive.

3. Effective Labor Rate

It sounds elementary, but it's important to make sure that you are really charging the labor rate that you are advertising. Many times, a business will have a standard labor rate posted, but in reality, they're charging much less. That's an easy way for profits to sag, but it can be corrected quickly.

The key here is really analyzing your hours per repair order. Take a minute and break down how much more you would be making if you added just half an hour to each repair order. Then go even deeper and see how much more you could be making by adding an extra tenth of an hour, just six minutes. Chances are that's a pretty significant amount of money, hammering home the message that undercutting yourself on labor is costing you.

4. Repair Order Age

This metric is exactly what it sounds like. This gives you an overview of how long repair orders have been left open.

"If we find that this number starts to trend up, we think about whether or not we need to add another technician or if we're just not as efficient in doing repairs at that location. With eight branches, if one branch has repair orders open far longer than the others, we might need to take a look at what is going on there. This information helps us to see where we might have left money on the table," says Vogt.

In [research compiled](#) by Karmak's Scooby Barbre, we have found that leaving repair orders open for any longer than 48 hours costs your company money. If you wait more than 48 hours, you are losing about two points off of both your parts and labor margins, and those decreases only become larger as you wait longer. If you aren't on top of closing repair orders, you're losing money.

5. Days Since Labor Last Added

This data point is a deeper dive on the one above. This tracks how long it has been since labor was added to an open repair order. A repair order might not have been open for a particularly long amount of time in total, but it might have gone an excessively long amount of time without being touched.

For example, if a repair order has been open for ten days, it might not flag in your system as having been open for an excessive amount of time. But if it has been nine days since any labor was added to it, it might be time to start investigating why it has been left open. Granted, there might be a perfectly good reason it hasn't been touched in a while, but if not, it needs to be closed.

According to Vogt, "In Business Intelligence, we have the report set up to send notifications if open repair orders haven't had labor added in a certain number of days. Having this information in front of me is really helpful. I know early if there is an issue that needs to be addressed and I can take care of that before it becomes a bigger problem."

Conclusion

They say numbers never lie and that's true when it comes to data in your service shop. Look into some of the data we have discussed, analyze it, learn what it means, and put it to good use. Armed with this information, you have the opportunity to take profits within your operation to the next level.

About Adam Madsen

Raised in Anchorage, Alaska, Adam Madsen began his career in the heavy-duty industry as a young man working in a third-generation family-owned business: Drivetrain Distributors. He later went on to work for Transwest, located in Denver, before joining the Karmak team in 2010 as a Project Analyst in the Research & Design department. He is currently the lead for the Project Management department, specializing in the Lease/Rental module. Being a part of the process of building an ERP system has been a long-term goal of Adam's, so seeing Karmak's Fusion evolve into a premier product is exciting. Adam received an Associate's degree in Communications, and is also a graduate of ATD Dealer Academy.



About Jason Goby

Raised in Raymond, Illinois, Jason Goby graduated with an A.S. degree in Automotive Technology before beginning his career at Karmak as a Customer Support Representative. He is currently a Product Owner for service in the Product Management department. Being a people-person, Jason enjoys the customer interaction and problem solving. It keeps him driven, focused, and grounded. Prior to coming to Karmak Jason worked 10 years in the automotive industry. He worked in all aspects of the industry from entry level mechanic, skilled service technician, to service advisor. Along with this service shop experience, Jason worked in the parts department working the counter, doing inventory, and purchasing.



About Karmak

Karmak, Inc. is a leading provider of business management solutions for the commercial transportation industry. With more than 30 years of heavy-duty experience, we offer a unique approach combining innovative technology, strategic advice, and best practices. Our success programs produce measurable results by improving ROI, mitigating risks, and achieving operational excellence.

Serving more than 1,800 locations across North America, Karmak is an employee-owned company with headquarters in Carlinville, Illinois.