

## ***Recapturing Lost Profit -- Discovering What's Often Missed***

In any service setting, parts and supply buyers focus on big-ticket items, which account for 80-90% of fixed costs. But what is often missed can cost more than expected – hardware and shop supply expenses. Small maintenance repair part costs easily fly under the radar on a repair order, final bill or company accounting ledger. Noticing these small accumulating expenses is complicated by two major challenges:

1. Ever increasing sourcing complexities and vendor fragmentation.
2. Item tracking and detailing in repair orders for insurance reimbursement.

### **Challenge 1: Vendor Fragmentation**

Dealerships can have difficulties with vendor fragmentation. The friendly salesperson comes into the Service Department and manually reviews inventory of small maintenance parts and supplies. This may seem like a labor savings because the sales person is taking their time to review what is low in stock and does the work of recording what should be ordered. While they may be providing a service, it takes the control out of the hands of parts and supplies buyers.

More snags develop when there are multiple route sales people that visit a shop. Multiple vendors can visit the dealership in any given month. The route salespeople may be duplicating orders for small maintenance parts and shop supplies without there being any cross checking for the need or best price on these orders. Layers of orders reduce shop and company-wide visibility of compounded inventory and cost.

### **Challenge 2: Tracking for Reimbursement**

Line item details often aren't charged out to invoices for insurance reimbursement requirements. Very few shops have an easy way to stay on top of these losses, since the technicians focus is on the vehicle for quick turn around. Handwritten recordkeeping of a work order's small maintenance parts or stepping aside to enter consumables into a database becomes less important.

With the average labor rate nationally running approximately sixty dollars per hour (and often far higher), tracking inventory and costs of shop supplies can seem like a waste of time. The technician may step into the small parts inventory room to take a handful of what they think they need. They may not think it's worth their time to document a handful of screws, clips or retainers. There's no easy solution for the technician to record this withdrawal from inventory and charge it out to the invoice for insurance submission. Many states require line item details for insurance reimbursement claims. A Service Department's ability to charge out and recapture these expenses goes right to the bottom line. Where there are no requirements, some shops may not be charging for small maintenance parts at all.

Service Managers may direct the technician to avoid wasting time on tracking small repair parts. With each job failing to be invoiced for an estimated \$22.00 according to our figures, a shop with six to seven technicians that performs 2,000 jobs per year can see a loss of \$44,000 a year.

### **Manage a Program or Manage a Vendor**

Regardless of dealership size, the issues are the same: you either manage a program or you manage a vendor. When looking to recover lost profits, small maintenance parts and supplies are a great place to start. Managing a program and gaining control over your small maintenance repair parts is key. The goal is to ensure that you have the right parts and correct quantities while lowering your total cost of acquisition and ownership in the procurement of their small maintenance parts and supplies.

Automated purchasing and inventory management programs are available, but multiple complicated steps become a drag on time and accuracy. Finding a flexible program that ensures a competitive advantage is the key to strong profits.

### **Improved Body Shop Profits**

Boost profits in your body shop by leveraging technology, information and controls that are typically hard to manage. These three core concepts bring visibility and accountability to the area of miscellaneous expendables and other inventoried parts. Technology includes bar coding inventory bins for small maintenance parts. Bar coding puts control with the parts and supply buyer rather than with the commissioned outside salesperson.

Handheld Wi-Fi scanners can further streamline charging-out small parts to a repair order. The removal of these parts from inventory is transferred to the job-costing program via the scanner and flows into the accounting system seamlessly. The system does double duty when a parts buyer or technician scans the bar codes of product that needs restocking. The restocking scan goes into the system for order placement or approval from a designated manager.

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