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Time to reset those targets

By Geoff Mutton

With COVID-19 hopefully in the rear-view mirror, it is the perfect time to reset workshop goals and targets.

Setting goals does not come naturally to most workshop owners. They are usually too busy working **in** their business, rather than **on** their business. They are not alone – the typical attitude of small business owners is that the harder they work the more profitable the business will be. While there is nothing wrong with this attitude, it is an undeniable fact that those who spend time planning and setting targets will achieve a better a result than those who just coast along, working hard.

There is no limit to the number of targets a business could adopt, but let's focus on the most common to get you started.

Total sales/revenue

As unbelievable as this sounds there are still many workshops that do not draw up a sales/revenue target. Every workshop, indeed every business, needs to establish what level of sales revenue it wants to achieve. Whatever the target number is, it must be then broken down to monthly, weekly, and daily targets.

This subject was covered in detail in June 2019 – *What is your forecast profit for this financial year.* (See www.tatbiz.net.au/resources)

Average dollar sale

The average dollar sale is simply the average value per transaction. It is calculated by dividing the total sales by the number of jobs completed.

The price on jobs will vary hugely from a \$20 light globe replacement to a \$10,000 engine rebuild, so the only way to work out an average dollar sale is to monitor sales for a few months, and then set a target.

The average dollar sale is a great indicator of how the sales of extras, such as brake fluid flushes, coolant flushes and batteries are tracking. These are often overlooked during a normal service and far from being an 'over sell', these are items that should be noted by eagle-eyed technicians because in the long term, they could be a safety issue, or even help to extend the life of major components. Such extra sales that will hardly be noticed by customers, might mean a slight increase of perhaps \$10 to \$20 in the average dollar sale, but it will have a positive impact on total sales without the need to get more vehicles into the workshop.

Car counts

This is a simple number that can have an incredibly significant impact on your results.

Once the sales/revenue target has been developed, divide it by the average dollar sale and it will reveal how many vehicles the workshop needs to work on in order to achieve the sales/revenue target.

Target car counts should then be broken down to monthly, weekly, and daily targets. These numbers will then show precisely how many vehicles on average need to be booked in per day.

Parts mark-up

Parts mark-up is the amount by which the cost of a product is increased to derive the selling price. Parts mark-up should not be confused with parts margin, which is the percentage difference between the selling price and the profit.

Mark-up on different parts will vary from as low 10% to as high as 200%, so set an average target you would like to achieve across your entire parts sales. For a general mechanical workshop, an average stock mark-up of around 50% is a good target.

New customers

Most workshops will invest in a variety of marketing programs at different times.

Potential customers will typically be exposed to a workshop's marketing on multiple occasions before they commit to an initial booking. The challenge is working out which marketing initiative has done the job of getting them in the door. Was it the Google AdWords campaign; was it the glowing Google review; was it word of mouth; or was it the sign-written courtesy car? Very often it could be a combination of many initiatives.

The best way to gauge if marketing programs are working is to keep a separate database of new customers per year. And of course you need to ask these new customers how they found their way to your door.

Technician performance

There are many ways to monitor technician performance. Common methods are total labour hours charged to customers, technician productivity and technician efficiency.

However, how you monitor technician performance is not overly important. What is important is that targets are set, making sure all staff are made aware of the targets.

This subject was covered in detail in December 2016 –*Setting staff output targets*. (See www.tatbiz.net.au/resources)

Review monthly

Once the targets are set for the numbers you want to monitor, it is critically important that time is allocated every month to collate the results and compare them with your targets. Failure to do this will mean the whole exercise will be a waste of time.

Discuss the targets and results with the staff and encourage them to bounce ideas off each other. Talk about what worked well, and what the team could do better to improve the numbers. There is no such thing as a dumb suggestion, and without staff input, the targets will never be achieved.

The targets suggested here are the most common and if this process is new to you, they will get you started. Once the process becomes routine, the benefits will become obvious.

Setting targets is a time-honoured business practice, and the few hours you will need to devote to setting them up and analysing them, will bring more money into the business than spending the same amount of time on the tools.

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