

The Performance Value of One

Recently while I was moderating a performance group, the discussion turned to improving performance on some key metrics. Since some of the members were performing much better than others in certain metrics, it was hard for them to agree on the amount of growth that would be measurable as a group. They tossed around a variety of ideas when I suggested they focus instead on a percentage of growth. This would allow them to grow within their individual numbers while allowing them to measure the improvement as a group. The idea was tossed around a bit with a few members questioning how much growth could be shown using that method, so we started working with their metrics to validate the process.

One of the metrics they were focused on was Paint Hours per RO. While some were hovering around 9.0 paint hours, others were near 6.5. The group decided to improve their metric by one percent, which doesn't sound like much since it only equates to a tenth per RO. To defend their decision, I showed them that one tenth was worth an average of \$7.60 with labor and materials combined. To illustrate the value further I multiplied the \$7.60 by five ROs per day and again by the five days of the week, followed by 52 weeks in a year and arrived at \$9,880 in additional revenue. By improving the performance of this metric by 1%, the group had potential to increase annual sales by almost \$10,000.

That brings me to their second metric, Sales per RO. Their average RO was \$3,175.00 collectively. Using the growth percentage of one. they determined each would need to improve their RO sales by \$31.75. Similar to the first scenario, it did not sound impressive at first. However, when using a five repairs per day calculation, the improvement equates to a \$41,275 increase in their annual total sales with just a one percent change.

The third metric was Vehicles per Day per Booth. This metric was a little more scattered among the group with the average calculated at three cars per day per booth. While it is not a strong number, I have found it is more commonplace than one might think, leaving the needed one percent improvement at about a third of a car per day. Using that calculation, you could expect that every third day you would paint one additional vehicle and by the end of the week, you would have almost two. By taking the math a little bit further, you realize that you could increase sales per year by \$247,650 by moving 1.5 additional cars per week through a paint booth.

While that group was focused on three metrics, there are others that can realize improved performance with an increase of one percent. Take Labor Gross Profit as an example. By using a round number of \$80,000 in monthly labor sales and the national benchmark of 62%, you would be earning \$49,600 gross profit on labor. Increasing your gross profit percentage one point to 63% would raise your labor gross profit \$800.00 to \$50,400 - not a bad performance increase by the value of one.

Touch Time is another area that benefits from a performance increase of one. A 20-hour repair with a touch time of 3.3 would take 6.1 days to repair, which would actually be seven days in key to key cycle time calculations. If you increased your touch time by .1 to 3.4, that same 20-hour repair would take 5.9 days or 6 days in key to key cycle time calculations. While the .1 improvement in touch time was small, it removed an entire day of cycle time for this repair.

Another area that I try to encourage shops to improve on is Effective Labor Rate. This is a simple metric to calculate: total labor sales ÷ total labor hours = Effective Labor Rate. Using the 20-hour repair above and an effective labor rate of \$53.00, you would have a total labor sale of \$1,060. If you were able to improve that labor rate by one percent, you would have an improvement of \$.53 or \$53.53. Calculating your total labor sales by multiplying 20 hours by \$53.53 you have a new total of \$1,070.60, a \$10.60 per RO improvement.

I hope I have illustrated that you can improve your business incrementally by using the value of one. The examples I have shown should bring home the fact that you don't need to take big swings towards correcting performance, and sometimes chewing on that elephant is better when you go a small bite at a time. I encourage you to look at an area or two you would like to improve upon and see what the value of one equates to in your business. I believe you will be pleasantly surprised.