

Jim Compton for ABRN, June 2014

At a recent industry event I started presentation with these words, "Paint . . . The Final Frontier" beyond the comical Star Trek reference there is some truth to this statement. P&M (*Paint and Materials*) is one of the last areas where shops can still have very significant impacts on their costs and therefor their margins.

With all the competitive pressures, both internal and external to do repairs faster and still maintain quality, the job of the repair shop owner has not gotten any easier. It is obvious that investments in equipment, training costs, along with significant cost controls on parts and sublet procedures has taken their toll on repair shop margins.

When speaking with repair shop owners about Paint & Materials there are generally three responses I get: 1) We probably lose money on P&M most months, or 2) We think we are doing OK, or 3) We do great on P&M and are making a healthy margin.

Unfortunately, too often many shops don't have a handle on their true P&M margins. The sales side is fairly easy to come up, with even the most basic management systems will summarize P&M sales along with a lot of other key components of the sale. Or even a quick adding of the P&M sales off every closed RO will give you this number pretty quick. Knowing what this number doesn't include is also a key factor to understanding P&M margins. For instance seam sealers, cavity wax, stripping tape, foams, and clips are generally accounted for separately as "line item charges" Parts Sales or a similar term.

The other half of the equation is the cost side for the majority of shops the paint supplier or jobber is the major source of P&M purchases. Which sounds simple on the surface but there are probably many other non P&M items purchased from the paint jobber as well, including those "line items" mentioned above. Small tools (*i.e.: drill bits, gloves etc.*), air hoses, safety supplies and more.

Job Costing on a Budget, it can be almost free!

Most all shops have the ability to "mix on the scale" meaning substantially ALL the liquid products, (*primer, sealer, color, clear and some ancillaries*). *IF everything is mixed on the scale AND everything is coded or entered per RO, then we have a great foundation for job costing. So first let's verify that we are mixing everything on the scale. One easy way to do this is to run and save a report from your paint mixing system that summarizes by volume, this could be a Mix Report, VOC report, Product Category report etc. (it varies by paint manufacturer).* Your paint jobber can help you select the best report. Be sure to run all reports in an easy to work with format, most all system will output their data/report to an MS-Excel format. Then have your jobber run their sales report (*your purchases*) for the same period of time (*we suggest 3-6 months*). If the gallon usage on both reports is fairly close, your mix reports should also be fairly accurate.

Our next step is to take that same jobbers report and do a little quick math or sorting. For this quick job costing method we only need three categories 1) P&M liquids the same materials that are captured on the report you pulled from the mixing PC/system. 2) All other associated products that are a true part of your P&M Cost but are not measured on the scale 3) everything else; this may include Line-Items, shop supplies, equipment and small tools etc.

Now some quick math add the purchase costs of those liquids and the other and those other P&M items and divide the liquid cost by the total P&M costs. (*For example Liquid of \$7,070 plus other P&M of \$3,030 = \$10,100, the calculation is $\$7,070 \div \$10,100 = .70$, so liquid (items mixed on the scale) is on average 70%. (Most shops will find this number to be in the range of 60% - 75%)* We can now say that on average non-liquid are on average 30% of our per RO costs.

Several of the paint mixing systems have the ability to enter this non-liquid cost in as a constant and thereby calculate the total RO cost. Or just run the mix reports (*Repair Order Summary or other system specific report*) and add back in this allied cost (*the math for this is take the liquid cost per the report and divide it by the 70%. in this example*) and you now have a total material job cost.

Ok even easier, just use the 70% liquid, this will be close enough to allow you to run the repair order cost reports from your paint mixing system and see what jobs need a little more inquiry.

I will concede this is not a perfect system. Repairs can differ significantly from the small bumper job, to the major front end repair with lots or replaced parts, welded areas etc. But for the cost of a little work, some spreadsheet calculations you now have a good handle on material costs per refinish hour. You will likely be surprised to find jobs that you assumed were losers in P&M gross profit are really not, and vice a versa.

Are you mixing everything possible on the scale? Several of the paint manufacturers systems have some great reports built in. BUT they are all dependent on the shop mixing/recording everything possible on the scale. Some systems even allow for batch mixing primer, sealer and clear! For example mixing 20oz of primer and using 4oz on RO# 1234, 6oz on RO# 1235 and 11oz on RO# 1236.

Don't skip the validation, checking that over a 3 -6 month period the gallons purchased is very close to the gallons used on the scale (*by part# or at least by category such as color, clear, primer etc.*) Don't assume that everything is being mixed on the scale, even if your instructions are that everything must be mixed on the scale. Working with shop owners on Lean Material Management, we have found that shops that thought they were 100% mixed on scale were not, some we found at 90% of color and 60% on primer, some much, much less.

After using and evaluating several paint manufacturers mixing systems we found some variations in the reports and setup screens but all are very capable to doing a good job costing IF you insure that everything is mixed on the scale. We found some other great tools in these systems, such as the ability to calculate net cost after discounts, cost per refinish hour reports, RO exception reports along with VOC reports and other compliance reports. For instance on the PPG Paint Manager® system we found the VOC Product Summary Report to be a great tool for checking the gallon-age that was mixed on the scale and we used this to compare to the purchase report from the jobber.

If you want to have Lean Material usage everything starts at the scale.

Obviously the paint manufactures systems and most management system can provide even more sophisticated job costing programs. But none of them work 100% right out of the box. 1) Shops need to mix and record everything possible on the scale and 2) Shops with the help of their suppliers must periodically compare/verify purchases in gallons against gallons recorded as mixed on the scale. Try the free method outlined above and see where you are at, for many this will be a great starting point for getting a better handle on materials costs.

Images:

ReportViewer02b: shows one manufacturers material cost reports

ReportViewer03b: shows the VOC Product Summary report that we used to get the gallons mixed on the scale by product (*from the PPG Paint Manager® system*)