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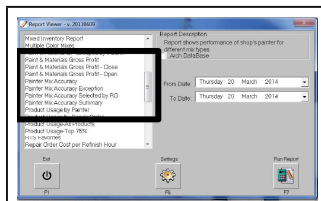
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At a recent industry event, I started a presentation with these words: “Paint...the final frontier.” Beyond the comical *Star Trek* reference, there is some truth to this statement. Paint and materials (P&M) is one of the last areas where shops can still have very significant impacts on their costs and, therefore, 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 and training costs, along with significant cost controls on parts and sublet procedures, has taken its toll on repair shop margins.



An example of a manufacturer's material cost reports.

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

Unfortunately, many shops don't have a handle on their true P&M margins. The sales side is fairly easy — even the most basic management systems will summarize P&M sales, along with a lot of other key components of the sale. Even a quick adding of the P&M sales from every closed RO will give you this number. Knowing what this number doesn't include is also key 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 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. This 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 — small tools (drill bits, gloves, etc.), air hoses, safety supplies and more.

Most shops have the ability to mix substantially all liquid products — primer, sealer, color, clear and some ancillaries — on the scale. If everything is mixed on the scale and 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 or Product Category Report; 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-decipher format. Almost all systems will output their data 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 jobber's report and do a little quick math or sorting. For this quick job costing method, we only need three categories 1) P&M liquids; 2) All other associated products that are

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