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Think you're not making enough profit on paint materials? Here's the process I would use to determine if this is the case and if so, fix it.

First, I'd look at your profit-and-loss statement to see how you are doing against two key benchmarks for paint materials. I'd look at your sales to make sure that paint materials account for 10 percent or more of your total sales. Then I'd look at your cost-of-goods-sold (COGS) to make sure you weren't spending more than 6 percent of your total sales on paint materials.

Those benchmarks on a per-job basis mean that for a \$1,000 job, you should charge \$100 or more for paint materials, and your paint materials costs for that job shouldn't exceed \$60.

So what if you're not at those numbers? Let's start with the sales side. Maybe your estimators aren't writing very good estimates. They might be missing labor operations, for example (your shop's average should be 9.2 or more labor hours per job), in which case they need some training.

They also might be accepting paint and material caps or thresholds, in which case you may want to consider using one of the paint invoicing tools, such as PaintEx, ComputerLogic's "PaintLogic" or Mitchell International's "Refinish Materials Calculator."

Another common issue: paint materials sales not being coded properly. An insurer might categorize a dollar amount on an estimate for materials for covering the car as an "alternative part," for example, so those dollars aren't showing up as paint materials sales when the estimate moves into your shop's management systems. Most management systems today will scrub the estimate data to ensure items like that are getting categorized correctly, but if you find you're having to manually adjust such things, ask the management system provider if there's a way to have that done automatically.

Next, you need to look at the cost side of equation. What if your paint materials costs aren't 6 percent or less of your total sales?

First, make sure your painters are mixing everything on a scale that matches up the materials used to the repair order number. You need to track your usage. The scale systems today allow you to assign multiple ROs to a mix, so you can track even primers and clears when mixing for multiple jobs at the same time.

Perhaps the most common mistake I see, however, is poor accounting. A shop will have a \$20,000 bill from their jobber, and lump that entire amount as COGS for materials. But it should be divided up into a number of categories. It might include a spraygun that should be coded as tools and equipment. It might include a charge for paint mixing software. It might include body shop supplies (body filler, any grit of sandpaper higher than 150, etc.). It might include stock parts that are estimate line items, such as seam

seal, adhesives or clips and fasteners. It might include safety or haz-mat items such as respirators or recycling bags for thinner. None of these items should show up under paint materials COGS.

Ask your jobber for a usage report showing all the items you buy. Determine where each item should end up in your accounting system. Your jobber should then be able to set up sub-accounts so your invoice is broken down into proper sub-totals based on what you're buying.

Actual paint materials costs can be broken down into two categories: liquids (paints) and allied (tape, sandpaper, etc.). Breaking this out can help you determine if your costs are too high for either. Your paint company or jobber has tools that can help you analyze that, as do some other suppliers including 3M or Jim Compton at Lean Material Management.

Carefully tracking these costs can help you know if there's an important change that needs to be made on the sales side: your rates. At least one major supplier of allied products in the industry had multiple price increases last year. If you haven't adjusted what you're charging, that could impact your shop's ability to hit the 10 percent (sales) and 6 percent (costs) benchmarks for paint materials.

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