

Jim Compton for ABRN, April 2015

Quickly improve paint and materials margins: Utilizing the observer effect and an inclusive approach can yield results.

With body shops across the country some questions seems to come up often. How do we improve Paint and Material Margins? Are there quick fixes that will help P&M margins?

There are several steps that managers can utilize that are almost guaranteed to quickly improve profits.

Measure. Obviously a good measuring method needs to be in place so good comparisons can be made. "You Can't Manage What You Don't Measure." Paint Jobbers and third Party companies can provide reports and comparisons to local, regional and often national KPIs. Measuring everything the same way each month consistently is step one. Excluding items that are not part of P&M is important as well. Items that are billed as separate items or are CGS (*Cost of Goods Sold*) elsewhere such as clips, cavity wax, seam sealers etc., should not be considered P&M cost.

Reports with a local or regional comparison can have an even greater impact. Showing how your shop compares to other similar shops in the same area comes closer to home. If the shop across town can do this so can we!

Having good reports is a great first step. But only if that data becomes information, information that is shared, becomes a tool for savings. A great report that sits on the manager's desk doesn't have much of an impact on the technicians working in the shop.

Get quick improvement by simply sharing this information. Let your staff know they are being monitored or measured. Share the results. This is cited as the Observer or Hawthorne effect, where people tend to improve if they know they are being measured.

Keeping up this improvement this means keeping all staff in the information loop. Get those reports off your desk and in the hands of staff. Everyone likes to know the score.

Another slightly more obscure psychological tool the Pygmalion effect, or Rosenthal effect, this is the phenomenon whereby the greater the expectation placed upon people, the better they perform. (*The effect is named after the Greek myth of Pygmalion.*) Tell staff you expect great things! Be the cheerleader in your shop.

Warning there is also a golem effect, in which low expectations lead to a decrease in performance. Don't be bringing negative attitudes and display them in front of staff and expect them to not notice. Even if things are a bit tough, don't let them see you cry.

Include everyone. This seems obvious at first glance, but even with the best intentions we can exclude people and cause feelings of resentment. For example everyone knows that the substantial spending on P&M is in the paint shop. With paint and other liquids accounting for often seventy percent of all material costs it seems logical to do the measuring and look for the improvements there first and foremost. But to be effective you need to include everyone!

Who else has an effect on P&M margins? Including everyone makes good sense and often good dollars too. For example with the body techs establishing a method for tracking flagged hours vs. material used is a great way to keep them in the game as well. Doing this over several months will smooth out most of the blips that can appear because of normal spikes in hours or purchasing.

A little more challenging is getting everyone else involved. Let the employees vote on the best implementation for improving P&M margins each month. At a recent "Lunch & Learn" it was pointed out the cost of using shop towels as pizza napkins was considerably more expensive than keeping on hand some "dollar store" paper napkins. (*A new employee processing invoices had noticed and pointed out the cost after she keyed in some invoices.*)

Parts managers or other people involved in the ordering of materials can surely have an impact. Making sure excess stock is either returned for credit or stored safely if needed in the near or short term. Another example is using two inch wide masking tape to reseal parts boxes rather than the much cheaper box sealing tape also adds to P&M expense.

A porter noticing what looks like good sandpaper (*or other misplaced items*) as they were sweeping placed the scraps in a box for miscellaneous use or reuse can help save money.

Who else can be on your team? Have you considered the vendor or other associate that walks through your shop and sees your operation as well as many other shops? We're not talking about enlisting them as spies, rather to think of them as an outside observer. Sometimes that third set of eyes doesn't need to be a paid coach or advisor. Sometimes good ideas or questions can come from people who see your operation with a more objective view.

Once you have everyone aware and everyone involved, you have a team. A team is always more effective than a bunch of individual players. There are big things that can be changed that improve P&M margins' there are also a lot of little things that can add up quickly.

Keep score. Score keeping is a great way to let the natural competitive spirits help boost profits. Post the results or reports for everyone to see. As noted above the act of sharing information, can and often does lead to improvements without any further action. Set attainable goals for improvement. Stand up and cheer those who meet those goals.

We have touched on:

1. Measure!
2. Share the information!
3. Expect the best!
4. Don't let them see you cry!
5. Include everyone!
6. Keep Score!