Benchmark of the Month

Sales Key Performance Indicators

by Tony Passwater

In previous articles (*www.bodyshopbusiness.com*, click on "*eBSB* Archives"), we've examined the targets that are commonly considered for gross profit in each profit center and looked at the breakdown of each profit center regarding both revenue and expenses.

All these are very important to begin to see where improvement is needed, and they're all the ratios and percentages a Profit and Loss Statement provides.

We've also looked at the ratios and benchmarks for your building and employees ... so now it's time to review the Sale's Key Performance Indicators (KPIs), Comebacks and Customer Satisfaction Index (CSI). These differ somewhat from what we've looked at so far since they're more "operational" benchmarks and KPIs rather than purely financial ones.

Please consider reading (or re-reading) some of the past articles on benchmarks. You can find them online at *www.aeii.net/published.html* or at *www.bodyshopbusiness.com* (in previous issues of *eBSB*).

Why Are These Important?

These three areas may critically affect your revenue, costs and the ability to produce more efficiently. Many Sales KPIs depict the ability of your staff to "close" the sale. This is a skill that's quickly being lost as our office personnel have been lured into believing they're just "order takers" and crisis managers. Sales KPIs also provide you an awareness of the type of jobs that are coming in the door, which also indicates your customer base profile and how effective your marketing efforts are.

Comeback ratios not only possibly affect future sales due to unhappy customers, but provide an indication of your production processes' effectiveness and personnel culture and commitment to quality.

CSI provides a base line for how your company is doing in the eyes of your customers. This is one of the most important KPIs a business owner must understand and engrain into every single employee.

Believe it or not, if I were only to look at these areas for your business and not any of the other financial ones I've written about before, they'd probably give me a better picture of your business' future and strength than all the others.

The Sales KPIs

This month we'll focus on the sales KPIs; future articles will cover Comebacks and CSI.

The basic KPI for sales effectiveness is often called your "Batting Average," "Closing Ratios" or "Conversion Percentage." This is simply tracking and measuring how many prospects enter the door to how many buy — in our case, how many bring the vehicle to your shop for repairs. Nationally, this percentage is listed often as low as 60 percent or below, but it's important to dig deeper than this superficial ratio.

There are a number of details to consider:

- How is it Tracked?
- How is it Measured?
- How is it Analyzed?

How to Track It

This poses a problem for many companies. Even the most advanced management systems today do a very poor job measuring this.

The first challenge is to identify what's being counted as an "attempt" or in baseball, an "at bat." I've found that doing this outside a management system is usually a much better option than using the built-in tracking of current management systems.

Often we've found the estimates brought into a management system only include those that "someone" decided were really an "at bat" and were likely to be a "hit." Anything that didn't meet an arbitrary set of criteria wasn't brought into the management system and wasn't counted. This simply isn't an acceptable practice for true sales tracking. Everything must be included.

This is also complicated with DRP assignments and DRP vehicle drop offs. Many don't include them in the tracking. Whether your management system provides some tracking of this important factor in your sales operations or not, we've found that using the manual The Customer Plus(tm) Tracking System or The Customer Plus(tm) Software Program is far more effective than the basic "batting average" reports generated by the current management systems. For, detailed information on the manual tracking system, go to The BOSs™ at *www.TheBOSs-Online.com.*

The first noticeable difference from the conventional "Batting Average" reports is the categorization of Job Types. Just knowing your staff is closing 60 ... 70 ... or 90 percent of the estimates doesn't give you enough information. This is especially true if *not all* estimates are included.

The Customer Plus™ manual or software system provides Job Type Categorization and tracking as the following:

Type 1: Customer Paid Job that meets the company's business model

Type 2: Insurance Paid Job that isn't a DRP and meets the company's business model

Type 3: DRP Account, Fleet Account and meets the company's business model

Type 4: Vehicles that don't meet the company's business model (insurance or customer pay)

Type 5: Vehicles not to be repaired (total losses, storage vehicles, etc.)

Then each and every customer prospect is categorized through a qualification and sales process system.

Basic manual tracking is often complicated if more than one estimating system is being used or multiple estimates are written on a specific job. The simple solution is for the front desk to track these with a system beginning at first contact. Over the years, I've written several articles on this process and provided on-site training and implementation. The key is the process.

In the manual The Customer Plus™ System, this is done by using a scorecard and tracking board as the customer is placed in the sales and follow-up process. When using The Customer Plus™ software, this is tracked in the software at the first contact by telephone, assignment or walk-in.

How Is It Measured?

One problem with basic manual tracking is that there's not a 1:1 relationship to the estimates written and the jobs "closed." The time delay from the estimate date to "closing the sale" may easily cross a reporting period, and the repair job itself could have begun in one month but may not show up as a sale until the next month.

Basic manual tracking is usually calculated by the number of jobs repaired in a given month versus the number of estimated written without a 1:1 relationship to which estimates specifically were sold.

Repair Orders ÷ Estimates Written

Example: Your facility repaired 100 cars in a period (week, month, quarter or year). For the same period, you count that you've written 150 estimates. The closing ratio-batting average is 66.67% (100/150 =)

This is the most rudimentary method if you haven't ever tracked this important area of your business before, and it's pretty simple to manually count the estimates in your estimating system(s) each month and then count the number of repair orders for the month.

But this system can be misleading and not very detailed. Since trends of estimates may dramatically change due to severe weather and catastrophe claims, this only begins to provide you with information you didn't have before. It's not the real solution.

The next better — and more realistic — option is to track the number of estimates written each day and the number of jobs dropped off for repairs each day. Input the activity into a spreadsheet and review weekly, monthly, quarterly and yearly.

This is getting better, but it's still incomplete.

Another step includes distributing to the Job Type Categories as listed earlier. Of course, if the job had no estimate prior to drop-off for repairs, it should be counted both as an estimate and a "hit (sale)" on the same day.

The best system we've designed is in The Customer Plus™ Program. There's a 1:1 relationship established for follow-up, future marketing, and customer loyalty building, but reporting can be done on a daily, weekly, monthly or yearly basis as listed above automatically by Job Type Categories. This new program can be reviewed at *www.aeii.net/CustomerPlus.html*.

How Is It Analyzed?

It's been stated that 68 percent is the average national closing ratio for our industry. We've been told by many that their closing ratio is either much higher or lower, but this usually is due to how and what they're tracking.

What's an acceptable ratio and what isn't depends on your shop's business model and your work mix in a given period of time.

Here are examples of basic benchmarks by category type:

Category	Average	Top Facilities
Type 1:	40%	70%
Type 2:	50%	80%
Type 3:	60%	90%

How is this done? What makes the difference between the average and the top shops? Very simply, investment in training and using and monitoring a system.

Just do some analysis on what happens to sales (revenue) when closing ratios change for the better. It'll surprise you that investing in training for your estimating and front office staff will pay for itself possibly 10 times over. Why do you think new car sales personnel spend a great amount of time in training?

In addition, examining Type 4 and 5 Job counts can provide additional valuable information for such areas as:

- Your Marketing Profile and Customer Base
- Your Facility Presentation
- The Effectiveness of Your Sales Force
- The Skills of Your Estimators

Missed Sales May Mean Missed Operations

Another key indicator that's difficult to track without auditing software is the number (and dollars) left off the estimate that are recovered later or not at all because one gets busy or simply forgets the item(s) or proper pricing. Yes, today DRPs often allow for supplemental billings and lessens this somewhat, but they do not eliminate it. Tracking this and improving this can mean profitable estimates (jobs) or not.

How often do you audit estimates written for items, pricing and dollars left on the table?

How often do you audit if the estimate is in compliance with your work provider rules?

How are your pricing and compliance requirements tracked and stored?

The information providers and claims management entities are beginning to introduce auditing software to audit your estimates for compliance to work provider rules, but they don't tell you when you haven't charged correctly for or priced incorrectly if it's in the insurer's favor.

Being able to track this will also demonstrate your estimator's skills and provide for a smoother pre-production process and production process. These missed items often lead to parts and production delays. (In a later article, we'll introduce a number of additional operating KPIs that will also assist in this area of analysis for parts processing, supplements and rental car costs.)

If you haven't reviewed programs available to provide you this information or if it's been at least 90 days since you did, you should again look at the benefits and solutions available. We provide information for a very solid product on our Web site at *www.aeii.net/EMSReview1.htm*.

This revised program not only audits for missed operations and compliance, but also standardizes your Manual Entries, Long Expansions and Parts Code Tables in all three estimating systems for consistent estimating by all your estimators. Along with the implementation training for better estimating and sales processes, you'll surely see a difference.

Average Sale

An additional KPI that you've certainly been held accountable to if you have any DRP relationships is your average repair cost — commonly referred to as severity or average ticket. This is simply taking your total sales and dividing it by the total number of repairs in the same period — week, month, quarter or year.

Total Sales ÷ Number of Vehicles Repaired

Example:

Total Sales = $300,000

Total Number of Vehicles Repaired in the Same Period = 120

Average Repair Ticket = $2,500

Sounds pretty simple, right? But it really isn't always so straightforward. The jobs you do may have a misleading effect on this average. Yes, it's still an average, but not necessarily a usable average. If you, for instance, do small piece work for dealers or other commercial accounts, they'll certainly skew your numbers for the "average."

Another challenge is how additional work (customer pay) is tracked on a vehicle already in for an insurance claim or if two insurers are paying for different parts of the repairs. Depending on how often these happen and how small of a sampling is averaged, this can change your average ticket significantly.

This can be very true when you're "scored" by your work providers and it seems to be their "highest priority" of focus (maybe the only one). It often puts the fear of death in shop owners if their DRP coordinator or manager indicates their severity is too high.

Ask the following questions (if you already haven't) ...

1. How many jobs does the report's severity represent?

2. Are total losses deducted from this average?

3. What types of vehicles are represented in this average?

4. What time period of vehicles does this report represent?

In many cases, this information is unknown by the person "hammering" you over the head with it. There's nothing wrong with looking at comparative data if it's "apples to apples." But severity of a small sample is not a good KPI to be held accountable for.