Little changes make a big difference

By Dan Smith

Editor's note: We were pleased to have Arrowhead's Dan Smith as a presenter at the ERA Show this spring. Following is a summary of his presentation covering "tips and techniques" to help improve your bottom line.

"My customers won't pay that."
"It's not like it used to be."
"The big box stores are giving it away."
"I can't compete with China."
"All I get is the weird stuff."
"You can get it on the Net cheaper."

Let's get real. The rebuilding of rotating electrical product is not the same industry it was years ago—but it is far from dead. In fact, for those who are willing to adapt to changes there are many new opportunities. One of the most common complaints that we hear involves price pressure. The "my customer won't pay that, it's cheaper on the Net, AutoZone sells them for $39.95," etc., etc.

There have and will always be somewhere or someone who will do it cheaper, but that does not necessarily say that they can do it as well. I love the example of the Hamburger Shack. Everyone knows that one place in town to get the best burger. We're not talking McDonalds or Burger King, but that small business tucked off the beaten path. You go there when you want a great burger, not just something to eat. You go prepared to pay a premium price and you expect a premium product.

None of us would ever consider going into that man's establishment and whine that I want your great burger but I want it for a dollar like on a value meal. That just isn't going to happen. Yet when someone comes into our business and starts to compare our quality custom remanufactured units to those mass-produced in large rebuilding shops by low skilled assembly line workers, the first thing we want to do is try to compete on price. Let's get real.

We all need to get back to taking pride in ourselves and in our work. It might not be glamorous or cutting edge all the time and our hands get dirty. But our money is clean and our jobs are green.

Rebuilders were into big-time recycling way before the hippies started hugging trees. We just don't do a good enough job of promoting the industry and ourselves. How many here have some kind of prominent display in your shop espousing the environmental value of rebuilding and the service you do for the planet by being in the position to recycle and reuse the worn out unit that your customer is pulling off their vehicle? How can we expect our customers and potential customers to see us as anything other than a grease monkey if we don't take the lead to educate them about our industry and its value to them and the environment?

A clean, well-lit customer area in your shop with industry-promoting information for them to read while waiting goes a long way to increase their perception of value when dealing with you. If you don't have something to put up do a little research and type something up yourself. I'm going to show you right now how that little bit of effort could pay for you to attend your next trade show.

Everyone here has seen the small extra charges that show up whenever someone services your vehicle, but very few in our industry bother to take advantage of these really simple moneymakers like: $3.50 environmental fee, $2 shop supply fee, $1.50 hardware fee. If you only write five tickets a day times five days a week times 50 weeks a year that's $3.50 x 5 = $17.50 x 5 days = $87.50 a week x 50 weeks = $4,375 each year with no added cost to you. If you are in an area that's really high on the environment you might be able to add two or three fees to some invoices.

Now I don't want to hear that no one will pay it because they pay it at Goodyear, Sears, Jiffy Lube, and Goodwrench. What makes them any different than you? If anything, their cost to be compliant is less than yours. When I hear, "It's not like it used to be," I say, "thank God," because I paid for Safety Kleen for years and could never have gotten my customers to pay for it. But wrap an "environmental" banner around it and hardly anyone complains. With careful wording like "due to increased compliance cost we are forced to pass along a small portion of our waste disposal costs," or "In our continuing effort to keep the contaminants off of your starter/alternator from getting into the soil and water we have partnered with SK, CH, etc., to properly dispose of these wastes. The cost for this environmentally friendly service will be reflected on your invoice as an environmental fee. Thank you for your understanding and support of our planet."

How many people are going to argue with that? If a few people do give you a hard time you can make an exception, but just four tickets a day at $3 is still $3,000 a year. Put a picture of a contaminated Third World city next to your compliance certificate and see who complains. Yes, you can compete with China and Mexico, you just need to make your customer aware of why it's in their best interest to deal with you.

Every year there are a few doom and gloom people who see this industry disappearing overnight. That's just not going to happen. Every generation has had its challenge but this industry keeps evolving. The generator rebuilder who wouldn't embrace alternators is gone just like the buggy whip maker who couldn't see a future in accelerator cables. We need to embrace change and charge head first into that next niche market.

Are you going to be the "Barbie car" repairman? Maybe you are looking into magnetos as a new revenue stream? There are not a lot of people left who can service them properly. Perhaps you will be the one to figure out a reliable way to recondition electric power steering motors or power seat motors. With short runs and massive parts proliferation many of these types of unit will have a very short OEM supply life, but people are not going to junk a vehicle just because it cost $200 for a motor rebuild.

When there is no new available that's when our skills are most valuable. We need to price our labor for special work to reflect our specialist status. Your doctor may know how to set a broken bone but the specialist he sends you to gets a lot more for his services. What makes him a specialist? He attends training and then does more of that specific task than his associates. It's kind of like a rebuilder and a general mechanic. One of them is a specialist. Guess which one.

Let's talk about being a specialist for a bit. I cannot begin to describe the thousands of man-hours I have seen wasted by highly skilled professionals in our field giving

away their time and knowledge. If you think for one minute that your skill and knowledge is any less valuable than someone who got theirs from a book rather than hands-on then you are sadly mistaken. If you embrace your craft and aspire to be your best then you deserve to be compensated properly. But you have to command it. Treat your customers with respect and comport yourself like a businessman and a gentleman.

Set your prices fair—fair to both you and them. Know what fair is. Don't give away the farm. I often see my customers buying a unit or component from me and quoting their customer $20 to $30 over the unit cost. Yet if they bothered to check they would find that what they paid $40 for sells at the local parts store or one of the other big box stores for over $100. So instead of making short money they could double their money and still beat the competition.

If someone goes to the big box store or the Internet to buy a unit and then they need the help of an expert like you, don't turn them away, but don't give it away. Nothing for nothing. If your profit on the unit would have been $40, start there for your advice and expertise. That's only fair. If they recognize you as an expert but begrudge you being compensated for your skill just fire them, they are not a good customer. Here's a hint: Your good customers are the ones who respect your ability and recognize that they have to pay more for a great hamburger.

We have all heard that profit is not a dirty word. Yet so many of us are ashamed to make what we perceive as an exorbitant profit. Exorbitant profit is only achieved when you charge more than is fair market just because you have someone stuck. Let's look at a $50 part as a fair profit and an exorbitant profit. If you can buy a part for $20 and the going market price is $60, then selling it for $50 is actually a deal for your customer. But if a part costs you $20 and a fair market for it is $40 and you insist on charging $50 because you happen to have the only one in town today and the guy needs his truck, then you're not being fair. One of the most important things you need to know as a businessperson is what is fair in your market.

Market your special tools and testers. Stamp the back of your business cards with short promotions like "Clutch pulley swap $15 $10 with this card, or EXTREME alternator load test $20 with this card." Pass them out to all of the part stores that compete with you. They will end up steering their customer right to your door. Go by car shows and drop them in the cars on display. This is dirt cheap advertising that works.

Charge to disassemble and diagnose a unit. Advertise the price as disassemble and evaluate. If the customer wants to go elsewhere give him back the disassembled parts. If they want it reassembled charge for your time. Usually the cost of disassembly and assembly added to the big box store price will be more than your price. Once the customer wants you to expend time on their unit you are in the driver's seat. Don't pass up the opportunity to sell yourself.

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