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Buying Smart + Working Smart = Success, Money And Dating The Prom Queen

This issue is the annual Buyer's Guide. It contains a lot of advertising and an itemized directory breaking down the parts supply for our industry by different categories and listing suppliers for each category. Trade magazines such as this one provide us with excellent technical information and articles. It is critical to our survival to be current on the new technology and the latest field fixes.

Take a good look at the advertising in this book. Look at the new-product announcements and companies advertising new tools and diagnostic equipment that make our job easier. Time saved is money earned. Other companies provide access to technical and training manuals, seminars and OEM repair manuals. I don't know about you, but I never can find the time to read all the trade magazines and technical material during the business day. I wind up reading a couple of hours a night just to stay current.

Also in this magazine is a postage-paid Reader Service Card that you can fill out and mail to get all the catalogs and product information you need to make a buying decision.

Buying Smart

Buying smart and pricing your work correctly are the first step to a profitable business. What does buying smart mean? It means buying OEM-quality parts at competitive prices and getting the parts delivered in time to complete the job with minimal inconvenience to the customer. OEM-quality parts are parts that are manufactured by a company that is making them for the original-equipment manufacturer or that has the capability of doing so. Although the aftermarket frequently improves on an OEM part, the OEMs demand rigid quality control from their suppliers, and you can't go wrong with an OEM part.

Some suppliers carry several lines of parts – OEM quality and a "will fit" line of replacement parts that is priced cheaper. Why would they carry a cheap line? In response to price pressures put on them by shops that cannot sell their work at the right prices, or that do not care about the quality of the units they produce. With the complexity of today's transmissions and the time and effort required to R&R and rebuild a unit, comebacks are extremely costly to a repair shop. It would

seem insane to use anything but the highest-quality parts available in your work.

As an example, let's take a simple bearing. All standard transmissions have shafts that are supported by bearings, and a quality rebuild starts with a new set of bearings. Any quality gear supplier will carry a good OEM-quality line of bearings, some of which are fairly expensive. In an effort to be competitive and cut prices, some suppliers will sell bearings from the Eastern bloc and mainland China that are much cheaper but of doubtful quality. The problem starts when the bearing on which you saved \$5 fails and wipes out \$600 worth of geartrain in the transmission. Who pays for the comeback? How nice a deal is that \$5 savings now? We haven't approached the product-liability issues such as a trans failure causing an accident with injuries and lawsuits. When you buy an OEM-quality part from a quality manufacturer and such a tragedy arises, you have that manufacturer to fall back on for technical help, legal defense and product-liability insurance. You won't find that with cheap import parts made in third-world basements.

The second thing a quality supplier should be able to provide is technical support. Let's face it, you could buy all the parts you need from the dealer. The dealer usually doesn't stock any standard-transmission parts, the dealer prices usually are higher than those of the aftermarket gear vendors and the dealer is not going to help you diagnose a problem during the repair process. A good supplier will have what you need in stock in most cases at competitive prices, and it should have a tech hotline you can call for help when the need arises.

Pricing Smart

In order to make enough profit to grow your business, you must sell your parts and labor with enough markup. Sounds simple enough, but you would be surprised at how many shops give their work away. We all know people who are careful shoppers. They have all the coupons, they follow all the sales at stores and they have the time and persistence to squeeze the last penny of savings out of every purchase. They also are the ultimate consumer, which means that everything they buy is for their use. We are not ultimate consumers of trans parts and labor; we are middlemen. We provide a service (parts and labor) that is marked up above our cost at a margin that allows us to make a profit. To find out at what margin you need to mark up your parts and labor, you first must know what it costs you to do business. Only then can you figure out your profit margins. Many times I have spoken with guys in the field who tell me that a part is "too expensive" or that they can buy it for \$6 cheaper somewhere else. Is it the same-quality part? Are you buying this piece to put flowers in and keep it on the mantel? No, you are going to RESELL this

piece at a PROFIT, and if the quality of the part is the same, a few dollars in price difference is immaterial if the quality product can be in your shop right away.

One of the most-common misconceptions about setting price is "list price." This stems from the little-known fact that there is NO such thing as list price. Therefore, the manufacturer creates a SUGGESTED LIST PRICE, which is just what it says – a suggestion. Your overhead, cost of doing business and profit goals are very different from those of the manufacturer, so why would you let them determine your profit margin? All products have suggested list prices, and – depending on consumer demand – the price will be discounted from list or sold over suggested list. Supermarkets, chain stores and other mass merchandisers buy in huge quantities and are able to get large discounts from producers, which they pass on to shoppers because of the intense competition. When demand is great and the supply of product is limited, prices go well over suggested list price. This Christmas a certain ticklish doll was selling for 50 to 100 times its list price because certain parents believed that their child would be damaged for life if they didn't have one. Do you think that you can buy a ticket to a hot rock concert, a championship prize fight or the Super Bowl for suggested list price? You have to take your cost of doing business, what you pay for the part and the desired level of profit to be obtained to make your business viable and create your own suggested list price.

Some of you will ask how you can charge over list. In the first place, because list price is only a suggestion you are the only one concerned with it, as the customer has no frame of reference. It is

easy to justify your prices by showing added value. One added value is availability. If the dealer will have to order the part and take five to seven days to get it and you can provide that part in one or two days, isn't it worth something to the customer not to lose the use of his car for five or more days? He still has to pay insurance and finance charge on the vehicle for each day he is without it. In many cases in suburban areas the customer must rent a vehicle. Every day you can save the customer in down time is valuable to that customer. If you think that the dealer will critical-order a part for the same price, get on the phone and find out what next-day delivery will add to the price. You will pay air freight and, in many cases, a surcharge of 15% or more to expedite the order. Import dealers typically give us a "whopping" 10-15% discount from their suggested list prices. If you think you can live on that, don't bother to read any more because next year you won't have a business. You will be working for someone else.

Use your ingenuity and your talent where they belong – running your business. Get hooked up with a quality parts supplier with a large inventory of OEM-quality parts that can be in your shop quickly. Make sure that the supplier has a technical-support system in house for you to use when problems arise. Know your cost of doing business and how to price your parts and labor to obtain the profit margins YOUR business needs. The results are known by many names, but the one that comes to mind most often is SUCCESS. **TD**

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Circle the corresponding number on the free information card.

- 87 Useful information.
- 88 Not useful information.
- 89 We need more information.