

Three Business Truths – Increasing Margin by Michael Strautman

If you are not satisfied with the performance of your shop today, there are truly only three ways that you can make more money: Increase sales, increase margin, and decrease expenses. This week, we shall focus on part two: Increase margin.

There are a couple of signs (even without using fancy tracking systems) that your margins are not high enough. First, if you never have a complaint about your price being too high. Your customers tell you – by not saying a word – your prices are too low. A few complaints from customers regarding your sale price are indicators that your sale price is nearing the correct margin for your marketplace. Second, if your parking lot is uncomfortably full; and you feel as if you're drowning under the workload. "Busyness" does not equal "Business." This type of activity could be a result of being under-priced.

Furthermore, you may be involved in business groups to help you determine what margins are actual industry standards on parts and labor. Most business groups utilize a composite of anonymous shops which are arranged as a comparative analysis. There are many factors which must be considered when determining what margins are successful in your marketplace. The manner in which you arrive at the correct margins is up to you, but in all cases it **MUST** equate with a NET PROFIT with which YOU are satisfied at the end of the month. If you don't have a way of tracking your margins and profits, you need immediate business coaching.

To be sure, there are other factors that could have a negative effect on margins: recession, customer confidence, poor salesmanship, local economy, etc. However, these are things over which you, as the owner, have limited control. Set your margins to generate a net profit with which you are satisfied. If you cannot generate a net profit, you must evaluate the risk that you are willing to take to stay in business! There are more business truths to come in this three-part series – Stay tuned for number three!