Shop Management Solutions

BY **ROB MUNRO**

Sometimes running your own shop can feel like you are trying to do 50 things all at the same time. With everything pulling on you from all different directions, staying organized is difficult and making money can be a challenge. We are all creatures of our own bad habits, myself included, there will come a time when we can't remember all that important customer information in our heads, and the sticky note we wrote it on will have blown into the abyss, thank gawd for the computer and a management software system! Being able to store and manage tens of thousands of customers within a database that can easily be viewed, sorted, and filtered makes everyday administration an altogether simpler experience.

According to "Techopedia" a management software is that which is designed to streamline and automate management processes in order to lesson the complexity of large projects and tasks, as well as encourage or facilitate team cooperation, collaboration and proper project reporting. To me that translates to… it's going to save me time, which means it's going to make me money!

How are you keeping track of all your costs? One of the more common requests we get in the AERA Technical Department are shops looking for pricing information. Now as easy as it sounds to just grab another shops price list to form your own, without doing the math to formulate your exact costs, you're not going to get a true financial picture of where you sit as every shop's situation is unique. Let's say your shop has new equipment with 10 employees, do mostly performance, and are in a newer building in downtown Chicago, your costs are going to be substantially different than a small shop in rural Nebraska working on mostly agricultural engines. My point here is you must calculate your costs to establish your pricing, your success depends on it.

Since AERA has members that develop software for automotive machine shops, I knew I could rely on a few experts to help answer several questions and provide our readers with some good insight about software solutions. George Ouzounian of Modal Software Corporation comes from an accounting back ground and has developed an engine building management software for machine shops called ActionRev, while longtime machine shop/service center owner Dave Arce and his son David have developed a product called Fytron Software.

Dave Arce from Arce Engines, is a member of AERA and a certified engine machinist for over 20 years. His belief to running a successful automotive machine shop is not just schooling and experience but, a firm believer in the technology software that we have in today's industry to run your business.

George Ouzounian graduated from Fresno State University in 1971 with a degree in accounting and has five years of a public accounting experience conducting governmental audits and income tax preparation. Mr. Ouzounian is the President of Modal Software Corporation (www.actionrev.com) and a member of the Assessment Appeals Board of Tulare County, California.

Both George and Dave agree that the engine building industry is unique, the way in which a machine shop must cost out a job and track the labor is unlike most businesses.

EP: What were some of the reasons you developed a shop management software?

George: 20 years ago, one of my clients that owned an electronics service center with five technicians came to me as he was overwhelmed with trying to stay on top of all the estimates, parts ordering, invoicing, and the day-to-day accounting. I knew that for him to succeed, he needed to get computerized. To compete with all the domestic and foreign competition we all see around us, we need to work smarter. I have been asked by clients investigating our software, "Can your software really do what you say it can do?" A good computer system will help if you know which one to use. Whether you use our system or use other shop management systems, all shops should be using a management software.

Dave: I love this industry, unfortunately there is very little guidance when it comes to the business side for machine shop owners. I wanted to develop a management software that is not only specific to machine shops but can help shop owners with a time labor guide for the jobs we see come through the door every day. Establishing an hourly door rate is unique to every shop but establishing a labor time for the kinds of jobs we do is universal. As shop owners, we short change ourselves far too often and don't charge what we should. A shop management software will allow owners to recognize where they're falling short and help to make up for some of that lost revenue.

EP: What are some examples of how a computer saves you time on the day-to-day operations?

Dave: Tracking the jobs in the shop is a key component to efficiency. With as many different jobs we're working on these days, you need a system that can keep you and your employees informed in real time. The machinist, service advisor, and administration all play a large role with everything that needs to be communicated. We use technology and the tools available to allow us to do that, I can be out of the shop on a service call and see exactly what a customer's invoice looks like and make changes on the fly.

George: With all of the different engine combinations that shops are working on today, ordering parts has become a daily task, tracking inventory information is critical and can't be a cumbersome process. Pricing and margin setting needs to be simple with the ability to make changes instantly. A lot of the shops I deal with need an easy core tracking feature that can keep track of what cores they have out there. For most shops, parts pricing is constantly changing while their hourly rate and what they charge for labor is more of a constant. Correct pricing of parts and time management is where shops need to focus to generate a good bottom line.

EP: What are your thoughts on having an integrated accounting system within the software?

George: Most of our clients had been using a book keeping software like QuickBooks to do their monthly transactions before

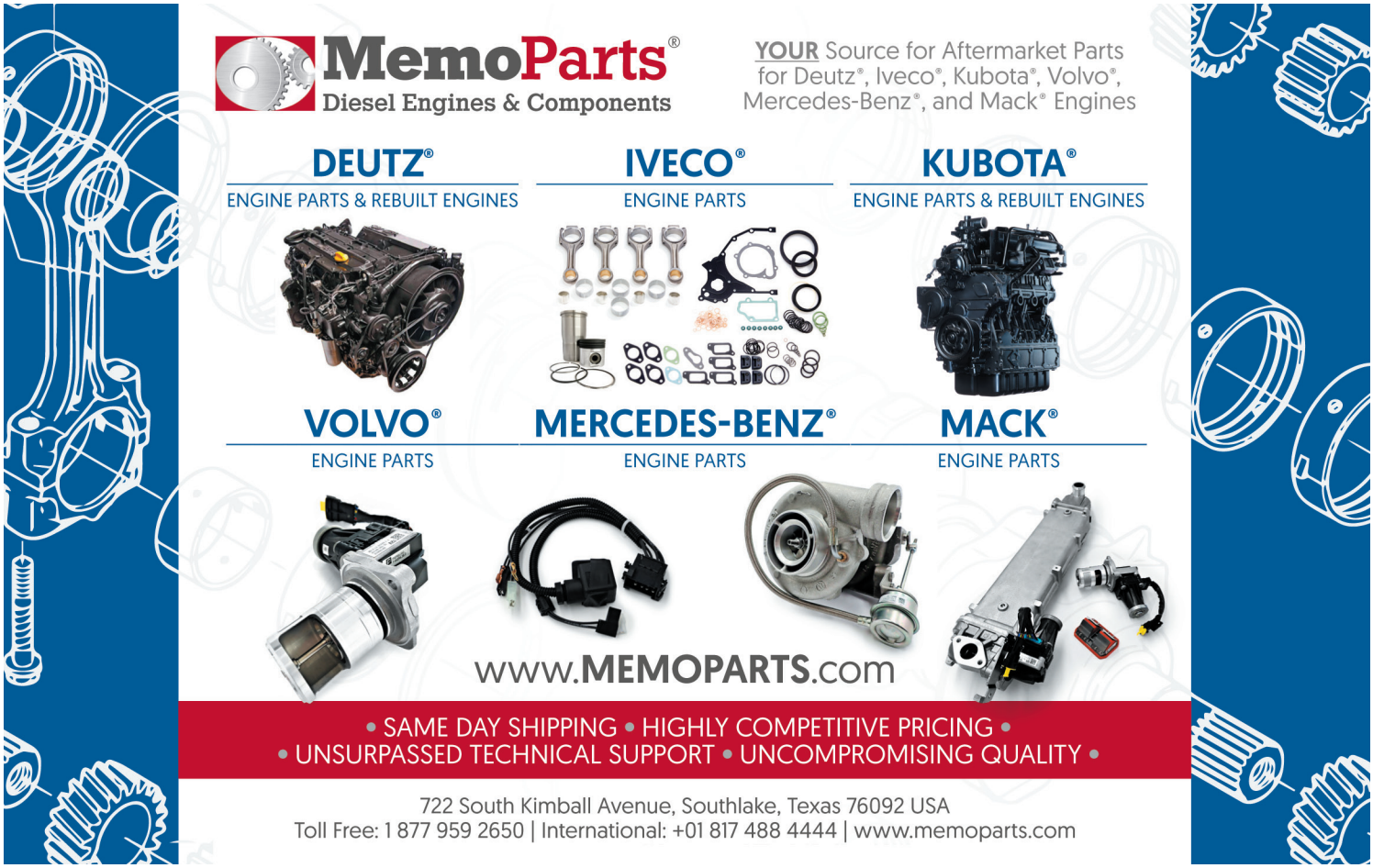
they started using our system. I even use QuickBooks for my own business — it's fast, easy to use and inexpensive. Our system generates source documents like sales invoices and then exports them to most accounting software systems available today.

Dave: Currently our system exports easily to QuickBooks but we are looking at offering a product that does have an integrated general ledger, we feel our industry has a need for it. Smaller shops already have too many overhead expenses, by having an all in one management system will help to reduce some of those extra costs and allow shops to do everything in house.

EP: Why do you think it's important for engine builders to choose a shop management system?

Dave: If I use my own shop as an example, I have both a service center and machine shop. The service center customers never complain about a door rate of $110.00 per hour, they fully understand the necessity to stay current with modern tooling and equipment. Now on the other side of the shop where the machine shop is, it's much more difficult, why the difference? Our industry has to change the way we do business or we are going to continue to shrink. Our customers simply don't except old technology, one example is that we upload pictures and videos right to the invoice with documented assembly information, everything must look professional. Pricing on an organized computer-generated invoice rarely gets questioned, even after we have added the environmental and shop supply fees. Our industry deserves better, we have been leaving way too much money on the table for far too long.

George: Moving forward, the process of Business to Business (B2B), inventory information sharing is going to be much more prevalent. The ability to interact both domestically and worldwide will only be enhanced. E-catalogs and parts pricing are just a few of the enhancements that are currently available. In today's world, a shop owner needs a good information system right at their fingertips. Not only can it help to reduce your costs, your ability to make money and compete only gets better.

EP: Thanks for your help guys, these are all great reasons to start looking at a shop management software. As challenging as it may seem to select the proper software to take care of the more tedious details within your business, it is nice to know that there are products available to streamline the process for you. Let's put our minds on more important things… like making money.■

Rob Munro, AERA's Membership and Technical Development Manager, has 34 years of industry experience and is a former machine shop owner. In 2000, Rob's shop won the prestigious "Machine Shop of the Year Award". Rob began serving AERA as a board member in 2001, was board chairman in 2007, and continued serving as an advisor into 2014. For more information, email: rob@aera.org.