



Maximizing P&M Profitability

by John Halstead



Paint & Materials is the third largest Profit Center for a Collision Center making up about 10% of its Total Sales, right behind Labor and Parts. The two aspects of this Profit Center must be managed separately: **Maximize P&M Sales** and **Minimize P&M Cost** relative to **OUTPUT** (Paint Hours). Since Collision Centers are most often **paid** for Paint & Materials by the Paint Hour, it will be best to manage **P&M Cost** in the same manner.

Maximizing P&M Sales per Paint Hour

What a collision center is paid for Paint & Material is not what's on the sign in the office. What they are actually collecting is a combination of the following:

- The **P&M Sales Rate** paid by Customers and Insurers multiplied by the **Paint Labor Hours** on the repair order
- Minus: the impact of **P&M Caps** on larger jobs by insurers
- Plus: What is charged on their estimates for "**Not-included**" **P&M Items** such as car covers, flex additive, sealants, sound deadening pads, etc.

Prevailing P&M Sales Rate		\$ 32.00	Rate paid by Insurer / Customer
Paint Hours	X	8.5	
P&M Sales Allowance	=	\$272.00	
+Not-included Items	+	\$ 27.00	Such as Car Cover, Stripes, Flex Additive, etc.
Total P&M Sales	=	\$299.00	
÷ Paint Hours	÷	8.5	
Actual P&M Sales Rate	=	\$ 35.18	

Since all estimating systems put "not-included" P&M items into either Parts or Sublet on the estimate, these must be re-classified to **P&M Sales** on the repair order in order to properly reflect **Actual P&M Sales**.

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Minimizing P&M Cost per Paint Hour

Collision Centers purchase Paint & Materials plus non-P&M Items (additional tools, equipment, and shop supplies) from their PBE distributor:

1. Properly classify any non-P&M items to the **Shop Supplies** account, **not** the **P&M Cost** account.
2. Make sure the collision center has a well-organized and functioning P&M inventory, with minimum SKU's (**Stock Keeping Units**), and sufficient working inventory to function on a week-to-week basis without costly stock-outs. Proactively replenish inventories on a weekly basis.
3. Measure **Paint Only Cost** and **P&M Cost per Paint Hour** on a monthly basis.
4. Manage repair processes daily to eliminate waste, increase workflow, and maximize **OUTPUT**.

Best Practices to Minimize P&M Usage

- ⇒ **First Things First** – “Put the house in order” by cleaning and organizing the workspace, keeping all equipment working to specification: Spray guns, air lines, and booth(s) clean with good air flow and baking at the proper temperature. All color tools up to date; Tech staffing organized with clear roles and responsibilities, and consistent daily scheduling to reduce peaks and valleys in workflow.
- ⇒ Focus on **Three Off-line Processes** that can occur before a car even gets to the Paint Department: 1) Repair planning (what is to be repaired, not repaired, and how); 2) Color Mixing and Matching as early in the process as possible (not anywhere near the paint booth), and 3) a timely Parts Edging Process. These will alleviate much of the stress in the Paint Department and result in fewer errors and re-do's.
- ⇒ With the above accomplished, the **Five On-line Processes** (Stage for Prep, Prep, Stage for Paint, Paint, and Cool-down / De-mask) should flow easily without delay or interruption.

TIP to Remember

Anything that creates **Excessive P&M Usage** also consumes time. Eliminating the root causes of excess P&M Usage will increase **OUTPUT**.

KPI's of the Month

To **Maximize P&M Profitability** measure and manage **P&M Sales**, **P&M Cost**, and **Paint Only Cost per Paint Hour** monthly.

Benchmarks

Actual P&M Sales Rate — Prevailing Insurance rate plus \$2.00 - \$3.00 (to account for non-included P&M items).

P&M Cost per Paint Hour and **Paint Only Cost per Paint Hour** — Collision Centers can work with their PBE distributor to determine current performance and to set goals for improvement relative to local and national benchmarks.



This TIPs flyer was written by John Halstead & and edited by Georgia Thorson of RDA

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