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Lean Starts Up Front

A look at front office procedures can reveal inefficiencies in the repair process.

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Doug Fernandez, president of Turnpike Motors Autobody in Newington, Conn., says his shop's front office routinely had piles of work: paperwork, parts orders, phone calls. It was so much work, in fact, that his shop needed 14 administrative employees.

By reviewing the tasks taking place in the front office, Fernandez realized that multiple supplements throughout the repair process were largely to blame for the hours of additional work. So the team at Turnpike set about changing their ways, identifying every unnecessary task. Those changes allowed the shop to reduce the office staff to eight employees, saving \$200,000 every year.

Identifying and eliminating waste—and transforming your shop into a lean machine—has proven to cut costs and grow profits for collision repairers. In searching for ways to go lean, the tendency is to look first to the shop floor, and overlook the tasks that waste time and money in the office.

"The largest amount of waste in collision repair is in the office," says John Sweigart, principal at The Body Shop@ in Philadelphia. He says 95 percent of work in the front office is waste—in other words, tasks that customers won't pay for. Inefficient estimating procedures drive a lot of that wasted activity.

"I've seen body shops that do \$3 million in annual revenue—which aren't huge—that have three parts employees," Sweigart says. "They employ that many people because they have all these parts returns they need to make."

When looking for shop inefficiencies, the front office is a good place to start. Sweigart says front office employees, on average, go through 3,000 to 4,000 administrative tasks for every repair that comes through the door. That number, he says, can be reduced to 200 tasks if shops take the time to eliminate office work that isn't necessary.

Where is the Waste?

"The lack of writing an accurate estimate the first time is the single biggest inefficiency in repair shops," says Jack Lamborghini, owner of Plymouth, Mass.-based King Collision Centers Inc. Lamborghini adds that this kind of front office inefficiency is what really kills lean processes in a shop.

Half the work in a collision shop's front office is generated by wasteful supplements, says Sweigart. Eliminate those supplements, and you may be able to deeply cut the front office workload—and its associated expenses, from salaries to supplies.

Most people don't even realize some of the issues caused by inefficient estimating procedures, Fernandez says: They think it's part of the process, but it doesn't have to be. Parts ordering, parts returns and additional phone calls are some of the time-wasting tasks created every time a new supplement is generated during a repair.

Many shops traditionally pre-order parts after the initial estimate, only to find all those parts aren't needed. The office staff has to receive, invoice, store and pay for every part ordered. And that's before the staff gets around to returning the leftovers, which is a process all its own.

Along with the paperwork associated with pre-ordering and returning parts, many communication-related tasks are involved: Front office employees have to call or otherwise contact the customer, the rental car company and the insurance company.

Changing everyone's expectations about the cost and timeline of a revised repair, Sweigart points out, requires a great deal of work from the administrative part of the shop.

To make matters worse, "There tend to be multiple parts orders during a repair," Fernandez says. Every new order requires a repeat of the administrative process. That means starting over paperwork and playing phone tag, among other time-consuming tasks. It may not sound like much, but the time it takes to complete those tasks adds up—so much so, Fernandez says, that it can't be quantified.

Blueprint for a Faster Front Office

Aaron Marshall, owner of Marshall Auto Body in Waukesha, Wis., wanted to eliminate the wasteful workload of his office staff, so he overhauled his shop's estimating procedure in April 2006.

“After 12 months, we found that we were doing more work with a lot less effort.”
—Aaron Marshall, owner of Marshall Auto Body

Marshall traditionally started the repair process with an initial vehicle estimate in the parking lot. That proved to be a waste of time, as his shop consistently generated up to five supplements for every repair job. Every supplement led to a mountain of paperwork for the front office—and no way to get paid for that work.

Now, the shop does a complete teardown of the vehicle to determine every problem from the start. “We know exactly what repairs need to be done and the total cost of the job, rather than uncovering new issues throughout the repair,” Marshall says.

This blueprinting procedure has dramatically reduced the front office workload, he says, by allowing employees to file paperwork, order parts, and contact insurers and customers about the repair just once.

Not all estimates without a full teardown are bad, Marshall says, but anytime there’s a chance of generating a supplement, a conventional initial estimate is a waste of time. After overhauling the estimating procedure, Marshall Autobody soon saw results.

“We eliminated a tremendous amount of parts ordering and handling that was related to supplements,” Marshall says. When the shop stopped generating supplements, wasteful office tasks decreased by 20 percent immediately.

Wasted effort went down, and productivity went up. “After 12 months, we found that we were doing more work with a lot less effort,” Marshall says, reporting a 6 percent sales increase over a two-year period. Marshall notes that the shop now only needs to take on 16 jobs at one time to meet sales goals, down from 22, because there isn’t the downtime that used to be caused by work on additional supplements.

Sweigart says his company, which launched in January 2005, experienced similar results after implementing lean processes among his office staff. With front office waste in the can, The Body Shop@—which does \$7 million in annual revenue—experienced a four-fold increase in profits by 2009. In addition, the shop decreased cycle time by 75 percent.

“We averaged a five-day cycle time for the entire year in 2009,” Sweigart says, noting that the industry average is nearly 14 days.

For shops that streamline the estimating process—and eliminate office tasks—cycle time will typically fall by half within the first 30 days, Sweigart says. After two years, cycle time will halve again, and ultimately be reduced to 25 percent of the original time.

Front Office of the Future

Streamlining your shop’s estimating process—and taking a load off your front office personnel—can give your business a financial lift and a competitive advantage. The first step to a brighter future? A willingness to evolve.

“Change is critical to the successful future of the industry,” Sweigart says. “If you don’t get better than the competition—by a lot—then you’re just going to be another schlub on the corner with a body shop.”

So shop operators who want to go lean, or leaner, might want to peek inside the front office. “It’s about having some routine within your organization that eliminates problems on a regular basis,” Fernandez says. And that’s likely to be the key to streamlining your entire organization.