

RATCHET +WRENCH

Top Tips for Planning a More Profitable Year

Older vehicles mean more repair work. According to S&P Global Mobility, the average age of U.S. light vehicles reached 12.8 years in 2025, the second straight year of a two-month increase. For repair shops, that's good news for the year ahead. But demand is only half the equation. You need a road map to get from demand to profit.

1 Start With 2026

Build your 2027 budget on this year's actual numbers: sales, parts and materials, payroll, rent or mortgage, utilities, insurance, software, credit-card fees, taxes, and other routine expenses. Try to identify situations where things didn't go as planned or where profit fell short.

Then review your key performance indicators (KPIs). If you don't track any, start now with a few core measures such as gross profit percentage, average repair order (ARO), and car count. Consistent KPIs let you compare results accurately throughout the year.

2 Set Realistic Goals

Don't simply take this year's results and add a percentage. KPIs can help you see realistically where there are problems and opportunities to improve. Aim high but build an achievable path to get there.

Identify costs, including those that come up less frequently, as well as utility, insurance, and lease costs. Set aside realistic amounts for advertising and customer acquisition, upgrades to diagnostic equipment, subscription costs that might change, and management training. Technician training, in particular, is an investment that can help shops complete repairs faster, improve efficiency, and reduce comebacks. This doesn't have to be expensive. Consider the extensive collection of free articles and videos at the AutoZonePro Resource Library.

Finally, if you expect to need a new lift, alignment machine, or scan tool, budget for it. It is better to plan than to face a surprise cost. And keep a contingency reserve for slow months, major repairs, and other unexpected expenses.

3

Plan Month by Month

Higher annual targets alone amount to a hope so plan. Monthly targets make the budget useful.



Start with historical monthly results. Car count, repair orders, labor hours, parts sales, and expenses all vary by season. Rather than dividing the annual target by 12, set each month's expectations based on experience and what you might reasonably expect regarding staffing needs or potential lost time due to illness and vacations.

Take the time to review actual results every month. If revenue falls short, the numbers show why: lower car count, a smaller ARO, overtime, and shortages or delays in getting parts.

The same review can reveal opportunities. An increase in a specific repair in a popular vehicle model could spell an opportunity to advise customers to undertake proactive work. Maybe that means prepping technicians with information and better tools so they are ready to deliver.

4

Use Your Software and Your Accountant

If you have shop management and accounting software, make the most of it. Many shops use these tools to eliminate paperwork but overlook the reports and insights they provide that could guide their decisions.

Involve your accountant early. Some purchases are deductible as operating expenses; others are capital investments depreciated over time. Provisions such as Section 179 may let you accelerate deductions or time major purchases to your advantage. A good budget does more than control spending. It reflects your strategy and the steps needed for long-term success and profitability.

5

Bring the Team In

Growth comes easier when everyone understands how their work affects results. Avoid slogans and pep talks. Instead, set some clear, measurable goals that can influence:

- **Technicians:** productivity, billed hours, quality, and fewer comebacks
- **Service advisors:** ARO, estimate approval rate, customer retention, and appointment scheduling
- **Managers:** gross profit, car count, labor utilization, and customer satisfaction

Make the purpose of the goals clear and avoid a blame-game approach. Track progress on a visible weekly or monthly scorecard, and recognize improvement, not just final results.

Incentives help when they reward the right behavior. Although profit-sharing and bonuses can be useful, they can get expensive. Don't rule them out, but consider less expensive options such as time off or gift cards. Try to find the balance that works for your organization between rewarding top performers and rewarding the team. Avoid incentives tied only to sales or speed; include quality and customer-satisfaction measures so employees aren't tempted to oversell work or rush repairs.



6 Find the Real Constraint

Before chasing more customers or adding services, identify what is actually limiting growth. Review KPIs for multiple years to get a clear picture of what's helping or hindering current performance and what realistic potential might be.

- **Full schedule, too few billable hours:** Focus on efficiency. Examine productivity, bay utilization, parts delays, workflow, and time spent waiting for customer approvals.
- **Idle technicians and bays:** Focus on car count. Look at retention, visit frequency, local market share, and marketing results before raising your ad budget.
- **Busy and productive but not profitable enough:** Focus on margins. Are labor rates appropriate? What is the ARO? Are there discounts? What about the margin on parts?
- **Strong operations, and customers asking for work you send elsewhere:** Consider adding services if you can do so with existing staff and equipment. If an addition of something like tire sales has high profit potential (maybe your customers would rather buy from you than from someone many miles away), consider whether the investment might be worthwhile.
- **Suppliers constraining performance:** Consider the value of having a strong parts supplier. Access to the right parts at the right time can improve bay utilization, technician productivity, and customer satisfaction.

More cars going through your shop won't solve poor productivity, and new equipment won't solve weak demand. Let the numbers identify the bottleneck, set a measurable goal to improve it, and check progress monthly.

For more useful ideas and information, visit the AutoZonePro Resource Library at: https://www.autozonepro.com/resourcelibrary.

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