How to 'properly' review a contract

BUSINESS SENSE by TIM KELLY

On your contract, turn to the second-to-last page. Should it advise that they wish for you to discount some aspect of your service in any way, or that you can be penalised for not doing something ... throw it in the bin.

That's it, my work is done. See you next month.

What I'm saying is, stop giving away your profit and ask yourselves, do insurers give you any of their profit?

I would suggest reviewing every contract you have, and in our current economic environment I would wager that not one of them is viable.

The issue repairers currently have is that these contracts are based on your operational cost when you started the contract, not what they are now. In short, I would be binning everyone of them, and renegotiating. If you do not, you will not be here next year. Every job you are doing is bringing your closer to closing if you don't.

At this point, some of you will be saying, "That's OK for you to say, you don't understand,"

The real answer, however, is that the industry does not understand. You are in business to make a profit. And that's not a dirty word. Fixing vehicles is the vehicle that helps you do this. It is not the reason why you are in business. If you think the "why" of your business is to repair cars, then you have an expensive hobby.

Change your marketing (or start doing some marketing) and aim at a different marketplace that doesn't involve working with insurers.

"But we need to work with insurers." Yes, you do, but this needs to be done with parity in the contract. Get some training on this subject. Knowing what insurers can and cannot do are powerful tools. If what you agree in costs with an insurer does not earn you profit, do not agree at those costs. Why be worried about working with a company in the future if it does not earn you profit now?

How you review a contract starts before this, before you even contemplate a contract, you need to know your own costs.

Understanding your figures

You should be reviewing all of your figures on a weekly basis, at the very least, monthly. If you are not, how do you know you are not losing money?

Create a spreadsheet detailing every penny spent as a cost to the business in its operation. These are your "core costs" – building rent, insurance, rates, energy supply, staffing, etc. You then need to divide this by the amount of "productive" hours charged. This will provide your "break even" rate.

You then need to document the cost of every item used while carrying out your business. You then need to add a "multiplier" onto these items for profit.

Everything is going up in cost, from washers to filler, sanding discs to cutting polish. To put it simply, if you do not place a mark-up on the products or services you provide, you are not making profit.

Using a spreadsheet will help you see instantly the effect a product price increase has on your profitability.

I know of one repairer who was not charging for stainless nuts and bolts on a renovation, it cost him £300. This eats into your profit.

Charge for everything you do in the operation of repairing a vehicle. If an insurer requests something that helps them process a claim, charge for it.

At this current point in time, you must certainly need to know the effect rising fuel costs have on the profitability of your company. You need to know this daily and weekly. I monitor a few groups, one bodyshop advised of his cost per unit of gas, from a year ago to now. He had a daily £10 standing charge and a rate of "x" per unit of gas. His gas company lowered the daily rate and increased the unit cost.

His gas cost is now four times higher and after I calculated operational costs for him, it showed he was losing money on every job he did.

The message is simple: You cannot afford *NOT* to put your prices up.

Tim Kelly is founder of **motorclaimguru.co.uk** and an expert in insurance and assessing vehicles, a consumer advocate and bodyshop consultant whose goal is to change the industry and put repairers back in control of their profits.