

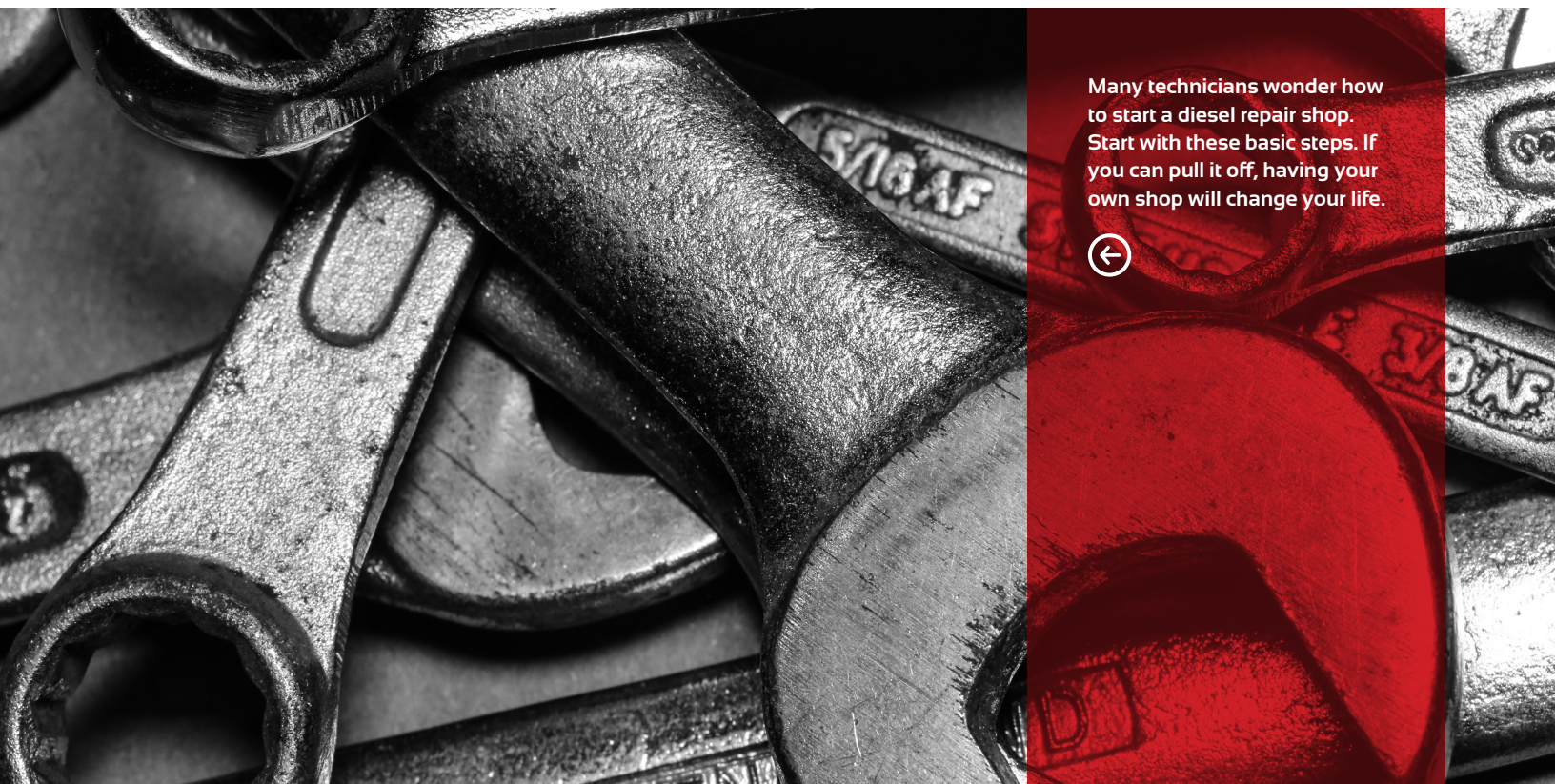
How to Start a Diesel Repair Shop

Important questions to consider before starting your business



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Many technicians wonder how to start a diesel repair shop. Start with these basic steps. If you can pull it off, having your own shop will change your life.



What Kind of Shop Do I Want?

One of the first things you'll need to decide is whether you will start with an actual shop or just a service truck.

Depending on local regulations and the needs of your customer, you may be able to start off without a physical building. A service truck with the right equipment can be all you need to get your business off the ground. This is especially true when you are taking care of customer fleets, where the customer is fine with you doing the work in their yard.

If you opt for a building, remember: location, location, location. It applies to starting a diesel repair shop, too. If you'll rely on walk in work, it's important to be in a high-traffic area. Locating near easy freeway access can be very important.

As you fill out your customer base, though, you may find yourself turning away walk in work and may need to consider a less visible (and as an added benefit, less expensive) location.

Make sure any space you lease or purchase is properly zoned and has the necessary infrastructure, including commercial electrical service, waste oil recovery, and ventilation. Consider whether you'll heat the shop in winter and air condition it in the summer. This may be an important factor in attracting technicians.

Even with a building you may plan to do work outside the shop. Consider what you'll need on a service truck. You'll need a place for tools, fluids, and parts. Good service trucks also will have a compressor, generator, welder, flood lights, and even a crane. If you're starting out doing strictly mobile, with no shop, consider investing in a good service truck.



Customers: Businesses or Consumers?

One of the key differences between light duty and heavy duty shops is the customer. Heavy duty usually deals with other businesses; light duty usually deals with consumers. Does it make a difference? Yes, a very big difference.

Because businesses typically make money with their trucks, they are highly incentivized to keep them up and running. Unlike with consumers, maintenance and repair on business vehicles is a mission-critical activity. This is one reason businesses aren't as price sensitive as consumers. Other reasons are that businesses typically have a budget for repairs, and usually the people making the decisions are dealing with the business's money, not their own. There is much less emotion involved in the repairs than there is with light duty.

Focusing on business customers doesn't mean you're ruling out light duty work. Many businesses have light duty fleets and maintenance and repair budgets to go along with them. Even if you choose to focus on heavy duty, you may need to accept some light duty work as customers may have both.

Keep in mind though that heavy duty trucks and equipment will generate more revenue. This for a variety of reasons, including the skill set required to maintain and repair them is more rare, parts are more expensive, and they are more valuable to customers because they tend to make them more money. What's more, heavy duty units take a beating and are constantly tearing themselves apart.



Employees: Go Solo or Build a Team?

Are you a competent technician yourself? There are surprisingly many heavy duty shop owners who are not diesel technicians themselves. They are able to pull it off because they are good business people. But they must constantly rely on the expertise of someone else. It's a tough row to hoe.

If you are a competent technician you have a big advantage, although you still must be (or quickly learn to be) a good businessperson. You can review the quality of work before it goes out the door, and can work in the business until you've grown it large enough to spend most of your time working on the business. Why "competent" technician, and not just technician? If your quality of work is low, comebacks will quickly kill your business. It goes without saying that your work product must be high quality.

If you are a technician yourself, you can start things off with just you. As your business grows, you will want to hire another technician, then another. Finding qualified diesel mechanics is extremely difficult, and you should be prepared for this. Start building your network of diesel technicians now, so when you're ready you have some contacts already. Consider doing an apprenticeship program where you take new technical school graduates and train them to be full technicians.

80% of independent shops are run by a husband and wife duo. If you go this route, consider whether you each have the expertise needed. Running the office side includes preparing customer invoices, collecting payment, basic accounting skills, preparing and paying regular payroll tax filings, accounts payable, cash management, and generally keeping the lights on in the shop.

Consider the opportunity cost — are you making more working together in the shop than if one of you worked for another company? If you do it right, the answer is probably yes, because a well-executed shop can be highly profitable.

How Much Do I Want to Start a Diesel Repair Shop?

While starting any business is a massive undertaking requiring more time and energy than you may realize, if you can pull it off it could transform your life for the better.



Do you have integrity?

Are you honest, even if it costs you money? Do you own up to your mistakes? If not, you won't last long in the diesel repair business. Because you will rely so much on repeat customers and reputation, you can't afford to burn people. You must act with complete integrity. It may cost you here and there, but in the end it is the right thing to do. And it will pay handsome dividends.



Do you have your CDL?

In order to test drive commercial vehicles you will need to have a commercial license. As you build out your staff, encourage your techs to get their CDL too. It helps the jobs go faster and increase overall efficiency.

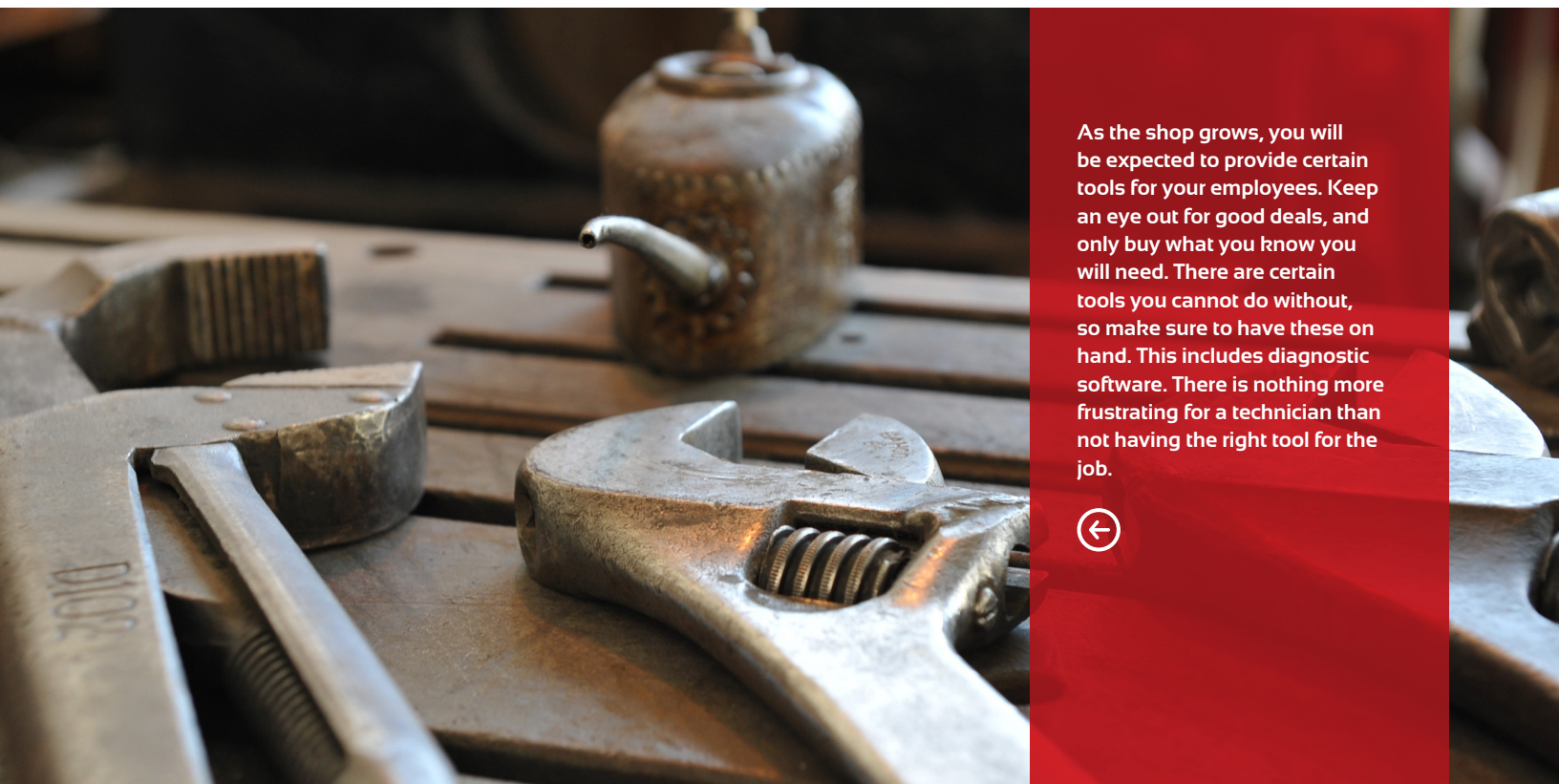


How will you promote your business?

The only way to grow a business is for someone to do some selling. That'll be you. If you can start out with side work, ask for referrals and try to grow by word of mouth. You're essentially selling yourself through your work product.

But you'll probably have to reach out to potential customers, so learn some basic sales skills, including how to find a qualified prospect (do you want to sell to over the road drivers or to local fleets?), do a needs analysis (what pain points are they experiencing, or what are they not able to achieve in their current setup), do a solution presentation (explain what you and your shop have to offer, and how you will solve their pain points), and propose and close a deal.





As the shop grows, you will be expected to provide certain tools for your employees. Keep an eye out for good deals, and only buy what you know you will need. There are certain tools you cannot do without, so make sure to have these on hand. This includes diagnostic software. There is nothing more frustrating for a technician than not having the right tool for the job.



What Business Tools Will I Need?

Having the right tools for the job can mean the difference between an 8-hour day and a 14-hour day. You will need to get tools for both the service side and the office side so work can get done in a reasonable amount of time.

Tools for the Office

Just like on the service side, having the right tools on the office side is critical to a successful shop. We recommend Fullbay for shop management (work orders aka repair orders or service orders) and Quickbooks Online for your accounting. This combination seamlessly bridges the gap between the shop and the office, and makes your shop more efficient and less painful to run.

You're going to need to keep a record of the work you do for customers, and produce accurate invoices. There are many software programs out there, but most are built for light duty work. Find a program that takes into account the needs of heavy duty repair, like maintaining fleets, tracking PMs, and handling customer purchase orders and authorization. You will also need an accounting program.

Server or Cloud?

Consider whether you want to bear the expense of a server in your shop, or whether you'll go cloud based with your software. Fullbay and Quickbooks Online are web-based and talk to each other in real time. You won't have to be at the shop to finish your documentation or to run financial reports. You can do it from home, or on the road. (Or from a hunting base camp that happens to have cell coverage.)

How do I Write a Business Plan?

Before you write a business plan, you must “plan your plan.”

Take the advice from Entrepreneur.com article and ask yourself these questions:

- ① How determined am I to see this succeed?
- ② Am I willing to invest my own money and work long hours for no pay, sacrificing personal time and lifestyle, maybe for years?
- ③ What's going to happen to me if this venture doesn't work out?
- ④ If it does succeed, how many employees will this company eventually have?
- ⑤ What will be its annual revenues in a year? Five years?
- ⑥ What will be its market share in that time frame?
- ⑦ Will it be a niche marketer, or will it sell a broad spectrum of good and services?
- ⑧ What are my plans for geographic expansion? Local? National? Global?
- ⑨ Am I going to be a hands-on manager, or will I delegate a large proportion of tasks to others?
- ⑩ If I delegate, what sorts of tasks will I share? Sales? Technical? Others?
- ⑪ How comfortable am I taking direction from others? Could I work with partners or investors who demand input into the company's management?
- ⑫ Is it going to remain independent and privately owned, or will it eventually be acquired or go public?

Keep your overhead low. Too many business start off with shiny new equipment and huge debt before they even have a customer. Successful businesses bootstrap early on, buy used where possible, and only buy what is truly needed.





Cash is king

Cash flow and profit are not the same thing. This is a crucial lesson. You may have a paper profit of \$1000 on a job, but what if you give the customer 30 days to pay? In those 30 days, you'll have to pay your technician, pay for the parts, pay rent on your building, and cover all your other expenses. So until day 30 hits, you may be profitable but you are cash flow negative. You make up for this by getting 30 day terms with your parts supplier, having enough working capital (aka cash) in the bank to hold you over, and being very careful not to give customers credit who are not going to pay on day 30.



What labor rate will you charge?

Don't go cheap, but make sure you are charging a competitive rate. Check with shops in the area and choose a rate within a reasonable range. Consider charging a better rate to customers who will preauthorize you to do their preventive maintenance.



What will your parts markup be?

A good rule of thumb is to keep your parts cost less than 25% of total revenue. Parts can be expensive, even more so if you're carrying them in inventory. Mark up the parts at least enough to cover the cost of your parts room, the carrying cost of the inventory, and the cost of a parts manager. We see markups anywhere between 30% and 60%. Consider using a graduated scale, where the markup percentage goes down the more expensive a part is.



How much insurance will you need?

Check your federal, state, and local regulations on what insurance you will be required to carry. The liability on some of the jobs you do, for example brake jobs, can be large. Make sure you are not underinsured.



And...Execute!

It's one thing to have a great idea, and even to have a great plan. Actually executing on that plan is a whole other ballgame.

So how do you pull the trigger? If it doesn't violate the agreement with your current employer, start doing side work until you build up a large enough customer base to give you confidence to venture on your own.

If you have to bail from your current job to get going, have a good amount in savings to make it through the first few months.

If you can pull it off, choosing to start a diesel repair shop could be the best move you've ever made. Good luck!

Disclaimer: Please note that this is general information only and not intended as legal advice or guidance. You should seek appropriate legal counsel before undertaking any new venture.



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