



Unit Economics Training: Atlanta Multi-Unit Franchisee gets the Basics from Franchisor

MULTI-UNIT FRANCHISEE APRIL 13, 2010 02:04:00 PM

Brian Klaubert spent 19 years as an engineer before entering the franchising world. Not surprisingly, he had very little financial background for running a business. That's where his franchisor, Christian Brothers Automotive, stepped in.

"The franchisor provided the initial basic training for me and, really, the basics came pretty easy," he says. But he's quick to add that "It was easy to get to the break-even point. The real trick is getting to profitability." That took some time, he says.

Today Klaubert operates two Christian Brothers Automotive locations in the Greater Atlanta area and is scheduled to open a third location soon. Unit economics are two powerful words to him. In his business, labor and parts costs can eat up profits very quickly. And there are other critical expenses to manage, such as insurance and property taxes.

"Execution and control are imperative for us to create and maintain acceptable levels of profitability," says Klaubert. He says it's critical for him to watch his parts margins. "We have to stay on top of what we buy and sell for," he says. The technology systems which record and analyze all his financial data are important management tools.

"I use a standardized chart of accounts through QuickBooks to do month-to-month analysis," says Klaubert. But his real key is his work order management system at each location, which measures all his parts and labor expenses, gross sales, and gross profits. "This is where I can really see what my margins are." For example, by closely monitoring his parts expenses, it's not uncommon for him to find \$200 to \$700 in overcharges from parts vendors each month.

Among all the data he examines, Klaubert considers a core of three areas most important. "We look at weekly costs, which are our annual expenses divided by 52 weeks; our net profit, which is our gross profit minus weekly costs; and basic labor, cost of technicians, insurance and uniforms, social security taxes."

This is essentially the scorecard he shares with his service managers every week, and each manager sees what his unit contributed to the bottom line. They see net profit, number of orders processed, labor and parts margins, and average ticket price. "It's a great tool for motivating the managers, because they get to see firsthand what they did," he says.

Additionally, Klaubert receives weekly sales figures from the franchisor for all franchisee operations, with expense reports and profitability data ranking all franchisees system-wide. This allows individual operators to compare critical numbers such as gross profit and parts margins, says Klaubert. "And we're not afraid to call each other and ask 'How did you get those numbers?'"

Klaubert says his unit economics efforts help him stay in good financial shape for when it comes time to talk to lenders. "Then, when we walk into the bank with that data they say 'Wow, you're in great shape. Let's talk!'" he says.