

FULLBAY®

**A FISTFUL
OF LABOR
RATES**





YOUR LABOR RATE ISN'T JUST WHAT YOU CHARGE— IT'S ALSO A STATE OF MIND. REALLY.

Yes, your labor rate is what you charge your shop's customers for a technician's time and expertise. It's also the basis for what you pay your technicians—and in the [current tech shortage](#), a good wage is more important than ever.

But raising labor rates (and raising rates in general) is a tricky subject for shop owners. How do you make sure that the increase you're asking for is fair? How do you implement the change once you decide on it?

To help us in this ongoing discussion, we brought in some knowledgeable folks you've seen before in our webinars and blogs:

- **Jacob Findlay, Co-Founder & Executive Chairman of Fullbay**
- **Chris O'Brien, Chief Operating Officer of Fullbay**
- **Robby Gilbert, Director of Finance at Fullbay**

Together, the trio discussed the ins and outs of labor rates, providing a thoughtful new way to look at why you should consider raising your labor rate and how it can benefit your shop beyond just bringing in more revenue.

Because this is such a dense topic, we broke what was one very big, very unwieldy ebook into two more bite-sized pieces (you can thank us later). Below, we're going to get deep into some of the problems shop owners confront when debating raising their labor rate, including a fear of gouging their customers. We're also going to show you what external factors you should look at when determining what that rate might be. And in the article after this, we'll provide you with free tools and a tactical process to make things easier.

For now, let's better understand some of the forces you, as a shop owner, may confront on the never-ending quest for higher pay and revenue.

Before anything else, let's get one thing straight.

Choosing the right labor rate can make or break your business in the long run.



YOUR LABOR RATE IS DIRECTLY CONNECTED TO YOUR TECHNICIANS' WORTH

You should pay people what they're worth.

On a surface level, this is not a radical idea. Most people probably even agree with it.

Except we don't all agree on what the *worth* of a tech is.

Your technicians are the lifeblood of your shop. After all, they're the ones **doing the actual work**. It's been proven time and again that happy employees do better work, whether they're in a white-collar firm or a blue-collar trade. You know who doesn't do good work? Employees that are unhappy, underappreciated, underpaid, and a whole lot of other un-adjectives.

If you don't believe us, maybe you'll believe Bill Murray:



Keep the talent happy.

BILL MURRAY | GROUNDHOG DAY

We bring this up because some shop owners—not all, but enough—just don't see technicians as a job worth a whole lot of money. That mindset, says Chris and Jacob, has got to change. Owners need to view their technicians as highly skilled professionals who are worth compensating. Just because the owner started out at \$7 an hour 50 years ago does not mean an equivalent wage is appropriate today.

It's a different era and a different market. And because the field hasn't refilled at a sustainable rate, a crack team of diesel professionals is tough to assemble.

"There's incredible demand out there for diesel technicians," Jacob says, "more demand than supply. Market rates should be going up because the demand is so immense."

Let's break it down even more. Techs can find jobs elsewhere. They are, at present, holding the cards when it comes to employment. What can your shop [offer them](#) that another shop can't?

- **Benefits?**
- **PTO?**
- [Career pathing?](#)
- **Money?**



They are all great reasons for a tech to work at your shop, but honestly, the last one is usually the most popular choice.

The heavily simplified takeaway is this: If you want to boost revenue, charge more for your labor rate and pay your techs as much as you can pay them. The higher the compensation, the more techs you'll attract and retain, and the better a diesel Avengers team you can assemble.

Good techs do good work. Good work means happy customers. Repeat customers. New customers.

You get the idea.

WHAT IMPACTS YOUR LABOR RATE?

Before going any deeper into this, we want to point out that this process is a whole lot easier if you have a financial plan. That's because your goals are going to inform your labor rate.

You have a financial plan, right?

Right?

Bueller?

Well, we hope you do. If you don't, we can [help you make one](#).

Our financial whiz, Robby, suggests performing a SWOT analysis—your Strengths, Weaknesses, Opportunities, and Threats—to size up where you stand in your market.

If your calculations indicate you will end up charging all your customers double what everyone else is charging, for example, you might need to reconsider your rates. Conversely, if you're charging way below what the other shops in your area are...you might need to reconsider your rates.

Some areas you can look at include:

- **What are your local competitors charging for *their* labor rates?**
- **Are you sharing turf with several other repair shops, or are you the only one for hundreds of miles?**
- **Do your technicians have—or are they obtaining—certifications that can help them work on other vehicles?**

And so on and so forth. Basically, you're taking a look at what you can offer and how it stacks up to what those around you can offer. Knowing what your market will support will help you make an informed decision when raising your labor rates.

No, you aren't gouging people.

Let's address the elephant in the room. Have you ever thought of one of these following things?

- **If I raise my rates to/more than X, I'm just ripping people off**
- **Am I gouging my customers?**
- **Nobody's going to pay this rate**

We've talked to a lot of our customers about the diesel industry and everything that's going on in it. A common sentiment we've heard expressed is a hesitancy about raising rates across the board—not just labor, but shop supplies and so on—because they don't want to pass the burden onto their customers.

You know what? Generally speaking, not wanting to rip people off is a good trait. You're [emphasizing with your customers](#) because you probably remember a time when someone else raised rates on you.

But that good trait can complicate matters when you're trying to run a business. If you never raise any of your rates, or you don't raise them enough to keep up with things like [inflation](#), the [parts shortage](#) and its associated expenses, and other things, then you're going to end up running your operation into the ground. Maybe not this year or next year, but certainly down the line. It's just a matter of doing business in today's economy.

More than that, though, your shop is providing a valuable service to customers. Our most recent State of Heavy-Duty Report indicates that 63% percent of you are working on Class 6-8 vehicles—which includes the big rigs that haul food, medicine,

clothing, electronics, furniture, and heck, pretty much everything else people want or need across the country. Those trucks need service, not just so they can carry freight, but so they can [carry freight safely](#).

The customers you want will understand that cheap is expensive. If they go for the cheapest labor rate around, chances are they'll end up spending more in the end.

The customers you want are looking for quality, speed, and little hassle. Price is also in the mix, but it's usually not the main driver. Ultimately these customers want to eliminate unscheduled downtime. Going for the cheapest rate usually will not get them there, and they understand that. Even if they don't, it's an easy case for you to make.

So don't sell yourself short! Your rate determines your clientele. The reality is that the customers you want will view you as lower quality if your labor rate is too low. Similarly, the customers who don't have a lot of money to spend on repairs (and may be less likely to fulfill their end of credit terms) will primarily be attracted to shops that offer lower rates.

You and your techs are part of the nation's shipping infrastructure, whether you believe it or not, and safer, more reliable vehicles are good news for everyone involved.

BALANCING THE BOOKS

Fair enough, Fullbay, you may be saying, but how am I going to afford these raises?

Hey, we get it. It's great to want to pay your techs more, but that money has to come from somewhere else in your budget. Raising your labor rate can go a long way in covering the potential gap between what you bring in and what you pay your techs, but there are other levers you can pull to ensure you're bringing in enough to make your shop whole.

BOOSTING REVENUE

Make no mistake: your labor rate should be the foundation of what you pay your techs. But giving people a significant boost (or even a small one) can make a lot of shop owners nervous.

We've talked at length in previous posts about [ways to boost revenue](#), so we'll just stick with four of our best tips here:

Create a [revenue funnel](#).

A solid funnel helps you build out your income with marketing, strong relationships, and high-quality work. Your [techs](#) and [service managers](#) can contribute heavily to the revenue funnel, by the way!

Expand into new areas.

Do you have a [mobile repair tech](#) yet? Maybe now is the time to invest in one. You might also look at expanding into body work or tires, or offering 24/7 or [emergency repair](#).

If this is you, relax and grab a towel!



Mark up your supplies and parts appropriately.

You should already be charging for [shop supplies](#). Make sure you're [marking up your parts appropriately](#), too—and on that note, please remember to charge for parts. We keep hearing stories about shops essentially eating thousands of dollars because a part wasn't invoiced correctly, or at all. (Psst—Fullbay [can help with that](#). Just sayin'.)

Stick to a financial plan.

In our previous article, we emphasized the importance of a [financial plan](#). We'll repeat it here: a good financial plan can help you determine what you want your revenue to be, and you can work backward to reach it.

Okay: you've got additional ways to raise revenue. This is good news for you and everyone working for you. But you're not quite ready to raise rates yet—there's one more thing to consider.

RAISING RATES ACROSS THE BOARD VS. FOR SERVICES

There's two ways to raise labor rates: lifting it across the board for everyone, no matter what they're doing, or raising and/or possibly lowering it for specific services—think charging \$100/hour for bodywork vs. \$150/hour for electrical. Or perhaps you've got varying rates for PM work vs. in-bay work vs. mobile outings.

(By the way, [Fullbay](#) lets you charge multiple hourly rates...just sayin'.)

You can also evaluate your canned jobs/global jobs, if you have them, and raise their associated labor rate.

This is ultimately a personal decision. There are shop owners out there who believe that one labor rate is like the one ring: you charge what you charge for everything, and that's it. If that's you, then raise that rate and charge it for everything you do. But if you think certain services are worth more than others, that's also your call.



But Fullbay, you may be saying, what should I raise my rate to? What's reasonable? I HATE MATH.

LABOR RATE TOOL

No worries, friend. We don't like math, either, which is why we build tools—to help us avoid it.

(Editor's Note: She is making that up.)

Seriously, though. Download our free [Labor Rate Calculator](#) and start running through the numbers. You can plug in what you'd like to pay your techs per hour and what benefits you provide, as well as what state you're located in.

FREE DOWNLOAD

CRAFTING THE PERFECT LABOR RATE.

Need help creating your perfect heavy-duty repair labor rate? Check out our free calculator to get started.



[DOWNLOAD NOW](#)

(As an aside, we've loaded the calculator up with the average labor rates from all the shops in our database, so this is going to be one of the best data sources out there for comparing your rate to the average.)

The calculator will automatically show you the fully-loaded hourly rate based on your shop's metrics. You also have the option to scout out your local competitors and add in their labor rate to the appropriate areas; if you do this, the calculator will show you where you rank among them.

That last bit is *incredibly* useful for the shop owner who may still be nervous about potentially ripping off customers. So long as you're within striking distance of what your competitors are charging, you're well within market values.

HOW TO RAISE YOUR LABOR RATE

Are you nervous about raising your labor rates? We won't tell you not to be, because that won't help anything. Just understand that this is a routine part of doing business.



In the current environment, everyone is raising rates, so it won't be a huge emotional shock.

JACOB FINDLAY | FULLBAY

In other words, you're in good company. Your customers may sigh when they hear about the rate change, but if you have a long history of performing good work for them, they will likely stay put. In addition, a higher rate can actually attract customers who fully expect to pay a higher rate for quality service.

Try not to get sucked into the potential emotional turmoil of it all. Chris points out that at the beginning of the COVID-19 pandemic, parts prices were going up, but shops were stubbornly maintaining their margins. As prices continued to rise, though, shops had to start marking things up if they wanted to survive.

"If you recognize that's how it is with parts," Chris asks, "why isn't it that way with techs?"

Once you've decided on your new rate, you get to break it to your customers. New customers, as Robby points out, will just get the new labor rate. Your existing customers may be another story.

Whatever you do, he warns, “Don’t surprise them.”

Do *not* be that guy who charges \$2,000 at check-out for a job that previously cost \$1,500.

You might post your labor rate increase on your website, if you have one (and you really should...we can help you with that, too). You can send a friendly email, snail mail, or flyer. You can let people know when they make appointments.

Existing agreements can be a bit trickier to manage. Some fleet contracts, for example, permit a client to reconsider their entire arrangement with you if you do something like update your rates. If you’ve done good work for them in the past, it’s very likely they’ll keep you on. If they don’t, well, that’s room for a better-paying client.

And here’s another thought: it’s your labor rate. You can do what you want with it. Maybe this means fleet customers receive a discount if they bring however many vehicles to you per month. Or maybe you can use your labor rate as a negotiation tactic, offering to keep it the same for fleets if they hire you to handle all their PM work.

You aren’t locked into a one-rate-fits-all situation, unless that’s what you want.



RAISING RATES FOR A MORE LUCRATIVE INDUSTRY

There is a bleak reality behind all this. Jacob and Chris have both reported sad stories of shops that shut down because they couldn’t find enough technicians to handle the work.

Don’t be that shop.

The role of the diesel tech already suffers from questionable marketing. Many people believe it to be a dirty, smelly, low-paid (and possibly on the way to obsolescence) job. Efforts are underway to disprove those stereotypes and bring in fresh fuel for the motor (see what we did there?), but this is a place where a shop owner can really help themselves and the industry.

In recent years, there's been a lot of talk that connects worker satisfaction to things besides pay—good environments, benefits, and so on. That's great, but money also matters. You know that, your customers know that, and your techs know that. And unless your shop is an absolute horror to work for, the more you raise your pay rates, the more local techs you will attract.

Jacob expanded on that for us: "The more all shops pay, the more techs will be attracted to the industry, globally. Because it's suddenly a lucrative field."

(Did we just solve the tech shortage?)

In the end, we'll reiterate that the best way to help your techs, your shop, and the industry is to know what your techs are worth and to pay them accordingly.

A rising tide lifts all shops. Keep that in mind, and go forth and raise those rates!





HEAVY-DUTY REPAIR SHOP MANAGEMENT.

Fullbay is an end-to-end repair shop management software that shows you exactly what's happening in your repair shop while boosting your staff's productivity. A more efficient business means higher profits, better work-life balance, and safer roads for us all.



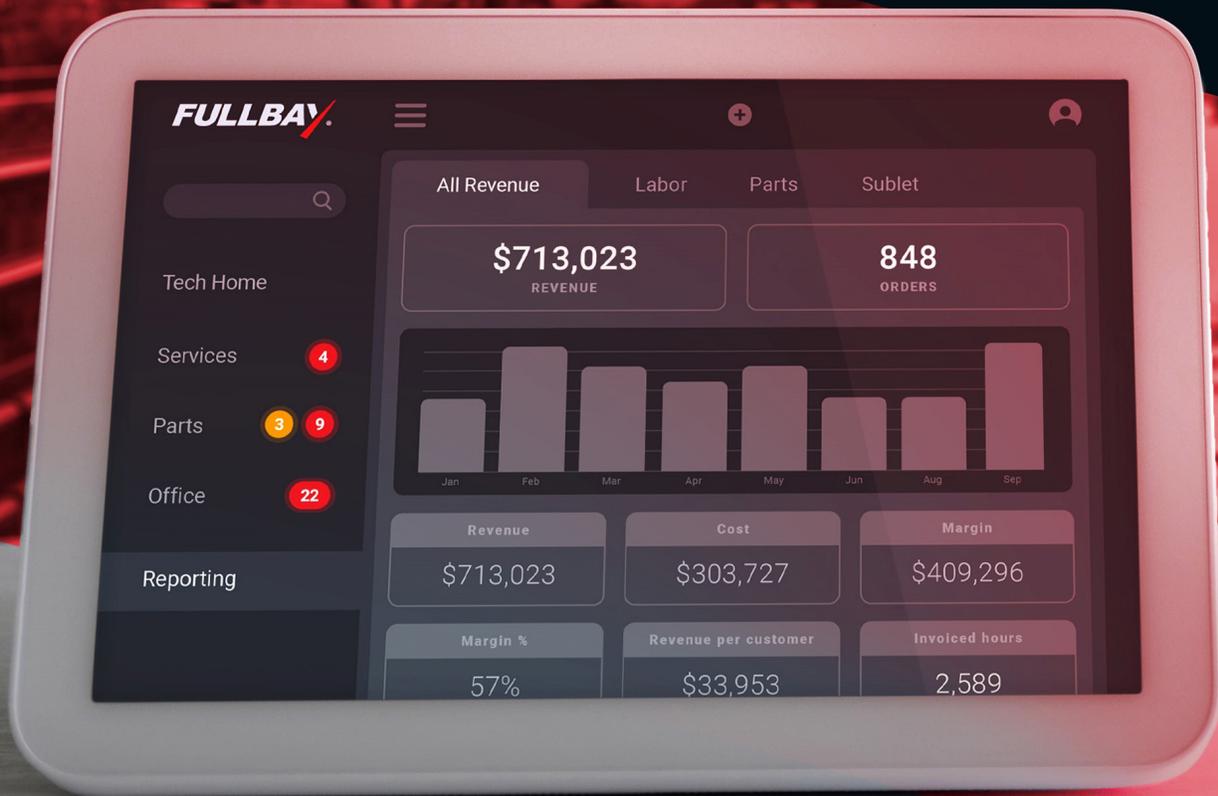
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