

HAWAI'I SBDC SUCCESS STORY

Kapahulu Auto Repair



Kapahulu Auto Repair co-owners Ernest Moriwake, left, and Michael Sonoda replace the engine on a 2004 Mini Cooper.

[Photo by TINA YUEN, Pacific Business News]

A vehicle repair shop came to the Hawaii Small Business Development Center (SBDC) with the desire to borrow money to acquire real estate for expansion. The owners knew that with more room, they could expand their business by serving more customers. They were referred to us by a bank lending officer, because he determined that the company was not in a position to borrow money, as he was not confident they would be able to repay the loan.

Meeting with the client and some of the employees, we conducted a business analysis, and discovered issues regarding labor control, pricing, and other internal processes.

At this point the SBDC told the clients that it would take a sustained effort to address these issues. They agreed to cooperate. To begin to turn things around, we created and deployed a management system that gave the owners the ability to track and control labor. Since labor accounts for a large part of their costs, this effort, coupled with improved internal processes, eventually resulted in rising profitability.

The SBDC also insisted that the owners review their financial statements on a regular basis, in order to inform themselves what was happening in the business, and not wait until it was too late before taking action to address a problem. We worked with them to help interpret their financial numbers. This understanding of their cost structure led to a better pricing method, one that truly reflects the costs of doing business, and that takes into account overhead and any changes in inputs.

In short, after about 15 months, the client applied again and this time received the loan. They have acquired land and are in the process of constructing a new building.