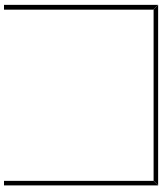

NATIONAL AUTOMOBILE DEALERS ASSOCIATION
NADA
Deal
ACADEM

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross
Customer Car	$ 87,951	$ 60,366
Customer Truck		
Customer Other		
Warranty	$ 30,475	$ 23,648
Warranty Other	$ 5,926	$ 4,284
Internal	$ 10,908	$ 7,487
NVI / Road Ready		
Adj. Cost Of Labor		$ (1,434)
Total	$ 135,260	$ 94,351

The Picture	
Customer Pay Gross Profit %	68.64%
Total Service Dept. G.P. %	69.76%

Gross as % of Sales	%Sales Contribution
68.64%	65.02%
0%	0.00%
0%	0.00%
77.60%	22.53%
72.29%	4.38%
68.64%	8.06%
0%	0.00%
0%	0.00%
69.76%	100.00%



Parts To Labor Ratios

Category	Parts Sales	Labor Sales	P/L Ratio
Customer Car	$ 122,146	$ 87,951	1.39
Customer Truck		$ -	0.00
Customer Other		$ -	0.00
Warranty	$ 36,274	$ 30,475	1.19
Warranty Other	$ 11,749	$ 5,926	1.98
Internal	$ 15,308	$ 10,908	1.40
Total	$ 185,477	$ 135,260	1.37

The Picture

Customer Pay Gross Profit %	68.64%
Total Service Dept. G.P. %	69.76%
Parts / Labor Ratio (Cust. Pay Only)	1.39

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 94,351		
Variable Expense		0.00%	
Selling Expense	$ 51,041	54.10%	
Personnel Expense		0.00%	
Semi-Fixed Expense		0.00%	
Fixed Expense	$ 32,069	33.99%	
Unallocated Expense		0.00%	
Dealer's Salary	$ 735	0.78%	
Total Expenses	$ 83,845	88.86%	
Net Profit	$ 10,506	11.14%	

The Picture

Customer Pay Gross Profit %	68.64%
Total Service Dept. G.P. %	69.76%
Parts / Labor Ratio (Cust. Pay Only)	1.39
Total Service Dept. Expenses	$ 83,845

Fixed Absorption

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			% Adj Ovh
Parts Department Total Gross		$ 72,770	26.47%
Service Department Total Gross		$ 94,351	34.32%
Body Shop Department Total Gross		$ 56,558	20.57%
Total Fixed Gross Profit		$ 223,679	
Total Dealership Expense		$ 318,523	
New & Used Sales Commission Expense	-	$ 43,580	
New & Used Policy Expense	-	$ 38	
New & Used Get Ready / Delivery Expense	-		
Adjusted Overhead Expense		$ 274,905	
Total Fixed Gross Profit		$ 223,679	
Adjusted Overhead Expense		$ 274,905	
Total Absorption Percentage		81.37%	**Guideline**

The Picture	
Customer Pay Gross Profit %	68.64%
Total Service Dept. G.P. %	69.76%
Parts / Labor Ratio (Cust. Pay Only)	1.39
Total Service Dept. Expenses	$ 83,845


d Exp
75%

NADA ACTUAL SERVICE ANALYSIS

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Performance

	Labor Sales / Month		Hourly Labor Rate	
Customer Car*	$ 87,951	÷	68.68	=
Customer Truck*	$ -	÷		=
Customer Other*	$ -	÷		=
Warranty	$ 36,401	÷	92.00	=
Internal	$ 10,908	÷	70.00	=
New Vehicle Prep	$ -	÷	92.00	=
Total	$ 135,260			

POTENTIAL

$ 135,260	÷	1832.08	=	
Total labor sales for month		Total hours billed		
12.00	x	8	x	
# Service mechanical technicians		# Hours/Day		
2,496.0	x	$ 73.83	=	
Clock Hours Available		Effective Labor Rate		

How proficient are your technicians ?

1,798.9	÷	2,496.00	=
Hours Produced		Hours Available	

Hours Per RO (Recap Sheet)	1.2
Percent of One Item R.O.'s (Recap Sheet)	59.00%
Customer Pay Effective Labor Rate (Recap Sheet)	$ 68.68
Warranty Labor Rate (Recap Sheet)	$ 92.00
Total Overall Effective Labor Rate	$ 73.83
Overall Technician Proficiency	72.07%

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Hours Billed
1280.6
0.00
0.00
395.7
155.8
0.0
1832.1

$ 73.83
Effective Labor Rate

26 = 2,496.0
Working Days/Month Clock Hour Aval

$ 184,276
Labor sales potential

72.07%
Tech Proficiency

FACILITY POTENTIAL

Number of Bays	13	
	x	
Number of Days	27	
	x	
Number of Hours	11	
	x	
Effective Labor Rate	73.83	
	equals	
FACILITY POTENTIAL		$ 285,058

FACILITY UTILIZATION

Total Labor Sales	$ 135,260	
	÷	
Facility Potential	$ 285,058	
	equals	
FACILITY UTILIZATION		47.45%

NADA "QUICK" SERVICE ANALYSIS

$ 135,260	Labor Sales
1,798.9	Divided by Hours Billed
$ 75.19	= OELR

$ 40,909	Labor Cost
1,798.90	/ Hours Billed
$ 22.74	=Real Cost

$22.74	÷	30.00%	=
Real Cost			

$ 135,260	Labor Sales
$ 94,351	-Labor Gross
$ 40,909	=Labor Cost

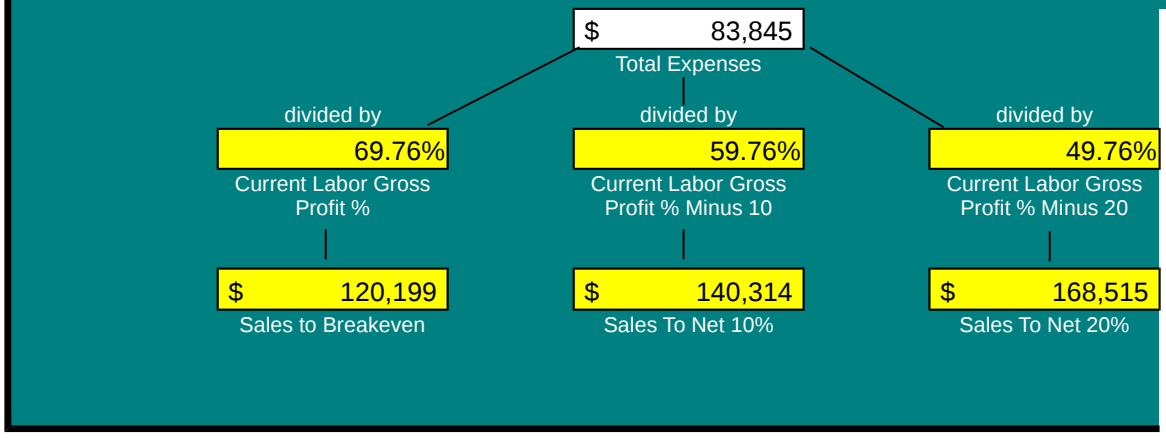
$75.80	E.L.R. Needed to earn 70%

OWNER BASE POTENTIAL

1015	x	8	=	8,120.0
5 Year Owner Base		Annual Hours Purchased		Market Potential / Hours
8,120.0	x	$ 75.19	=	$ 610,546
Market Potentail/ Hours		Effective Labor Rate		5 Yr. O.B Sales Potential
$ 118,606	x	12	=	$ 1,423,277
Avg. Mos. Labor Sales (excluding internal PDI and NVI)		Annualized		Current Labor Sales Trend
$ 1,423,277	÷	$ 610,546	=	233.12%
Labor Sales Trend		5 Yr. O.B. Sales Potential		Ouch

**Note: The industry average of 35% is very poor performance.*

PROFIT ON LABOR SALES



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Customer Pay Gross Profit %	68.64%	Customer Pay E.L.R.	
Total Service Dept. G.P.%	69.76%	Total (overall) E.L.R.	
Parts / Labor Ratio (Cust Pay Only)	1.39	Warranty Labor Rate	
Total Service Dept Expense	$ 83,845	Overall Tech Proficiency	
Hours Per R.O (recap)	1.16		
Percent Of One Item R.O.'s	59.00%		

$	68.68
$	73.83
$	92.00
	72.07%

Technician '

Calculate using daily available hours per technician

Hours		Days
8	x	23

Sales Value		Gross Margin
$ 15,151	x	69.76%

	Profit Value		Adjusted Profit Value
	$ 10,569	70%	$ 7,398
	$ 10,569	80%	$ 8,455
p	$ 10,569	90%	$ 9,512
r	$ 10,569	100%	$ 10,569
o	$ 10,569	110%	$ 11,625
f	$ 10,569	120%	$ 12,682
i			
c			
i			
e			
n			
c			
y			

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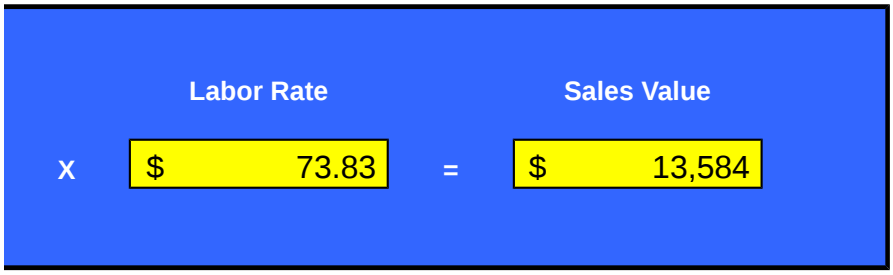

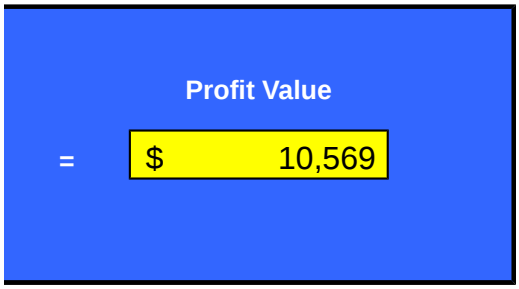

STAFFING REQUIREMENTS

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A. Sales To Break Even

Total Expenses for One Month	÷	Current Gross Profit Percent	=
$ 83,845	÷	69.76%	=

B. Sales To Generate 20% Net

Total Expenses for One Month	÷	Current Gross Profit Percent (Minus 20)	=
$ 83,845	÷	49.76%	=

C. Technician Value

Daily Work Hours	X	Average Proficiency Rate	X	Overall Effective Labor Rate	X
8		80%		$ 73.83	
8		90%		$ 73.83	
8		100%		$ 73.83	
8		120%		$ 73.83	

D. Staffing To Break Even

Sales To Break Even	÷	Technician Value	
$ 120,199	÷	10,868	@ 80%
$ 120,199	÷	12,226	@ 90%
$ 120,199	÷	13,584	@ 100%
$ 120,199	÷	16,301	@ 120%

E. Staffing To Generate 20% Net

Sales To Generate 20% Net	÷	Technician Value	
$ 168,515	÷	$ 10,868	@ 80%
$ 168,515	÷	$ 12,226	@ 90%
$ 168,515	÷	$ 13,584	@ 100%
$ 168,515	÷	$ 16,301	@ 120%

Sales To Break Even

$ 120,199

Sales To Generate 20% Net

$ 168,515

Work Days Per Month	=	Technician Value
23		$10,868
23		$12,226
23		$13,584
23		$16,301

=	Staffing
=	11.1
=	9.8
=	8.8
=	7.4

=	Staffing
=	15.5
=	13.8
=	12.4
=	10.3

How To Set Advisor Sales Objectives To: Beak Even, N

Break Even

1 Department's Average Monthly Expenses (Including unallocated)		$83,845
2 Divide by current labor gross profit % to break even	÷	69.76%
3 Equals New Sales Objective	=	$ 120,199
4 Number of Advisors	÷	3.0
5 Equals Sales Objective per Advisor	=	$ 40,066
6 Number of work days per month	÷	23
7 Equals daily sales objective per advisor	=	$ 1,742
8 Current overall effective labor rate	÷	$ 73.83
9 Equals daily sales objective per advisor (FRH's)	=	23.6

Service Advisor Performance

let 10%, & Net 20%

Net 10 %

1 Department's Average Monthly Expenses (Including unallocated)		$83,845
	÷	
2 Divide by current labor gross profit % minus 10 to net 10%		59.76%
	=	
3 Equals New Sales Objective		$ 140,314
	÷	
4 Number of Advisors		3.0
	=	
5 Equals Sales Objective per Advisor		$ 46,771
	÷	
6 Number of work days per month		23
	=	
7 Equals daily sales objective per advisor		$ 2,034
	÷	
8 Current overall effective labor rate		$ 73.83
	=	
9 Equals daily sales objective per advisor (FRH's)		27.5

Net 20 %

1 Department's Average Monthly Expenses (Including unallocated)		$83,845
	÷	
2 Divide by current labor gross profit % minus 20 to net 20%		49.76%
	=	
3 Equals New Sales Objective		$ 168,515
	÷	
4 Number of Advisors		3.0
	=	
5 Equals Sales Objective per Advisor		$ 56,172
	÷	
6 Number of work days per month		23
	=	
7 Equals daily sales objective per advisor		$ 2,442
	÷	
8 Current overall effective labor rate		$ 73.83
	=	
9 Equals daily sales objective per advisor (FRH's)		33.1

Exercise to See What Happens When You Increase Your Hours Per Repair Order

Number of customer R.O.'s for the month			917
	x		
Multiply by .3 hours			0.3 hours
Additional customer labor hours generated	=		275.10
	x		
Multiply by Customer Labor Rate			$ 68.68
Equals additional Customer Labor Sales Generated	=		$ 18,894
	x		
Multiply by customer Labor Gross Profit %			68.64%
Equals additional Labor Gross Profit $ generated	=	(A)	$ 12,968
Divide Parts Sales R.O. by Labor Sales R.O. to calculate $ parts sales per 1$ of Labor Sales	=		1.39
	x		
Multiply by Customer Labor Sales			$ 18,894

	=		
Equals additional Customer Parts Sales generated			$ 26,240
	x		
Multiply by Customer Parts Sales Gross Profit %			31.80%
Equals additional Parts Gross Profit $ Generated	=	(B)	$ 8,344
Add Gross Profit from Labor (A) and Parts (B)	=		$ 21,312

Labor Rate Calcula

1 Calculate the **Labor Rate** for the following operation.

A/C Charge and Check

Labor Price	$120.00
Units	1.0

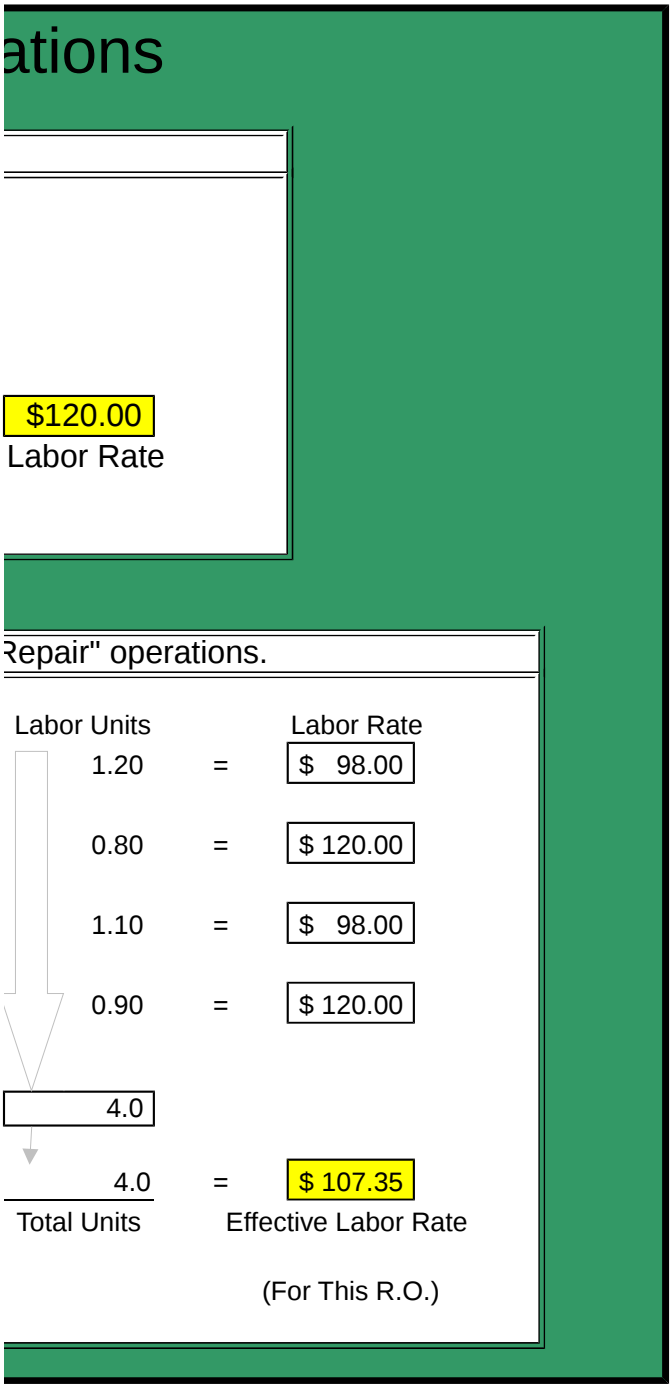
$120.00	÷	1.0	=
Price		Units	

2 Calculate the **Effective Labor Rate** for the following "F

Labor Operations	Labor Price	
Clean Fuel Injectors	$ 117.60	÷
R&R Rear Hub Bearing.	$ 96.00	÷
Replace Trans. Pan gasket	$ 107.80	÷
R&R Headlight unit (1)	$ 108.00	÷
Total Price	$ 429.40	Total Units

$ 429.40 ÷

Total Price


ations
$120.00
Labor Rate
Repair" operations.
Labor Units
Labor Rate
1.20 = $ 98.00
0.80 = $ 120.00
1.10 = $ 98.00
0.90 = $ 120.00
4.0
4.0 = $ 107.35
Total Units
Effective Labor Rate
(For This R.O.)

Calculating Mark-Up

3 Using the following formula, mark-up a part costing $6.72 t
gross profit (round to the nearest cent)

100%	→	35%	=	
100%		Desired Gross Profit percent		
$6.72	X	1.54	=	
Part Cost		Mark-Up Factor		

4 Calculate the "Weighted Average" price at a 40% Gross Profit
parts (round to the nearest cent)

Item	Cost		Annual Turnover		
Filter #1	$4.36	X	112	=	
Filter #2	$4.01	X	56	=	
Filter #3	$3.56	X	85	=	
Filter #4	$3.86	X	202	=	
Filter #5	$3.51	X	36	=	
	Total Items		491		Total Cost

$ 1,921.56	÷	491	=	$ 3.91	
Total Cost		Total Items		Weighted Average **Cost**	
$ 3.91	X	1.67	=	$ 6.54	
Weighted Average Cost		Mark-Up Factor		Weighted Average **Price**	

o attain a 35%

1.54

Mark-Up Factor

$10.34

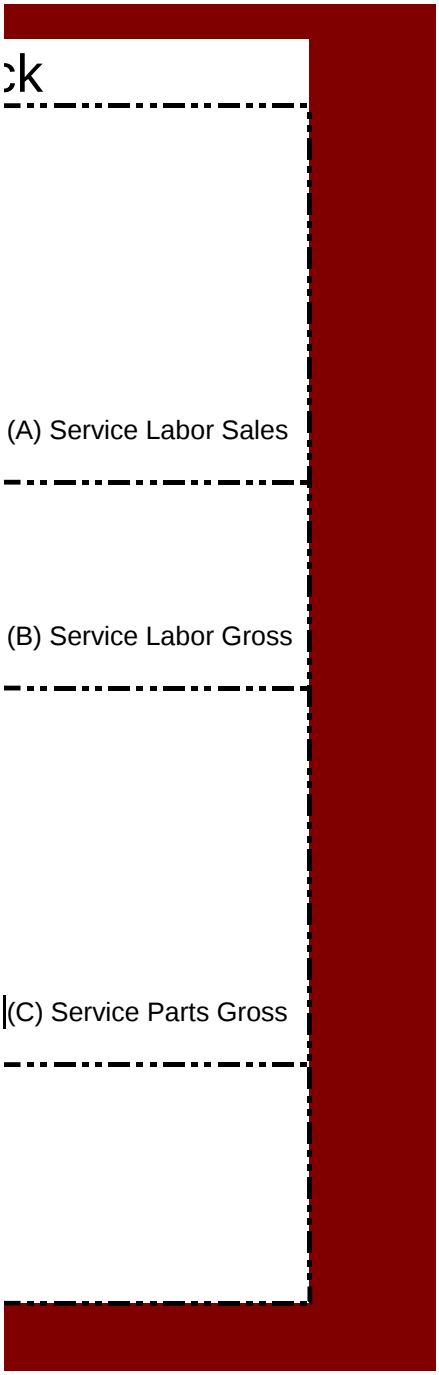
Retail Price

for the following

Total Cost
$488.32
$224.56
$302.60
$779.72
$126.36
$1,921.56

Cost Of A Come-Bac

Lost Customers		1.5
Average Hours per R.O.	X	1.2
	=	1.7
Effective Labor Rate	X	$ 73.83
	=	$ 128
Service Department Gross Profit % (Excluding Sublet)	X	69.76%
	=	$ 90
Service Labor Sales (A)		$ 128
Parts / Labor Ratio	X	1.39
	=	$ 178
Parts Dept Gross Profit % R.O.Sales	X	31.80%
	=	$ 57
(B) Service Labor Gross		$ 90
(C) Service Parts Gross	+	$ 57
Lost Gross	=	$ 146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(A) Service Labor Sales
(B) Service Labor Gross
(C) Service Parts Gross