Fixed Operations 2 - Service

Financial Calculations and Formulas

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Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contributn
Customer Car	$ 84,970	$ 66,417	78.17%	45.67%
Customer Express			0%	0.00%
Customer Other	$ 5,786	$ 4,388	75.84%	3.11%
Warranty	$ 59,596	$ 47,048	78.94%	32.03%
Warranty Other			0%	0.00%
Internal	$ 25,391	$ 18,755	73.86%	13.66%
NVI / Road Ready/ PDI	$ 10,302	$ 8,043	78.07%	5.54%
Adj. Cost Of Labor		$ (4,360)	0%	0.00%
Total	$ 186,045	$ 140,291	75.41%	100.00%

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Customer Pay Gross Profit %	78.02%
Total Service Dept. G.P. %	75.41%

Parts To Labor Ratios

Category	Parts Sales	Labor Sales	P/L Ratio
Customer Car	$ 74,713	$ 84,970	0.88
Customer Truck			0.00
Customer Other		$ 5,786	0.00
Warranty	$ 115,813	$ 59,596	1.94
Warranty Other			0.00
Internal	$ 18,775	$ 25,391	0.74
Total	$ 209,301	$ 175,743	1.19

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Customer Pay Gross Profit %	78.02%
Total Service Dept. G.P. %	75.41%
Parts / Labor Ratio (Cust. Pay Only)	0.82

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 140,291		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense		0.00%	
Semi-Fixed Expense		0.00%	
Fixed Expense		0.00%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	$	0.00%	
Net Profit	$ 140,291	100.00%	

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Customer Pay Gross Profit %	78.02%
Total Service Dept. G.P. %	75.41%
Parts / Labor Ratio (Cust. Pay Only)	0.82
Total Service Dept. Expenses	$ -

Fixed Absorption

		% Adj Ovhd Exp
Parts Department Total Gross	$ 105,599	33.24%
Service Department Total Gross	$ 140,651	44.28%
Body Shop Department Total Gross		0.00%
Total Fixed Gross Profit	$ 246,250	
Total Dealership Expense	$ 317,673	

Overhead Expense	$ 317,673
Total Fixed Gross Profit	$ 246,250
Total Dealership Expense	$ 317,673
Fixed Absorption Percentage	77.52%

Guideline 60%

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Customer Pay Gross Profit %	78.02%
Total Service Dept. G.P. %	75.41%
Parts / Labor Ratio (Cust. Pay Only)	0.82
Total Service Dept. Expenses	$ -

NADA ACTUAL SERVICE ANALYSIS

Technician Value

Calculate using daily available hours per technician

Hours		Days		Labor Rate		Sales Value
	÷		×	$ 130.73	=	$

Sales Value		Gross Margin		Profit Value
$	×	75.41%	=	$

$	75%	$
$	80%	$
$	90%	$
$	100%	$
$	110%	$
$	120%	$

Profit Value   Adjusted Profit Value

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STAFFING REQUIREMENTS

A. Sales To Break Even

Total Expenses for One Month		Current Gross Profit Percent		Sales To Break Even
	÷	75.41%	=	$

B. Sales To Generate 20% Net

Total Expenses for One Month		Current Gross Profit Percent (Minus 20)		Sales To Generate 20% Net
	÷	55.41%	=	$

C. Technician Value

Daily Work Hours		Average Proficiency Rate		Overall Effective Labor Rate		Work Days Per Month		Technician Value
	×		×	$ 130.73	×		=	
	×	90%	×	$ 130.73	×		=	
	×	100%	×	$ 130.73	×		=	
	×	120%	×	$ 130.73	×		=	

D. Staffing To Break Even

Sales To Break Even		Technician Value		Staffing
$	÷	$ @ 80%	=	
$	÷	$ @ 90%	=	
$	÷	$ @ 100%	=	
$	÷	$ @ 120%	=	

E. Staffing To Generate 20% Net

Sales To Generate 20% Net		Technician Value		Staffing
$	÷	$ @ 80%	=	
$	÷	$ @ 90%	=	
$	÷	$ @ 100%	=	
$	÷	$ @ 120%	=	

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Service Advisor Performance

How To Set Advisor Sales Objectives To: Break Even, Net 10%, & Net 20%

Break Even

1. Department's Average Monthly Expenses
2. Divide by current labor gross profit % to break even — 75.41%
3. Equals New Sales Objective — $
4. Number of Advisors
5. Equals Sales Objective per Advisor — $0.00
6. Number of work days per month
7. Equals daily sales objective per advisor — $0.00
8. Current overall effective labor rate — $ 130.73
9. Equals daily sales objective per advisor (PRHs) — 0.0

Net 10 %

1. Department's Average Monthly Expenses
2. Divide by current labor gross profit % minus 10 to net 10% — 65.41%
3. Equals New Sales Objective — $
4. Number of Advisors
5. Equals Sales Objective per Advisor — $0.00
6. Number of work days per month
7. Equals daily sales objective per advisor — $0.00
8. Current overall effective labor rate — $ 130.73
9. Equals daily sales objective per advisor (PRHs) — 0.0

Net 20 %

1. Department's Average Monthly Expenses
2. Divide by current labor gross profit % to net 20% — 55.41%
3. Equals New Sales Objective — $
4. Number of Advisors
5. Equals Sales Objective per Advisor — $0.00
6. Number of work days per month
7. Equals daily sales objective per advisor — $0.00
8. Current overall effective labor rate — $ 130.73
9. Equals daily sales objective per advisor (PRHs) — 0.0

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

Number of customer R.O.'s for the month

× Multiply by .2 hours — 0.2 hrs

Additional customer labor hours generated — = 0.0

× Multiply by Customer Labor Rate — $ 130.73

Equals additional Customer Labor Sales Generated — = $

× Multiply by customer Labor Gross Profit % — 75.41%

Equals additional Labor Gross Profit $ generated — = (A) $

Divide Parts Sales R.O. by Labor Sales R.O. to calculate $ parts sales per 1$ of Labor Sales — 0.0

× Multiply by Customer Labor Sales

Equals additional Customer Parts Sales generated — $

× Multiply by Customer Parts Sales Gross Profit % —

Equals additional Parts Gross Profit $ Generated — = (B) $

Add Gross Profit from Labor (A) and Parts (B) — = $

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Labor Rate Calculations

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

A/C Charge and Check

Labor Price	$144.00
Units	1.2

$$\frac{}{\text{Price}} , \frac{}{\text{Units}} = \boxed{\$0.00}$$
Labor Rate

2 Calculate the **Effective Labor Rate** for the following "Repair" operations.

Labor Operations	Labor Price		Labor Units		Labor Rate
Clean Fuel Injectors	$ 117.60	,	1.20	=	
R&R Rear Hub Bearing.	$ 96.00	,	0.80	=	
Replace Trans. Pan gasket	$ 107.80	,	1.10	=	
R&R Headlight unit (1)	$ 108.00	,	0.90	=	

Total Price [ ]   Total Units [ ]

$$\frac{}{\text{Total Price}} , \frac{}{\text{Total Units}} = \boxed{\$0.00}$$
Effective Labor Rate

(For This R.O.)

Calculating Mark-Up

3 Using the following formula, mark-up a part costing $6.72 to attain a 35% gross profit (round to the nearest cent)

100%	▯▯⎯⟶	Desired Gross Profit percent	=	0.00 Mark-Up Factor
100%				

[ ]	X	0.00	=	$0.00
Part Cost		Mark-Up Factor		Retail Price

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

Item	Cost		Annual Turnover		Total Cost
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	$0.00

$ -	,	491	=	$ -
Total Cost		Total Items		Weighted Average **Cost**

$ -	X	[ ]	=	$ -
Weighted Average Cost		Mark-Up Factor		Weighted Average **Price**

Cost Of A Come-Back

Lost Customers		
Average Hours per R.O.	X	
	=	0.0
Effective Labor Rate	X	$ 130.73
	=	$ - (A) Service Labor Sales
Service Department Gross Profit % (Excluding Sublet)	X	75.41%
	=	$ - (B) Service Labor Gross
Service Labor Sales (A)		$ -
Parts / Labor Ratio	X	0.88
	=	$ -
Parts Dept Gross Profit % R.O. Sales	X	
	=	$ - (C) Service Parts Gross
(B) Service Labor Gross		$ -
(C) Service Parts Gross	+	$ -
Lost Gross	=	$ -

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