Fixed Operations 2 -

Financial Calculations and Formulas

· Service

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	$ 97,939	$ 62,546	63.86%	51.42%
Customer Express	-		0%	0.00%
Customer Other			0%	0.00%
Warranty	$ 53,680	$ 40,457	75.37%	28.18%
Warranty Other	$ 6,963	$ 4,157	59.66%	3.66%
Internal	$ 31,895	$ 20,473	64.19%	16.74%
NVI / Road Ready/ PDI			0%	0.00%
Adj. Cost Of Labor		$ (2,112)	0%	0.00%
Total	$ 190,482	$ 125,521	65.90%	100.00%

60

The Picture

Customer Pay Gross Profit %	63.86%
Total Service Dept. G.P. %	65.90%

Parts To Labor Ratios

Category	Parts Sales	Labor Sales	P/L Ratio
Customer Car	$ 98,108	$ 97,939	1.00
Customer Truck	$ -	$ -	0.00
Customer Other	$ -	$ -	0.00
Warranty	$ 56,198	$ 53,680	1.05
Warranty Other	$ 15,272	$ 6,960	2.19
Internal	$ 20,852	$ 31,895	0.65
Total	$ 190,430	$ 190,482	1.00

The Picture

Customer Pay Gross Profit %	63.86%
Total Service Dept. G.P. %	65.90%
Parts / Labor Ratio (Cust. Pay Only)	1.00

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 125,521		
Variable Expense	Same as Selling	0.00%	
Selling Expense	$ 79,701	63.50%	
Personnel Expense	Same as Selling	0.00%	
Semi-Fixed Expense	-	0.00%	
Fixed Expense	$ 80,455	64.10%	
Unallocated Expense	-	0.00%	
Dealer's Salary	$ 15,025	11.97%	
Total Expenses	$ 175,181	139.56%	
Net Profit	$ (49,660)	-39.56%	

The Picture

Customer Pay Gross Profit %	63.86%
Total Service Dept. G.P. %	65.90%
Parts / Labor Ratio (Cust. Pay Only)	1.00
Total Service Dept. Expenses	$ 175,181

Fixed Absorption

		% Adj Ovhd Exp
Parts Department Total Gross	$ 83,914	13.75%
Service Department Total Gross	$ 130,258	21.34%
Body Shop Department Total Gross	$ -	0.00%
Total Fixed Gross Profit	$ 214,172	
Total Dealership Expense	$ 610,300	

Overhead Expense	$ 610,300
Total Fixed Gross Profit	$ 214,172
Total Dealership Expense	$ 610,300
Fixed Absorption Percentage	35.09%

Guideline 60%

The Picture

Customer Pay Gross Profit %	63.86%
Total Service Dept. G.P. %	65.90%
Parts / Labor Ratio (Cust. Pay Only)	1.00
Total Service Dept. Expenses	$ 175,181

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Hourly Labor Rate		Hours Billed
Customer Car*	$ 97,939	÷	92.98	=	1053.3
Customer Truck*	$ -	÷		=	0.00
Customer Other*	$ -	÷		=	0.00
Warranty	$ 60,648	÷	122.66	=	494.4
Internal	$ 31,895	÷	87.63	=	364.0
New Vehicle Prep	$ -	÷		=	0.00
Total	$ 190,482				1911.7

POTENTIAL

$ 190,482	÷	1911.75	=	$ 99.64			
Total labor sales for month		Total hours billed		Effective Labor Rate			
15.00	x	8	x	22	=	2,640.0	
# Service mechanical technicians		# Hours/Day		Working Days/Month		Clock Hour Aval	
2,640.0	x	$ 99.64	=	$ 263,043			
Clock Hours Available		Effective Labor Rate		Labor sales potential			

How proficient are your technicians ?

1,911.8	÷	2,640.00	=	72.41%
Total Hours Billed		Hours Available		Tech Proficiency

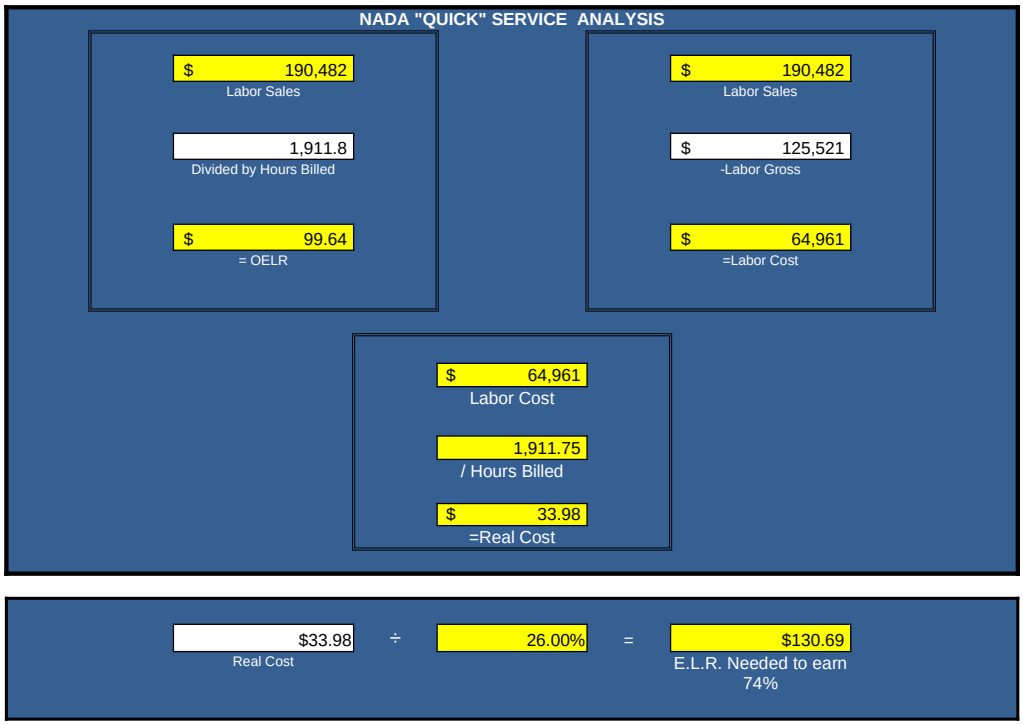
Hours Per RO (Recap Sheet)	2.2
Percent of One Item R.O.'s (Recap Sheet)	48.15%
Customer Pay Effective Labor Rate (Recap Sheet)	$ 92.98
Warranty Labor Rate (Recap Sheet)	$ 122.66
Total Overall Effective Labor Rate	$ 99.64
Overall Technician Proficiency	72.41%

FACILITY POTENTIAL

Number of Bays	26	
	x	
Number of Days	22	
	x	
Number of Hours	10	
	x	
Effective Labor Rate	99.64	
	equals	
FACILITY POTENTIAL		$ 569,941

FACILITY UTILIZATION

Total Labor Sales	$ 190,482	
	÷	
Facility Potential	$ 569,941	
	equals	
FACILITY UTILIZATION		33.42%

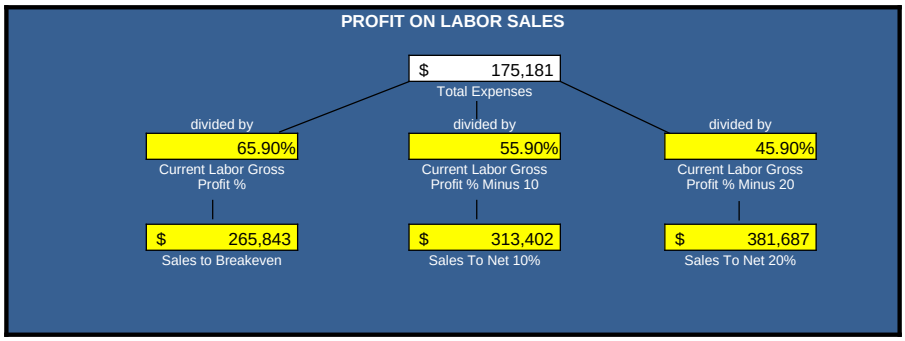

NADA "QUICK" SERVICE ANALYSIS
$ 190,482
Labor Sales
1,911.8
Divided by Hours Billed
$ 99.64
= OELR
$ 190,482
Labor Sales
$ 125,521
-Labor Gross
$ 64,961
=Labor Cost
$ 64,961
Labor Cost
1,911.75
/ Hours Billed
$ 33.98
=Real Cost

$33.98
Real Cost
÷
26.00%
=
$130.69
E.L.R. Needed to earn
74%

OWNER BASE POTENTIAL

3549	x	8	=	28,392.0	
5 Year Owner Base		Annual Hours Purchased		Market Potential / Hours	
28,392.0	x	$ 99.64	=	$ 2,828,908	
Market Potentail/ Hours		Effective Labor Rate		5 Yr. O.B Sales Potential	
$ 191,155	x	12	=	$ 2,293,860	
Avg. Mos. Labor Sales (excluding internal, PDI and NVI)		Annualized		Current Labor Sales Trend	
$ 2,293,860	÷	$ 2,828,908	=	81.09%	
Labor Sales Trend		5 Yr. O.B. Sales Potential		Ouch	

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



The Picture

Customer Pay Gross Profit %	63.86%	Customer Pay E.L.R.	$ 92.98
Total Service Dept. G.P.%	65.90%	Total (overall) E.L.R.	$ 99.64
Parts / Labor Ratio (Cust Pay Only)	1.00	Warranty Labor Rate	$ 122.66
Total Service Dept Expense	$ 175,181	Overall Tech Proficiency	72.41%
Hours Per R.O (recap)	2.24		
Percent Of One Item R.O.'s	48.15%		

Technician Value

Calculate using daily available hours per technician

Hours		Days		Labor Rate		Sales Value
8	x	22	x	$ 99.64	=	$ 17,536

Sales Value		Gross Margin		Profit Value
$ 17,536	x	65.90%	=	$ 11,556

Profit Value		proficiency	Adjusted Profit Value
$ 11,556	70%		$ 8,089
$ 11,556	80%		$ 9,245
$ 11,556	90%		$ 10,400
$ 11,556	100%		$ 11,556
$ 11,556	110%		$ 12,711
$ 11,556	120%		$ 13,867

STAFFING REQUIREMENTS

A. Sales To Break Even

Total Expenses for One Month	÷	Current Gross Profit Percent	=	Sales To Break Even
$ 175,181	÷	65.90%	=	$ 265,843

B. Sales To Generate 20% Net

Total Expenses for One Month	÷	Current Gross Profit Percent (Minus 20)	=	Sales To Generate 20% Net
$ 175,181	÷	45.90%	=	$ 381,687

C. Technician Value

Daily Work Hours	X	Average Proficiency Rate	X	Overall Effective Labor Rate	X	Work Days Per Month	=	Technician Value
8		80%		$ 99.64		22		$14,029
8		90%		$ 99.64		22		$15,783
8		100%		$ 99.64		22		$17,536
8		120%		$ 99.64		22		$21,043

D. Staffing To Break Even

Sales To Break Even	÷	Technician Value		=	Staffing
$ 265,843	÷	14,029	@ 80%	=	18.9
$ 265,843	÷	15,783	@ 90%	=	16.8
$ 265,843	÷	17,536	@ 100%	=	15.2
$ 265,843	÷	21,043	@ 120%	=	12.6

E. Staffing To Generate 20% Net

Sales To Generate 20% Net	÷	Technician Value		=	Staffing
$ 381,687	÷	$ 14,029	@ 80%	=	27.2
$ 381,687	÷	$ 15,783	@ 90%	=	24.2
$ 381,687	÷	$ 17,536	@ 100%	=	21.8
$ 381,687	÷	$ 21,043	@ 120%	=	18.1

Service Advisor Performance

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

Break Even

1	Department's Average Monthly Expenses	$175,181
	÷	
2	Divide by current labor gross profit % to break even	65.90%
	=	
3	Equals New Sales Objective	$ 265,843
	÷	
4	Number of Advisors	3.0
	=	
5	Equals Sales Objective per Advisor	$ 88,614
	÷	
6	Number of work days per month	22
	=	
7	Equals daily sales objective per advisor	$ 4,028
	÷	
8	Current overall effective labor rate	$ 99.64
	=	
9	Equals daily sales objective per advisor (FRH's)	40.4

Net 10 %

1	Department's Average Monthly Expenses	$175,181
	÷	
2	Divide by current labor gross profit % minus 10 to net 10%	55.90%
	=	
3	Equals New Sales Objective	$ 313,402
	÷	
4	Number of Advisors	3.0
	=	
5	Equals Sales Objective per Advisor	$ 104,467
	÷	
6	Number of work days per month	22
	=	
7	Equals daily sales objective per advisor	$ 4,749
	÷	
8	Current overall effective labor rate	$ 99.64
	=	
9	Equals daily sales objective per advisor (FRH's)	47.7

Net 20 %

1	Department's Average Monthly Expenses	$175,181
	÷	
2	Divide by current labor gross profit % minus 20 to net 20%	45.90%
	=	
3	Equals New Sales Objective	$ 381,687
	÷	
4	Number of Advisors	3.0
	=	
5	Equals Sales Objective per Advisor	$ 127,229
	÷	
6	Number of work days per month	22
	=	
7	Equals daily sales objective per advisor	$ 5,783
	÷	
8	Current overall effective labor rate	$ 99.64
	=	
9	Equals daily sales objective per advisor (FRH's)	58.0

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

Number of customer R.O.'s for the month			946
	x		
Multiply by .3 hours			0.3 hours
Additional customer labor hours generated	=		283.80
	x		
Multiply by Customer Labor Rate			$ 92.98
Equals additional Customer Labor Sales Generated	=		$ 26,388
	x		
Multiply by customer Labor Gross Profit %			63.86%
Equals additional Labor Gross Profit $ generated	=	(A)	$ 16,852
Divide Parts Sales R.O. by Labor Sales R.O. to calculate $ parts sales per 1$ of Labor Sales	=		1.00
	x		
Multiply by Customer Labor Sales			$ 26,388
	=		
Equals additional Customer Parts Sales generated			$ 26,433
	x		
Multiply by Customer Parts Sales Gross Profit %			33.21%
Equals additional Parts Gross Profit $ Generated	=	(B)	$ 8,779
Add Gross Profit from Labor (A) and Parts (B)	=		$ 25,631

Labor Rate Calculations

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

A/C Charge and Check

Labor Price	$144.00
Units	1.2

Price	÷	Units	=	Labor Rate
				$0.00

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			
Total Price		÷	Total Units	=	$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%			=	0.00
100%		Desired Gross Profit percent		Mark-Up Factor
	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	$ 99.64	
	=	$ -	(A) Service Labor Sales
Service Department Gross Profit % (Excluding Sublet)	X	65.90%	
	=	$ -	(B) Service Labor Gross
Service Labor Sales (A)		$ -	
Parts / Labor Ratio	X	1.00	
	=	$ -	
Parts Dept Gross Profit % R.O.Sales	X		
	=	$ -	(C) Service Parts Gross
(B) Service Labor Gross		$ -	
(C) Service Parts Gross	+	$ -	
Lost Gross	=	$ -	