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	$ 66,629	$ 44,667	67.04%	53.01%
Customer Express			0%	0.00%
Customer Other			0%	0.00%
Warranty	$ 12,300	$ 10,877	88.43%	9.79%
Warranty Other			0%	0.00%
Internal	$ 46,759	$ 36,207	77.43%	37.20%
NVI / Road Ready/ PDI			0%	0.00%
Adj. Cost Of Labor		$ 2,995	0%	0.00%
Total	$ 125,688	$ 94,746	75.38%	100.00%

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Customer Pay Gross Profit %	67.04%
Total Service Dept. G.P. %	75.38%

Parts To Labor Ratios

Category	Parts Sales	Labor Sales	P/L Ratio
Customer Car	$ 86,822	$ 66,629	1.30
Customer Truck		$ -	0.00
Customer Other		$ -	0.00
Warranty	$ 25,830	$ 12,300	2.10
Warranty Other		$ -	0.00
Internal	$ 1,539	$ 46,759	0.03
Total	$ 114,191	$ 125,688	0.91

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Customer Pay Gross Profit %	67.04%
Total Service Dept. G.P. %	75.38%
Parts / Labor Ratio (Cust. Pay Only)	1.30

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 94,746		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	$ 42,570	44.93%	
Semi-Fixed Expense	$ 20,915	22.07%	
Fixed Expense	$ 21,434	22.62%	
Unallocated Expense		0.00%	
Dealer's Salary	$ 18,900	19.95%	
Total Expenses	$ 103,819	109.58%	
Net Profit	$ (9,073)	-9.58%	

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Customer Pay Gross Profit %	67.04%
Total Service Dept. G.P. %	75.38%
Parts / Labor Ratio (Cust. Pay Only)	1.30
Total Service Dept. Expenses	$ 103,819

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xed Absorption

			% Adj Ovhd Exp
Parts Department Total Gross	$	48,173	12.85%
Service Department Total Gross	$	89,083	23.76%
Body Shop Department Total Gross			0.00%
Total Fixed Gross Profit	$	137,256	
Total Dealership Expense	$	374,871	

Overhead Expense	$	374,871
Total Fixed Gross Profit	$	137,256
Total Dealership Expense	$	374,871
Fixed Absorption Percentage		36.61%

Guideline 60%

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Customer Pay Gross Profit %		67.04%
Total Service Dept. G.P. %		75.38%
Parts / Labor Ratio (Cust. Pay Only)		1.30
Total Service Dept. Expenses	$	103,819

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Effective Labor Rates		Hours Billed
Customer Car*	$ 66,629	÷	125.00	=	533.0
Customer Truck*	$ -	÷		=	0.00
Customer Other*	$ -	÷		=	0.00
Warranty	$ 12,300	÷	120.00	=	102.5
Internal	$ 46,759	÷	125.00	=	374.1
New Vehicle Prep	$ -	÷		=	0.00
Total	$ 125,688				1009.6

POTENTIAL

$ 125,688	÷	1009.60	=	$ 124.49			
Total labor sales for month		Total hours billed		Effective Labor Rate			
6.00	x	9	x	23	=	1,242.0	
# Service mechanical technicians		# Hours/Day		Working Days/Month		Clock Hour Aval	
1,242.0	x	$ 124.49	=	$ 154,620		$ 193,274.41	
Clock Hours Available		Effective Labor Rate		Labor sales potential @100%		Labor sales potential @ 125%	

How proficient are your technicians ?

1,009.6	÷	1,242.00	=	81.29%
Total Hours Billed		Hours Available		Tech Proficiency

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Hours Per RO (Recap Sheet)	2.8
Percent of One Item R.O.'s (Recap Sheet)	32.00%
Customer Pay Effective Labor Rate (Recap Sheet)	$ 93.15
Warranty Labor Rate (Recap Sheet)	$ 120.00
Total Overall Effective Labor Rate	$ 124.49
Overall Technician Proficiency	81.29%

FACILITY POTENTIAL

Number of Bays

x

Number of Days

x

Number of Hours

x

Effective Labor Rate

equals

FACILITY POTENTIAL #VALUE!

FACILITY UTILIZATION

Total Labor Sales

÷

Facility Potential #VALUE!

equals

FACILITY UTILIZATION 0.00%

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NADA "QUICK" SERVICE A

Labor Sales

Divided by Hours Billed

0.00

= OELR

#VALUE!

Labor Cost

0.00

/ Hours Billed

$0.00

=Real Cost

÷ 26.00%

Real Cost

ıNALYSIS

OWNER BASE POTENTIAL

Labor Sales		5 Year Owner Base	**x**	Annual Hours Purchased	**=**	#VALUE! Market Potential / Hours
-Labor Gross		#VALUE! Market Potentail/ Hours	**x**	0.00 Effective Labor Rate	**=**	#VALUE! 5 Yr. O.B Sales Potential
#VALUE! =Labor Cost		Avg. Mos. Labor Sales (excluding internal, PDI and NVI)	**x**	Annualized	**=**	$ - Current Labor Sales Trend
		$ - Labor Sales Trend	÷	#VALUE! 5 Yr. O.B. Sales Potential	**=**	0.00% Ouch

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

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= $0.00
E.L.R. Needed to earn
74%

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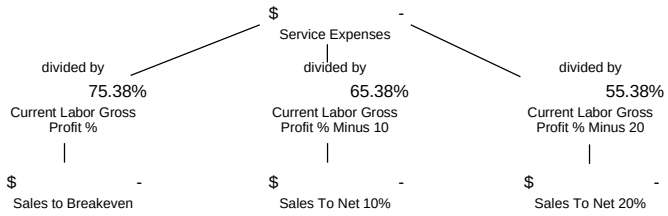
PROFIT ON LABOR SALES



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Customer Pay Gross Profit %	67.04%	Customer Pay E.L.R.	$ 93.15
Total Service Dept. G.P.%	75.38%	Total (overall) E.L.R.	$ 124.49
Parts / Labor Ratio (Cust Pay Only)	1.30	Warranty Labor Rate	$ 120.00
Total Service Dept Expense	$ 103,819	Overall Tech Proficiency	81.29%
Hours Per R.O (recap)	2.83		
Percent Of One Item R.O.'s	32.00%		

Technician Value

Calculate using daily available hours per technician

Hours		Days		Labor Rate		Sales Value
	x		x	$ 124.49	=	$ -

Sales Value		Gross Margin		Profit Value
$ -	x	75.38%	=	$ -

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Profit Value		Your #		Adjusted Profit Value
$ -	x	70%		$ -
$ -	x	80%		$ -
$ -	x	90%	proficiency	$ -
$ -	x	100%		$ -
$ -	x	110%		$ -
$ -	x	120%		$ -
$ -	x	0.0%	=	$ -

STAFFING REQUIREMENTS

A. Sales To Break Even

Service Expenses for One Month		Current Gross Profit Percent	=	Sales To Break Even
		75.38%	=	$ -

B. Sales To Generate 20% Net

Service Expenses for One Month		Current Gross Profit Percent (Minus 20)	=	Sales To Generate 20% Net
$ -		55.38%	=	$ -

C. Technician Value

Daily Work Hours	X	Average Proficiency Rate	X	Overall Effective Labor Rate	X	Work Days Per Month	=	Technician Value
0		80%		$ 124.49		0		$0
0		90%		$ 124.49		0		$0
0		100%		$ 124.49		0		$0
0		120%		$ 124.49		0		$0

D. Staffing To Break Even

Sales To Break Even		Technician Value	=	Staffing
$ -		0 @ 80%	=	0.0
$ -		0 @ 90%	=	0.0
$ -		0 @ 100%	=	0.0
$ -		0 @ 120%	=	0.0

E. Staffing To Generate 20% Net

Sales To Generate 20% Net		Technician Value	=	Staffing
$ -		$ - @ 80%	=	0.0
$ -		$ - @ 90%	=	0.0
$ -		$ - @ 100%	=	0.0
$ -		$ - @ 120%	=	0.0

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Service Advisor Performance

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

Break Even

1 Service Department's Monthly Expenses		
2 Divide by current labor gross profit % to break even	=	75.38%
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	$	124.49
9 Equals daily sales objective per advisor (FRH's)	=	0.0

Net 10 %

1 Service Department's Monthly Expenses		$0
2 Divide by current labor gross profit % minus 10 to net 10%	=	65.38%
3 Equals New Sales Objective	$	-
4 Number of Advisors	=	0.0
5 Equals Sales Objective per Advisor		$0.00
6 Number of work days per month	=	0
7 Equals daily sales objective per advisor		$0.00
8 Current overall effective labor rate	$	124.49
9 Equals daily sales objective per advisor (FRH's)	=	0.0

Net 20 %

1 Service Department's Monthly Expenses		$0
2 Divide by current labor gross profit % minus 20 to net 20%	=	55.38%
3 Equals New Sales Objective	$	-
4 Number of Advisors	=	0.0
5 Equals Sales Objective per Advisor		$0.00
6 Number of work days per month	=	0
7 Equals daily sales objective per advisor		$0.00
8 Current overall effective labor rate	$	124.49
9 Equals daily sales objective per advisor (FRH's)	=	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			
	x		
Multiply by .3 hours			0.3 hours
Additional customer labor hours generated	=		0.00
	x		
Multiply by Customer Labor Rate		$	93.15
Equals additional Customer Labor Sales Generated	=	$	-
	x		
Multiply by customer Labor Gross Profit %			67.04%
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	=		1.30
	x		
Multiply by Customer Labor Sales		$	-
	=		
Equals additional Customer Parts Sales generated		$	-
	x		
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	
		=	$0.00
Price	Units		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		
				=	$0.00
	Total Price		Total Units		Effective Labor Rate
					(For This R.O.)

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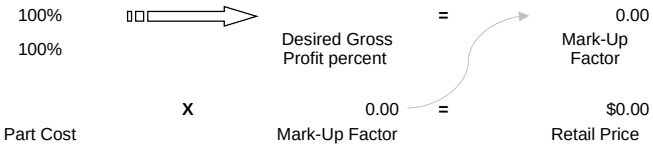
Calculating Mark-Up

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



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**	

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Cost Of A Come-Back

Lost Customers				
Average Hours per R.O.	**X**			
	=		0.0	
Effective Labor Rate	**X**	$	124.49	
	=	$	-	(A) Service Labor Sales
Service Department Gross Profit % (Excluding Sublet)	**X**		75.38%	
	=	$	-	(B) Service Labor Gross
Service Labor Sales (A)		$	-	
Parts / Labor Ratio	**X**		1.30	
	=	$	-	
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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