Fixed Operations 2 -

Financial Calculations and Formulas

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Service

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	$ 85,830	$ 65,292	76.07%	33.47%
Customer Express	$ 44,204	$ 24,616	55.69%	17.24%
Customer Other			0%	0.00%
Warranty	$ 40,951	$ 30,299	73.99%	15.97%
Warranty Other			0%	0.00%
Internal	$ 67,711	$ 55,332	81.72%	26.40%
NVI / Road Ready/ PDI	$ 17,773	$ 15,142	85.20%	6.93%
Adj. Cost Of Labor		$ -	0%	0.00%
Total	$ 256,469	$ 190,681	74.35%	100.00%

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Customer Pay Gross Profit %	69.14%
Total Service Dept. G.P. %	74.35%

Parts To Labor Ratios

Category	Parts Sales	Labor Sales	P/L Ratio
Customer Car	$ 62,921	$ 85,830	0.73
Customer Express	$ 28,026	$ 44,204	0.63
Customer Other		$ -	0.00
Warranty	$ 52,910	$ 40,951	1.29
Warranty Other		$ -	0.00
Internal	$ 70,859	$ 67,711	1.05
Total	$ 214,716	$ 238,696	0.90

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Customer Pay Gross Profit %	69.14%
Total Service Dept. G.P. %	74.35%
Parts / Labor Ratio (Cust. Pay Only)	0.70

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profits
Department Gross	$ 190,681		
Variable Expense	$	0.00%	
Selling Expense		0.00%	
Personnel Expense	$ 125,165	65.64%	
Semi-Fixed Expense	$ 26,020	13.65%	
Fixed Expense	$ 41,610	21.82%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	$ 192,795	101.11%	
Net Profit	$ (2,114)	-1.11%	

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Customer Pay Gross Profit %	69.14%
Total Service Dept. G.P. %	74.35%
Parts / Labor Ratio (Cust. Pay Only)	0.70
Total Service Dept. Expenses	$ 192,795

Fixed Absorption

		% Adj. Ovhd Exp
Parts Department Total Gross	$ 97,656	15.53%
Service Department Total Gross	$ 191,304	30.43%
Body Shop Department Total Gross		0.00%
Total Fixed Gross Profit	$ 288,960	
Total Dealership Expense	$ 628,741	

Overhead Expense	$ 628,741
Total Fixed Gross Profit	$ 288,960
Total Dealership Expense	$ 628,741
Fixed Absorption Percentage	45.96%

Guideline 60%

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Customer Pay Gross Profit %	69.14%
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Parts / Labor Ratio (Cust. Pay Only)	0.70
Total Service Dept. Expenses	$ 192,795

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Effective Labor Rates		Hours Billed
Customer Car*	$ 85,830	÷	132.20	=	649.2
Customer Truck*	$ 44,204	÷	132.20	=	334.4
Customer Other*	$ -	÷		=	0.00
Warranty	$ 40,951	÷	103.80	=	394.5
Internal	$ 67,711	÷	51.96	=	1303.1
New Vehicle Prep	$ 17,773	÷	103.80	=	171.2
Total	$ 256,469				2852.5

POTENTIAL

$ 256,469	÷	2852.49	=	$ 89.91	
Total labor sales for month		Total hours billed		Effective Labor Rate	
16.00	x	8		20	= 2,560.0
# Service mechanical technicians		# Hours/Day		Working Days/Month	Clock Hour Aval
2,560.0	x	$ 89.91	=	$ 230,171	$ 287,713.36
Clock Hours Available		Effective Labor Rate		Labor sales potential @100%	Labor sales potential @ 125%

How proficient are your technicians ?

2,852.5	÷	2,560.00	=	111.43%
Total Hours Billed		Hours Available		Tech Proficiency

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Hours Per RO (Recap Sheet)	2.9
Percent of One Item R.O.'s (Recap Sheet)	32.00%
Customer Pay Effective Labor Rate (Recap Sheet)	$ 132.20
Warranty Labor Rate (Recap Sheet)	$ 114.09
Total Overall Effective Labor Rate	$ 89.91
Overall Technician Proficiency	111.43%

FACILITY POTENTIAL

Number of Bays	29	
	x	
Number of Days	20	
	x	
Number of Hours	8.5	
	x	
Effective Labor Rate	$ 89.91	
	equals	
FACILITY POTENTIAL		$ 443,258

FACILITY UTILIZATION

Total Labor Sales	$ 256,469	
	÷	
Facility Potential	$ 443,258	
	equals	
FACILITY UTILIZATION		57.86%

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NADA "QUICK" SERVICE ANALYSIS

$ 256,469	Labor Sales
2,852.5	Divided by Hours Billed
$ 89.91	= OELR

$ 256,469	Labor Sales
$ 190,681	-Labor Gross
$ 65,788	=Labor Cost

$ 65,788	Labor Cost
2,852.50	/ Hours Billed
$ 23.06	=Real Cost

$23.06	÷	26.00%	=	$88.69
Real Cost				E.L.R. Needed to earn 74%

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OWNER BASE POTENTIAL

5667 5 Year Owner Base	x	8 Annual Hours Purchased	=	45,336.0 Market Potential / Hours
45,336.0 Market Potentail/ Hours	x	$ 89.91 Effective Labor Rate	=	$ 4,076,171 5 Yr. O.B Sales Potential
$ 86,503 Avg. Mos. Labor Sales (excluding internal, PDI and NVI)	x	12 Annualized	=	$ 1,038,031 Current Labor Sales Trend
$ 1,038,031 Labor Sales Trend	÷	$ 4,076,171 5 Yr. O.B. Sales Potential	=	25.47% Ouch

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

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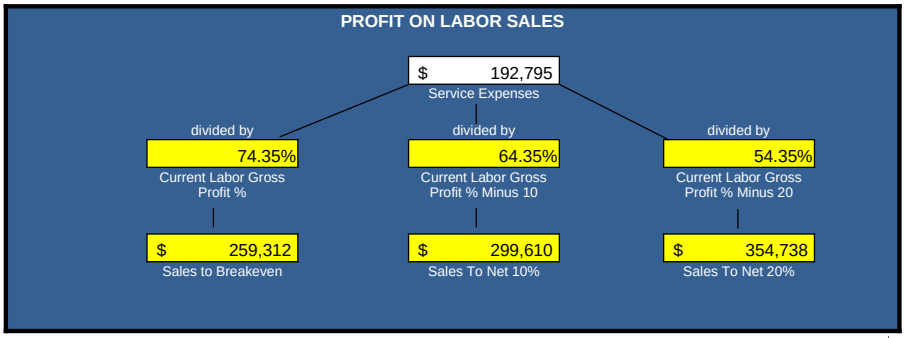

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Customer Pay Gross Profit %	69.14%	Customer Pay E.L.R.	$ 132.20
Total Service Dept. G.P.%	74.35%	Total (overall) E.L.R.	$ 89.91
Parts / Labor Ratio (Cust Pay Only)	0.70	Warranty Labor Rate	$ 114.09
Total Service Dept Expense	$ 192,795	Overall Tech Proficiency	111.43%
Hours Per R.O (recap)	2.92		
Percent Of One Item R.O.'s	32.00%		

Technician Value

Calculate using daily available hours per technician

Hours		Days		Labor Rate		Sales Value
8	x	20	x	$ 89.91	=	$ 14,386

Sales Value		Gross Margin		Profit Value
$ 14,386	x	74.35%	=	$ 10,696

Profit Value		Your #		Adjusted Profit Value
$ 10,696	x	70%		$ 7,487
$ 10,696	x	80%		$ 8,556
$ 10,696	x	90%	proficiency	$ 9,626
$ 10,696	x	100%		$ 10,696
$ 10,696	x	110%		$ 11,765
$ 10,696	x	120%		$ 12,835
$ 10,696	x	111.4%	=	$ 11,918

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STAFFING REQUIREMENTS

A. Sales To Break Even

Service Expenses for One Month		Current Gross Profit Percent		Sales To Break Even
$ 192,795	÷	74.35%	=	$ 259,312

B. Sales To Generate 20% Net

Service Expenses for One Month		Current Gross Profit Percent (Minus 20)		Sales To Generate 20% Net
$ 192,795	÷	54.35%	=	$ 354,738

C. Technician Value

Daily Work Hours	X	Average Proficiency Rate	X	Overall Effective Labor Rate	X	Work Days Per Month	=	Technician Value
8		80%		$ 89.91		20		$11,509
8		90%		$ 89.91		20		$12,947
8		100%		$ 89.91		20		$14,386
8		120%		$ 89.91		20		$17,263

D. Staffing To Break Even

Sales To Break Even		Technician Value		=	Staffing
$ 259,312	÷	11,509	@ 80%	=	22.5
$ 259,312	÷	12,947	@ 90%	=	20.0
$ 259,312	÷	14,386	@ 100%	=	18.0
$ 259,312	÷	17,263	@ 120%	=	15.0

E. Staffing To Generate 20% Net

Sales To Generate 20% Net		Technician Value		=	Staffing
$ 354,738	÷	$ 11,509	@ 80%	=	30.8
$ 354,738	÷	$ 12,947	@ 90%	=	27.4
$ 354,738	÷	$ 14,386	@ 100%	=	24.7
$ 354,738	÷	$ 17,263	@ 120%	=	20.5

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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	$192,795
÷		
2	Divide by current labor gross profit % to break even	74.35%
=		
3	Equals New Sales Objective	$ 259,312
÷		
4	Number of Advisors	5.0
=		
5	Equals Sales Objective per Advisor	$ 51,862
÷		
6	Number of work days per month	20
=		
7	Equals daily sales objective per advisor	$ 2,593
÷		
8	Current overall effective labor rate	$ 89.91
=		
9	Equals daily sales objective per advisor (FRH's)	28.8

Net 10 %

1	Service Department's Monthly Expenses	$192,795
÷		
2	Divide by current labor gross profit % minus 10 to net 10%	64.35%
=		
3	Equals New Sales Objective	$ 299,610
÷		
4	Number of Advisors	5.0
=		
5	Equals Sales Objective per Advisor	$ 59,922
÷		
6	Number of work days per month	20
=		
7	Equals daily sales objective per advisor	$ 2,996
÷		
8	Current overall effective labor rate	$ 89.91
=		
9	Equals daily sales objective per advisor (FRH's)	33.3

Net 20 %

1	Service Department's Monthly Expenses	$192,795
÷		
2	Divide by current labor gross profit % minus 20 to net 20%	54.35%
=		
3	Equals New Sales Objective	$ 354,738
÷		
4	Number of Advisors	5.0
=		
5	Equals Sales Objective per Advisor	$ 70,948
÷		
6	Number of work days per month	20
=		
7	Equals daily sales objective per advisor	$ 3,547
÷		
8	Current overall effective labor rate	$ 89.91
=		
9	Equals daily sales objective per advisor (FRH's)	39.5

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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			1090
	x		
Multiply by .3 hours			0.3 hours
Additional customer labor hours generated	=		327.00
	x		
Multiply by Customer Labor Rate			$ 132.20
Equals additional Customer Labor Sales Generated	=		$ 43,229
	x		
Multiply by customer Labor Gross Profit %			69.14%
Equals additional Labor Gross Profit $ generated	=	(A)	$ 29,890
Divide Parts Sales R.O. by Labor Sales R.O. to calculate $ parts sales per 1$ of Labor Sales	=		0.70
	x		
Multiply by Customer Labor Sales			$ 43,229
	=		
Equals additional Customer Parts Sales generated			$ 30,233
	x		
Multiply by Customer Parts Sales Gross Profit %			41.00%
Equals additional Parts Gross Profit $ Generated	=	(B)	$ 12,396
Add Gross Profit from Labor (A) and Parts (B)	=		$ 42,285

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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

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.)

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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)

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**

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Cost Of A Come-Back

Lost Customers			
Average Hours per R.O.	X		
	=	0.0	
Effective Labor Rate	X	$ 89.91	
	=	$ -	(A) Service Labor Sales
Service Department Gross Profit % (Excluding Sublet)	X	74.35%	
	=	$ -	(B) Service Labor Gross
Service Labor Sales (A)		$ -	
Parts / Labor Ratio	X	0.73	
	=	$ -	
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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