



Fixed Operations 2

Financial Calculations and Formulas

2 - Service

Service Department Sales And Gross (Labor Only)				
Category	Sales	Gross	Gross as % of Sales	Vehicle Contribution
Customer Car	\$ 93,341	\$ 68,098	72.96%	42.31%
			0%	0.00%
			0%	0.00%
Warranty	\$ 66,396	\$ 45,098	67.92%	30.10%
			0%	0.00%
Internal	\$ 49,765	\$ 30,740	61.77%	22.56%
NW / Road Ready/ PDI	\$ 11,090	\$ 9,194	82.90%	5.03%
Adj. Cost Of Labor	\$ -	\$ (4,048)	-	1.00%
Total	\$ 220,592	\$ 149,084	67.56%	20.00%

The Picture	
Customer Pay Gross Profit %	72.96%
Total Service Dept. G.P. %	67.56%

Parts To Labor Ratios			
Category	Parts Sales	Labor Sales	PL Ratio
Customer Car	\$ 89,250	\$ 93,341	0.96
Sublet	\$ -	\$ -	0.00
Warranty	\$ 62,926	\$ 66,396	0.95
	\$ -	\$ -	0.00
Internal	\$ 40,641	\$ 49,765	0.82
Total	\$ 192,817	\$ 209,502	0.92

The Picture	
Customer Pay Gross Profit %	72.96%
Total Service Dept. G.P. %	67.56%
Parts / Labor Ratio (Cust. Pay Only)	0.96

Service Department Profit Centering			
Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	\$ 149,084		
Variable Expense	\$ 52,496	35.21%	
Selling Expense	\$ -	0.00%	
Personnel Expense	\$ 214,462	143.87%	
Semi-Fixed Expense	\$ 80,532	54.02%	
Fixed Expense	\$ 48,844	32.76%	
Unallocated Expense	\$ -	0.00%	
Dealer's Salary	\$ -	0.00%	
Total Expenses	\$ 396,354	265.16%	
Net Profit	\$ (247,270)	-165.84%	

The Picture	
Customer Pay Gross Profit %	72.96%
Total Service Dept. G.P. %	67.56%
Parts / Labor Ratio (Cust. Pay Only)	0.96
Total Service Dept. Expenses	\$ 396,354

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Fixed Absorption

		% Adj. Ovhd Exp
Parts Department Total Gross	\$ 77,767	19.57%
Service Department Total Gross	\$ 149,237	37.56%
Body Shop Department Total Gross	\$ 3,380	0.85%
Total Fixed Gross Profit	\$ 230,384	
Total Dealership Expense	\$ 397,354	

Overhead Expense	\$ 397,354	
Total Fixed Gross Profit	\$ 230,384	
Total Dealership Expense	\$ 397,354	
Fixed Absorption Percentage	<input type="text" value="57.98%"/>	Guideline 60%

The Picture

Customer Pay Gross Profit %	72.96%
Total Service Dept. G.P. %	67.58%
Parts / Labor Ratio (Cust. Pay Only)	0.96
Total Service Dept. Expenses	\$ 396,354

NADA ACTUAL SERVICE ANALYSIS

Performance

	<i>Labor Sales / Month</i>	÷	<i>Effective Labor Rates</i>	=	<i>Hours Billed</i>
Customer Car*	\$ 93,341	÷	100.17	=	931.8
Customer Truck*	\$ -	÷		=	0.00
Customer Other*	\$ -	÷		=	0.00
Warranty	\$ 66,396	÷	99.83	=	665.1
Internal	\$ 49,765	÷	55.99	=	888.8
New Vehicle Prep	\$ 11,090	÷	99.83	=	111.1
Total	\$ 220,592				2596.8

POTENTIAL

\$ 220,592	÷	2596.82	=	\$ 84.95
Total labor sales for month		Total hours billed		Effective Labor Rate
11.00	x	8	x	18 = 1,584.0
# Service mechanical technicians		# Hours/Day		Working Days/Month Clock Hour Avail
1,584.0	x	\$ 84.95	=	\$ 134,556 \$ 168,194.69
Clock Hours Available		Effective Labor Rate		Labor sales potential @100% Labor sales potential @ 125%

How proficient are your technicians ?

2,596.8	÷	1,584.00	=	163.94%
Total Hours Billed		Hours Available		Tech Proficiency

Hours Per RO (Recap Sheet)	2.6
Percent of One Item R.O.'s (Recap Sheet)	0.00%
Customer Pay Effective Labor Rate (Recap Sheet)	\$ 100.17
Warranty Labor Rate (Recap Sheet)	\$ 99.83
Total Overall Effective Labor Rate	\$ 84.95
Overall Technician Proficiency	163.94%

FACILITY POTENTIAL	
Number of Bays	16
	x
Number of Days	25
	x
Number of Hours	8
	x
Effective Labor Rate	\$ 84.95
	<i>equals</i>
FACILITY POTENTIAL	\$ 271,830

NADA "QUICK" SERVICE A	
	\$ 220,592
	Labor Sales
	2,596.8
	Divided by Hours Billed
	\$ 84.95
	= OELR

FACILITY UTILIZATION	
Total Labor Sales	\$ 220,592
	÷
Facility Potential	\$ 271,830
	<i>equals</i>
FACILITY UTILIZATION	81.15%

\$ 142,825
Labor Cost
2,596.80
/ Hours Billed
\$ 55.00
=Real Cost

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\$55.00	÷	26.00%
Real Cost		

ANALYSIS

\$ 220,592
Labor Sales

\$ 77,767
-Labor Gross

\$ 142,825
=Labor Cost

OWNER BASE POTENTIAL

6231 x Annual Hours Purchased = 0.0
5 Year Owner Base Market Potential / Hours

0.0 x \$ 84.95 = \$ -
Market Potential/ Hours Effective Labor Rate 5 Yr. O.B Sales Potential

x Annualized = \$ -
Avg. Mos. Labor Sales (excluding internal, PDI and NVI) Current Labor Sales Trend

\$ - ÷ \$ - = 0.00%
Labor Sales Trend 5 Yr. O.B. Sales Potential Ouch

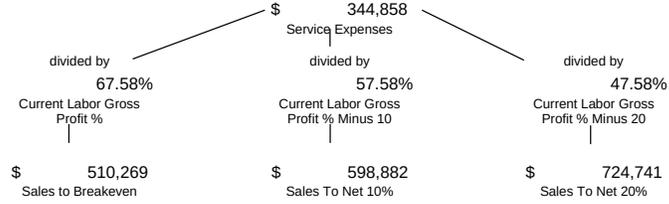
**Note: The industry average of 35% is very poor performance.*

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= \$211.54
E.L.R. Needed to earn
74%

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PROFIT ON LABOR SALES



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The Picture

form

Customer Pay Gross Profit %	72.96%	Customer Pay E.L.R.	\$ 100.17
Total Service Dept. G.P.%	67.58%	Total (overall) E.L.R.	\$ 84.95
Parts / Labor Ratio (Cust Pay Only)	0.96	Warranty Labor Rate	\$ 99.83
Total Service Dept Expense	\$ 396,354	Overall Tech Proficiency	163.94%
Hours Per R.O (recap)	2.61		
Percent Of One Item R.O.'s	0.00%		

1

Technician Value

Calculate using daily available hours per technician

Hours		Days		Labor Rate		Sales Value
8	x	25	x	\$ 84.95	=	\$ 16,989

Sales Value		Gross Margin		Profit Value
\$ 16,989	x	67.58%	=	\$ 11,482

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\$ 11,482	x	70%		\$ 8,037
\$ 11,482	x	80%		\$ 9,186
\$ 11,482	x	90%	proficiency	\$ 10,334
\$ 11,482	x	100%		\$ 11,482
\$ 11,482	x	110%		\$ 12,630
\$ 11,482	x	120%		\$ 13,778
\$ 11,482	x	0.0%	=	\$ -
Profit Value	Your #			Adjusted Profit Value

STAFFING REQUIREMENTS

A. Sales To Break Even

Service Expenses for One Month		Current Gross Profit Percent	=	Sales To Break Even
\$ 76,163		67.58%	=	\$ 112,695

B. Sales To Generate 20% Net

Service Expenses for One Month		Current Gross Profit Percent (Minus 20)	=	Sales To Generate 20% Net
\$ 76,163		47.58%	=	\$ 160,061

C. Technician Value

Daily Work Hours	x	Average Proficiency Rate	x	Overall Effective Labor Rate	x	Work Days Per Month	=	Technician Value
8		80%		\$ 84.95		25		\$13,591
8		90%		\$ 84.95		25		\$15,290
8		100%		\$ 84.95		25		\$16,989
8		120%		\$ 84.95		25		\$20,387

D. Staffing To Break Even

Sales To Break Even		Technician Value	=	Staffing
\$ 112,695		13,591 @ 80%	=	8.3
\$ 112,695		15,290 @ 90%	=	7.4
\$ 112,695		16,989 @ 100%	=	6.6
\$ 112,695		20,387 @ 120%	=	5.5

E. Staffing To Generate 20% Net

Sales To Generate 20% Net		Technician Value	=	Staffing
\$ 160,061		\$ 13,591 @ 80%	=	11.8
\$ 160,061		\$ 15,290 @ 90%	=	10.5
\$ 160,061		\$ 16,989 @ 100%	=	9.4
\$ 160,061		\$ 20,387 @ 120%	=	7.9

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Service Advisor Performance

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

Break Even	Net 10 %	Net 20 %																																																																		
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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			699
	X		
Multiply by .3 hours			0.3 hours
Additional customer labor hours generated	=		209.70
	X		
Multiply by Customer Labor Rate		\$	100.17
Equals additional Customer Labor Sales Generated	=	\$	21,006
	X		
Multiply by customer Labor Gross Profit %			72.96%
Equals additional Labor Gross Profit \$ generated	=	(A) \$	15,325
Divide Parts Sales R.O. by Labor Sales R.O. to calculate \$ parts sales per \$ of Labor Sales	=		0.96
	X		
Multiply by Customer Labor Sales		\$	21,006
	=		
Equals additional Customer Parts Sales generated		\$	20,085
	X		
Multiply by Customer Parts Sales Gross Profit %			8.71%
Equals additional Parts Gross Profit \$ Generated	=	(B) \$	1,749
Add Gross Profit from Labor (A) and Parts (B)	=	\$	17,074

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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	\$144.00	□	1.2	=	\$120.00
			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	=	\$ 98.00
R&R Rear Hub Bearing.	\$ 96.00	□	0.80	=	\$ 120.00
Replace Trans. Pan gasket	\$ 107.80	□	1.10	=	\$ 98.00
R&R Headlight unit (1)	\$ 108.00	□	0.90	=	\$ 120.00
Total Price \$	↓ 429.40		Total Units ↓		4.0
	\$ 429.40	□	4.0	=	107.35
	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)

100%	→	35%	=	1.54
100%		Desired Gross Profit percent		Mark-Up Factor
\$6.72	X	1.54	=	\$10.35
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	X	Annual Turnover	=	Total Cost
Filter #1	\$4.36	X	112	=	\$488.32
Filter #2	\$4.01	X	56	=	\$224.56
Filter #3	\$3.56	X	85	=	\$302.60
Filter #4	\$3.86	X	202	=	\$779.72
Filter #5	\$3.51	X	36	=	\$126.36
	Total Items		491	=	Total Cost \$1,921.56

\$ 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

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Cost Of A Come-Back

Lost Customers			1.5
Average Hours per R.O.	X		3.8
	=		5.7
Effective Labor Rate	X	\$	84.95
	=	\$	484 (A) Service Labor Sales
Service Department Gross Profit % (Excluding Sublet)	X		67.58%
	=	\$	327 (B) Service Labor Gross
Service Labor Sales (A)		\$	484
Parts / Labor Ratio	X		0.96
	=	\$	463
Parts Dept Gross Profit % R.O.Sales	X		49.40%
	=	\$	229 (C) Service Parts Gross
(B) Service Labor Gross		\$	327
(C) Service Parts Gross	+	\$	229
Lost Gross	=	\$	556

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