Financial Calculations and Formulas

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Car	$ 36,237	$ 27,722	76.50%	42.11%
Customer Express	$ 1,590	$ 1,211	76.16%	1.85%
Customer Other			0%	0.00%
Warranty	$ 14,044	$ 11,794	83.98%	16.32%
Warranty Other			0%	0.00%
Internal	$ 34,191	$ 23,719	69.37%	39.73%
NVI / Road Ready/ PDI			0%	0.00%
Adj. Cost Of Labor		$ (8,554)	0%	0.00%
Total	$ 86,062	$ 55,892	64.94%	100.00%

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Customer Pay Gross Profit %	76.49%
Total Service Dept. G.P. %	64.94%

Parts To Labor Ratios

Category	Parts Sales	Labor Sales	P/L Ratio
Customer Car	$ 41,186	$ 36,237	1.14
Customer Express	$ 1,934	$ 1,590	1.22
Customer Other		$ -	0.00
Warranty	$ 23,693	$ 14,044	1.69
Warranty Other		$ -	0.00
Internal	$ 15,098	$ 34,191	0.44
Total	$ 81,911	$ 86,062	0.95

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Customer Pay Gross Profit %	76.49%
Total Service Dept. G.P. %	64.94%
Parts / Labor Ratio (Cust. Pay Only)	1.14

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 55,892		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	$ 45,961	82.23%	
Semi-Fixed Expense	$ 28,141	50.35%	
Fixed Expense	$ 8,468	15.15%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	$ 82,570	147.73%	
Net Profit	$ (26,678)	-47.73%	

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Customer Pay Gross Profit %	76.49%
Total Service Dept. G.P. %	64.94%
Parts / Labor Ratio (Cust. Pay Only)	1.14
Total Service Dept. Expenses	$ 82,570

Fi

xed Absorption

		% Adj Ovhd Exp
Parts Department Total Gross	$ 30,368	10.20%
Service Department Total Gross	$ 55,892	18.77%
Body Shop Department Total Gross	$ -	0.00%
Total Fixed Gross Profit	$ 86,260	
Total Dealership Expense	$ 297,773	

Overhead Expense	$ 297,773	
Total Fixed Gross Profit	$ 86,260	
Total Dealership Expense	$ 297,773	
Fixed Absorption Percentage	28.97%	
		Guideline 60%

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Customer Pay Gross Profit %	76.49%
Total Service Dept. G.P. %	64.94%

Parts / Labor Ratio (Cust. Pay Only)	1.14
Total Service Dept. Expenses	$ 82,570

NADA ACTUAL SERVICE ANALYSIS

Performance

	Labor Sales / Month		Effective Labor Rates	
Customer Car*	$ 36,237	÷	120.00	=
Customer Express*	$ 1,590	÷	120.00	=
Customer Other*	$ -	÷		=
Warranty	$ 14,044	÷	105.00	=
Internal	$ 34,191	÷	120.00	=
New Vehicle Prep	$ -	÷		=
Total	$ 86,062			

POTENTIAL

$ 86,062	÷	733.90	=	
Total labor sales for month		Total hours billed		
10.00	x	9	x	
# Service mechanical technicians		# Hours/Day		
2,160.0	x	$ 117.27	=	
Clock Hours Available		Effective Labor Rate		

How proficient are your technicians ?

733.9	÷	2,160.00	=
Total Hours Billed		Hours Available	

Hours Per RO (RO Analysis)	3.3
Percent of One Item R.O.'s (RO Analysis)	0.00%
Customer Pay Effective Labor Rate (DMS Reoprt)	$ 120.00
Warranty Labor Rate (DMS Report)	$ 105.00
Total Overall Effective Labor Rate	$ 117.27
Overall Technician Proficiency	33.98%

Hours Billed
302.0
13.3
0.00
133.8
284.9
0.00
733.9

$ 117.27
Effective Labor Rate

24 = 2,160.0
Working Days/Month — Clock Hour Aval

$ 253,295 — Labor sales potential @100%

$ 316,618.95 — Labor sales potential @ 125%

33.98%
Tech Proficiency

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FACILITY POTENTIAL

Number of Bays	18	
	x	
Number of Days	20	
	x	
Number of Hours	11.5	
	x	
Effective Labor Rate	$ 117.27	
	equals	
FACILITY POTENTIAL		$ 485,482

FACILITY UTILIZATION

Total Labor Sales	$ 86,062	
	÷	
Facility Potential	$ 485,482	
	equals	
FACILITY UTILIZATION		17.73%

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NADA "QUICK" SERVICE ANALYSIS

$ 86,062	Labor Sales
733.9	Divided by Hours Billed
$ 117.27	= OELR

$ 30,170	Labor Cost
733.90	/ Hours Billed
$ 41.11	=Real Cost

$41.11	÷	24.00%	=
Real Cost			

$ 86,062
Labor Sales

$ 55,892
-Labor Gross

$ 30,170
=Labor Cost

$171.29
E.L.R. Needed to earn

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OWNER BASE POTENTIAL

4572	x	8	=	36,576.0
5 Year Owner Base		Annual Hours Purchased		Market Potential / Hours
36,576.0	x	$ 117.27	=	$ 4,289,145
Market Potentail/ Hours		Effective Labor Rate		5 Yr. O.B Sales Potential
	x	12	=	$ -
Avg. Mos. Labor Sales		Annualized		Current Labor Sales Trend
$ -	÷	$ 4,289,145	=	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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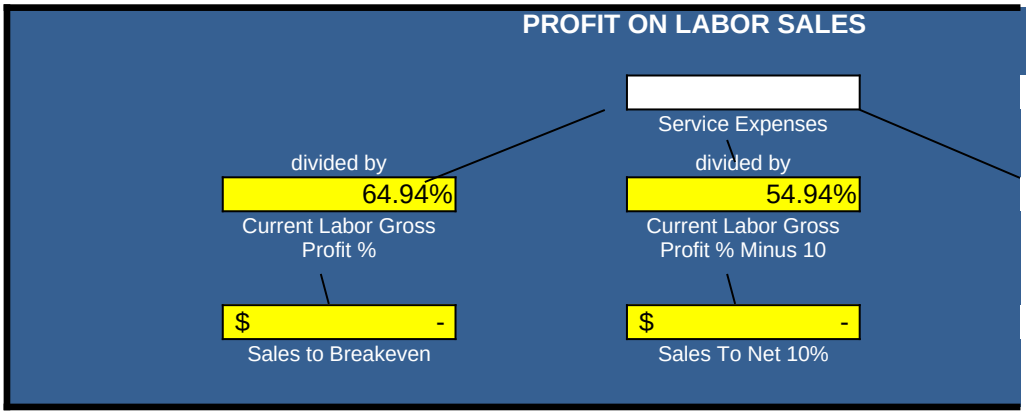

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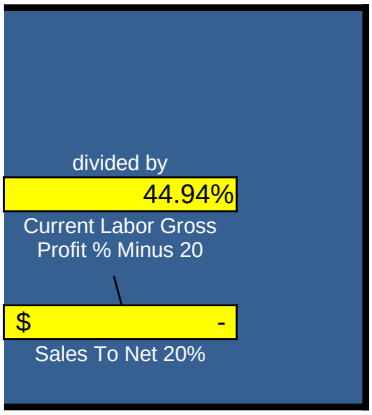
Customer Pay Gross Profit %	76.49%	Customer Pay
Total Service Dept. G.P.%	64.94%	Total (overall)
Parts / Labor Ratio (Cust Pay Only)	1.14	Warranty Labo
Total Service Dept Expense	$ 82,570	Overall Tech Pı
Hours Per R.O (recap)	3.30	
Percent Of One Item R.O.'s	0.00%	



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E.L.R.	$ 120.00
E.L.R.	$ 117.27
r Rate	$ 105.00
roficiency	33.98%

Technician Value

Calculate using daily available hours per technician

Hours		Days	
9	x	24	x

Sales Value		Gross Margin	
$ 25,330	x	64.94%	=

$ 16,450	x	70%		$ 11,515
$ 16,450	x	80%		$ 13,160
$ 16,450	x	90%	proficiency	$ 14,805
$ 16,450	x	100%		$ 16,450
$ 16,450	x	110%		$ 18,095
$ 16,450	x	120%		$ 19,740
$ 16,450	x	0.0%	=	$ -
Profit Value		Your #		Adjusted Profit Val

Labor Rate		Sales Value
$ 117.27	=	$ 25,330

Profit Value

$ 16,450

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STAFFING REQUIREMENTS

A. Sales To Break Even

Service Expenses for One Month		Current Gross Profit Percent	
$ 82,570	¸	64.94%	=

B. Sales To Generate 20% Net

Service Expenses for One Month		Current Gross Profit Percent (Minus 20)	
$ 82,570	¸	44.94%	=

C. Technician Value

Daily Work Hours	X	Average Proficiency Rate	X	Overall Effective Labor Rate	X
9		80%		$ 117.27	
9		90%		$ 117.27	
9		100%		$ 117.27	
9		120%		$ 117.27	

D. Staffing To Break Even

Sales To Break Even		Technician Value

$	127,141	20,264	@ 80%
$	127,141	22,797	@ 90%
$	127,141	25,330	@ 100%
$	127,141	30,395	@ 120%

E. Staffing To Generate 20% Net

Sales To Generate 20% Net		Technician Value	
$	183,718	$ 20,264	@ 80%
$	183,718	$ 22,797	@ 90%
$	183,718	$ 25,330	@ 100%
$	183,718	$ 30,395	@ 120%

Sales To Break Even

$ 127,141

Sales To Generate 20% Net

$ 183,718

Work Days Per Month	=	Technician Value
24		$20,264
24		$22,797
24		$25,330
24		$30,395

= Staffing

=		6.3
=		5.6
=		5.0
=		4.2
=	Staffing	
=		9.1
=		8.1
=		7.3
=		6.0

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How To Set Advisor Sales Objectives To: Beak Even, N

Break Even

1 Service Department's Monthly Expenses		$82,570
2 Divide by current labor gross profit % to break even	÷	64.94%
3 Equals New Sales Objective	=	$ 127,141
4 Number of Advisors	÷	3.0
5 Equals Sales Objective per Advisor	=	$ 42,380
6 Number of work days per month	÷	22
7 Equals daily sales objective per advisor	=	$ 1,926
8 Current overall effective labor rate	÷	$ 117.27
9 Equals daily sales objective per advisor (FRH's)	=	16.4

Service Advisor Performance

let 10%, & Net 20%

Net 10 %

1 Service Department's Monthly Expenses		$82,570
	÷	
2 Divide by current labor gross profit % minus 10 to net 10%		54.94%
	=	
3 Equals New Sales Objective		$ 150,281
	÷	
4 Number of Advisors		3.0
	=	
5 Equals Sales Objective per Advisor		$ 50,094
	÷	
6 Number of work days per month		22
	=	
7 Equals daily sales objective per advisor		$ 2,277
	÷	
8 Current overall effective labor rate		$ 117.27
	=	
9 Equals daily sales objective per advisor (FRH's)		19.4

Net 20 %

1	Service Department's Monthly Expenses	$82,570
	÷	
2	Divide by current labor gross profit % minus 20 to net 20%	44.94%
	=	
3	Equals New Sales Objective	$ 183,718
	÷	
4	Number of Advisors	3.0
	=	
5	Equals Sales Objective per Advisor	$ 61,239
	÷	
6	Number of work days per month	22
	=	
7	Equals daily sales objective per advisor	$ 2,784
	÷	
8	Current overall effective labor rate	$ 117.27
	=	
9	Equals daily sales objective per advisor (FRH's)	23.7

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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			512
	x		
Multiply by .3 hours			0.3 hours
Additional customer labor hours generated	=		153.60
	x		
Multiply by Customer Labor Rate			$ 120.00
Equals additional Customer Labor Sales Generated	=		$ 18,432
	x		
Multiply by customer Labor Gross Profit %			76.49%
Equals additional Labor Gross Profit $ generated	=	(A)	$ 14,098
Divide Parts Sales R.O. by Labor Sales R.O. to calculate $ parts sales per 1$ of Labor Sales	=		1.14
	x		
Multiply by Customer Labor Sales			$ 18,432
	=		
Equals additional Customer Parts Sales generated			$ 21,011

	x		
Multiply by Customer Parts Sales Gross Profit %			10.20%
Equals additional Parts Gross Profit $ Generated	=	(B)	$ 2,143
Add Gross Profit from Labor (A) and Parts (B)	=		$ 16,241

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Labor Rate Calcul

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

A/C Charge and Check

Labor Price	$144.00
Units	1.2

Price ÷ Units =

2 Calculate the **Effective Labor Rate** for the following "R

Labor Operations	Labor Price
Clean Fuel Injectors	$ 117.60
R&R Rear Hub Bearing.	$ 96.00
Replace Trans. Pan gasket	$ 107.80
R&R Headlight unit (1)	$ 108.00

Total Price ÷ Total Units =

Total Price

ations

$0.00
Labor Rate

epair" operations.

Labor Units		Labor Rate
1.20	=	
0.80	=	
1.10	=	
0.90	=	
	=	$0.00
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 gross profit (round to the nearest cent)

100%	⇨		=	
100%		Desired Gross Profit percent		
	X	0.00	=	
Part Cost		Mark-Up Factor		

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

Item	Cost		Annual Turnover		
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

$ -	, 491	=	$ -	
Total Cost	Total Items		Average **Cost**	
$ -	X	=	$ -	
Cost	Factor		Average **Price**	

ɔ attain a 35%

0.00
Mark-Up
Factor

$0.00
Retail Price

or the following

Total Cost

.

$0.00

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Cost Of A Come-Back

Lost Customers			
Average Hours per R.O.	X		
	=	0.0	
Effective Labor Rate	X	$ 117.27	
	=	$ -	(A) Service Labor Sales
Service Department Gross Profit % (Excluding Sublet)	X	64.94%	
	=	$ -	(B) Service Labor Gross
Service Labor Sales (A)		$ -	
Parts / Labor Ratio	X	1.14	
	=	$ -	
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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