Fixed Operations 2 -

Financial Calculations and Formulas

Lexus of Cool Springs
Dealership

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29
Class #

Service

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Pay	$ 237,589	$ 179,274	75.46%	61.62%
Customer			0%	0.00%
Customer Other			0%	0.00%
Warranty	$ 74,473	$ 57,174	76.77%	19.31%
Warranty Other			0%	0.00%
Internal	$ 50,699	$ 32,090	63.30%	13.15%
NVI / Road Ready/ PDI	$ 22,833	$ 19,030	83.34%	5.92%
Adj. Cost Of Labor		$ -	0%	0.00%
Total	$ 385,594	$ 287,568	74.58%	100.00%

The Picture

Customer Pay Gross Profit %	75.46%
Total Service Dept. G.P. %	74.58%

Parts To Labor Ratios

Category	Parts Sales	Labor Sales	P/L Ratio
Parts RO Mechanical	$ 178,352	$ 237,589	0.75
Wholesale Parts	$ 42,642	$ -	0.00
Counter Retail Parts	$ 12,702	$ -	0.00
Warranty	$ 76,414	$ 74,473	1.03
Warranty Other	$ -	$ -	0.00
Internal	$ 41,029	$ 50,699	0.81
Total	$ 351,139	$ 362,761	0.97

The Picture

Customer Pay Gross Profit %	75.46%
Total Service Dept. G.P. %	74.58%
Parts / Labor Ratio (Cust. Pay Only)	0.98

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 287,568		
Variable Expense	$ 60,146	20.92%	
Selling Expense		0.00%	
Personnel Expense		0.00%	
Semi-Fixed Expense	$ 66,811	23.23%	
Fixed Expense	$ 149,006	51.82%	
Service Shop Supplies	$ -	0.00%	
Service Policy Expense	$ -	0.00%	
Total Expenses	$ 275,963	95.96%	
Net Profit	$ 11,605	4.04%	

The Picture

Customer Pay Gross Profit %	75.46%
Total Service Dept. G.P. %	74.58%
Parts / Labor Ratio (Cust. Pay Only)	0.98
Total Service Dept. Expenses	$ 275,963

Fixed Absorption

		% Adj Ovhd Exp
Parts Department Total Gross	$ 146,764	17.41%
Service Department Total Gross	$ 289,905	34.40%
Body Shop Department Total Gross		0.00%
Total Fixed Gross Profit	$ 436,669	
Total Dealership Expense	$ 842,839	

Overhead Expense	$ 842,839	
Total Fixed Gross Profit	$ 436,669	
Total Dealership Expense	$ 842,839	
Fixed Absorption Percentage	51.81%	
		Guideline 60%

The Picture

Customer Pay Gross Profit %	75.46%
Total Service Dept. G.P. %	74.58%
Parts / Labor Ratio (Cust. Pay Only)	0.98
Total Service Dept. Expenses	$ 275,963

NADA ACTUAL SERVICE ANALYSIS

	Labor Sales / Month		Effective Labor Rates		Hours Billed
Customer Pay	$ 237,589	÷	148.00	=	1605.3
Customer	$ -	÷		=	0.00
Customer Other	$ -	÷		=	0.00
Warranty	$ 74,473	÷	120.00	=	620.6
Internal	$ 50,699	÷	148.00	=	342.6
New Vehicle Prep	$ 22,833	÷	120.00	=	190.3
Total	$ 385,594				2758.8

POTENTIAL

$ 385,594	÷	2758.78	=	$ 139.77			
Total labor sales for month		Total hours billed		Effective Labor Rate			
15.00	x	8	x	23	=	2,760.0	
# Service mechanical technicians		# Hours/Day		Working Days/Month		Clock Hour Aval	
2,760.0	x	$ 139.77	=	$ 385,765		$ 482,206.48	
Clock Hours Available		Effective Labor Rate		Labor sales potential @100%		Labor sales potential @ 125%	

How proficient are your technicians ?

2,758.8	÷	2,760.00	=	99.96%
Total Hours Billed		Hours Available		Tech Proficiency

Hours Per RO (RO Analysis)	4.0
Percent of One Item R.O.'s (RO Analysis)	62.00%
Customer Pay Effective Labor Rate (DMS Reoprt)	$ 148.00
Warranty Labor Rate (DMS Report)	$ 120.00
Total Overall Effective Labor Rate	$ 139.77
Overall Technician Proficiency	99.96%

FACILITY POTENTIAL

Number of Bays		
	x	
Number of Days		
	x	
Number of Hours		
	x	
Effective Labor Rate	$ 139.77	
	equals	
FACILITY POTENTIAL		$ -

FACILITY UTILIZATION

Total Labor Sales	$ 385,594	
	÷	
Facility Potential	$ -	
	equals	
FACILITY UTILIZATION		0.00%

NADA "QUICK" SERVICE ANALYSIS

$ 385,594	Labor Sales
	Divided by Hours Billed
0.00	= OELR

$ 385,594	Labor Sales
	-Labor Gross
$ 385,594	=Labor Cost

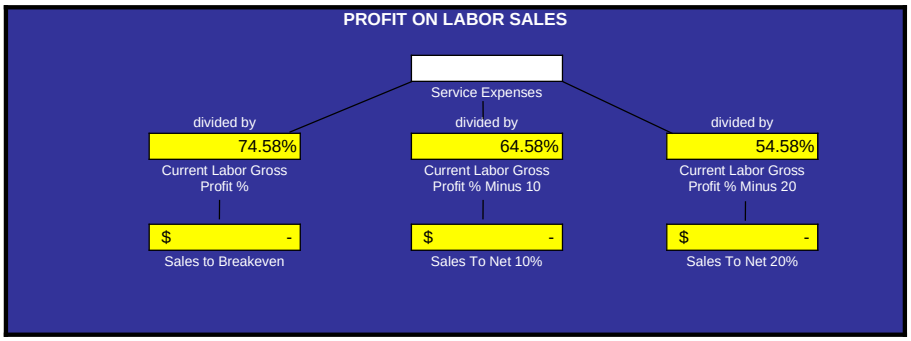
$ 385,594	Labor Cost
0.00	/ Hours Billed
$0.00	=Real Cost

	Real Cost	÷ 24.00%	= $0.00	E.L.R. Needed to earn 76%

OWNER BASE POTENTIAL

	x	8	=	0.0
5 Year Owner Base		Annual Hours Purchased		Market Potential / Hours
0.0	x	0.00	=	$ -
Market Potentail/ Hours		Effective Labor Rate		5 Yr. O.B Sales Potential
	x	12	=	$ -
Avg. Mos. Labor Sales (excluding internal, PDI and NVI)		Annualized		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.*



The Picture

Customer Pay Gross Profit %	75.46%	Customer Pay E.L.R.	$ 148.00
Total Service Dept. G.P.%	74.58%	Total (overall) E.L.R.	$ 139.77
Parts / Labor Ratio (Cust Pay Only)	0.98	Warranty Labor Rate	$ 120.00
Total Service Dept Expense	$ 275,963	Overall Tech Proficiency	99.96%
Hours Per R.O (recap)	4.00		
Percent Of One Item R.O.'s	62.00%		

Technician Value

Calculate using daily available hours per technician

Hours		Days		Labor Rate		Sales Value
	x		x	$ 139.77	=	$ -

Sales Value		Gross Margin		Profit Value
$ -	x	74.58%	=	$ -

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

STAFFING REQUIREMENTS

A. Sales To Break Even

Service Expenses for One Month	÷	Current Gross Profit Percent	=	Sales To Break Even
	÷	74.58%	=	$ -

B. Sales To Generate 20% Net

Service Expenses for One Month	÷	Current Gross Profit Percent (Minus 20)	=	Sales To Generate 20% Net
$ -	÷	54.58%	=	$ -

C. Technician Value

Daily Work Hours	X	Average Proficiency Rate	X	Overall Effective Labor Rate	X	Work Days Per Month	=	Technician Value
0		80%		$ 139.77		0		$0
0		90%		$ 139.77		0		$0
0		100%		$ 139.77		0		$0
0		120%		$ 139.77		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

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	74.58%
=		
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	$ 139.77
=		
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%	64.58%
=		
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	$ 139.77
=		
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%	54.58%
=		
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	$ 139.77
=		
9	Equals daily sales objective per advisor (FRH's)	0.0

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			$ 148.00
Equals additional Customer Labor Sales Generated	=		$ -
	x		
Multiply by customer Labor Gross Profit %			75.46%
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	=		0.98
	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)	=		$ -

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	=	$0.00 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 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
Part Cost	X	0.00 Mark-Up Factor	=	$0.00 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	$ 139.77	
	=	$ -	(A) Service Labor Sales
Service Department Gross Profit % (Excluding Sublet)	X	74.58%	
	=	$ -	(B) Service Labor Gross
Service Labor Sales (A)		$ -	
Parts / Labor Ratio	X	0.75	
	=	$ -	
Parts Dept Gross Profit % R.O.Sales	X		
	=	$ -	(C) Service Parts Gross
(B) Service Labor Gross		$ -	
(C) Service Parts Gross	+	$ -	
Lost Gross	=	$ -	