NADA ACADEMY

Fixed Oper

Financial Calculations a

GREEN SUBARU

Dealership

MICHAEL BOSSMANN

Student

N418

Class #

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Pay	$ 32,674	$ 22,213	67.98%	15.06%
Customer			0%	0.00%
Customer Other	$ 80,555	$ 60,802	75.48%	37.12%
Warranty	$ 25,047	$ 17,864	71.32%	11.54%
Warranty Other	$ 59,445	$ 42,273	71.11%	27.39%
Internal	$ 19,305	$ 14,402	74.60%	8.90%
NVI / Road Ready/ PDI			0%	0.00%
Adj. Cost Of Labor		$ - 0	0%	0.00%
Total	$ 217,026	$ 157,554	72.60%	100.00%

Clear Form

The Picture

Customer Pay Gross Profit %	73.32%
Total Service Dept. G.P. %	72.60%

Parts To Labor Ratios

Category	Parts Sales	Labor Sales	P/L Ratio
Customer Pay	$ 47,945	$ 32,674	1.47
Customer		$ - 0	0.00
Customer Other	$ 127,709	$ 80,555	1.59
Warranty	$ 25,894	$ 25,047	1.03
Warranty Other	$ 58,137	$ 59,445	0.98
Internal	$ 32,717	$ 19,305	1.69
Total	$ 292,402	$ 217,026	1.35

Clear Form

The Picture

Customer Pay Gross Profit %	73.32%
Total Service Dept. G.P. %	72.60%
Parts / Labor Ratio (Cust. Pay Only)	1.55

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 157,554	% of Gross	Profile
Variable Expense	$ 48,514	30.79%	
Selling Expense		0.00%	
Personnel Expense	$ 103,959	65.98%	
Semi-Fixed Expense		0.00%	
Fixed Expense	$ 33,779	21.44%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	$ 186,252	118.21%	
Net Profit	$ (28,698)	-18.21%	

Clear Form

The Picture

Customer Pay Gross Profit %	73.32%
Total Service Dept. G.P. %	72.60%
Parts / Labor Ratio (Cust. Pay Only)	1.55
Total Service Dept. Expenses	$ 186,252

Fixed Absorption

		% Adj Ovhd Exp
Parts Department Total Gross	$ 107,288	13.69%
Service Department Total Gross	$ 157,574	20.10%
Body Shop Department Total Gross		0.00%
Total Fixed Gross Profit	$ 264,862	
Total Dealership Expense	$ 783,779	

Overhead Expense	$ 783,779
Total Fixed Gross Profit	$ 264,862
Total Dealership Expense	$ 783,779
Fixed Absorption Percentage	33.79%

Guideline : 60%

Clear Form

The Picture

Customer Pay Gross Profit %	73.32%
Total Service Dept. G.P. %	72.60%
Parts / Labor Ratio (Cust. Pay Only)	1.55
Total Service Dept. Expenses	$ 186,252

SERVICE INVENTORY ANALYSIS

	Labor Sales / Month		Effective Labor Rates		Hours Billed
Customer Pay	$ 32,674	÷	89.39	=	365.5
Customer	$ - 0	÷		=	0.00
Customer Other	$ 80,555	÷	89.39	=	901.2
Warranty	$ 84,492	÷	105.36	=	801.9
Internal	$ 19,305	÷	78.47	=	246.0
New Vehicle Prep	$ - 0	÷		=	0.00
Total	$ 217,026				2314.6

POTENTIAL

$ 217,026	÷	2314.64	=	$ 93.76			
Total labor sales for month		Total hours billed		Effective Labor Rate			
13.00	x	8	x	23.0	=	2,392.0	
# Service mechanical technicians		# Hours/Day		Working Days/Month		Hours Available to Sell	
2,392.0	x	$ 93.76	=	$ 224,280		$ 280,349.42	
Hours Available to Sell		Effective Labor Rate		Labor sales potential @100%		Labor sales potential @ 125%	

How proficient are your technicians ?

2,314.6	÷	2,392.00	=	96.77%
Total Hours Billed		Hours Available to Sell		Tech Proficiency

Clear Form

Hours Per RO (RO Analysis)	2.1
Percent of One Item R.O.'s (RO Analysis)	64.00%
Customer Pay Effective Labor Rate (DMS Report)	$ 89.39
Warranty Labor Rate (DMS Report)	$ 105.36
Total Overall Effective Labor Rate	$ 93.76
Overall Technician Proficiency	96.77%

FACILITY POTENTIAL

Number of Bays		
	x	
Number of Days		
	x	
Number of Hours		
	x	
Effective Labor Rate	$ 93.76	
	equals	
FACILITY POTENTIAL		$ - 0

FACILITY UTILIZATION

Total Labor Sales	$ 217,026	
	÷	
Facility Potential	$ - 0	
	equals	
FACILITY UTILIZATION		0.00%

Clear Form

Calcu

$ 217,026
Labor Sales

Divided by Hours Billed

0.00
= OELR

÷

Real Cost

lating Real Cost of Labor

$ 217,026
Labor Sales

-Labor Gross

$ 217,026
=Labor Cost

$ 217,026
Labor Cost

0.00
/ Hours Billed

$0.00
=Real Cost

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

Clear Form

OWNER BASE POTENTIA

5 Year Owner Base x 8
Annual Hours Purchased

0.0 Market Potentail/ Hours x 0.00
Effective Labor Rate

Avg. Mos. Labor Sales (excluding internal, PDI and NVI) x 12
Annualized

$ - 0 Labor Sales Trend ÷ $ - 0 5 Yr. O.B. Sales Potential

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

AL

= 0.0
Market Potential / Hours

= $ - 0
5 Yr. O.B Sales Potential

= $ - 0
Current Labor Sales Trend

= 0.00%
Ouch

Clear Form

PROFIT ON LABOR SALES

Service Expenses

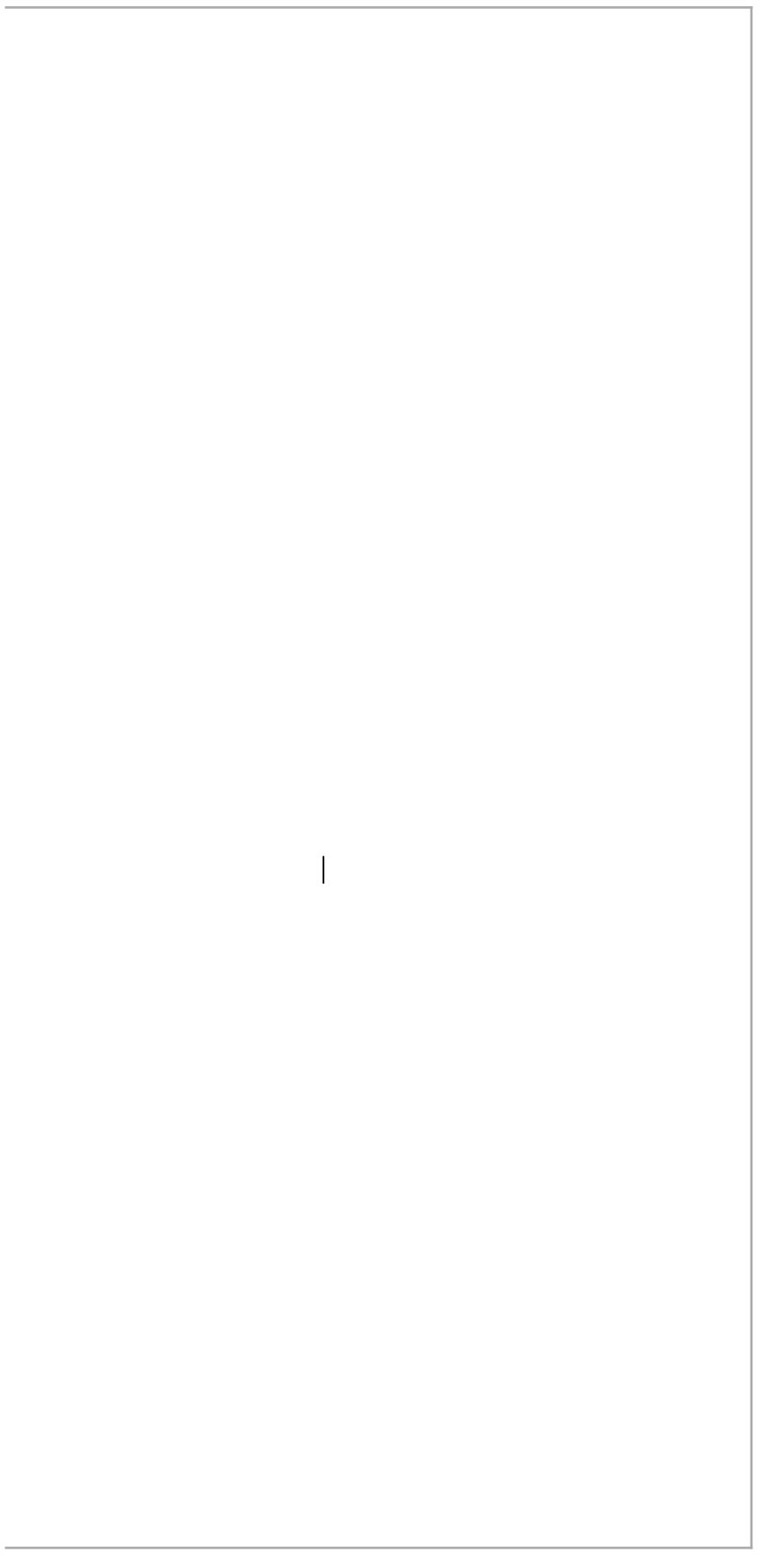
divided by	divided by	divided by
72.60%	62.60%	52.60%
Current Labor Gross Profit %	Current Labor Gross Profit % Minus 10	Current Labor Gross Profit % Minus 20
$ - 0	$ - 0	$ - 0
Sales to Breakeven	Sales To Net 10%	Sales To Net 20%

Clear Form

The Picture

Customer Pay Gross Profit %	73.32%	Customer Pay E.L.R.
Total Service Dept. G.P.%	72.60%	Total (overall) E.L.R.
Parts / Labor Ratio (Cust Pay Only)	1.55	Warranty Labor Rate
Total Service Dept Expense	$ 186,252	Overall Tech Proficiency
Hours Per R.O (recap)	2.06	
Percent Of One Item R.O.'s	64.00%	

$	89.39
$	93.76
$	105.36
	96.77%



Technician Value

Calculate using daily available hours per technician

Hours		Days		Labor Rate		Sales Value
	X		X	$ 93.76	=	$ - 0

Sales Value		Gross Margin		Profit Value
$ - 0	X	72.60%	=	$ - 0

$ - 0	X	70%		$ - 0
$ - 0	X	80%		$ - 0
$ - 0	X	90%	proficiency	$ - 0
$ - 0	X	100%		$ - 0
$ - 0	X	110%		$ - 0
$ - 0	X	120%		$ - 0
$ - 0	X	0.0%	=	$ - 0
Profit Value		Your Proficiency #		Adjusted Profit Value

Clear Form

STAFFING REQUIREMENTS

A. Sales To Break Even

Service Expenses for One Month	÷	Current Gross Profit Percent	=	Sales To Break Even
	÷	72.60%	=	$ - 0

B. Sales To Generate 20% Net

Service Expenses for One Month	÷	Current Gross Profit Percent (Minus 20)	=	Sales To Generate 20% Net
$ - 0	÷	52.60%	=	$ - 0

C. Technician Value

Daily Work Hours	X	Average Proficiency Rate	X	Overall Effective Labor Rate	X	Work Days Per Month	=	
0		80%		$ 93.76		0		
0		90%		$ 93.76		0		
0		100%		$ 93.76		0		
0		120%		$ 93.76		0		

D. Staffing To Break Even

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

E. Staffing To Generate 20% Net

Sales To Generate 20% Net	÷	Technician Value		=
$ - 0	÷	$ - 0	@ 80%	=
$ - 0	÷	$ - 0	@ 90%	=
$ - 0	÷	$ - 0	@ 100%	=
$ - 0	÷	$ - 0	@ 120%	=

Technician Value

$0

$0

$0

$0

$0

Staffing

0.0

0.0

0.0

0.0

Staffing

0.0

0.0

0.0

0.0

Clear Form

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		72.60%
		=	
3	Equals New Sales Objective		$ - 0
		÷	
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		$ 93.76
		=	
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%		62.60%
		=	
3	Equals New Sales Objective		$ - 0
		÷	
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		$ 93.76
		=	
9	Equals daily sales objective per advisor (FRH's)		0.0

Net 20 %

Service Department's Monthly Expenses		$0
	÷	
Divide by current labor gross profit % minus 20 to net 20%		52.60%
	=	
Equals New Sales Objective		$ - 0
	÷	
Number of Advisors		0.0
	=	
Equals Sales Objective per Advisor		$0.00
	÷	
Number of work days per month		0
	=	
Equals daily sales objective per advisor		$0.00
	÷	
Current overall effective labor rate		$ 93.76
	=	
Equals daily sales objective per advisor (FRH's)		0.0

Clear Form

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			$ 89.39
Equals additional Customer Labor Sales Generated	=		$ - 0
	x		
Multiply by customer Labor Gross Profit %			73.32%
Equals additional Labor Gross Profit $ generated	=	(A)	$ - 0
Divide Parts Sales R.O. by Labor Sales R.O. to calculate $ parts sales per 1$ of Labor Sales	=		1.55
	x		
Multiply by Customer Labor Sales			$ - 0
	=		
Equals additional Customer Parts Sales generated			$ - 0
	x		
Multiply by Customer Parts Sales Gross Profit %			
Equals additional Parts Gross Profit $ Generated	=	(B)	$ - 0
Add Gross Profit from Labor (A) and Parts (B)	=		$ - 0

Clear Form

Labor Rate Calculations

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

A/C Charge and Check

		Labor Price	$144.00	
		Hours	1.2	
	÷		=	$0.00
Price		Hours		Labor Rate

2 Calculate the **Effective Labor Rate** for the following "Repair" operations.

Labor Operations	Labor Price		Labor Hours		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	=	
		÷		=	$0.00
	Total Price		Total Hours		Effective Labor Rate
					(For This R.O.)

Clear Form

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**

Clear Form

Cost Of A Come-Back

Lost Customer Opportunity			
Average Hours per R.O.	X		
	=	0.0	
Effective Labor Rate	X	$ 93.76	
Lost Labor Sales	=	$ - 0	(A)
Service Department Gross Profit % (Excluding Sublet)	X	72.60%	
Lost Labor Gross	=	$ - 0	(B)
Lost Labor Sales		$ - 0	(A)
Parts / Labor Ratio	X	1.47	
	=	$ - 0	
Parts Dept Gross Profit % R.O.Sales	X		
Lost Parts Gross	=	$ - 0	(C)
Lost Labor Gross		$ - 0	(B)
Lost Parts Gross	+	$ - 0	(C)
Total Lost Gross	=	$ - 0	

Clear Form