Fixed Operations 2 -

Financial Calculations and Formulas

Chevy of Millersburg

Dealership

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N418

Class #

Service

Service Department Sales And Gross (Labor Only)

Category	Sales	Gross	Gross as % of Sales	%Sales Contribution
Customer Pay	$ 48,221	$ 36,074	74.81%	41.66%
Customer	$ 6,073	$ 4,615	75.99%	5.25%
Customer Other			0%	0.00%
Warranty	$ 22,226	$ 17,062	76.76%	19.21%
Warranty Other			0%	0.00%
Internal	$ 39,214	$ 30,248	77.14%	33.88%
NVI / Road Ready/ PDI			0%	0.00%
Adj. Cost Of Labor		$ (10,472)	0%	0.00%
Total	$ 115,736	$ 77,527	66.99%	100.00%

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Customer Pay Gross Profit %	74.94%
Total Service Dept. G.P. %	66.99%

Parts To Labor Ratios

Category	Parts Sales	Labor Sales	P/L Ratio
Customer Pay	$ 43,975	$ 48,221	0.91
Customer	-	$ 6,073	0.00
Customer Other		$ -	0.00
Warranty	$ 21,146	$ 22,228	0.95
Warranty Other	-	$ -	0.00
Internal	$ 39,793	$ 39,214	1.01
Total	$ 104,914	$ 115,736	0.91

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Customer Pay Gross Profit %	74.94%
Total Service Dept. G.P. %	66.99%
Parts / Labor Ratio (Cust. Pay Only)	0.81

Service Department Profit Centering

Expense Category	Dollar Amount	% of Gross	Profile
Department Gross	$ 77,527		
Variable Expense		0.00%	
Selling Expense		0.00%	
Personnel Expense	$ 40,587	52.35%	
Semi-Fixed Expense	$ 14,452	18.64%	
Fixed Expense	$ 16,084	20.75%	
Unallocated Expense		0.00%	
Dealer's Salary		0.00%	
Total Expenses	$ 71,123	91.74%	
Net Profit	$ 6,404	8.26%	

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Customer Pay Gross Profit %	74.94%
Total Service Dept. G.P. %	66.99%
Parts / Labor Ratio (Cust. Pay Only)	0.81
Total Service Dept. Expenses	$ 71,123

Fixed Absorption

		% Adj Ovhd Exp
Parts Department Total Gross	$ 52,224	13.95%
Service Department Total Gross	$ 84,860	22.67%
Body Shop Department Total Gross		0.00%
Total Fixed Gross Profit	$ 137,084	
Total Dealership Expense	$ 374,259	

Overhead Expense	$ 374,259	
Total Fixed Gross Profit	$ 137,084	
Total Dealership Expense	$ 374,259	
Fixed Absorption Percentage	36.63%	**Guideline** 60%

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Customer Pay Gross Profit %	74.94%
Total Service Dept. G.P. %	66.95%
Parts / Labor Ratio (Cust. Pay Only)	0.81
Total Service Dept. Expenses	$ 71,123

SERVICE INVENTORY ANALYSIS

	Labor Sales / Month		Effective Labor Rates		Hours Billed
Customer Pay	$ 48,221	÷	116.71	=	413.2
Customer	$ 6,073	÷	116.71	=	52.0
Customer Other	$ -	÷		=	0.00
Warranty	$ 22,228	÷	125.58	=	177.0
Internal	$ 39,214	÷	139.95	=	280.2
New Vehicle Prep	$ -	÷		=	0.00
Total	$ 115,736				922.4

POTENTIAL

$ 115,736	÷	922.41	=	$ 125.47	
Total labor sales for month		Total hours billed		Effective Labor Rate	
6.00	x	8	x	24.0	= 1,152.0
# Service mechanical technicians		# Hours/Day		Working Days/Month	Hours Available to Sell
1,152.0	x	$ 125.47	=	$ 144,543	$ 180,679.26
Hours Available to Sell		Effective Labor Rate		Labor sales potential @100%	Labor sales potential @ 125%

How proficient are your technicians ?

922.4	÷	1,152.00	=	80.07%
Total Hours Billed		Hours Available to Sell		Tech Proficiency

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Hours Per RO (RO Analysis)	1.7
Percent of One Item R.O.'s (RO Analysis)	64.00%
Customer Pay Effective Labor Rate (DMS Report)	$ 116.71
Warranty Labor Rate (DMS Report)	$ 125.58
Total Overall Effective Labor Rate	$ 125.47
Overall Technician Proficiency	80.07%

FACILITY POTENTIAL

Number of Bays	13	
	x	
Number of Days	25	
	x	
Number of Hours	9	
	x	
Effective Labor Rate	$ 125.47	
	equals	
FACILITY POTENTIAL		$ 367,005

FACILITY UTILIZATION

Total Labor Sales	$ 115,736	
	÷	
Facility Potential	$ 367,005	
	equals	
FACILITY UTILIZATION		31.54%

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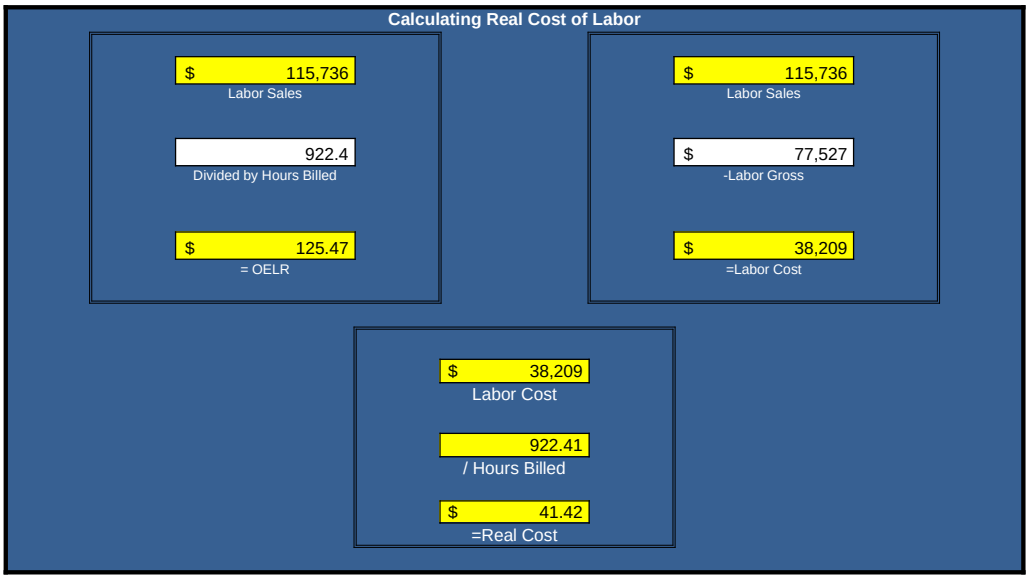

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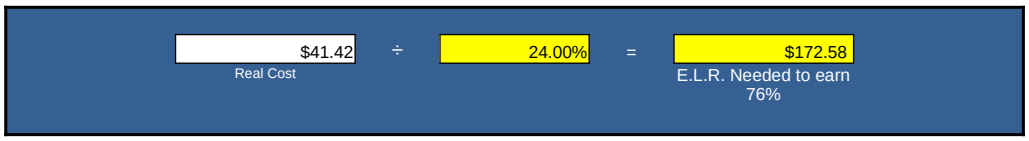

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OWNER BASE POTENTIAL

1378	x	8	=	11,024.0
5 Year Owner Base		Annual Hours Purchased		Market Potential / Hours
11,024.0	x	$ 125.47	=	$ 1,383,196
Market Potentail/ Hours		Effective Labor Rate		5 Yr. O.B Sales Potential
$ 79,550	x	12	=	$ 954,600
Avg. Mos. Labor Sales (excluding internal, PDI and NVI)		Annualized		Current Labor Sales Trend
$ 954,600	÷	$ 1,383,196	=	69.01%
Labor Sales Trend		5 Yr. O.B. Sales Potential		Ouch

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

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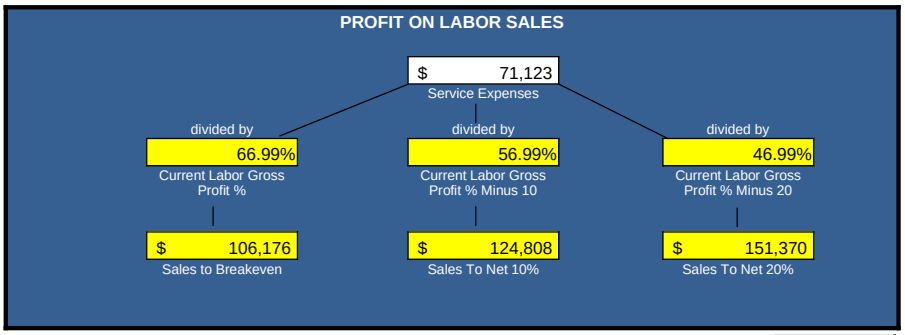

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Customer Pay Gross Profit %	74.94%	Customer Pay E.L.R.	$ 116.71
Total Service Dept. G.P.%	66.99%	Total (overall) E.L.R.	$ 125.47
Parts / Labor Ratio (Cust Pay Only)	0.81	Warranty Labor Rate	$ 125.58
Total Service Dept Expense	$ 71,123	Overall Tech Proficiency	80.07%
Hours Per R.O (recap)	1.70		
Percent Of One Item R.O.'s	64.00%		

Technician Value

Calculate using daily available hours per technician

Hours		Days		Labor Rate		Sales Value
8	x	24	x	$ 125.47	=	$ 24,091

Sales Value		Gross Margin		Profit Value
$ 24,091	x	66.99%	=	$ 16,137

Profit Value		proficiency		Adjusted Profit Value
$ 16,137	x 70%			$ 11,296
$ 16,137	x 80%			$ 12,910
$ 16,137	x 90%			$ 14,524
$ 16,137	x 100%			$ 16,137
$ 16,137	x 110%			$ 17,751
$ 16,137	x 120%			$ 19,365
$ 16,137	x 80.1%		=	$ 12,921
	Your Proficiency #			

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STAFFING REQUIREMENTS

A. Sales To Break Even

Service Expenses for One Month	÷	Current Gross Profit Percent	=	Sales To Break Even
$ 71,123	÷	66.99%	=	$ 106,176

B. Sales To Generate 20% Net

Service Expenses for One Month	÷	Current Gross Profit Percent (Minus 20)	=	Sales To Generate 20% Net
$ 71,123	÷	46.99%	=	$ 151,370

C. Technician Value

Daily Work Hours	X	Average Proficiency Rate	X	Overall Effective Labor Rate	X	Work Days Per Month	=	Technician Value
8		80%		$ 125.47		24		$19,272
8		90%		$ 125.47		24		$21,682
8		100%		$ 125.47		24		$24,091
8		120%		$ 125.47		24		$28,909

D. Staffing To Break Even

71123

Sales To Break Even	÷	Technician Value		=	Staffing
$ 106,176	÷	19,272	@ 80%	=	5.5
$ 106,176	÷	21,682	@ 90%	=	4.9
$ 106,176	÷	24,091	@ 100%	=	4.4
$ 106,176	÷	28,909	@ 120%	=	3.7

E. Staffing To Generate 20% Net

Sales To Generate 20% Net	÷	Technician Value		=	Staffing
$ 151,370	÷	$ 19,272	@ 80%	=	7.9
$ 151,370	÷	$ 21,682	@ 90%	=	7.0
$ 151,370	÷	$ 24,091	@ 100%	=	6.3
$ 151,370	÷	$ 28,909	@ 120%	=	5.2

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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	$71,123
÷		
2	Divide by current labor gross profit % to break even	66.99%
=		
3	Equals New Sales Objective	$ 106,176
÷		
4	Number of Advisors	2.0
=		
5	Equals Sales Objective per Advisor	$ 53,088
÷		
6	Number of work days per month	24
=		
7	Equals daily sales objective per advisor	$ 2,212
÷		
8	Current overall effective labor rate	$ 125.47
=		
9	Equals daily sales objective per advisor (FRH's)	17.6

Net 10 %

1	Service Department's Monthly Expenses	$71,123
÷		
2	Divide by current labor gross profit % minus 10 to net 10%	56.99%
=		
3	Equals New Sales Objective	$ 124,808
÷		
4	Number of Advisors	2.0
=		
5	Equals Sales Objective per Advisor	$ 62,404
÷		
6	Number of work days per month	24
=		
7	Equals daily sales objective per advisor	$ 2,600
÷		
8	Current overall effective labor rate	$ 125.47
=		
9	Equals daily sales objective per advisor (FRH's)	20.7

Net 20 %

1	Service Department's Monthly Expenses	$71,123
÷		
2	Divide by current labor gross profit % minus 20 to net 20%	46.99%
=		
3	Equals New Sales Objective	$ 151,370
÷		
4	Number of Advisors	2.0
=		
5	Equals Sales Objective per Advisor	$ 75,685
÷		
6	Number of work days per month	24
=		
7	Equals daily sales objective per advisor	$ 3,154
÷		
8	Current overall effective labor rate	$ 125.47
=		
9	Equals daily sales objective per advisor (FRH's)	25.1

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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			209
	x		
Multiply by .3 hours			0.3 hours
Additional customer labor hours generated	=		62.70
	x		
Multiply by Customer Labor Rate			$ 116.71
Equals additional Customer Labor Sales Generated	=		$ 7,318
	x		
Multiply by customer Labor Gross Profit %			74.94%
Equals additional Labor Gross Profit $ generated	=	(A)	$ 5,484
Divide Parts Sales R.O. by Labor Sales R.O. to calculate $ parts sales per 1$ of Labor Sales	=		0.81
	x		
Multiply by Customer Labor Sales			$ 7,318
	=		
Equals additional Customer Parts Sales generated			$ 5,927
	x		
Multiply by Customer Parts Sales Gross Profit %			38.26%
Equals additional Parts Gross Profit $ Generated	=	(B)	$ 2,268
Add Gross Profit from Labor (A) and Parts (B)	=		$ 7,752

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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
Hours	1.2

$144.00	÷	1.2	=	$120.00
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	=	$ 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
	$ 422.00	÷	4.0	=	$ 105.50
	Total Price		Total Hours		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	=	$10.34
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	=	$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 Customer Opportunity		1.5	
Average Hours per R.O.	X	1.7	
	=	2.6	
Effective Labor Rate	X	$ 125.47	
Lost Labor Sales	=	$ 320	(A)
Service Department Gross Profit % (Excluding Sublet)	X	66.99%	
Lost Labor Gross	=	$ 214	(B)
Lost Labor Sales		$ 320	(A)
Parts / Labor Ratio	X	0.91	
	=	$ 292	
Parts Dept Gross Profit % R.O.Sales	X	38.26%	
Lost Parts Gross	=	$ 112	(C)
Lost Labor Gross		$ 214	(B)
Lost Parts Gross	+	$ 112	(C)
Total Lost Gross	=	$ 326	

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