RAPID Analysis™

HOMETOWN MOTORS

1234 Main Street
Detroit, MI 12345
June 8, 2018

PURPLE IS THE NEW BLACK!

Consulting Automotive Resource Specialists, Inc.
115 Saint Charles Place • Hazle Township, PA 18202
www.CARS-consulting.com

CARS
Consulting Automotive Resource Specialists, Inc.

Dealership Name:	Hometown Motors
Address:	1234 Main Street
City/State/Zip:	Detroit
State:	MI
Zip Code:	12345
Telephone:	(810) 555-1234
Dealer Name:	Joe Smith
Statement (Month/Year) Used:	Apr-18
Current Date:	June 8, 2018

LABOR SALES & COST OF SALES - (Use Year-to-Date Data)

DEPT	CATEGORY	SALES	GROSS PROFIT	REPR ORDR COUNTS
Service	CUSTOMER LABOR (all)	$184,471	$134,330	1,074
Service	QUICK SERVICE LABOR (cust)	$59,793	$39,933	1,031
Service	SERVICE CONTRACT LABOR	$22,334	$14,560	67
Service	WARRANTY LABOR - MECH	$185,134	$133,917	1,605
Service	NEW VEH. INSPECTION LABOR	$51,530	$42,907	322
Service	INTERNAL LABOR	$232,128	$160,694	1,413
Service	OTHER LABOR (Customer)	$0	$0	0
Service	UNAPPLIED/VARIANCE LABOR		($16,605)	
Parts	CUSTOMER RO PARTS SALES	$140,876	$61,611	
Parts	QUICK SERVICE RO PARTS SALES	$57,251	$26,823	
Parts	SERVICE CONTRACT RO PARTS SALES	$0	$0	
Parts	WARRANTY RO PARTS SALES	$213,400	$99,798	
Parts	INTERNAL RO PARTS SALES	$175,208	$71,262	
Parts	OTHER PARTS SALES - G.O.G./TIRES	$135,060	$36,477	

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OTHER SERVICE SALES & COST OF SALES - (Use Year-to-Date Data)

	OTHER CATEGORIES (Non-Labor)	SALES	GROSS PROFIT
Service	SUBLET REPAIRS	$314,783	$994
Service	MERCH/GAS-OIL-GREASE, etc.	$0	$0
Service	PARTS TRANSFER TO SERVICE		$44,217
Service	OTHER	$0	$0

MISC REPORTING DATA - (Use Year-to-Date Numbers)

	ITEM or ACCOUNT REPORTED	COUNT AMOUNT	
Service	# OF SERV TECHNICIANS	13	*Note: use a headcount of ALL technicians*
Service	# OF SERVICE ADVISORS	5	*Note: use a headcount*
Service	# OF SERVICE BAYS	14	
Service	TOTAL N VEH RETAIL SLS	379	*Note: total retail sales (car & truck)*
Service	TECH DAILY WORK HOURS	8.0	
Service	TECH SAT. WORK HOURS	6.0	*Note: only # of hours scheduled as a 6th work day*
Service	# OF SAT WORK TECHS	5	*Note: only # of techs scheduled on a 6th work day*
Service	# OF SHOP FOREMEN	1	*Note: non productive only*
Service	# OF WORKDAYS (M-F)	5	*Note: See note 1 below*

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EXPENSES & STATISTICAL

	ITEM or ACCOUNT REPORTED	AMOUNT	
Ser-Body-Pts	TOTAL FIXED GROSS PROFIT	$857,272	*Note: Total Serv-Parts-Body YTD*
Dealership	TOTAL FIXED EXPENSE	$1,642,881	
Service	PERSONNEL EXPENSE (Service)	$269,588	
Service	SEMI-FIXED EXPENSE (Service)	$114,189	
Service	FIXED EXPENSE (Service Alloc.)	$91,590	*Note: Include Dealer Salary, if appl.*
Service	CUSTOMER LABOR RATE	$95.07	*Note: Use Eff. (R&R 3606-CDK RAP)*
Service	QUICK SERVICE LABOR RATE	$61.56	*Note: Use Eff. (R&R 3606-CDK RAP)*
Service	SERVICE CONTRACT LABOR RATE	$77.78	
Service	WARRANTY LABOR RATE	$91.21	*Note: Use Eff. (R&R 3606-CDK RAP)*
Service	INTERNAL LABOR RATE	$87.26	*Note: Use Eff. (R&R 3606-CDK RAP)*
	*** MEMO ONLY ***		
Service	# OF MONTHS INCLUDED	4	
Service	DAILY WORK HOURS TOTAL	104.0	
Service	# OF MON-FRI WORKDAYS (3 to 5)	5	*Note: See note 1 below*
Service	SATURDAY WORK HOURS TOTAL	30.0	
Service	SATURDAY as a % of DAILY	29%	
Service	AVG (M-F) WORKDAYS A MONTH	22.3	*Note: changes only when M-F less than 5*
Service	AVG (SAT) WORKDAYS A MONTH	4.3	
Service	AVG WORK DAYS PER MONTH	23.5	*Note: Calc based on tech/hour on Sat.*
Service	TOTAL MONTHLY HOURS	2,449.1	

Note 1: If using a 4/10 (4 day, 10 hour shift) the number would be 4

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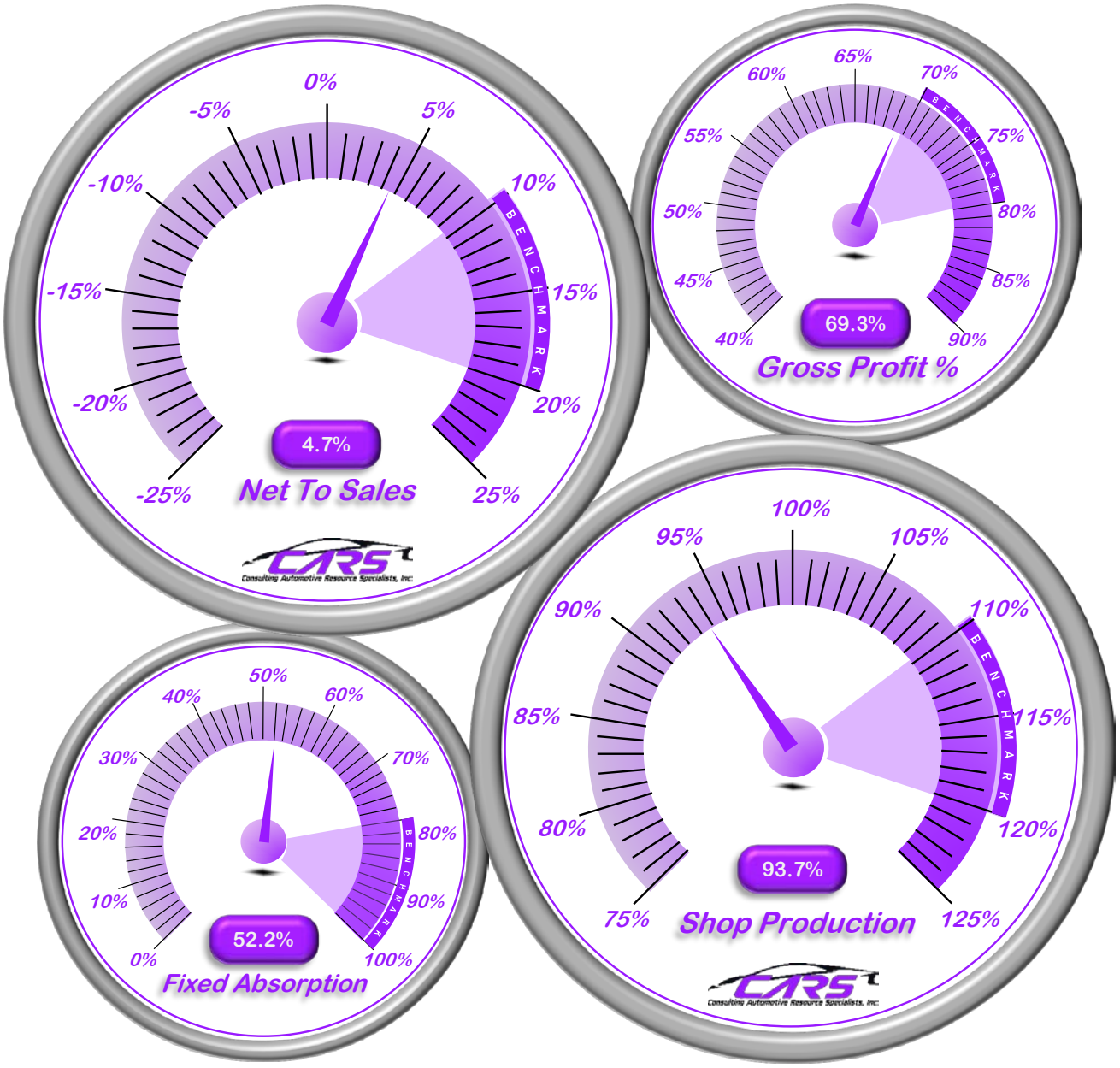
Dealership: Hometown Motors
Statement: April-18

SERVICE DEPARTMENT DASHBOARD



The CARS™ Dashboard is designed to give a quick view of performance versus benchmark in the four most critical areas of your service department. The remainder of the document will look at the elements that drive these numbers. On each page, we will provide a "What To Look For In This Element" section that discusses some of the theory behind the calculations and some background information. At the end of the document, we also provide a Proforma that outlines current financial performance based on controllable factors and an assumption of increase if some of those factors were to improve.

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	FINANCIAL SUMMARY	
1	Average Month Labor Sales	$183,848
2	Average Month Cost of Sales	$56,414
3	Average Month Labor Gross Profit	$127,434
4	Average Month Total Expenses	$118,842
5	Average Month Labor Net Profit / Loss	$8,592
6	Estimated Overall Effective Labor Rate	$86.99
7	Estimated Average Daily Repair Orders	61.8
8	Estimated Average Hours Per Repair Order - Custome	1.4
9	Estimated Technician Productivity	93.7%
10	Estimated Monthly Technician Value (in FRH/Month)	162.6
11	Estimated Monthly Technician Value (in Labor Sales/M	$14,142
12	Estimated Monthly Technician Value (in Labor Gross/M	$9,803
13	Estimated Facility Utilization	92.9%
14	Estimated Fixed Absorbtion	52.2%
15	Estimated Cost To Produce $1.00 in Labor Sales	$0.95
16	Estimated Parts Sales Per Flat Rate Hour of Labor	$85.38
17	Estimated Parts Gross Per Flat Rate Hour of Labor	$35.01
18	Estimated Parts Gross Profit % Per Flat Rate Hour of I	41.0%

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Element 1	LABOR NET ANALYSIS (current situation) *Average Month*		
CATEGORY	AMOUNT	% OF SLS	CARS™ GUIDE
TOTAL LABOR SALES	$183,848	N/A	N/A
TOTAL LABOR COST OF SALES	$56,414	30.7%	30%-35%
TOTAL LABOR GROSS PROFIT	$127,434	69.3%	65%-70%
TOTAL EXPENSES *	$118,842	64.6%	45%
LABOR NET PROFIT/LOSS	$8,592	4.7%	10%-20%

*Note 1: *Data indicates that Service Fixed Exp. is:* 19.3% *of Total Department Exp.*

WHAT TO LOOK FOR IN THIS ELEMENT:

NET TO SALES: This is displayed above as "Labor Net Profit/Loss as a Percent of Sales" and is the most critical performance indicator of the service department. This simply indicates the ability of the service department to produce net profit based on the sale of labor only. This calculation omits any sales (or the corresponding gross profit) from shop supplies, sublet sales, etc. So, essentially what you'll see here is the profit based solely on the activities YOU control...the shop's ability to produce profit based on the sale of labor. The benchmark for this element is 10%-20% meaning that the net profit produced on the sale of labor should be equivalent to 10%-20% of the total amount of labor sales. Think of it as taking your money to the bank...your monthly investment is the total service department expense. If you took that money to the bank each month, you'd expect a return on that investment. Ideally 10%-20%. If your net to sales is a negative number, it would be the equivalent of taking your money to the bank and then getting a bill each month from them. You wouldn't do that at the bank, and you shouldn't do that in your service department.

The remainder of the elements in this document will focus on many areas. But all of them are best used in working toward moving your net to sales number at or above benchmark.

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Element 2

WORK MIX & EFFECTIVE LABOR RATE (estimated)

Average Month

CATEGORY	SALES	RATE	F/R HOURS	% OF MIX
CUSTOMER LABOR (all)	$46,118	$95.07	485.1	23.0%
QUICK SERVICE LABOR (cust)	$14,948	$61.56	242.8	11.5%
SERVICE CONTRACT LABOR	$5,584	$77.78	71.8	3.4%
WARRANTY LABOR - MECH	$46,284	$91.21	507.4	24.0%
NEW VEH. INSPECTION LABOR	$12,883	$91.21	141.2	6.7%
INTERNAL LABOR	$58,032	$87.26	665.0	31.5%
OTHER LABOR (Customer)	$0	$0.00	0.0	0.0%
TOTALS	$183,848		2,113.4	

SALES		F/R HOURS		EFF RATE
$183,848	÷	2,113.4	=	$86.99

WHAT TO LOOK FOR IN THIS ELEMENT:

FIXED/VARIABLE DEPENDENCY: This is a rarely discussed performance indicator that every manager should track and know. Look at your work mix percentages...your customer labor and quick service labor should add up to 60% or more of your total hours. If you think about it, YOU have complete control over this segment of your business. You control your pricing, you control your advertising, you even control (to a large degree) the traffic. Conversely, the factory has a much greater control over the Internal and Warranty part of your service business. Not only do they control the pricing for warranty labor (to a large degree), but they even have a large control over the traffic. If there is a large recall, traffic count goes up. If they offer a large rebate one month, your PDI traffic will most likely go up. In addition, you'll probably take more cars on trade which will have an impact on your Internal RO count. Hence the benchmark of 60% here. Ideally, when you are at or above benchmark, you are controlling the majority of your service business.

EFFECTIVE LABOR RATE: Here's an area that alot of people look at closely, but it's ofen misunderstood. Work mix will have a large impact on your effective rate. As an example, if you are very aggressive in Quick Service, you'll be driving alot of traffic to your service department, and satisfying many customers which we all agree is the key to long-term success. But, keep in mind, that as the work mix grows in quick service, the overall effective rate will decrease. This is not a bad thing! The old-school theory that your ELR should be close to your posted door rate is simply no longer applicable.

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Element 3

AVERAGE DAILY REPAIR ORDERS
Year to Date

CATEGORY	REPAIR ORDER COUNT	PERCENT OF TOTAL
CUSTOMER LABOR (all)	1,074	19.5%
QUICK SERVICE LABOR (cust)	1,031	18.7%
SERVICE CONTRACT LABOR	67	1.2%
WARRANTY LABOR - MECH	1,605	29.1%
NEW VEH. INSPECTION LABOR	322	5.8%
INTERNAL LABOR	1,413	25.6%
OTHER LABOR (Customer)	0	0.0%
TOTALS	5,512	100.0%

NUMBER OF MONTHS YTD		AVG DAYS PER MONTH		TOTAL DAYS YTD
4	X	22.3	=	89.2

TOTAL NUMBER RO's		TOTAL DAYS YTD		AVG RO's PER DAY
5,512	÷	89.2	=	61.8

WHAT TO LOOK FOR IN THIS ELEMENT:

AVERAGE RO's PER DAY: This metric can be very misleading unless you really look at it in a critical manner and take ALL of your variables into consideration. For many years, the industry standard was 12 to 15 RO's per advisor per day. This number has drastically been impacted in today's market as Quick Service initiatives have been commonplace in most service departments. If you don't currently break your quick service out as a separate labor category on your financial statement, you should do so immediately. It is extrememly difficult to manage your service department without a clear picture of the results. And Quick Service has a major impact on your numbers including RO count. It's not a bad thing, it's just different and should be managed differently.

That being said, there is alot of information to be gained based on RO count. Once you've got Quick Service accounted for, take a look at the number of RO's per day and taking into consideration the number of advisors you employ, look at your count per advisor. If it's too high, you run the risk of advisors hearding customers through, not taking time to present menus, taking too long to get approvals on additional needed repairs, and poor active deliveries. Conversely, if this number is on the low side, you may be well justified to have a higher expectation of advisor performance.

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Element 4	AVERAGE FLAT RATE HOURS PER CUSTOMER REPAIR ORDER *Year to Date*	
CATEGORY	**DATA SOURCE**	**NUMBER RECORDED**
TOTAL CUSTOMER HOURS	ELEMENT 2	2,911.7
TOTAL CUSTOMER REPAIR ORDERS	ELEMENT 3	2,105

CUSTOMER PAID HOURS	÷	CUSTOMER RO'S	=	CUSTOMER HRS/RO*
2,911.7		2,105		1.4

*NOTE: *This in only an estimate and can be greatly impacted by the DMS and no charge RO's*

WHAT TO LOOK FOR IN THIS ELEMENT:

CUSTOMER HOURS PER RO: This is one of the most misused analytics in the industry. You'll hear many people on both sides of the argument as to whether or not you should even monitor this indicator. I'll go on the record as saying, you MUST monitor your advisors' performance in this area. It's what you do with the information that is what separates the greats from the also-rans.

First, let's look at what the number indicates. In this case, it's simply the amount of hours (on average) that each customer pay repair order represents toward your overall sales. Now, logic would dictate that the higher the number, the more hours you sell, and ultimately the more net you produce. This is MATHEMATICALLY correct but, you must look at the overall picture. Start by assessing your operation. Do you have a strong quick service department? If you do, considering those tickets are not typically high on hours, you should see your number here a bit lower than a dealer who does not concentrate on the quick service initiative as much as you do.

Conversely, if your advisors are presenting a menu to every customer, properly going over any additional needed services, and your technicians perform quality inspections on every vehicle then you SHOULD expect to see this number higher than a dealer who does not perform well in these areas.

Here's where the trouble comes in. Some managers get so caught up in this number alone, they start to do whatever they can to drive the performance. When this happens, you run the risk of your advisors potentially overselling. This can alienate customers and possibly have a negative affect on your retention metrics.

The bottom line is this. Look at the number regularly. Look at the store average and compare each advisor to the average. Are they over performing? Are they under performing? How is each advisor's customer retention scores? Spend some time on the drive and actually watch their interactions with their customers. Are they selling ethically?

If you look at the big picture, this can be a strong indicator of performance and should be measured regularly.

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Element 5	AVERAGE WARRANTY VISITS PER NEW VEHICLE (Retail) SOLD *Year to Date*

CATEGORY	DATA SOURCE	NUMBER RECORDED
WARRANTY REPAIR ORDERS	ELEMENT 3	1,672
NEW RETAIL VEHICLE SALES	DATA SHEET	379

WARRANTY RO'S		NEW RETAIL SALES		AVG WARR VISITS
1,672	÷	379	=	4.4

WHAT TO LOOK FOR IN THIS ELEMENT:

AVERAGE WARRANTY VISITS PER NEW VEHICLE SOLD: This is simply a good indicator of customer retention. The indicator is how many customers chose to come to your service department for warranty repairs versus the amount of new vehicles sold. Like any other metric, there's some "white noise" in the number in the sense that there may be multiple visits per VIN. But at the end of the day, it's an indicator of performance nonetheless. You should always refer to your specific manufacturer reports to determine your *TRUE* customer retention metrics, but this is a good indicator to use in conjunction with those reports. There are a few items of interest in the metric:

Keep in mind that warranty customers have a choice of where to go for service, no different than customer pay guests. They will choose you (or a competitor) based typically on a past experience. How is your customer handling process? Are your advisors following a step by step customer interactive process? Is your service manager in the drive during peak times acting as a quarterback to ensure the process are being followed?

Remember, warranty work is still work! Are your technicians performing a quality multipoint inspection? There are typically many customer pay opportunities on vehicles that come into your shop for warranty work. Make sure you make the most of them and your customers will come back over and over!

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Element 6	AVAILABLE CLOCK HOURS (Monthly) *Average Month*		
CATEGORY	**DATA SOURCE**	**NUMBER RECORDED**	
# OF TECHNICIANS	DATA SHEET		13
DAILY WORK HOURS (MON-FRI)	DATA SHEET	*MULTIPLIED BY:*	8.0
CALC # OF MONTHLY DAYS	DATA SHEET	*MULTIPLIED BY:*	23.5
MONTHLY AVAILABLE HOURS	CALCULATED	*EQUALS:*	2,449.1

MONTHLY AVAIL HOURS		TECH ATTEND %		AVAIL CLK HOURS
2,449.1	X	92.1%	=	2,255.6

WHAT TO LOOK FOR IN THIS ELEMENT:

MONTHLY AVAILABLE CLOCK HOURS: Most people will look at this as an alament that you have little to no control over. But that's actually far from the truth. Technician clock hours are the foundation for your financial success. There are a number of factors to consider when looking at this element.

First, what is your clock hour strategy? Are your technicians scheduled to work an 8 hour day? 8.5 hour day? Or maybe even a 10 hour day? Your strategy here will dictate the base of your Proforma (Element 22). But it needs to be enforceable. Think about your competitveness in the market place amongst technicians when developing this initiative. If you're asking your technicians to work a longer day than another competitive dealership, they may be less inclined to come work with you.

Next, think of the factors that detract from your clock hours. How do you schedule technician time off? How about off-site training? Sick and personal days? These are all detractors of clock hours and are quantified in the "Technician Atttendance Percentage" calculation

You can typically expect about 7% to 9% of your clock hours to be lost due to attendance.

Finally, consider tracking actual clock hours daily. Technicians will sometimes come in late or leave early and since this is not typically tracked and managed, it often goes overlooked and thus causes a loss of technician proficiency.

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Element 7

ESTIMATED TECHNICIAN PROFICIENCY

Average Month

CATEGORY	SOURCE	ENTRY	CARS™ Guide
AVAILABLE CLOCK HOURS	ELEMENT 6	2,255.6	2,449.1
TOTAL HOURS PRODUCED	ELEMENT 2	2,113.4	2,326.6

MONTHLY HRS PRODUCED		AVAIL HRS/MNTH		TECH PROFICIENCY
2,113.4	÷	2,255.6	=	93.7%

*Note: *CARS Guide Produced Hours Estimated at:* 95.0% of available hours

WHAT TO LOOK FOR IN THIS ELEMENT:

TECHNICIAN PROFICIENCY: We could easily write a book on this topic alone. This is easily the single most improtant factor in the financial performance of your service department. As you can see above, the percentage is simply the flat rate hours produced expressed as a percentage of the (scheduled) clock hours available. The biggest thing to keep in mind here is that flat rate hours are your units of sale in the service department just like vehices are your units of sale in variable opreations. What are you doing to ensure that you are maximizing the sale of your units of service? Some best practices are:

Individual Technician Production Objectives...Do each of your technicians have a daily objective of hours that they are expected to produce? Is that number tracked daily and reported to them each morning? If you are using objectives, how were they determined? Each technicain should have their own objective and should have given their input on the objective. This number should be personal to each simply because it determines their pay. And most of them already have an informal objective in thier mind each day when they enter the shop.

Are you scheduling your work each day to an amount of the total technician objectives?

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Element 8

ESTIMATED TECHNICIAN VALUE (Monthly)
Average Month

CATEGORY	DATA SOURCE		ENTRY
DAILY SCHEDULED TECH HOURS (M-F)	DATA SHEET		8.0
WORK DAYS SCHEDULED PER MONTH **	DATA SHEET	*MULTIPLIED BY:*	23.5
TECHNICIAN PROFICIENCY PERCENTAGE	ELEMENT 7	*MULTIPLIED BY:*	93.7%
TECHNICIAN ATTENDANCE PERCENTAGE (Est*)	ELEMENT 6	*MULTIPLIED BY:*	92.1%
ESTIMATED TECHNICIAN VALUE:		*EQUALS:*	162.6 *FRH / MONTH*

*** NOTE 1:** *Technician Attendance Percentage is estimated @:* 92.1%

**** NOTE 2:** *Wk Days per Month include Saturday @:* 28.8% *of M-F*

EST TECH FRH/MONTH		EFF LABOR RATE		EST TECH SALES/MNTH
162.6	X	$86.99	=	$14,142

EST TECH SALES/MNTH		GROSS PROFIT %		EST TECH GP$/MNTH
$14,142	X	69.3%	=	$9,803

WHAT TO LOOK FOR IN THIS ELEMENT:

ESTIMATED TECHNICIAN VALUE:
This is really the first calculation of the analysis. Essentially this is laid out so that you can see each of the elements thus far and how they relate to the units of sale (or flat rate hours) of the service department.

As you can see, the average amount of flat rate hours per technician is a mashup of each of the elements: daily scheduled hours, monthly work days, technician proficiency percentage, and technician proficiency percentage. When we multiply each of these elements together, the result is the aerage flat rate hours you can expect from an average producing technician in your shop. You can start to use this to make decisions such as whether or not to add the technician that you may have been thinking you need.

Essentially, if you are able to hire a technician at the shop average (most likely a B level technician) they you should expect roughly additional hours equal to the amount in this calculation.

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Element 9	ESTIMATED TECH. STAFFING TO REACH 20% (LABOR NET to SALES)

CATEGORY	DATA SOURCE		NUMBER RECORDED
MONTHLY LABOR SALES	ELEMENT 1		$183,848
TOTAL EXPENSES	DATA SHEET		$118,842
GROSS PROFIT % (THEN SUBRTACT 20%)	CALCULCATED	*DIVIDED BY:*	49.3%
20% NET SALES REQUIREMENT	CALCULATED	*EQUALS:*	$240,985

LBR SALES REQUIREMENT	÷	MNTHLY TECH VALUE	=	# OF TEHCS REQUIRED
$240,985		$14,142		17.0

WHAT TO LOOK FOR IN THIS ELEMENT:

ESTIMATED TECHNICIAN STAFFING TO REACH 20% NET TO SALES: This can be a tricky calculation to navigate. The message here isn't necessarilly that you need to hire additional technicians (assuming that you're not already at 20% net to sales). But rather how well your current staff of technicians is performing. Take a look at your current number of technicians (easily found on the data sheet) and compare that to the calculated number of technicians. If your number is lower than the calculated number, then it generally indicates that your current staff of technicians would need to perform at a higher level of proficiency in order to reach the level of performance of that calculated number of techinicians.

Your technician proficiency will have the greatest impact on this element. Take a look at your dashboard. Is your technician proficiency up around 100% - 110%? If not, this is a strong indicator of what can be improved in this area. Your overall effective labor rate will also come into play here since we are looking at overall sales. You can find your overall effective labor rate in Element 2.

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Element 10

ESTIMATED DAILY REPAIR ORDER REQUIREMENT

CATEGORY	DATA SOURCE		NUMBER RECORDED
CURRENT # OF TECHNICIANS	DATA SHEET		13
REPR ORDR REQ PER TECH *	ENTRY	*MULTIPLIED BY:*	7.0
DAILY REPR ORDR REQUIRED	CALCULATED	*EQUALS:*	91.0
CURRENT # OF REPR ORDRS	ELEMENT 3	*MINUS:*	61.8
ADD'L REPR ORDR REQUIRED	CALCULATED	*EQUALS:*	29.2

ADD'L DAILY RO'S REQ'D		DAILY RO'S REQ'D		% +/- REQUIRED
29.2	÷	91.0	=	32.1%

*** NOTE:** *Daily requirement per tech estimated @:* 7.0

WHAT TO LOOK FOR IN THIS ELEMENT:

ESTIMATED DAILY REPAIR ORDER REQUIREMENT: This element is a really good indicator that will often go hand in hand with your technician proficiency performance. And there are multiple possibilities as well. If your work load is too low, and you're not taking in enough work per day, your technicians will not have the opportunity to produce the amount of hours needed to be productive. This can often be found be chatting with the person or people in charge of scheduling. Are you scheduling to a particular amount of hours? Is there a car count target per day? If so, you could consider raising this number some in order to get to a more productive day.

Sometimes schedulers will go by "feel" or just fill in time slots. If this is your strategy, consider changing to a more quantifiable technique that can be adjusted to fit the shop's production capacity.

On the flip side, if you are taking in too much work, it can lead to the technicians rushing from car to car and the advisors being less likely to sell additional services. You can use the same techniques to dial back.

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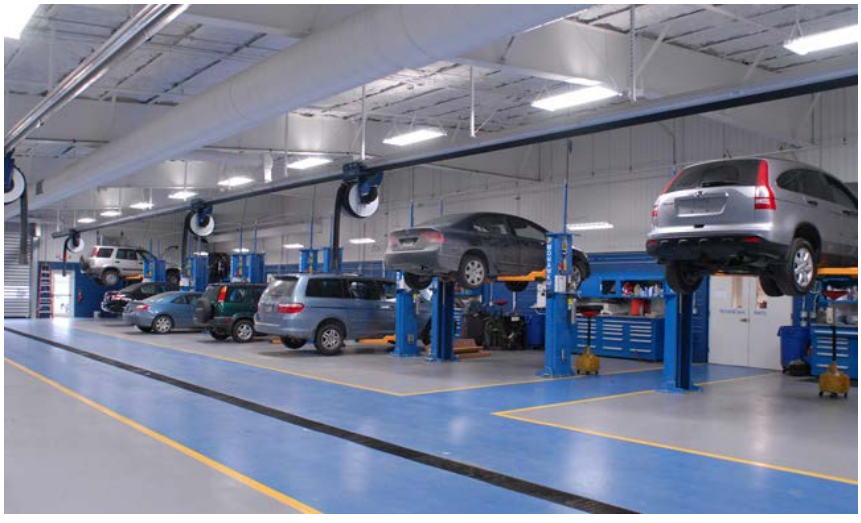
Element 11	STALL UTILIZATION

CATEGORY	SOURCE	ENTRY
# OF TECHICIANS	DATA SHEET	13
# OF STALLS	DATA SHEET	14

# OF TECHNICIANS	÷	# OF STALLS	=	STALL UTILIZATION
13.0		14.0		92.9%

WHAT TO LOOK FOR IN THIS ELEMENT:

STALL UTILIZATION: This is a pretty straight forward calculation but there is much discussion that's often had around it. On the surface, you would assume 100% utilization is the goal. And in some cases, that may be true. If you have a technician in every stall and still find yourself "busting at the seams" with work, and would like to be in a situation to hire additional technicians, then you should be most likely looking at over 100% stall utilization as your goal. This can typically be achieved through alternate scheduling such as four (4) ten (10) hour days, three (3) thirteen (13) hour days, night shifts, etc.



But if you're not in that oversold sitautaion everyday, then you may wish to consider the potential negative impact of a single technician in every bay. Your higher skilled technicians are very industrius and in most cases can be far more productive with multiple bays than they are with one. The question is, can one A level technician turn more hours in 2 bays, than two technicians in the same 2 bays. In most cases, that answer is yes. You can test this if you've got a technician on vacation by allowing one of the A level technicians to use that empty bay for the week and then measure the results.

Another option for creating additional bays would be to consider doubling up your express technicians into 1 bay using a wet/dry technique while freeing up bays for the A level technicians.

Consulting Automotive Resource Specialists

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Element 12	FACILITY UTILIZATION

CATEGORY	DATA SOURCE		NUMBER RECORDED
# OF STALLS (with lifts)	DATA SHEET		14
AVG WORK HRS PER DAY	DATA SHEET	*MULTIPLIED BY:*	8.0
AVG WORK DAYS PER MONTH	DATA SHEET	*MULTIPLIED BY:*	23.5
TECHNICIAN ATTENDANCE PERCENTAGE	ELEMENT 6	*MULTIPLIED BY:*	92.1%
TECHNICIAN PROFICIENCY PERCENTAGE	ELEMENT 7	*MULTIPLIED BY:*	93.7%
EST. OVERALL EFF. LBR RATE	ELEMENT 2	*MULTIPLIED BY:*	$86.99
MONTH SALES POTENTIAL	CALCULATED	*EQUALS:*	$197,990

CURRENT MTH SALES	÷	MTH SALES POTENTIAL	=	FACILITY UTILIZATION
$183,848		$197,990		92.9%

WHAT TO LOOK FOR IN THIS ELEMENT:

FACILITY UTILIZATION: This calculation is essentially the same as the stall utilization element. However this one deals in dollars rather than actual stall count. The monthly sales potential is caluclated by using the number of stalls in place of what would be your number of technicians in order to gain a sales potential considering that there is one technician in every stall. Once again there are a few considerations that should be given. Do you have enough work coming in to justify a technican in every stall? Are you already overloaded with work and have a technician in every stall?

How well you utilize your facility can be have a major impact on your financial performance. Take a look at all of the elements in this document while making that decision. But in our experince over the past few years, there are VERY few stores that can not use an aditional technician or two in today's market.

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Element 13 — **SERVICE ADVISOR (ASM) STAFFING**

CATEGORY	DATA SOURCE	ENTRY
CURRENT # OF RO's (Daily)	ELEMENT 3	61.8
# OF REPR ORDR PER ADVISOR*	ESTIMATE	17
REQUIRED # OF RO's (Daily)	ELEMENT 10	91.0

CURRENT RO'S PER DAY	÷	RO'S PER ADVISOR	=	CURRENT ADV RQMT
61.8		17		3.6

REQUIRED RO'S PER DAY	÷	RO'S PER ADVISOR	=	PROPOSED ADV RQMT
91.0		17		5.4

**NOTE: Number of RO's per Service Advisor Estimated @:* 17

WHAT TO LOOK FOR IN THIS ELEMENT:

ASM STAFFING: This calculation is simply used to provide you with a picture of your current ASM staff scrubbed up against the number of repair orders you'd like them to write on an average day. The default for this document is 17. However that number can change based on your express service strategy. Bottom line is, the more RO's they write, the less time they have to provide quality customer service, but the more revenue they generate. The less RO's, customer service goes up and revenue generation goes down. We recommend you take a strategy where you look at your overall business and decide based on that where you want them to stand. We use the number 17 becuase it's a good starting point if you consider express mixed in with the advisor count. This should not be used to determine whether to fire anyone, but simply as a guide as to if your staff matches your business goals and objectives.

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Element 14	FIXED ABSORPTION / BURDEN PER NEW VEHICLE

CATEGORY	DATA SOURCE	ENTRY
TOTAL DEALERSHIP OVERHEAD	DATA SHEET	$1,642,881
TOTAL FIXED OPERATIONS GROSS PROFIT	DATA SHEET	$857,272
TOTAL N.VEHICLE RETAIL SALES	DATA SHEET	379

TTL DLRSHP OVERHEAD		TOTAL FIXED OPS GROSS		UNABSORBED OVERHEAD
$1,642,881	-	$857,272	=	$785,609

UNABSORBED OVERHEAD		NEW VEHICLE RTL SALES		BURDEN PER NEW VEH
$785,609	÷	379	=	$2,073

TOTAL FIXED OPS GROSS		TTL DLRSHP OVERHEAD		FIXED ABSORPTION
$857,272	÷	$1,642,881	=	52.2%

WHAT TO LOOK FOR IN THIS ELEMENT:

FIXED ABSORPTION / NEW CAR BURDEN: This is a GREAT indicator of the performance of the fixed operations departments. Essentially, it is designed to determine the ability of the fixed operations departments to cover the entire expenses of the dealership. Why would you want to do this? Well, it's actually pretty simple. The closer you get to being 100% absorbed (meaning that fixed operations can indeed cover all of the dealership expenses), the less dependent the dealership is on the variable departments to make a profit. This becomes important in the effort to sell new and used vehicles.

The New Car Burden calculation puts a quantifiable number of dollars burden on every new vehicle sold. This number represents the unabsorbed overhead spread across all new vehicle sales. Considering that, in today's competitive market, profit per new vehicle is at all time lows, it's extremely important for the fixed operations to participate as much as possible to allow for the competitive pricing of new vehicles. The pay off back to fixed operations is simple. Those new vehicle sales will in large part become service customers in 6 to 10 months. And this snowballs quickly. The better fixed operations absorbs, the more new vehicles get sold, the more customers that get back to service, the more profitable they become and the more they absorb expenses, and the cycle begins again!

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Element 15	EFFECTIVE COST TO PRODUCE $1.00 IN LABOR SALES

CATEGORY	SOURCE	ENTRY	RESULT	CARS™ GUIDE
TOTAL LABOR SALES	ELEMENT 1	$183,848		
TOTAL LABOR COST OF SALES	ELEMENT 1	$56,414	$0.31	$0.35
TOTAL EXPENSES	ELEMENT 1	$118,842	$0.65	$0.45
COST TO PRODUCE $1.00 IN LABOR SALES	CALCULATED	$175,255	$0.95	$0.80

TOTAL COST OF SALES		TOTAL LABOR SALES		LABOR COST as a % of SLS
$56,414	÷	$183,848	=	30.7%

TOTAL EXPENSES		TOTAL LABOR SALES		EXPENSES as a % of SLS
$118,842	÷	$183,848	=	64.6%

TOTAL COS + EXPENSES		TOTAL LABOR SALES		TOTAL COST as a % of SLS
$175,255	÷	$183,848	=	95.3%

WHAT TO LOOK FOR IN THIS ELEMENT:

COST TO PRODUCE $1.00: Your cost to produce $1.00 in labor sales represents the ability of your service department to provide an acceptable return on the dealer's investment. To make it easy to visualize, think of it in these terms: Your dealer makes an investment each month in the expenses to run your department and the technician payroll (the total cost of sales). If you compare this investment to the total labor sales (or the return on that investment), you get the total investment as a percentage of the total return on investment. You're ideally looking for this number to be $0.80 to $0.90 or lower. To use banking terms, if your dealer were to take the total investment number above to the bank every month and invest it into some type of product, they would have an expectation to see a return on that investment. Hopefully that return on investment If, at the end of the month, the bank sent a bill for 5% or 10% to the dealer for holding their money, they would likely go find a different bank or at least a different investment product. If you're cost to produce $1.00 in labor sales is higher than a dollar, then your service department is similar to the bank that is charging the dealer to hold their money.

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Element 16

AVERAGE PARTS SALES PER FLAT RATE HOUR OF LABOR SOLD

Average Month

CATEGORY	DATA SOURCE	NUMBER RECORDED
CUSTOMER RO PARTS SALES	DATA SHEET	$35,219
QUICK SERVICE RO PARTS SALES	DATA SHEET	$14,313
SERVICE CONTRACT RO PARTS SALES	DATA SHEET	$0
WARRANTY RO PARTS SALES	DATA SHEET	$53,350
INTERNAL RO PARTS SALES	DATA SHEET	$43,802
OTHER LABOR - PARTS SALES	DATA SHEET	$33,765
TOTAL RO PARTS SALES (month)	CALCULATED	$180,449

MTHLY PTS SALES TO SVC		FLAT RATE HOURS/MONTH		PTS SALES/FRH
$180,449	÷	2,113.4	=	$85.38

WHAT TO LOOK FOR IN THIS ELEMENT:

AVERAGE PARTS SALES PER FLAT RATE HOUR: This concept may be somewhat new to many people, but it's actually very simple and it's the next evolution of the parts to labor ratio that was used for so many years. Parts sales per flat rate hour calcuation simply shows the amount of parts sold (through the shop) for every flat rate hour (also sold through the shop). Think of it as the "effective rate for the parts department". This is an important number when you begin forecasting service improvement because if you just use parts to labor ratio, and as part of your improvement plan, labor rate increases, then you will struggle to accurately predict any parts improvement. The reason for this is once the labor collection rate changes, that has no impact at all on parts business. But, it will change the parts to labor ratio. If you now try to forecast some type of production improvement, you'll be off. Using the parts sales per flat rate hour method, that becomes a non-factor.

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Element 17	AVERAGE PARTS GROSS PROFIT PER FLAT RATE HOUR OF LABOR SOLD *Average Month*	
CATEGORY	**DATA SOURCE**	**NUMBER RECORDED**
CUSTOMER RO PARTS GROSS	DATA SHEET	$15,403
QUICK SERVICE RO PARTS GROSS	DATA SHEET	$6,706
SERVICE CONTRACT RO PARTS GROSS	DATA SHEET	$0
WARRANTY RO PARTS GROSS	DATA SHEET	$24,950
INTERNAL RO PARTS GROSS	DATA SHEET	$17,816
OTHER LABOR - PARTS GROSS	DATA SHEET	$9,119
TOTAL RO PARTS GROSS (month)	CALCULATED	$73,993

MTHLY RO PTS GROSS		FLAT RATE HOURS/MONTH		PTS GROSS/FRH
$73,993	÷	2,113.4	=	$35.01

TTL RO PARTS GROSS/MONTH		AVG RO PTS SALES/MONTH		PARTS GR PROFIT %
$73,993	÷	$180,449	=	41.0%

WHAT TO LOOK FOR IN THIS ELEMENT:

PARTS GROSS PROFIT PER FLAT RATE HOUR SOLD: The description for the parts sales per flat rate hour applies here as well. The only difference here being that we are looking at gross profit on those sales and comparing it to the flat rate hours sold. Most domestic stores tend to run 34% to 40% in this area with the import stores slightly higher.

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Element 18	REVISED (Estimated) EFFECTIVE LABOR RATE *Average Month*			
CATEGORY	SALES	RATE	F/R HOURS	% OF MIX
CUSTOMER LABOR (all)	$47,573	$98.07	485.1	23.0%
QUICK SERVICE LABOR (cust)	$14,948	$61.56	242.8	11.5%
SERVICE CONTRACT LABOR	$5,584	$77.78	71.8	3.4%
WARRANTY LABOR - MECH	$46,284	$91.21	507.4	24.0%
NEW VEH. INSPECTION LABOR	$12,883	$91.21	141.2	6.7%
INTERNAL LABOR	$58,032	$87.26	665.0	31.5%
OTHER LABOR (Customer)	$0	$0.00	0.0	0.0%
TOTALS	$185,303		2,113.4	

*** NOTE:** Customer Rate is estimated @ $3.00 increase of current rate

SALES		F/R HOURS		EFF RATE
$185,303	÷	2,113.4	=	$87.68

PURPLE IS THE NEW BLACK!

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Element 19

ESTIMATED INCREASED FLAT RATE HOURS W/ PROCESS TRAINING

Average Month

CATEGORY	DATA SOURCE	NUMBER RECORDED
MONTHLY CP. REPAIR ORDERS	ELEMENT 4	526
CURRENT CUSTOMER HOURS	ELEMENT 4	727.9
CURRENT HRS PER CP. REPR ORDR	ELEMENT 4	1.4
ADD'L HRS PER CP. REPR ORDR	CALCULATED	0.3

ADD'L HOURS PER CP RO		CURRET CUST RO'S		ADD'L CUST HOURS
0.3	X	727.9	=	218.4

ADD'L CUST HOURS		CURRENT HRS PRODUCED		PROJECTED FRH
218.4	+	2,113.4	=	2,331.8

***NOTE:** *If current Hrs per CP RO @ or below:* 1.4 *est 0.3 Hrs per C'RO increase*

***NOTE:** *If current Hrs per CP RO @ or above:* 1.5 *est 0.2 Hrs per C'RO increase*

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Element 20

ESTIMATED INCREASED TECHNICIAN PROFICIENCY W/ PROCESS TRAINING

Average Month

CATEGORY	DATA SOURCE	NUMBER RECORDED
AVAILABLE CLOCK HOURS	ELEMENT 7	2,255.6
PROJECTED FLAT RATE HOURS	ELEMENT 19	2,331.8

MONTHLY FRH PRODUCED		AVAILABLE CLK HRS		PROJECTED PROFICIENCY
2,331.8	÷	2,255.6	=	103.4%

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Element 21	REVISED ADDITIONAL PARTS GP W/PROFICIENCY INCREASE *Average Month*	
CATEGORY	**DATA SOURCE**	**NUMBER RECORDED**
PARTS GROSS PER FRH (Current)	ELEMENT 17	$35.01
ADDITIONAL FLAT RATE HOURS	ELEMENT 19	218.4

PARTS GROSS PER FRH		ADD'L FLAT RATE HOURS		PROJECTED ADD'L GP
$35.01	X	218.4	=	$7,646

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Element 22	CURRENT SITUATION PROFORMA *Average Month*		
CATEGORY	**DATA SOURCE**		**NUMBER RECORDED**
DAILY SCHEDULED TECH HOURS	DATA SHEET		8.0
TECHNICIAN PROFICIENCY PERCENTAGE	ELEMENT 7	x	93.7%
WORK DAYS SECHEDULED PER MONTH	DATA SHEET	x	23.5
TECHNICIAN ATTENDANCE PERCENTAGE	DATA SHEET	x	92.1%
TECHNICIAN VALUE IN FLAT RATE HOURS	CALCULATION	=	162.6
NUMBER OF TECHNICIANS	DATA SHEET	x	13
TOTAL SHOP FLAT RATE HOURS PER MONTH	CALCULATION	=	2,113.4
OVERALL EFFECTIVE LABOR RATE	ELEMENT 2	x	$86.99
LABOR SALES PER AVERAGE MONTH	CALCULATION	=	$183,848
GROSS PROFIT PERCENTAGE	ELEMENT 1	x	69.3%
LABOR GROSS PROFIT PER AVERAGE MONTH	CALCULATION	=	$127,434
TOTAL EXPENSES	ELEMENT 1	-	$118,842
LABOR NET PROFIT PER AVERAGE MONTH	CALCULATION	=	$8,592
ALL ADD'L NON-LABOR GROSS PROFIT	DATA SHEET	+	$11,303
STATEMENT NET PROFIT PER AVERAGE MONTH	CALCULATION	=	$19,895
NUMBER OF MONTHS IN FISCAL/CALENDAR YR	N/A	x	12
ANNUAL STATEMENT NET PROFIT	CALCULATION	=	$238,740
PARTS DEPARTMENT (SALES TO THE SERVICE DEPARTMENT)			
TOTAL SHOP FLAT RATE HOURS PER MONTH	ELEMENT 2	=	2,113.4
PARTS SALES PER FLAT RATE HOUR OF LABOR	ELEMENT 16	x	$85.38
PARTS SALES (TO SERVICE) PER AVG MONTH	CALCULATION	=	$180,449
GROSS PROFIT PERCENTAGE	ELEMENT 17	x	41.0%
PARTS GROSS PROFIT PER AVERAGE MONTH	CALCULATION	=	$73,993
NUMBER OF MONTHS IN FISCAL/CALENDAR YR	N/A	x	12
ANNUAL PARTS SALES TO SVC GROSS PROFIT	CALCULATION	=	$887,913
TOTAL FIXED OPERATIONS PROFORMA PROFIT	CALCULATION	=	$1,126,653

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Element 23

PROJECTED PROFORMA

Average Month

CATEGORY	CURRENT	ANTICIPATED CHANGE		PROJECTED
DAILY SCHEDULED TECH HOURS	8.0			8.0
TECHNICIAN PROFICIENCY PERCENTAGE	93.7%	9.7%	x	103.4%
WORK DAYS SECHEDULED PER MONTH	23.5		x	23.5
TECHNICIAN ATTENDANCE PERCENTAGE	92.1%		x	92.1%
TECHNICIAN VALUE IN FLAT RATE HOURS	162.6	16.8	=	179.4
NUMBER OF TECHNICIANS	13		x	13
TOTAL SHOP FLAT RATE HOURS PER MONTH	2,113.4	218.4	=	2,331.8
OVERALL EFFECTIVE LABOR RATE	$86.99	$0.69	x	$87.68
LABOR SALES PER AVERAGE MONTH	$183,848	$20,602	=	$204,450
GROSS PROFIT PERCENTAGE	69.3%	0.24%	x	69.6%
LABOR GROSS PROFIT PER AVERAGE MONTH	$127,434	$14,773	=	$142,207
TOTAL EXPENSES	$118,842		-	$118,842
LABOR NET PROFIT PER AVERAGE MONTH	$8,592	$14,773	=	$23,365
ALL ADD'L NON-LABOR GROSS PROFIT	$11,303		+	$11,303
STATEMENT NET PROFIT PER AVERAGE MONTH	$19,895	$14,773	=	$34,668
NUMBER OF MONTHS IN FISCAL/CALENDAR YR	12		x	12
ANNUAL STATEMENT NET PROFIT	$238,740	$177,278	=	$416,018

PARTS DEPARTMENT (SALES TO THE SERVICE DEPARTMENT)

TOTAL SHOP FLAT RATE HOURS PER MONTH	2,113.4	218.4	=	2,331.8
PARTS SALES PER FLAT RATE HOUR OF LABOR	$85.38		x	$85.38
PARTS SALES (TO SERVICE) PER AVG MONTH	$180,449	$18,645	=	$199,094
GROSS PROFIT PERCENTAGE	41.0%	+	x	41.0%
PARTS GROSS PROFIT PER AVERAGE MONTH	$73,993	$7,646	=	$81,638
NUMBER OF MONTHS IN FISCAL/CALENDAR YR	12		x	12
ANNUAL PARTS SALES TO SVC GROSS PROFIT	$887,913	$91,746	=	$979,659
PROJECTED ANNUAL IMPROVEMENT:				$269,024