



THE FIXED
OPERATIONS
GOLDEN METRICS

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INTRO AND METHODOLOGY

When it comes to fixed operations, there are a few “golden metrics” tracked closely every day:

- Hours (both total sold and per repair order)
- Effective Labor Rate (ELR)
- Profit per customer pay repair order (RO)

These data points illuminate when things are going well in the department and when they’re not, influencing decisions that affect your dealership’s health.

This report examines these golden metrics in dealerships from across the country and details both expected and unexpected trends within the data. It also provides insight into how to improve results.

The data is broken down in two ways: by urban classification and volume.

Urban classification of the data is tied to the dealership’s ZIP code. To determine the urban classification of a ZIP code, we considered several factors, including:

- The U.S. Census Bureau’s metropolitan statistical areas
- A list of the most populated cities as estimated by the U.S. Census Bureau
- ZIP code population and ZIP code population density per square mile

Thus, each ZIP code, and by extension each dealership within the data, is assigned an urban classification. The four classifications are: Major Urban, Metro, Community, and Rural.

For volume, we referenced the number of ROs monthly and assigned a classification based on the chart on the right.

The report also examines the impact technicians have on golden metrics when using tools that make adding work to the repair order easier.



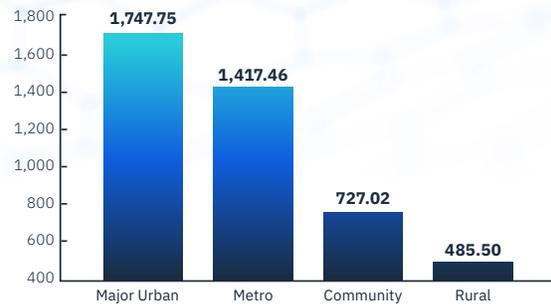
CUSTOMER PAY REPAIR ORDERS /
MONTH VOLUME CLASSIFICATION

TOTAL HOURS

To accurately benchmark total hours sold per month, it's essential to segment the data. Larger urban classifications, with more people and the availability of more potential hours, sold more hours than smaller classifications – even with more competition for servicing customers in the form of independent shops and competing dealerships.

A similar trend emerges when looking at the data based on RO volume. Unsurprisingly, higher volume directly correlated to more hours sold each month. However, more hours sold doesn't always mean the service department is getting the most out of its people and processes, as we'll review in the coming pages.

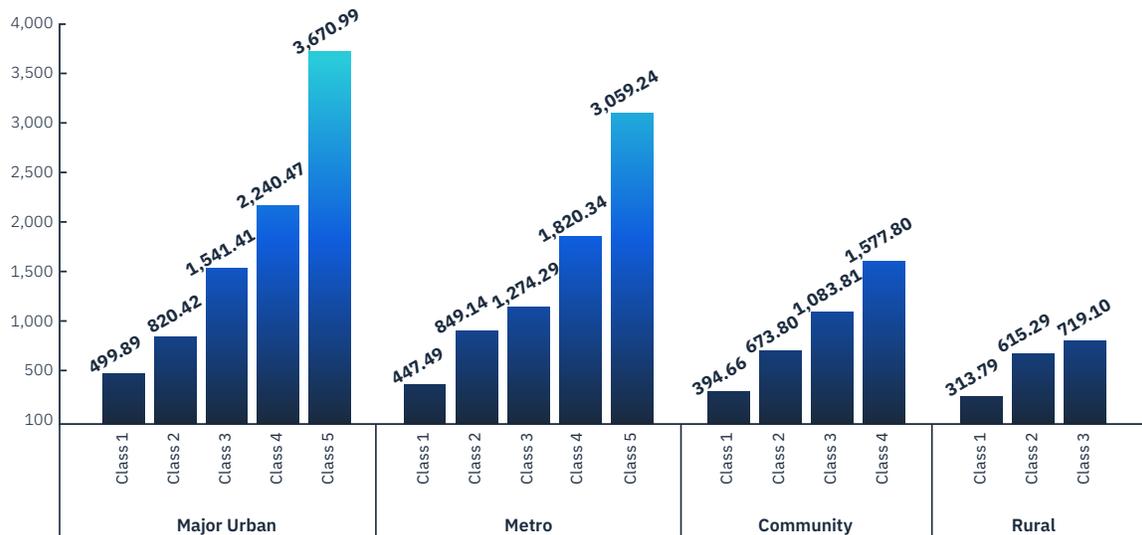
The importance of available work is clear when looking at volume across urban classifications. Over the same window of time, Major Urban Class 1 volume dealerships sold nearly 200 more hours a month than Rural Class 1 volume dealerships – both of which average up to and no more than 12 ROs per day. This disparity increased exponentially when looking at the other volume classifications.



AVERAGE TOTAL HOURS BY URBAN CLASSIFICATION



AVERAGE TOTAL HOURS BY VOLUME



VOLUME IMPACT ON AVERAGE TOTAL HOURS BY URBAN CLASSIFICATION



HOURS PER RO

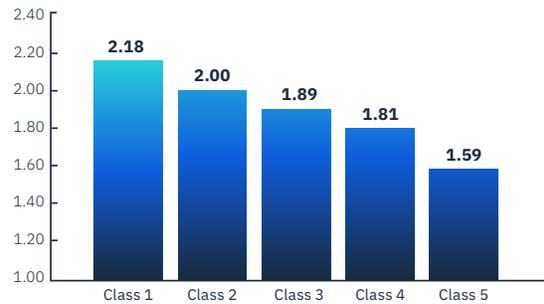
Hours per repair order is where the rubber meets the road for a lot of service departments. It's a reflection of how much work you do for each customer and is directly connected to profitability. On average, the higher a department's hours per RO, the more profit they make.

When it comes to urban classification, hours per RO trends similarly to total hours. Larger urban classifications averaged more hours per RO than smaller ones.

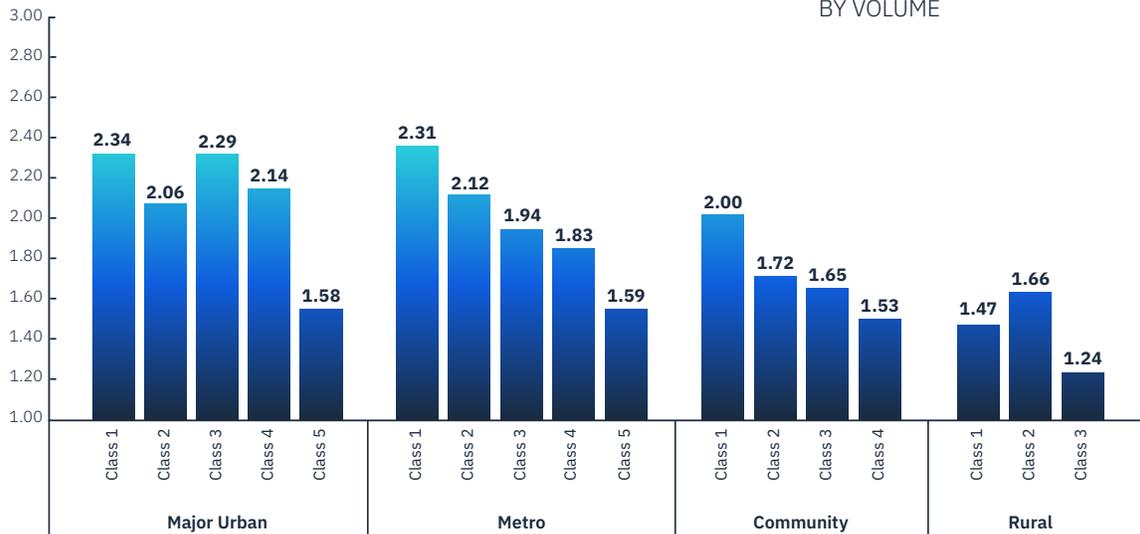
When we examined hours per RO from a volume perspective, the nationwide data showed high volume often means comparably lower hours per RO. However, this alone isn't a negative.



AVERAGE HOURS PER RO BY URBAN CLASSIFICATION



AVERAGE HOURS PER RO BY VOLUME



VOLUME IMPACT ON AVERAGE HOURS PER RO BY URBAN CLASSIFICATION

EFFECTIVE LABOR RATE

Unlike other metrics, ELR doesn't show as stark a disparity between urban classifications and volume classes. Several variables impact this metric, which fluctuates wildly based on the kind of business sold daily. However, when looked at over a long enough time frame across several thousand similar dealerships, patterns do emerge.

As was the case with the hours metric, urban classification appears to affect ELR. Considering the industry heavily self-regulates through competition with other dealerships and independent shops, you start to see just what the market will bear in these areas.

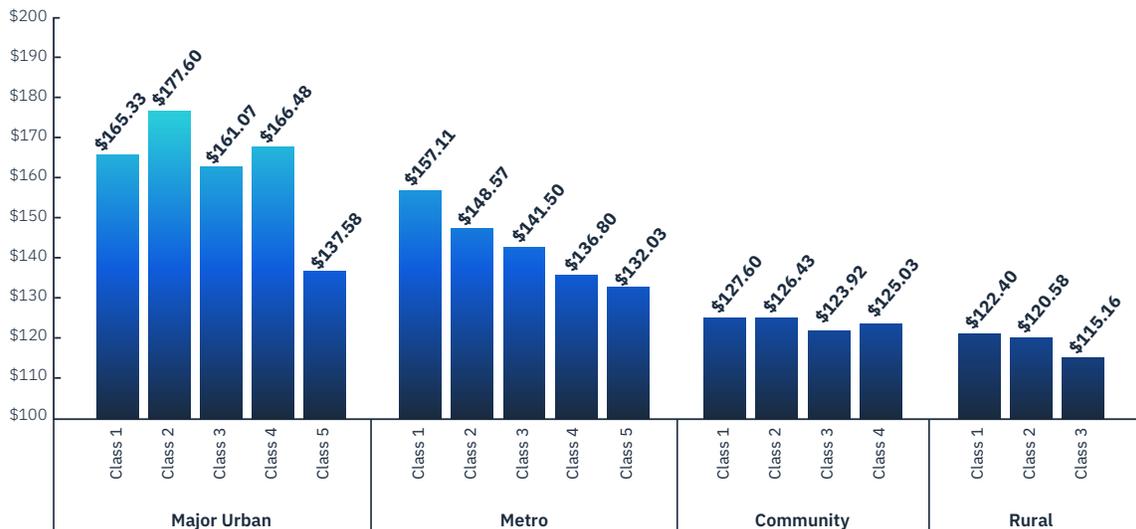
From a volume perspective, the plummeting ELR from Class 1 to Class 5 can be explained by the kind of work being sold. Class 5 service departments take care of at least 1,200 customers per month, and a vast majority of them are quick lube and maintenance jobs – as seen by their lower hours per RO. This drags down the shop's average ELR. Major Urban dealerships showed the most volatility in ELR.



AVERAGE ELR BY URBAN CLASSIFICATION



AVERAGE ELR BY VOLUME



VOLUME IMPACT ON AVERAGE ELR BY URBAN CLASSIFICATION

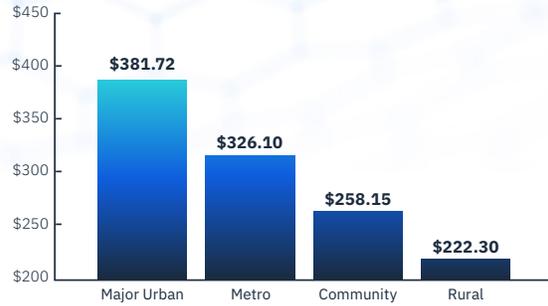


Profit per Customer Pay RO

Of all the metrics this report examines, profit per customer pay RO is most clearly impacted by urban classification and volume.

When isolated, both urban classification and volume display a linear trend. As population goes up, profit per RO goes up. Conversely, as volume goes up, profit per RO goes down.

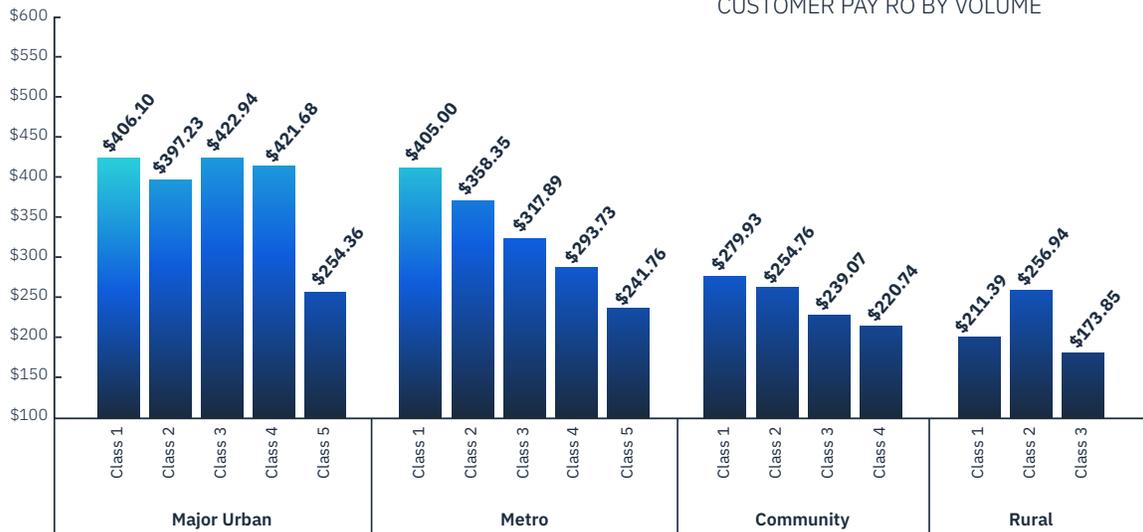
However, when the data is blended and further segmented, it becomes clear that this linear relationship is not always consistent. Each urban classification follows its own trend, specifically in the Rural and Major Urban groups.



AVERAGE PROFIT PER CUSTOMER PAY RO BY URBAN CLASSIFICATION



AVERAGE PROFIT PER CUSTOMER PAY RO BY VOLUME



VOLUME IMPACT ON AVERAGE PROFIT PER CUSTOMER PAY RO BY URBAN CLASSIFICATION

Technician Involvement

Each of the golden metrics in this report is plagued by things outside the dealership's control. However, there is one factor dealerships can directly control: the technician's involvement in selling hours.

Conducting a thorough inspection has always been the most effective way to find additional work. But finding the work isn't enough – it also has to be sold. While that's ultimately the advisor's role, the data shows that the more the technician can be involved in the quoting process, the better performing the dealership is across all three metrics.

But it takes time to determine if the parts are available and how much it will cost the customer for added work. This process is prone to inaccuracies in quotes and wasted time if technicians don't have an automated tool.

Upon digging into the data, dealerships that have their technicians use such a tool saw significant, lucrative results over dealerships without one. Furthermore, these positive results extend to all volume classes – even the extremely busy Class 5 dealerships.

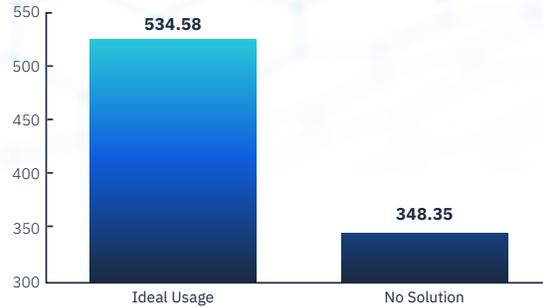
RO Volume Class 1

Class 1 service departments see at most 300 customer pay ROs per month. Stores in this volume classification can have a large impact on their performance by involving the technician in the quoting process.

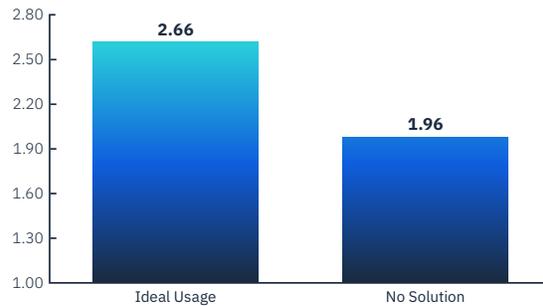
When comparing the average results of shops where technicians are quoting the work they found with an automated tool against those who are not, the advantages are clear:

- An additional 186 total hours sold, resulting in an additional 0.7 hours per RO
- A \$10.70 increase in ELR, achieved by finding and adding additional work beyond basic maintenance to the RO
- A \$99.15 increase in profit per customer pay RO

At the median number of ROs per month (150), shops that efficiently involve the tech in the quoting process potentially see \$14,872.50 per month more in average profit than those that do not.



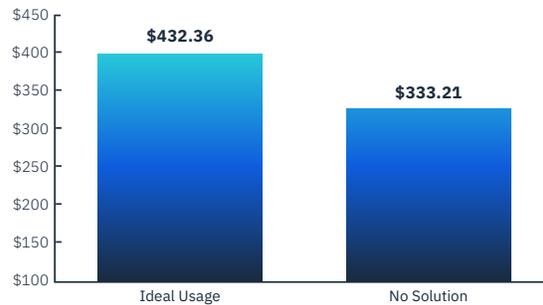
AVERAGE TOTAL HOURS BY TECHNICIAN RECOMMENDATION RATE



AVERAGE HOURS PER RO BY TECHNICIAN RECOMMENDATION RATE



AVERAGE ELR BY TECHNICIAN RECOMMENDATION RATE



AVERAGE PROFIT PER CUSTOMER PAY RO BY TECHNICIAN RECOMMENDATION RATE

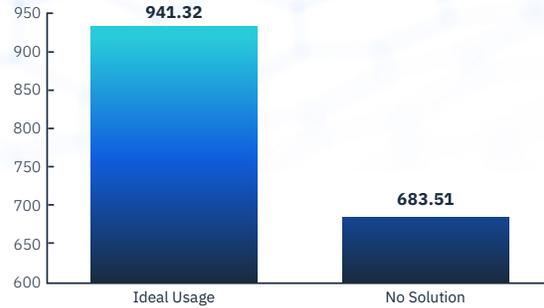
RO Volume Class 2

Class 2 service departments see between 301 and 499 customer pay ROs per month. Like Class 1 dealerships, these shops are in a prime position to boost profitability by making it easy for their techs to accurately quote jobs.

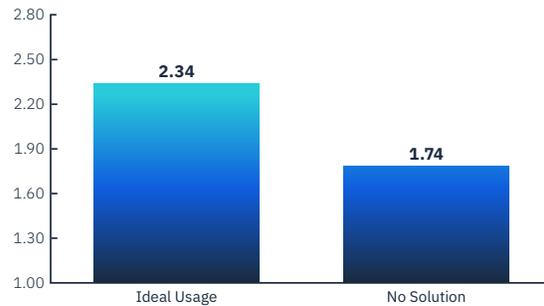
When comparing shops using an automated tool against those who are not, the average results included:

- An additional 257.81 total hours, resulting in an additional 0.6 hours per RO
- A \$15.92 increase in ELR, achieved by finding and adding additional work beyond basic maintenance to the RO
- A \$98.97 increase in profit per customer pay RO

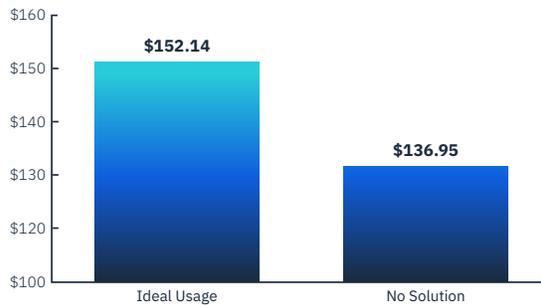
At the median number of ROs per month (400), shops that efficiently involve the tech in the quoting process potentially see \$39,588 per month more in average profit than those that do not.



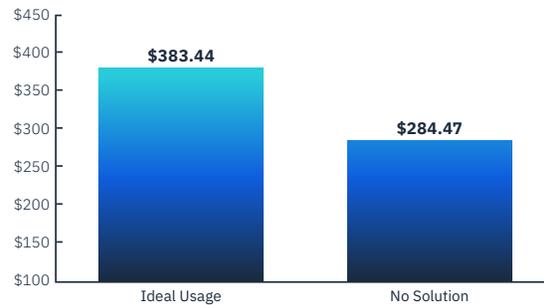
AVERAGE TOTAL HOURS BY
TECHNICIAN RECOMMENDATION RATE



AVERAGE HOURS PER RO BY
TECHNICIAN RECOMMENDATION RATE



AVERAGE ELR BY
TECHNICIAN RECOMMENDATION RATE



AVERAGE PROFIT PER CUSTOMER PAY RO
BY TECHNICIAN RECOMMENDATION RATE

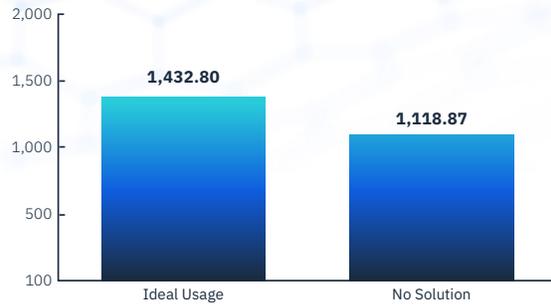
RO Volume Class 3

Class 3 service departments see on average between 500 and 849 customer pay ROs per month.

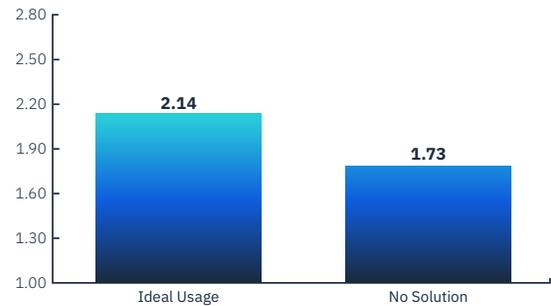
When comparing shops using an automated tool against those who are not, average results included:

- An additional 313.93 total hours, resulting in an additional 0.41 hours per RO
- A \$5.02 increase in ELR, achieved by finding and adding additional work beyond basic maintenance to the RO
- A \$55.52 increase in profit per customer pay RO

At the median number of ROs per month (675), shops that efficiently involve the tech in the quoting process potentially see \$37,476 per month more in average profit than those that do not.



AVERAGE TOTAL HOURS BY
TECHNICIAN RECOMMENDATION RATE



AVERAGE HOURS PER RO BY
TECHNICIAN RECOMMENDATION RATE



AVERAGE ELR BY
TECHNICIAN RECOMMENDATION RATE



AVERAGE PROFIT PER CUSTOMER PAY RO
BY TECHNICIAN RECOMMENDATION RATE

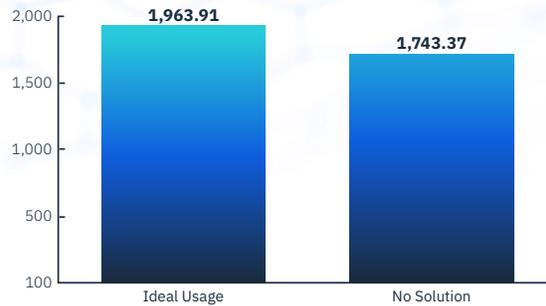
RO Volume Class 4

Class 4 service departments see on average between 850 and 1,199 customer pay ROs per month.

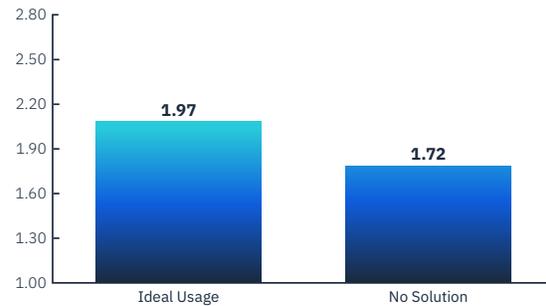
When comparing shops using an automated tool against those who are not, average results included:

- An additional 220.54 total hours, resulting in an additional 0.25 hours per RO
- A \$10.49 increase in ELR, achieved by finding and adding additional work beyond basic maintenance to the RO
- An \$80.03 increase in profit per customer pay RO

At the median number of ROs per month (1,024), shops that efficiently involve the tech in the quoting process potentially see \$81,950.72 per month more in average profit than those that do not.



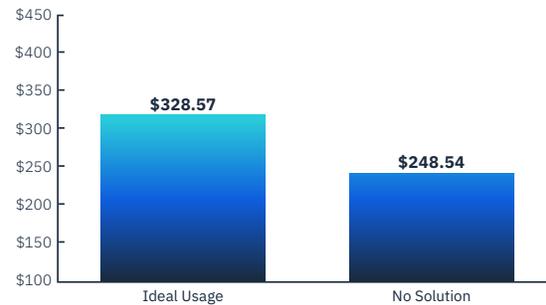
AVERAGE TOTAL HOURS BY
TECHNICIAN RECOMMENDATION RATE



AVERAGE HOURS PER RO BY
TECHNICIAN RECOMMENDATION RATE



AVERAGE ELR BY
TECHNICIAN RECOMMENDATION RATE



AVERAGE PROFIT PER CUSTOMER PAY RO
BY TECHNICIAN RECOMMENDATION RATE

RO Volume Class 5

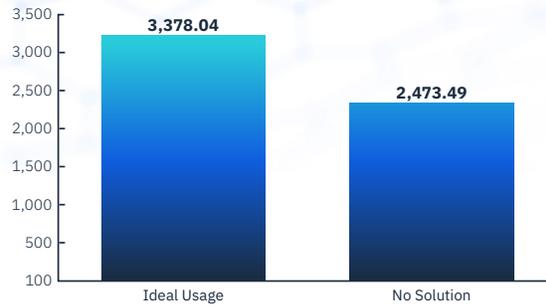
Class 5 service departments see on average more than 1,200 customer pay ROs per month. This class of service departments is the highest volume classification of shops and is only found in Metro and Major Urban areas.

When comparing shops using an automated tool against those who are not, average results included:

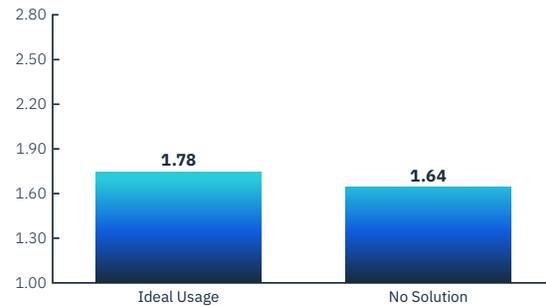
- An additional 904.55 total hours, resulting in an additional 0.14 hours per RO
- A \$6.60 increase in ELR, achieved by finding and adding additional work beyond basic maintenance to the RO
- A \$35 increase in profit per customer pay RO

At the minimum number of ROs per month (1,200), shops that use the tool potentially see \$42,000 per month more in average profit than those that do not. That adds up to an extra \$504,000 per year.

Based on the data, it's clearly possible for shops that service more than 1,200 customer pay ROs per month to squeeze a little more work into those busy days. Doing so could be quite lucrative for both the technician and the dealership.



AVERAGE TOTAL HOURS BY
TECHNICIAN RECOMMENDATION RATE



AVERAGE HOURS PER RO BY
TECHNICIAN RECOMMENDATION RATE



AVERAGE ELR BY
TECHNICIAN RECOMMENDATION RATE



AVERAGE PROFIT PER CUSTOMER PAY RO
BY TECHNICIAN RECOMMENDATION RATE

CONCLUSION

Every dealership is unique and there are many factors outside the business that impact performance. But when it comes to the golden metrics in service, there is one thing dealerships control that can have an outsized impact on results: efficiently incorporating technicians into the quoting process.

Regardless of the dealership's location – whether it's in a major urban, metropolitan, or rural area, or in a standalone community near a larger population center – providing techs the tools to help get work sold has a big impact.

Shops where technicians leverage automated tools to quickly and easily add work to the repair order, simultaneously check parts inventory for availability, and accurately quote the work for transparency with the customer make the most of the time they have and reap the financial rewards for doing so.

If any dealership has questions about how to address their service department's unique needs, it can reach out to Reynolds for assistance. We're always happy to help identify ways to strengthen business outcomes.



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