



FINISHMASTERTM

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JANUARY 2010

BEST PRACTICES NEWSLETTER

Your *FinishMaster* Account Manager can help you measure shop performance against benchmarks.



To effectively benchmark, it's important to look at all of the different systems that make up a collision repair business:

- Marketing
- Sales
- Production
- Expense control
- Personnel utilization

Top performance will not be achieved until all of these systems work together to support each other and the business as a whole.

Benchmarking Your Operating Costs

Are your employees living up to their potential? Is your shop? One way to be sure is to use benchmarks. Benchmarking allows you to compare your business' performance to other businesses so you can discover where opportunity exists.

- Labor sales should make up at least 40% of total shop sales. For example, on a \$1,000 repair, \$400 should be labor sales.
- Direct labor cost is the hourly amount you pay your technicians to produce labor, plus any bonuses. Don't include fringe benefits in the calculation. Fringe benefits vary too greatly around the country to be of any value in this calculation. The direct hourly cost provides a good number for comparison. The benchmark is for direct labor cost not to exceed 35% of labor sales. In this case, it shouldn't cost more than \$35 to produce \$100 in billable labor.
- Parts sales should make up approximately 47% of total shop sales, so a \$1,000 repair order should include approximately \$470 in parts.
- Parts cost of sales shouldn't exceed 62% of parts sales. This would produce a 38% gross profit on parts sold.
- Materials sales should be approximately 8% of total shop sales. This would be \$80 in materials sales for every \$1,000 of total sales.
- Materials cost shouldn't exceed 65% of materials sales, producing a 35% gross profit on materials sales.
- Sublet sales shouldn't exceed 5% of total sales.
- Sublet cost of sales shouldn't exceed 80% of sublet sales, producing a 20% gross profit.

If you achieve all of these sales and cost of sales benchmarks, your shop will produce 48% gross profit on sales.

| | Sales | Gross |
|-----------|----------|--------|
| Labor | \$ 400 | \$ 260 |
| Part | \$ 470 | \$ 179 |
| Materials | \$ 80 | \$ 28 |
| Sublet | \$ 50 | \$ 10 |
| Total | \$ 1,000 | \$ 477 |

$$\$1,000 \div 477 = 48\% \text{ gross profit on total sales}$$

Our Business Is Making Your Business Better