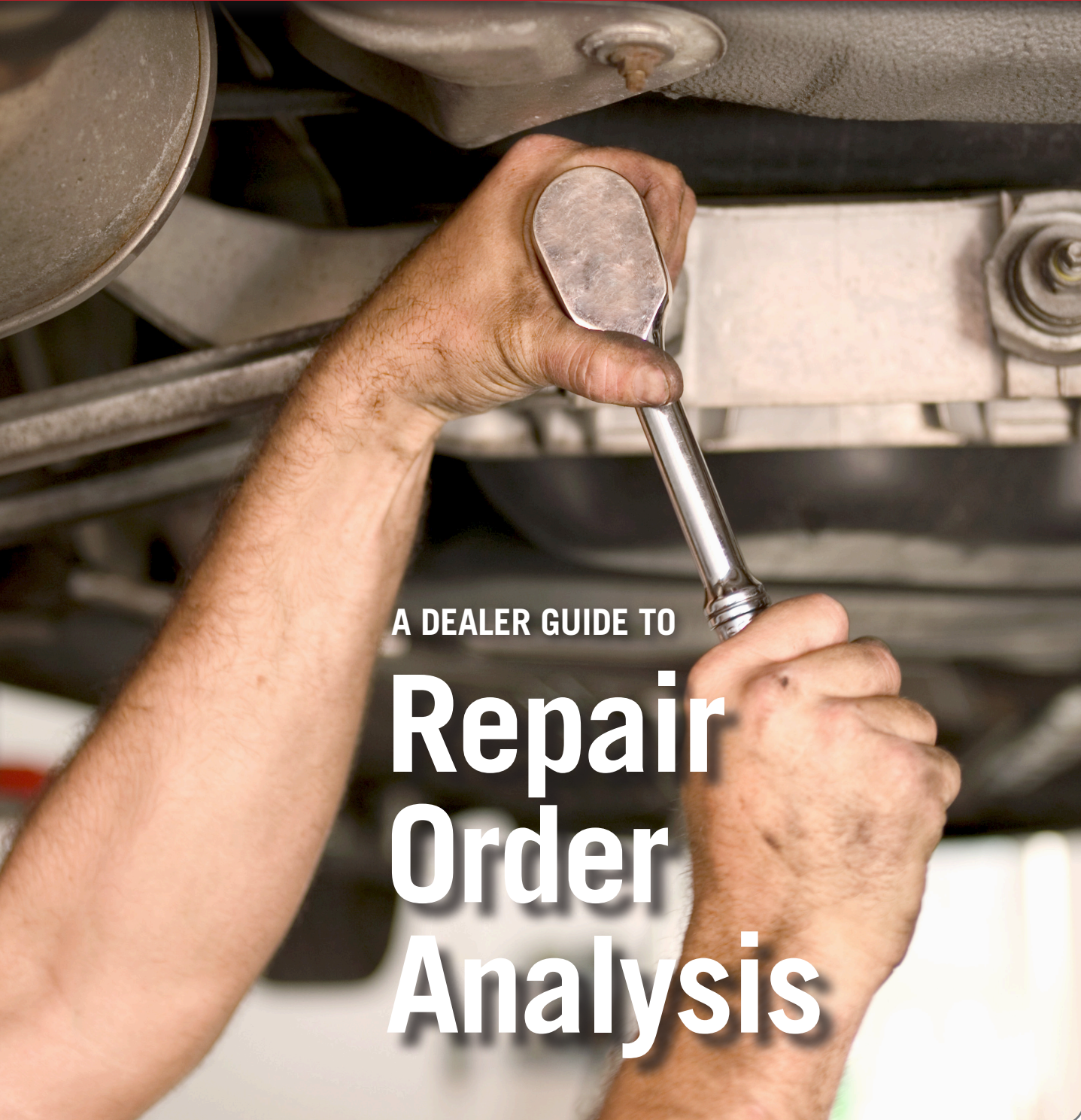


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NADA MANAGEMENT SERIES

SP3



A DEALER GUIDE TO

Repair Order Analysis



NATIONAL
AUTOMOBILE
DEALERS
ASSOCIATION

The National Automobile Dealers Association (NADA) has prepared this management guide to assist its dealer members in being as efficient as possible in the operation of their dealerships. The presentation of this information is not intended to encourage concerted action among competitors or any other action on the part of dealers that would in any manner fix or stabilize the price or any element of the price of any good or service.

A Dealer Guide to Repair Order Analysis

The repair order is the most important piece of paper in the service department. Most service managers take a daily look at all repair orders to ensure that they are legible and complete, that labor and parts are priced correctly, and that service advisors are selling as well as taking orders. But your service manager and parts manager should also analyze repair orders monthly for a more in-depth look at the performance of both departments.

Pull last month's repair orders and answer the following questions. Determine for yourself whether the answers are consistent with your service goals.

- | | |
|---|---|
| <p>1. What percentage of labor is being sold in the following categories?</p> <p>_____ % Customer Pay</p> <p>_____ % Warranty</p> <p>_____ % Internal</p> <p>2. What percentage of Customer Pay labor is being sold in the following categories?</p> <p>_____ % Competitive, e.g., Lube-Oil-Filter (L-O-F)</p> <p>_____ % Maintenance (Menus)</p> <p>_____ % Repair (General)</p> <p>3. How does the repair order count compare to the current year-to-date average?</p> <p>4. How does the Total Dollar Volume compare to your True Sales Potential based on the following formula?</p> <p><i># Tech Hours Avail* x 120% = Flat Rate Hour (FRH) Potential</i></p> <p><i>FRH Potential x Effective Labor Rate** = True Sales Potential</i></p> <p>* Deduct time not available due to sick leave, training, and other paid absences.</p> <p>** See work sheet to determine ELR.</p> <p>5. What is your average number of hours sold per Repair Order?</p> <p><i>Total Hrs. Billed ÷ RO Count = Avg. Hrs.</i></p> | <p>6. What percentage of your ROs contain only one line item? (If the majority of your one-line ROs is for L-O-F, you are missing maintenance opportunities!)</p> <p>7. What is the RO count per service advisor?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>8. How many total hours were sold by each service advisor?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>9. What is the total dollar volume of customer labor sales for this month per service advisor?</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>10. How many carry-overs were logged each day?</p> |
|---|---|

11. What is the age mix of vehicles coming into your service department?

- ____ Current and 1 year old
- ____ 2- to 3-year-old vehicles
- ____ 4- to 5-year-old vehicles
- ____ Older than 5 years

(At least 50% should be 3 years or newer. These are your best customers and they are the ones who provide the greatest opportunities for your service department and future sales in the sales department.)

12. How many items were sublet during the month? What type of work is being sublet?

13. Do your labor and parts sales reflect current advertising and promotion activities?

- ☐ Yes ☐ No

Compare the results of your analysis with these guides which were derived from an analysis of profitable dealers in the NADA 20 Group program:

- Ratio of productive to unproductive service employees: 2:1
- Average labor hours sold per RO: 2.2-2.5
High-line: 3.0
- Number of ROs written per day per service advisor: 15-18*

*18-22 if augmented by an appointment system
- Percentage of carry-overs logged each day: 10% or less
- Number of technicians effectively served by one service advisor: 5
- Number of hours recorded per service advisor: 40 to 50 FRH per day
- Parts sales billed for every \$1.00 charged for labor: 80 cents (Ratio will vary based on labor rate, location, and work mix.)
- Percentage of ROs containing only one line item: 15% or less

Use the NADA "Quick" Service Analysis on the next page to determine the following:

1. Effective Labor Rate (ELR) by category of labor
2. Overall Effective Labor Rate (OELR)
(Note the difference in your listed labor rate vs. the OELR.)
3. Real cost per hour
4. Average technician rate
(Note the disparity between what you think you are paying your techs and your actual cost per hour.)
5. Hours paid
(The difference between hours paid and hours billed is unaccounted-for compensation.)



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