



Five Critical KPI's for Demand Service

by
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Short Description of the Presentation:

Demand Service should be the most profitable department within your company...but it's usually not! This session will cover multiple reasons for poor performance. It will also cover the five (5) critical KPI's (Key Performance Indicators) that must be measured to ensure profitability.

Two Reasons Service Departments Are Not Profitable

- Why service is underpriced
- Difficult to manage

Who Is "Really" Running the Service Department?

Who Should Be Setting Department Standards?

Benefits of Setting Specific Goals for Demand Service?

Sixteen (16) Hindrances to Poor Performance

Quick Calculation to See If Your Hourly Rate Is in Range

Five (5) Critical KPI's to Measure in Demand Service

- Average Revenue Per Billable Hour
- Percentage of Daily Revenue Goal Reached
- Residential Collections Percentage
- First Time Completion Percentage
- Callback Percentage

Fully Loaded Hourly Rate

- Average base hourly rate
- Cost of vacation, holiday and sick pay
- Employee medical insurance
- Uniform expense
- Workman’s Comp Insurance
- Matching taxes (FICA, Medicare)
- State unemployment
- Year-end bonuses

For class, use your average tech wage and add \$4.00-\$5.00 per hour for the benefits.

What is your loaded hourly rate?



DETERMINE YOUR COMPANY’S FULLY-LOADED HOURLY LABOR RATE

WORKSHEET #1
 Determining Your Fully Loaded Hourly Labor Rate

\$ _____ Hourly Rate For Your Highest Paid Technician

+ **\$4.50** Approximate hourly amount of Costs, Benefits, Taxes, etc.
 (over & above base wages)

= \$ _____ This is your Fully Loaded Hourly Labor Rate

Is Your Tech Under Billing?

Hourly Rate -----	\$150.00
Plus Parts Cost -----	25.00
Plus Parts X Markup (\$21 X 100%) -----	25.00
Plus Trip Charge or -----	N/A
Plus Diagnostic Fee -----	79.00
Revenue Per Billable Hour Target	= \$279.00

REVENUE PER BILLABLE HOUR TARGET WORKSHEET

WORKSHEET #3

Average Revenue per Billable Hour Target

\$ _____ Hourly Service Rate

+ \$ _____ Parts Cost

+ \$ _____ Parts X Markup (i.e. \$21 X 100%)

+ \$ _____ Trip Charge **OR**

+ \$ _____ Diagnostic Fee

= \$ **Revenue per Billable Hour Target**

i The first step is to determine what your company should be charging out per billable hour. The example shows that the company should be charging out an average of \$279.00 for each hour billed the customer. If the technician billed out 1200 hours a year, they should be creating Gross Sales of \$334,000 per year for the company. Now the question is - "Is that happening?"

Calculate Your Company's Cost of Under Billing

Now go back and take a specific period of time (day, week, month, etc.) and determine what your "Real" Average Revenue Per Billable Hour is.

"Actual" Average Revenue per Billable Hour:

(based on 2 technicians for a week)

= Gross Sales ÷ Billed Hours

= \$ 7980 ÷ 38 Billed Hours

= \$ 210/Hour/Technician





Now go back and take a specific period of time (day, week, month, etc.) and determine what your "Real" Average Revenue per Billable Hour is.

To check yourself, first determine what your Average Revenue per Billable Hour target is (as calculated above). Then, take your total Service Department gross sales for the previous year and divide the sales by your technicians' actual billed hours. The number you come up with should be close to your Average Revenue per Billable Hour target. If not, you are under-billing by that amount.

If you have not tracked actual billed hours, a very good industry average is 50% non-billable time. That means a full-time technician working 2,080 hours/year will actually bill out an average of 1,040 hours per year.

How Much is Under Billing Costing Your Company?

$$\begin{aligned}
 &= \text{Avg Rev/Billable Hr Target} - \text{Actual Avg Rev/Billable Hrs} \times \text{Billed Hours} \\
 &= \$69.00 (\$279.00 - \$210.00) \times 1,200 \text{ Billed Hours} \\
 &= \$82,800/\text{Year}/\text{Technician}
 \end{aligned}$$

CALCULATE YOUR ANNUAL COST OF UNDER-BILLING:

WORKSHEET #4
 Cost of Under-Billing - Annually:

Look at your Total Revenue for a certain time period. Add up the Total Billable Hours for your team for this same time period.

Total Revenue ÷ Total Hours Billed = Average Revenue per Billable Hour

\$ _____ ÷ _____ = \$ _____

THEN:

Avg Revenue per Billable Hr X 1200 Hrs/Year X Number of Technicians

\$ _____ X 1200 Hours X _____ Technicians = \$ _____

Annual Cost of Under-Billing



To find out, take the difference between what your Average Revenue per Billable Hour should be and what is actually is and multiply it by your total service hours billed. This will tell you the dollar amount that you under-billed the customer last year.

DAILY REVENUE (STRETCH) GOAL PER TECH WORKSHEET

Select whichever option works best for you:

WORKSHEET #5 - OPTION #1
 Daily Revenue Goal Per Technician:

\$ _____ Average Revenue Per Billable Hour (*From KPI #1*)
 x _____ Average Calls Per Day, Per Technician

THEN:
 ÷ **0.9** For "Stretch" Goal

= \$ _____ Total Daily Revenue Goal, Per Technician

WORKSHEET #5 - OPTION #2
 Daily Revenue Goal Per Technician:

\$ _____ budgeted sales for year ÷ _____ Full-Time Technicians
 = \$ _____ Per Technician-Per Year

THEN:
 \$ _____ ÷ 240 work days Per Year-Per Technician
 = \$ _____ Per Day-Per Technician

Stretch Goal:
 \$ _____ ÷ 0.9
 = \$ _____ Per Day

OR:
 Rounded to \$ _____ Per Day