REPAIR SHOP OF TOMORROW · MASTERMIND 2026

# Measuring & Managing Labor

*The Most Important Profit Center in Your Shop*

Presented by: Steve Finzel & Ron Tinner

**Effective Labor Rate**

**Productivity**

**Hours Per Ticket**

*DISCUSSION: If your labor improved 10%, what would it mean to your bottom line?*

# Why Labor Makes Or Breaks A Shop

## OWNER MISTAKES

- Focusing only on car count
- Chasing sales instead of efficiency
- Discounting labor rates
- Ignoring technician productivity
- Not measuring labor KPIs weekly

## THE REALITY

*A shop CAN survive:*

- Parts margin fluctuations
- Seasonal slowdowns
- Marketing challenges

**A shop CANNOT survive:**

- Poor labor management
- Ignoring labor KPIs

**KEY FORMULA: Revenue = Labor Hours × Effective Labor Rate**

# Effective Labor Rate (ELR)

*The KPI Most Shops Misunderstand*

**FORMULA**

$$\frac{\text{Labor Dollars Collected}}{\text{Billed Hours}}$$

*$15,000 ÷ 100 hrs = $150 ELR*

**BENCHMARK TARGETS (Posted Rate: $175)**

| | | |
|---|---|---|
| Minimum Target | 85% | $148.75 |
| Healthy Target | 90% | $157.50 |
| Elite Shops | 95% | $166.25 |

**THE REAL COST OF A LOW ELR**

80% ELR vs 90% ELR = **$17.50 difference per billed hour**

At 800 billed hours/month: Lost Revenue = **$14,000 EVERY MONTH**

→ *Run a Labor Matrix just like your Parts Matrix to recover this loss*

# Labor Matrix Health Check

*Three Tracs Reports – What the Numbers Should Tell You*

FREE GOOGLE SHEET TEMPLATE

## Labor Matrix Report

| | |
|---|---|
| Total Hrs: | 286.3 |
| Labor Sales: | $45,180 |
| Billed Hrs: | 222.6 |
| Matrix Increase: | 63.7 hrs |
| Matrix Profit: | $10,052 |
| ELR: | $202.97 |
| Labor Rate: | $158.60 |
| % of Rate: | 127.97% |

127.97% — Matrix IS working

*1.28 matrix = 128%. Matches setup.*

## Sales Summary Report

| | |
|---|---|
| Labor Sales: | $160,010 |
| Billed Hrs: | 1,074.3 |
| ELR: | $148.94 |
| Labor Rate: | $158.60 |
| % of Rate: | 93.91% |

93.91% — Healthy (Target: 90%+)

*Min 85% · Healthy 90%+ · Elite 95%+*

## Labor Ops & Canned Jobs

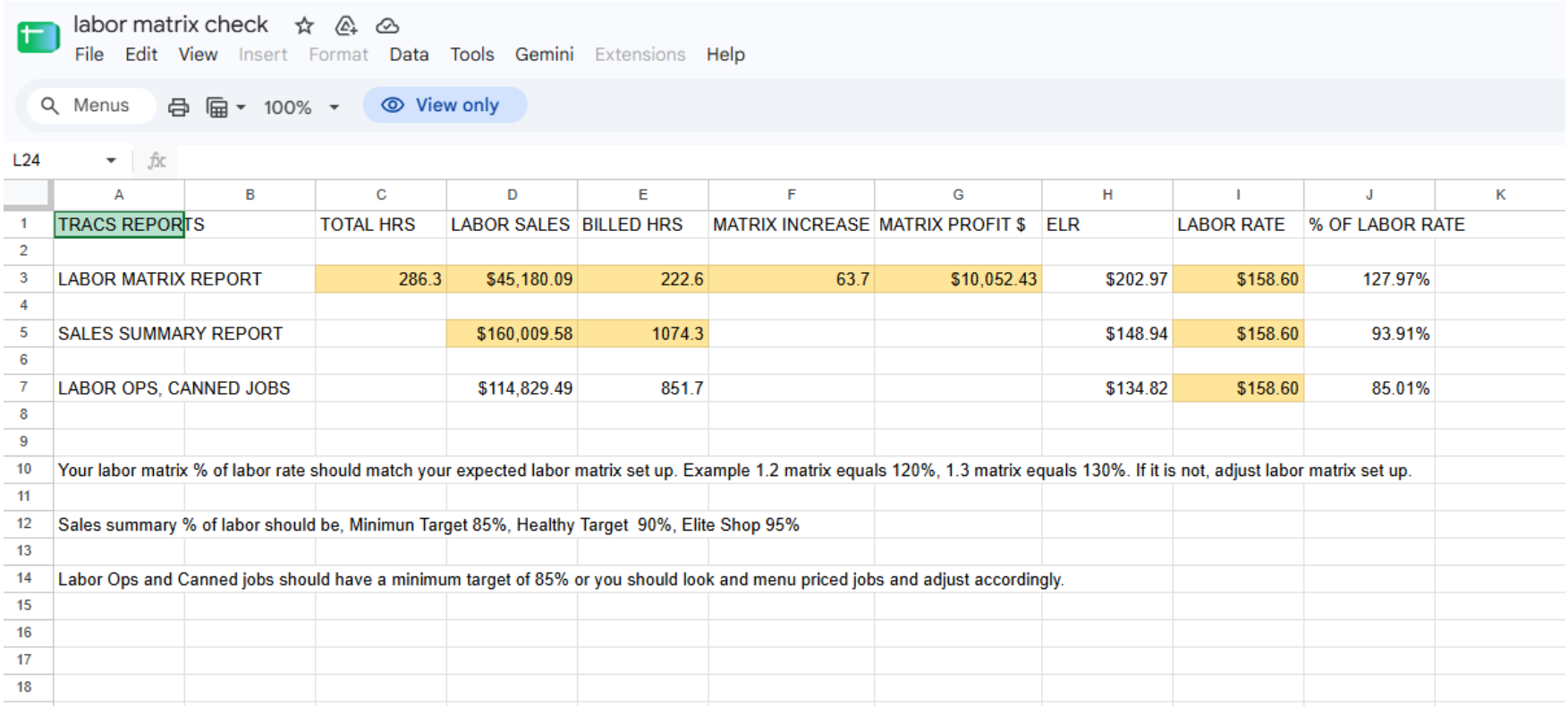
| | |
|---|---|
| Labor Sales: | $114,829 |
| Billed Hrs: | 851.7 |
| ELR: | $134.82 |
| Labor Rate: | $158.60 |
| % of Rate: | 85.01% |

85.01% — At Minimum Threshold

*Min 85% — review menu-priced jobs*

**MATRIX RULE:** 1.2 = 120% · 1.3 = 130% · 1.4 = 140% — If % of Rate doesn't match your setting, fix the matrix setup immediately.

# What to expect:



labor matrix check

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| | A | B | C | D | E | F | G | H | I | J | K |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | TRACS REPORTS | | TOTAL HRS | LABOR SALES | BILLED HRS | MATRIX INCREASE | MATRIX PROFIT $ | ELR | LABOR RATE | % OF LABOR RATE | |
| 2 | | | | | | | | | | | |
| 3 | LABOR MATRIX REPORT | | 286.3 | $45,180.09 | 222.6 | 63.7 | $10,052.43 | $202.97 | $158.60 | 127.97% | |
| 4 | | | | | | | | | | | |
| 5 | SALES SUMMARY REPORT | | | $160,009.58 | 1074.3 | | | $148.94 | $158.60 | 93.91% | |
| 6 | | | | | | | | | | | |
| 7 | LABOR OPS, CANNED JOBS | | | $114,829.49 | 851.7 | | | $134.82 | $158.60 | 85.01% | |
| 8 | | | | | | | | | | | |
| 9 | | | | | | | | | | | |
| 10 | Your labor matrix % of labor rate should match your expected labor matrix set up. Example 1.2 matrix equals 120%, 1.3 matrix equals 130%. If it is not, adjust labor matrix set up. | | | | | | | | | | |
| 11 | | | | | | | | | | | |
| 12 | Sales summary % of labor should be, Minimun Target 85%, Healthy Target 90%, Elite Shop 95% | | | | | | | | | | |
| 13 | | | | | | | | | | | |
| 14 | Labor Ops and Canned jobs should have a minimum target of 85% or you should look and menu priced jobs and adjust accordingly. | | | | | | | | | | |
| 15 | | | | | | | | | | | |
| 16 | | | | | | | | | | | |
| 17 | | | | | | | | | | | |
| 18 | | | | | | | | | | | |

# The Hidden ELR Killers

*Where Shops Lose Money Without Knowing It*

### Service Advisor Issues

- Discounting labor rates
- Giving away diagnostic time
- Not charging testing procedures

### Management Issues

- Incorrect technician time credits
- Poor labor matrix setup
- Canned service pricing too low

### Technician Issues

- Unbilled diagnostics
- Missing labor operations
- Skipping write-up on multi-point

RSOT Best Practice: Run a Labor Matrix just like a Parts Matrix — every matrixed dollar recovers losses from oil services, tire work, and courtesy inspections.

# Productivity

*The #1 Make-or-Break KPI*

**FORMULA**

$$\frac{\text{Billed Hours}}{\text{Available Hours}}$$

*32 billed ÷ 40 available = 80%*

**Industry Average: 67%**

**PRODUCTIVITY TARGETS**

| | |
|---|---|
| Poor | Under 70% |
| Healthy | 75% + |
| Strong | 85% + |
| Elite | 90% + |

At the industry average of 67%:

**One-third of every technician's payroll is being wasted — hours paid but not billed.**

***COMMON CAUSES: Car count inconsistency • Parts delays & workflow gaps • Under-selling by advisors • Unbilled diagnostics***

# Labor Hours Per Ticket (LHPT)

*The KPI That Changes Everything*

### Average Shop Thinking

*"We just need MORE cars."*

### High-Performance Thinking

*"We need MORE hours per opportunity."*

| Weak | Average | Strong | Elite |
|---|---|---|---|
| Under 1.5 | 1.5 – 2.0 | 2.0 – 2.5 | 2.5 – 3.0+ |

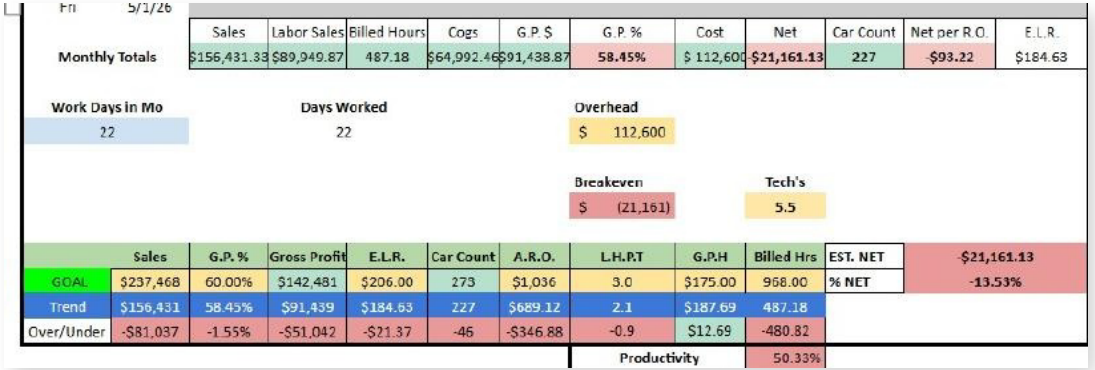
### THE MATH THAT CHANGES THE GAME

200 cars × 1.5 hrs LHPT = **300 Labor Hours**

200 cars × 3.0 hrs LHPT = **600 Labor Hours**

***Same car count. Same team. Double the labor sales. — ARO follows LHPT.***

# Struggling Shop – Real Scorecard (May 2026)



Fri 5/1/26

| | Sales | Labor Sales | Billed Hours | Cogs | G.P.$ | G.P.% | Cost | Net | Car Count | Net per R.O. | E.L.R. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Monthly Totals | $156,431.33 | $89,949.87 | 487.18 | $64,992.46 | $91,438.87 | 58.45% | $ 112,600 | -$21,161.13 | 227 | -$93.22 | $184.63 |

| Work Days in Mo | Days Worked | Overhead |
|---|---|---|
| 22 | 22 | $ 112,600 |

| Breakeven | Tech's |
|---|---|
| $ (21,161) | 5.5 |

| | Sales | G.P.% | Gross Profit | E.L.R. | Car Count | A.R.O. | L.H.P.T | G.P.H | Billed Hrs | EST. NET | -$21,161.13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GOAL | $237,468 | 60.00% | $142,481 | $206.00 | 273 | $1,036 | 3.0 | $175.00 | 968.00 | % NET | -13.53% |
| Trend | $156,431 | 58.45% | $91,439 | $184.63 | 227 | $689.12 | 2.1 | $187.69 | 487.18 | | |
| Over/Under | -$81,037 | -1.55% | -$51,042 | -$21.37 | -46 | -$346.88 | -0.9 | $12.69 | -480.82 | | |
| | | | | | | | Productivity | | 50.33% | | |

## 2.1

**LHPT**

Goal: 3.0

## $ $689

**ARO**

Goal: $1,036

## 50.3%

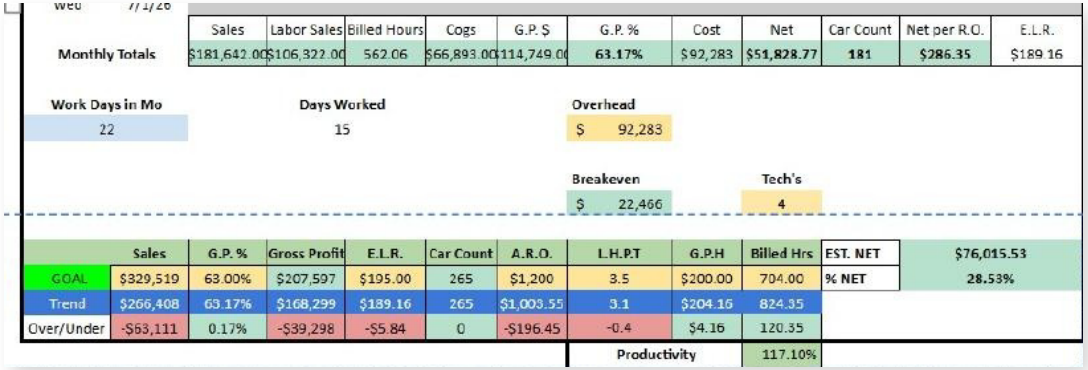
**Productivity**

Goal: ~85%

Estimated Net: **-$21,161** % Net: **-13.53%** | 227 cars • 22 days worked

- LHPT and ARO both significantly below goal

# High-Performance Shop – Real Scorecard (July 2026)



| | Sales | Labor Sales | Billed Hours | Cogs | G.P.$ | G.P.% | Cost | Net | Car Count | Net per R.O. | E.L.R. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Monthly Totals | $181,642.00 | $106,322.00 | 562.06 | $66,893.00 | 114,749.00 | 63.17% | $92,283 | $51,828.77 | 181 | $286.35 | $189.16 |

| Work Days in Mo | Days Worked | Overhead | Breakeven | Tech's |
|---|---|---|---|---|
| 22 | 15 | $ 92,283 | $ 22,466 | 4 |

| | Sales | G.P.% | Gross Profit | E.L.R. | Car Count | A.R.O. | L.H.P.T | G.P.H | Billed Hrs | EST. NET | $76,015.53 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GOAL | $329,519 | 63.00% | $207,597 | $195.00 | 265 | $1,200 | 3.5 | $200.00 | 704.00 | % NET | 28.53% |
| Trend | $266,408 | 63.17% | $168,299 | $189.16 | 265 | $1,003.55 | 3.1 | $204.16 | 824.35 | | |
| Over/Under | -$63,111 | 0.17% | -$39,298 | -$5.84 | 0 | -$196.45 | -0.4 | $4.16 | 120.35 | | |
| | | | | | | | Productivity | | 117.10% | | |

**3.1**

**LHPT**

Goal: 3.5

**$ $1,004**

**ARO**

Goal: $1,200

**117.1%**

**Productivity**

Crushing it!

Estimated Net: **+$76,016** % Net: **+28.53%** | 265 cars • 22 days worked

- LHPT and ARO both near goal

# The Labor KPI Flywheel

*Three Metrics – One Profit Engine*


**WEEKLY SCORECARD — Track These:**

- ELR (Effective Labor Rate)
- Productivity %
- Efficiency %
- LHPT (Hours per Ticket)
- Labor Sales $
- Gross Profit per Hour

**STOP ASKING:**

*"How do I get more cars?"*

**START ASKING:**

*"How do I get more billable hours from every opportunity?"*

# Your Action Plan

*Start Measuring. Start Managing. Start Winning*

**01** **Calculate Your ELR This Week**

Pull labor sales ÷ billed hours. Compare against your posted rate. Set a 90%+ target.

**02** **Measure Your Productivity**

Billed hours ÷ available hours. If under 75%, find the bottleneck — car count, dispatch, or advisors.

**03** **Track LHPT on Every Ticket**

Set a target of 2.0+ hours per RO. Coach advisors to present every recommendation on every ticket.

**04** **Build a Labor Matrix**

Stop discounting labor manually. A proper matrix recovers losses from oil services and tires automatically.

**Profit follows labor management. ELR follows process. ARO follows LHPT. — RSOT Coaching**

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# Thank You!

Start Measuring. Start Managing. Start Winning.

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Questions? Let's discuss your shop's labor KPIs

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