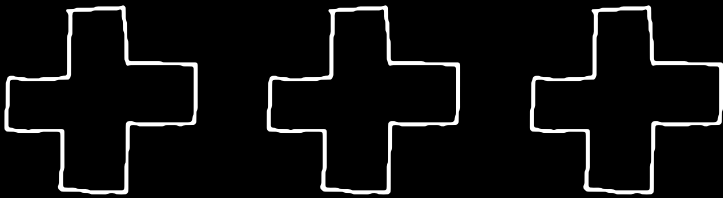


A guide to KPI terms



KPI definitions.

We understand Key Performance Indicators can seem complicated! There are many different types of KPI analysis available, from many different sources and each of those sources can have a different meaning. Below are a list of key terms associated with KPI with a quick guide to what they mean.

+ Overall Efficiency

Overall Efficiency for a bodyshop is measured by dividing Total Sold Hours (Total Labour Hours invoiced to customers in a defined period) by Total Attended Hours (Hours attended at work by workshop production staff for the same period).

Overall Efficiency is represented as a percentage and should be more than 100% for a bodyshop to have long term profitability. Most bodyshops do not measure non productive time (idle time) so it is difficult to achieve an accurate measure of Utilisation (Hours Worked divided by Hours Attended). This is why we measure Overall Efficiency.

Overall Efficiency should preferably be measured with Labour Gross Profit to get a more accurate picture of what is happening to profitability in the bodyshop.

+ Labour Gross Profit

Labour Gross Profit must always be measured with Overall Efficiency since one without the other can give a false impression on the real performance of a bodyshop.

Labour Gross Profit is calculated by subtracting the Total Labour Costs from the Total Labour Sales Revenue and dividing the result by the Total Labour Sales Revenue. The result is then multiplied by 100 to achieve a percentage.

For example:

Total Labour Sales Revenue (TLSR) = £100,000

Total Labour Costs (TLC) = £60,000

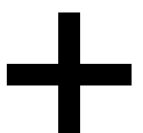
Labour Gross Profit = TLSR - TLC = £40,000

As a margin % = (£40,000/£100,000)* 100

Gross Margin as percentage of sales = 40%

A bodyshop can have a high Overall Efficiency but poor Labour Gross Profit. This can be as a result of excellent processes and organisation but due to high cost of labour or poor revenue performance (for example as a result of low charge out or heavy customer discounts for labour charges).

A bodyshop can have a high Labour Gross Profit and poor Overall Efficiency (a high labour charge out rate due to specialist, or unique services and/or captive market). If poor Overall Efficiency is left unchecked in a bodyshop then there is a risk that competitors will seize the opportunity to offer competitive rates or services to attract staff and customers who may be seeking improved benefits or services. One may lead to high staff churn the other may lead to loss of custom.



KPI definitions.

+ Average Labour Rate

The Average Labour Rate of a bodyshop is calculated by dividing the Total Labour Sales Revenue by the Total Sold Hours in any given period.

Changes in work mix can produce different Average Labour Rates.

(Too much labour discount or poorly estimated hours can have a significant effect on Average Labour Rate)

An understanding of the kind of work (and possible different labour charge out rates) that is being carried out in the bodyshop can be very useful when selecting the most or least profitable work to improve overall profitability.

Variations in Labour Charge Out rates (what the bodyshop charges its customers) and Overall Efficiency are among the key factors that affect the Average Labour Rate.

+ Paint and Materials Gross Profit

Paint and Materials Gross Profit is calculated by subtracting the Total Paint and Materials Costs by the Total Paint and Materials Sales Revenue. To obtain the result as a percentage margin, divide the result by the Total Paint and Materials Revenue. The result is then multiplied by 100 to achieve a percentage.

For example:

Total Paint and Materials Sales Revenue = £100,000

Total Paint and Materials Costs = £75,000

Paint and Materials Gross Profit = £25,000

As a margin % = $(£25,000/£100,000) * 100$
= 25%

Factors that affect Paint and Materials Gross Profit can be broadly grouped into three categories;

- + Wastage
- + Rectification
- + Poor charge out

These can be further analysed into the following:

- + Efficiency of painting systems
- + Technical capability of production staff
- + Stock control systems
- + Charge Out of Paint and Materials
- + Colour accuracy
- + Best Practice in Mixing materials

