Shop Performance Self-Diagnostic Guide

🔧 How to Interpret Your Results 🔧

The metrics on the front page represent common performance averages across independent automotive service shops in Canada. If your numbers fall outside the expected range, it does not necessarily mean something is wrong—but it may indicate areas where operational efficiency or profitability could be improved.

Use the guide below to understand what each metric is measuring and what it may reveal about your operation.

Operating Profit Margin

Measures the percentage of revenue remaining after all operating expenses are paid.

Why it matters:
This metric reflects the overall financial health of the shop.

If the number is low, it may indicate:
- Pricing structure is too low
- Parts markup strategy needs adjustment
- Overhead expenses are too high
- Labour efficiency or workflow issues

Industry performance range:

🟢 **9.1% or higher**

🟠 **5 - 9%**

🔴 **4.9% or lower**

Payroll Ratio

Measures how much of total revenue is consumed by payroll and employee benefits.

Why it matters:
Payroll is typically the largest controllable expense in a service operation.

If the number is high, it may indicate:

- Labour hours are not being billed efficiently
- Staffing levels exceed current workload
- Labour pricing may be below market

Industry performance range:

- 🟢 26.5% or lower
- 🟠 26.6 - 32%
- 🔴 32.1% or higher

Parts Cost Ratio

Measures the percentage of revenue consumed by parts cost.

Why it matters:
Parts sales should contribute meaningful margin to support shop profitability.

If the number is high, it may indicate:

- Parts markup strategy is too low
- Vendor pricing could be improved
- Parts are being discounted too frequently

Industry performance range:

- 🟢 40.8% or lower
- 🟠 40.9 - 47%
- 🔴 47.1% or higher

Overhead Ratio

Measures operating expenses such as rent, utilities, insurance, software, and administrative costs.

Why it matters:
Even profitable shops can struggle if fixed costs consume too much revenue.

If the number is high, it may indicate:
- Facility costs are too high relative to volume
- Administrative expenses need review
- Shop capacity is underutilized

Industry performance range:

- 23.6% or lower
- 23.7 - 30%
- 30.1% or higher

Average Repair Order (ARO)

Measures the average value of each completed repair order.

Why it matters:
Higher ARO typically reflects strong inspection processes and effective service presentation.

If the number is low, it may indicate:
- Inspections are not being fully utilized
- Advisors are not presenting recommended services clearly
- Opportunities for preventative maintenance are being missed

Industry performance range:

- $273 or higher
- $200 - $272
- $199 or lower

Car Count per Bay per Day

Measures how efficiently the shop is using its available service capacity.

Why it matters:
Low utilization means equipment and facility costs are not producing revenue.

If the number is low, it may indicate:

- **Scheduling inefficiencies**
- **Technician workflow bottlenecks**
- **Low marketing visibility or customer traffic**

Industry performance range:

🟢 **2.5 vehicles or higher**

🟠 **1.8 – 2.4 vehicles**

🔴 **1.7 vehicles or lower**

Effective Labour Rate (ELR)

Measures the actual labour revenue earned per billed hour compared to the posted labour rate.

Why it matters:
This shows whether labour pricing and billing practices are capturing the shop's true value.

If the number is low, it may indicate:

- **Excessive discounting**
- **Inaccurate labour time billing**
- **Incomplete labour charges**

Industry performance range:

🟢 **85 – 95% of posted labour rate**

🟠 **75 – 84% of posted labour rate**

🔴 **74% of posted labour rate or lower**

Estimate Approval Rate

Measures the percentage of presented work that customers approve.

Why it matters:
This metric reflects customer trust, communication clarity, and service presentation.

If the number is low, it may indicate:

- Estimates are not being explained effectively
- Customers are not seeing the value of recommended work
- Service advisors may benefit from sales process improvements

Industry performance range:

- 🟢 60% or higher
- 🟠 45 - 59%
- 🔴 44% or lower

Diagnostic Summary

If one or more of your metrics falls outside the expected range, your shop may have a performance "trouble code."

Vancity Auto Consultants helps independent repair shops diagnose the root cause and implement systems that restore profitability and efficiency.

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