

Service Rate Calculator

Required Information

Enter your top technician hourly pay..... \$ A

*Enter the pay rate of your highest paid technician.
If you use a technician and a helper, enter the
combined pay rate for both.*

Enter the average spiffs and bonuses paid per
technician per week..... \$ B

*Enter the typical amount of spiffs and bonuses
that your average technician would receive on
weekly basis.*

Enter direct expenses as a percent of pay..... % C

*Direct expenses includes worker's comp, Medicare,
unemployment, social security, health care
benefits, and so on.*

Enter the number of paid vacation days D

Enter the number of paid holidays E

Enter the number of paid sick days..... F

*Enter the number of paid days off, not including
days where personnel are sent home without pay.*

Enter the number of billable hours per day G

*Enter the average number of hours out of a
standard eight hour day that will be billed to a
customer/job, whether flat rate or time &
materials.*

Enter total service department overhead \$ H

*As much as possible, identify overhead items
directly related to "service" work, not installations
or service agreement fulfillment. For company
overhead items (e.g., owner's salary, rent), assign
a proportion of it to the service department.*

Enter the total technician man-years.....	<input type="text"/>	I
<i>One technician employed full time for a full year equals 1.0 man-years. One technician employed full time for six months equals 0.5 man-years. One technician employed 20 hours per week for the entire year equals 0.5 man-years. Enter the total technician man-years for all technicians here.</i>		
Enter any miscellaneous percentage costs.....	<input type="text"/>	% J
<i>Miscellaneous percentage costs might include a callback or warranty reserve or other accounts that are not included in overhead and that are applied on a percentage basis.</i>		
Enter any miscellaneous dollar costs	<input type="text"/>	\$ K
<i>Miscellaneous dollar costs include special allowances made on a dollar per billable hour basis, such as a tool allowance or education allowance.</i>		
Enter desired net profit after tax.....	<input type="text"/>	% L
<i>Enter the net profit as a percent of sales that you would like to earn after taxes.</i>		
Enter top marginal state tax rate.....	<input type="text"/>	% M
<i>Enter the top marginal state business income tax rate (or individual tax rate, depending upon how your business is organized).</i>		
Enter top marginal federal tax rate.....	<input type="text"/>	% N
<i>Enter the top marginal federal business income tax rate (or individual tax rate, depending upon how your business is organized).</i>		
Service Agreement Discount	<input type="text"/>	% P
<i>Enter the service agreement percentage discount.</i>		

Labor Cost Per Hour Calculations

Average Hourly Spiffs and Bonuses \$ **Q**
This is a calculated number based on an average 40 hour work week.

$$Q = B / 40$$

Average Labor Cost Per Hour \$ **R**
The average labor cost is the amount each technician costs per hour whether they are working or not.

$$R = (A + Q) \times (1 + C)$$

Labor Cost Per Billable Hour Calculations

Hours Available **S**
This is the number of calculated hours based on subtracting the paid time off from a year with 52 weeks of 40 hours each (2,080 hours total).

$$S = 2080 - (D + E + F) \times 8$$

Labor Cost Per Available Hour \$ **T**
This is the direct labor cost you incur for every hour your technicians are available for work.

$$T = R / (S / 2080)$$

Applied Time **V**
This is the percentage of your technicians' time that is actually applied to productive (i.e., billable) time.

$$V = G / 8$$

Labor Cost Per Billable Hour \$ **W**
This is your labor cost for each hour you bill.

$$W = T / V$$

Break Even Service Rate Calculations

Overhead Per Billable Hour \$ **Y**
This is your service overhead divided by the number of billable hours available, counting all of your technicians.

$$Y = H / (I \times S \times V)$$

Labor Cost After Overhead \$ **Z**
 $Z = W + Y$
This is the direct labor costs, plus the service department overhead per hour.

Break Even Labor Cost..... \$ **AA**
 $AA = Z / (1 - J) + K$
This is the calculated break even cost per hour. If your hourly rate is less than this and you are not supplementing your service pricing with diagnostics, trip charges, truck charges, etc., then you are not charging enough to "break even" on service.

Hourly Service Rate Calculations

Required Operating Profit (Earnings Before Tax)..... % **AB**
 $AB = L / (1 - (M + (N \times (1 - M))))$
This is the operating profit or net income before tax that you must make to ensure you achieve your targeted net profit after taxes.

Service Rate \$ **AC**
 $AC = AA / (1 - AB)$
This is your calculated hourly service rate. It does not include supplemental charges, such as diagnostic, trip, or minimum charges. If supplemental charges are part of your profits (and not part of marketing), you could discount the service rate accordingly. Your service rate is what service agreement customers pay so you will achieve your targeted net profit when every customer owns a service agreement.

Service Rate For Non-Service Agreement Customers \$ **AD**
 $AD = AC / (1 - P)$
Non-service agreement customers should pay more. It costs more to serve them and they tend to be less loyal. Charge non-service agreement customers this rate to allow a service agreement discount standard discount and still achieve your targeted net profit after tax. Remember to account for fixed charges, such as diagnostics.