FIXED OPERATIONS

Reading Hours per RO Without Fooling Yourself

Why one of fixed operations' most watched KPIs can tell the wrong story when you read it in isolation.

Hours per Repair Order (**H/RO or HR/RO**) is one of the first numbers many fixed operations leaders look at when assessing service-lane performance.

It can tell us whether advisors are identifying customer needs, whether inspections are generating legitimate recommendations, and whether the dealership is capturing the available work on each vehicle.

But there is a problem: **a good H/RO or HR/RO number does not automatically mean you have a healthy operation.**

If you only look at the total, the number can hide more than it reveals.

The Average Can Fool You

Imagine your dealership finishes the month at **2.4 H/RO (HR/RO)**. At first glance, that might look healthy.

But my next question would be: **Where did those hours come from?**

Were they Customer Pay, Warranty, Internal, maintenance, repair, or diagnostic work? That distinction matters because not every sold hour creates the same economic result.

96 Sold Hours	Effective Labor Rate	Labor Sales
Warranty	$133	$12,768
Customer Pay	$190	$18,240

Same technicians. Same 96 sold hours. But there is a **$5,472 difference in daily labor sales.**

Over 20 working days, that is more than **$109,000** in potential labor-sales difference.

This is why I don't believe we should manage sold hours without also understanding **the mix and value behind those hours.**

Separate the Pay Types

One of the simplest ways to get a clearer picture is to stop relying only on blended H/RO or HR/RO.

Track at minimum: **CP H/RO (CP HR/RO) | Warranty H/RO (Warranty HR/RO) | Internal H/RO (Internal HR/RO)**.

Then connect those numbers to **RO Count | Sold Hours | ELR | Labor Sales | Labor Gross Profit**.

Suppose your total H/RO (HR/RO) increases from 2.1 to 2.5. That sounds like improvement. But what if CP H/RO (CP HR/RO) actually dropped from 2.0 to 1.6 while warranty hours increased significantly?

Your total H/RO (HR/RO) improved, but your **customer-pay performance weakened**. If you only celebrated the blended number, you could completely miss the leak.

More Hours Don't Always Mean More Revenue

Sometimes sold hours increase without the expected increase in labor sales. That's when I start looking at **ELR - Effective Labor Rate.**

An advisor may discount heavily to close work. Or additional technician time may be added to an RO without recovering the appropriate amount from the customer.

The shop records more sold hours, so H/RO or HR/RO looks stronger. Your sold-hours target may even be achieved. But your **ELR and gross profit** can tell a very different story.

That's why I like to look at these KPIs together: **H/RO (HR/RO) + ELR + Labor Sales + Labor GP.** No single KPI should be allowed to declare victory by itself.

Then Go One Level Deeper

Once you separate the pay types, segment your Customer Pay business further. Ask: **What type of work is generating our CP hours?**

Maintenance? Brakes? Tires? Alignments? Diagnostic work? Fluid services? Major mechanical repairs?

This is where H/RO or HR/RO becomes more than a scorecard. It becomes a **diagnostic tool**.

For example, if CP H/RO (CP HR/RO) is low, the answer isn't automatically, "The advisors need to sell more." Maybe they do. But perhaps your inspection process isn't identifying opportunities, technicians aren't completing inspections consistently, recommendations aren't being presented clearly, customers aren't seeing the value, the appointment mix is dominated by low-hour maintenance, or the shop lacks capacity to perform the work advisors are finding.

Those are very different problems - and they require very different solutions.

Don't Manage the Number. Diagnose the System.

When I see an underperforming KPI, I don't want to immediately push the team harder. I want to know: **Where is the leak?**

If CP H/RO (CP HR/RO) is low, identify why. If H/RO (HR/RO) is strong but ELR is weak, investigate pricing, discounting and labor-time recovery. If both are strong but labor sales are still below target, look at RO volume, technician capacity and utilization. If sales are strong but gross profit is weak, investigate cost structure and margin.

Every KPI should lead to another question. Because the purpose of a dashboard isn't simply to tell you whether a number is red or green. **Its purpose is to tell you where to look next.**

The Takeaway

Hours per RO - whether your organization labels it **H/RO or HR/RO** - remains one of the most valuable KPIs in fixed operations. But don't let the average fool you. Separate the pay types. Understand the work mix. Connect hours to ELR, sales and gross profit.

> **Instead of asking only, "Did H/RO or HR/RO go up or down?", ask the more important question: "What is driving it?"**

Because improving a KPI is good. Understanding why it moved is how you build a repeatable, profitable operation.

Mustafa Farag, MBA
Founder | Business Coach | Fixed Operations Consultant

TORQUEPOINT CONSULTING

Cell : +1 (236) 332-7855
Email: Mustafa@torquepointconsulting.com