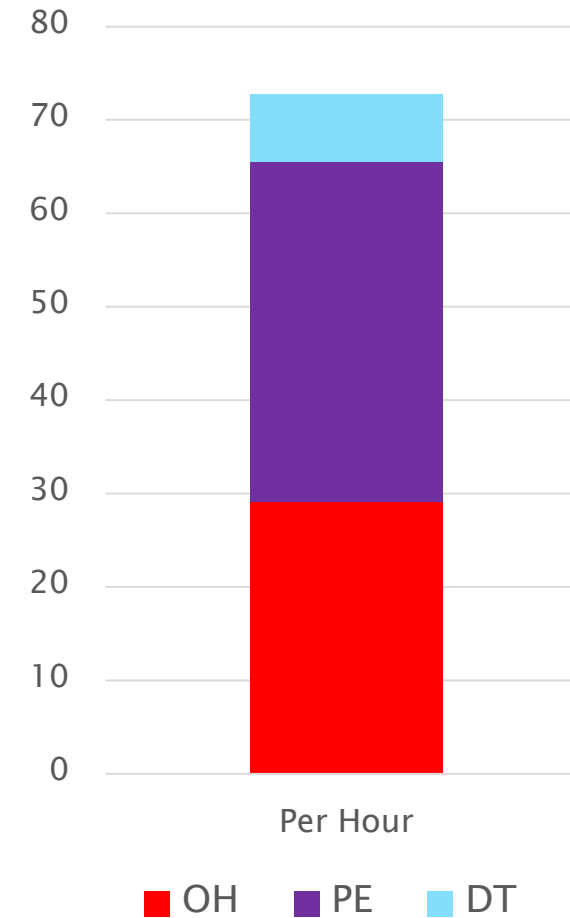# Hourly Rate

Todd Earsley

Purpose

- Ensure your hourly rate is sufficient

- Set your rate based on data

- Don't be the cheapest shop in town

  ◦ Price yourself based on your knowledge and experience

- Operating like a business, not a hobby

Effective Hourly Rate

- Total annual overhead expenses

  ◦ Rent, utilities, insurance

- Total annual payroll expenses

- Debt payments

  ◦ Business loans, credit cards, dyno payment

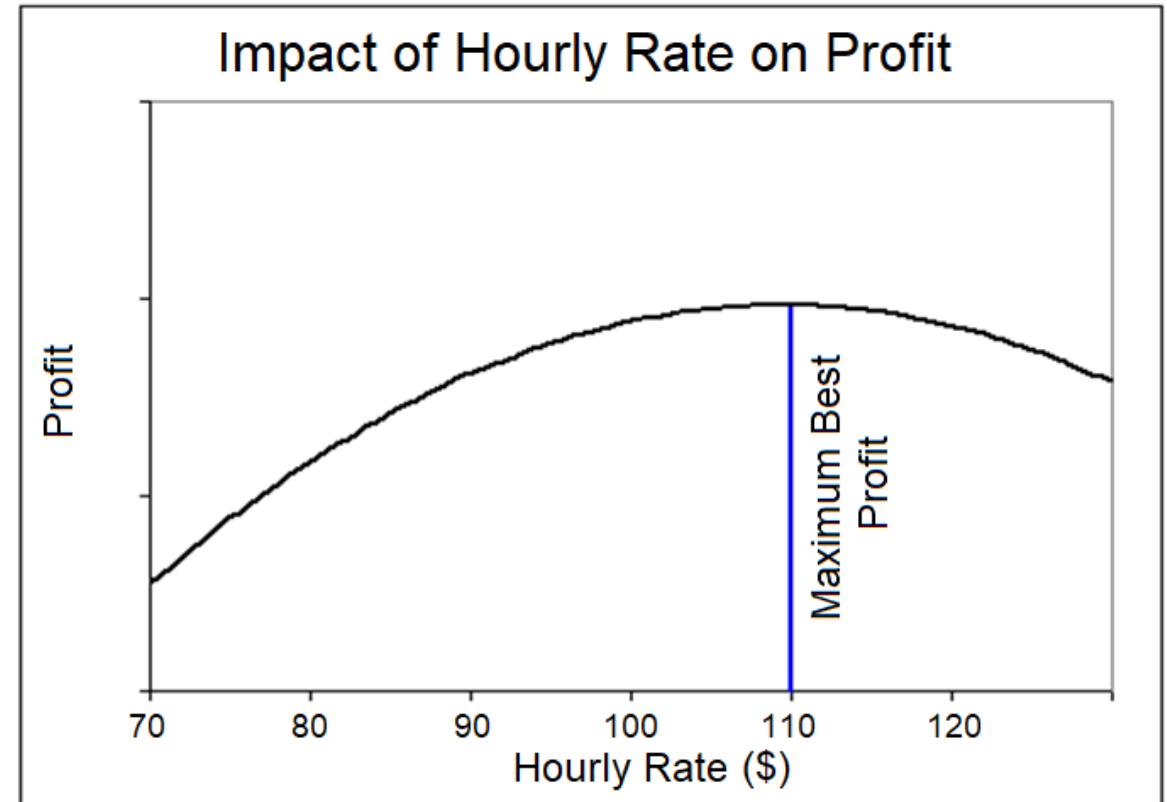- Total Billed Hours

- Hourly Rate $= \frac{OH+PE+DT}{BH}$

Hourly Rate Example

- OH = $160,000

- PE = $200,000

- DT = $40,000

- BH = 5500

- HR $= \dfrac{OH + PE + DT}{BH}$

  ◦ 400000/5500 = **$72.7/hr**

- Add in Profit at the end

Per Hour

■ OH ■ PE ■ DT

Adjusting Hourly Rate

- See what happens if you raise it $10

- Give yourself a buffer

- Don't unknowingly discount below this number

- Affects backlog

- Affects Estimate conversions

Impact of Hourly Rate on Profit

Profit (y-axis) vs Hourly Rate ($) (x-axis: 70, 80, 90, 100, 110, 120). Curve peaks at 110, marked "Maximum Best Profit".

Contact Information/Resources

- info@myshopassist.com
  - Email me for any follow up questions
- www.MyShopAssist.com
  - Videos and information about our project management system
- www.DoItForALivingPodcast.com
  - Podcast for the aftermarket industry and Facebook group for questions and answers