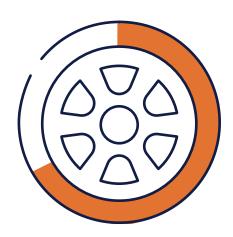# Parts Markup Guide for Auto Repair Shops

Are you losing profit due to improper parts markups and margins? PartsTech surveyed 618 general auto repair shop owners and managers across the United States and found that 67% of shops are leaving money on the table when it comes to their gross profit on parts. This guide, created in collaboration with The Institute for Automotive Business Excellence, will help your shop increase profits by implementing a parts markup strategy and matrix.

67% of shops leave money on the table when it comes to gross profit on parts

Parts Markup Matrix – What is it?

A parts markup matrix is a strategy-based formula for pricing parts. It guides the markup on purchased parts, ensuring a healthy profit margin on every repair order. It typically **applies higher markups on lower-cost parts and lower markups on higher-cost parts** to achieve a targeted overall margin.

Why a Parts Matrix is a Must-Have

Implementing a customized parts markup matrix is essential for profit, as **standard list prices or flat markups won't achieve healthy margins**. This strategy ensures prices align with your services, protecting margins and enhancing profitability.

Parts Markup – A Breakdown

Parts Markup or **Markup Multiplier**: The percentage or multiplier by which the cost of the part is increased to arrive at the selling price. (See matrix on next page)

Parts Margin: The profitability of selling a part (calculated as a percentage). How to Calculate. →

$$((\text{Selling Price} - \text{Cost Price}) \div \text{Selling Price}) \times 100$$

Selling Price: The final amount charged to a customer for a part. How to Calculate. →

$$\text{Cost Price} \times \text{Markup Multiplier}$$

Gross Profit on Parts: The total revenue generated from selling parts minus the cost of those parts to your shop, indicating the financial gain from parts sales before accounting for other expenses.

How to Calculate Your Gross Profit on Parts

$$(\text{Total Sales} - \text{Cost of All Parts Sold}) \div \text{Total Sales} = \text{Gross Profit on Parts}$$

How to Create a Parts Markup Strategy

Scan the QR code at the bottom of this page to see expanded steps, tips, and considerations.

Step 1
Determine the overall Gross Profit you need on parts. The Institute's coaches recommend 58%.

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Step 2
Set up a parts matrix, start using it, and stick to it. See the sample matrix below.

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Step 3
Review the actual parts margin for your shop every month (see calculation on the front page) and make adjustments on your matrix to obtain your desired parts profit.

Tip
Don't let emotions or customer concerns over costs deter you from standing firm on your parts markup. Your shop adds high value to the parts through warranties, guarantees of fixed vehicle issues, proper fitment, and expert installation — justifying your worth.

Consideration
Take a sales class to identify your unique sales proposition (USP) and reasons for pricing higher than competitors or online stores. Recognize the value you offer. Practice your USP to justify your prices confidently.

Benchmark Matrix by Part Cost

This is a sample matrix from The Institute for Automotive Business Excellence that you can use as a starting point to mark up your parts. Adjust it based on your unique shop.

Part Cost	Markup Multiplier	Approximate Profit %
$0 to $2.50	X 4.00	75.0% Profit
$2.50 to $5.00	X 3.75	73.3% Profit
$5.01 to $10.00	X 3.00	66.7% Profit
$10.01 to $50.00	X 2.75	63.6% Profit
$50.01 to $100.00	X 2.50	60.0% Profit
$100.01 to $150.00	X 2.20	54.5% Profit
$150.01 and $200.00	X 2.00	50.0% Profit
$200.01 and 500.00	X 1.85	46.0% Profit
$500.01 and Up	X 1.70	41.1% Profit

Did You Know?

PartsTech simplifies how you manage profits on parts by automating markup calculations. Easily set up parts matrices and view your gross profit in real time as you add parts from your suppliers to your cart. PartsTech also seamlessly integrates with leading shop management systems (SMS), helping you ensure accurate pricing and healthy margins on parts before adding them to a repair order in your SMS — making profitability simpler than ever.