

# Steering your dealership to higher profits

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July 2022 profit results, net 4.3% of sales remain very good. In June it was 4.6% and in May 2022 it was 5.0%. It is too soon to tell if there is a downward trend but it appears the monthly net profit percentage sales is trending downward based on our over 200 new vehicle dealers. As a reminder historical net percentage sales was in the range approximately 2.4% from 2010–2019 while in 2020 approximately 3.6% and in 2021 5.0%. The enclosed survey based on a limited number of dealer financial statements for July reflected the pre-tax net profit percentage of sales was 5.3% and 5.6% Y-T-D. The gross profit plus other income as a percentage of sales for July was 16.8% and 17.3% Y-T-D.

## Monthly Financial Results – June 2022

	June Better Than May	June Worse Than May	June Best Month	Net Profit % Sales June	New Units	Used Units
<b>CHRYSLER</b>	40%	60%	5%	4.5%	37	53
<b>FORD</b>	50%	50%	10%	4.7%	25	52
<b>G.M.</b>	60%	40%	15%	4.3%	42	57
<b>IMPORTS</b>	50%	50%	20%	5.3%	58	59
<b>OVERALL</b>	50%	50%	15%	4.8%	44	56

## Monthly Financial Results – July 2022

	July Better Than June	July Worse Than June	July Best Month	Net Profit % Sales July	New Units	Used Units
<b>CHRYSLER</b>	40%	60%	20%	4.5%	41	48
<b>FORD</b>	35%	65%	0%	3.4%	29	50
<b>G.M.</b>	30%	70%	5%	3.6%	33	56
<b>IMPORTS</b>	45%	55%	10%	5.5%	50	56
<b>OVERALL</b>	40%	60%	10%	4.5%	40	53

	Net < 3.0%	Net 3.0 – 3.99%	Net 4.0 – 4.99%	Net + 5.0%
<b>CHRYSLER</b>	29%	14%	2%	55%
<b>FORD</b>	23%	34%	26%	17%
<b>G.M.</b>	35%	24%	19%	22%
<b>IMPORTS</b>	18%	5%	14%	63%
<b>OVERALL</b>	25%	16%	15%	44%

**“Make a customer, Not a sale.”**

– Katherine Barchetti

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## **Factory New Vehicle “Allocation”**

We are seeing a wide range of day's supply on new vehicle dealer's new vehicle inventory, new units on the ground, versus the number of new units sold in the most recent month. We are concerned the factories inventory allocation is error prone or discriminates either unintentional or intentionally. When this is pointed out to the factory representative, they never admit to any errors or discrimination.

As a couple of examples, we have seen one small dealer that has no new units in stock on the ground and therefore sold zero new units. We have a couple of larger dealers that sell more than 100 new per month and have less than 10 new units in stock and are measured well below factory new vehicle sales efficiency average which mathematically makes no financial sense and the factory response was not understandable or meaningful. If this might apply to you, you should notify the factory or feel free to contact us in how to respond.

## **Factory Relations**

We regularly see minor changes in a dealer's financial structure where the dealer notifies the factory for approval and concurrence. Recently more than one dealer we know of had a reduction of the number of equity owners and there was no change in management or changes in the balance sheet. A change such as these should take maybe a couple of weeks for the factory concurrence and/or approval. Two major factories took over 6 months to approve this minor change. Sometimes the factories make the U.S. Government look prompt.

We believe most, if not all major factories, tell their dealers the dealer cannot assign to a lender any control of the dealership if the dealer fails at meeting banker lending obligations. Recently this is the factory wording to a dealer: “the dealership will prevent giving any lender or security holder the right to exercise their remedies in any way which would result in the lender assuming ownership or management control of the dealership.” Be aware of this.

## **IRS 2019 Individual Income And Income Tax Metrics**

We all hear from the media, written and electric, about how little the high income individuals pay in income taxes and do not pay their share. The IRS publishes a summary of taxable personal income that allows for a reasonable review of adjusted gross income which is mainly made up of W-2 income, interest income, and gains on the sales of stocks and retirement income. The most recent taxable year available was 2019. Below are some of the metrics taken from the report:

The top 1% had 20% of the adjusted gross income and paid 39% of the taxes. In other words this group paid almost double the percentage of taxes for their income level. The total taxes paid for all tax payers was a 13% overall income tax return. For taxpayers making adjusted gross income of \$50,000 or less, this group made up 57% of taxpayers, received 17% of adjusted income, and paid 4% of the income taxes. On average this group paid \$740 in income taxes. In 1986 the total adjusted income per all taxpayers was \$23,700, in 2000 it was \$47,000, and in 2018 it was \$70,000.

## Auto Industry 2021 Executive Compensation

The Automotive News recently reported the 2021 and 2020 Total CEO Compensation for many in the automotive industry. Thought you might find of interest the annual compensation of a select group of individuals in our industry. CEO median compensation increases 78%.

Company	Executive	2021	2020
Tesla	Elon Musk	\$23,000,000	
General Motors	Mary Barra	\$62,000,000	\$40,000,000
Lithia	Bryan DeBoer	\$16,000,000	\$7,000,000
Group 1	Earl Hesterberg	\$15,000,000	\$7,000,000
Asbury	David Hult	\$12,000,000	\$8,000,000
Sonic	David Smith	\$11,000,000	\$4,000,000
Ford	James Farley	\$10,000,000	
CarMax	William Nash	\$10,000,000	\$15,000,000
Penske	Roger Penske	\$9,000,000	\$4,000,000
Vroom	Paul Hennessy	\$7,000,000	\$5,000,000
AutoNation	Michael Manley	\$2,000,000	

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