

Steering your dealership to higher profits

A publication of Woodward & Associates
Consultants to the Automotive Industry

Written by Carl Woodward & Scott Woodward

March 2023

As we wrote in last month's issue, February 2023, the year 2022 was the second-best year for new vehicle dealer's pre-tax net profit as a percentage of sales of 4.9%, compared to the best year ever of 5.4% in 2021. We are seeing the last month of 2022 and the first two months of 2023 net profit as a percentage of sales is trending downward as we expected. From our sample of many new vehicle dealers, January 2023 net profit of percentage of sales was only 2.6% while February 2023 was 2.8%.

The trends we see and read about include new vehicle inventories are increasing along with used vehicle inventories, advertising, new and used vehicle floor plan interest expense, and lower front-end new and used gross profit margins as would be expected. These changes will cause net profit as a percentage of sales to decline as expected. Also we have read some factories are increasing fleet sales. The results for February below do not agree to similar amounts on the numbers page at the end of this issue. The numbers below are computed using all of our dealership clients and the summary at the end of this issue is computed based only on a sample.

Monthly Financial Results – February 2023

	February Better Than January	February Worse Than January	February Best Month	Net Profit % Sales February	New Units	Used Units
CHRYSLER	65%	35%	—	2.6%	23	40
FORD	45%	55%	—	2.4%	32	52
G.M.	50%	50%	—	2.3%	25	45
IMPORTS	55%	45%	—	3.7%	45	41
OVERALL	55%	45%	—	2.8%	31	41

	Net < 3.0%	Net 3.0 – 3.99%	Net 4.0 – 4.99%	Net + 5.0%
CHRYSLER	60%	0%	20%	20%
FORD	40%	20%	30%	10%
G.M.	55%	25%	10%	10%
IMPORTS	30%	10%	30%	30%
OVERALL	50%	15%	15%	20%

Monthly Financial Results – December 2022

	December Better Than November	December Worse Than November	December Best Month	Net Profit % Sales December	New Units	Used Units
CHRYSLER	10%	90%	5%	N/A	25	32
FORD	40%	60%	20%	2.6%	27	61
G.M.	50%	50%	20%	3.0%	37	42
IMPORTS	45%	55%	5%	3.8%	53	50
OVERALL	40%	60%	10%	2.3%	37	47

**“Mechanical excellence is the
only vehicle of genius.”**

– William Blake

Inside

Worker's Compensation Audit	2
Enclosed February Selected Financial Results	2
National New Car and Light Duty Trucks Sales March 31, 2023	2
Monthly Sales and Profit Survey	3
National Economic Metrics	4

Worker's Compensation Audit

All dealers have worker's compensation insurance. Annually when you renew your policy or change worker's compensation insurance companies you supply them expected worker's compensation payroll for the next twelve months. They base the one year premium on this expected annual payroll. Each state has different categories of employees with different "rates" for each employee group. This means you will typically have a low rate per hundred dollars of compensation for office employees and usually a very high rate for service technicians. At the end of the insurance year the workers compensation insurance company will ask for the employee compensation for each "rate classification." It is in your financial interest to have employees in the lower cost "rating" groups.

Below are some comments from one of our dealers when he was reviewing the worker's compensation audit that had been tentatively done by someone in his accounting office:

The audit was done over the phone.

An additional bill exceeded \$10,000 after the audit was done by the office.

He Googled his employees worker's compensation classifications for his state.

He found in his state the service writers should be treated as salespersons and have a low rate vs. a high rate of technicians.

Also, he found several other employees were classified incorrectly at a "higher" rate.

He found for several employees that were "officers" their maximum worker's compensation should be limited to the first \$85,000 of compensation though their compensation exceeded \$85,000.

As a summary someone needs to take the time for your state to confirm each employee category definition. Don't assume, for you might find you are over-paying your worker's compensation insurance premiums.

Enclosed February Selected Financial Results

You might review your results where you are substantially below the average metrics to see if your metrics are below average due to accounting or to the effectiveness of your sales department employees. For your dealer group do you find your ratio of new to used is such that you are missing used retail sales. Find out why. If your used retail gross profit margin is substantially below average find out why. If your net profit percentage of sales is below 3.0% find out why. Feel free to contact us, at no charge, to discuss any substantially below average metrics.

National New Car & Light Duty Trucks Sales March 31, 2023

As reported in Automotive News, first quarter 2023 new unit sales were 3,594,000 versus 3,317,000 for the same quarter in 2022. This is an increase for Ford, Toyota, Chevrolet, Honda, Nissan, and Hyundai, and a decrease for both Jeep and Ram.

National Economic Metrics

We receive an Interest Rate Risk Management Weekly update courtesy of KeyBank. Some of the informative metrics include:

SOFR (comparable to LIBOR)	4.81%	trending downward
Federal Funds rate	5.00%	level last two weeks
Prime rate	8.00%	level last two weeks

To Subscribe:
Send \$96.00 (Annual Subscription) to:
Woodward & Associates
P.O. Box 1584
Bloomington, IL 61702
carlswoodward@cpauto.com
For More Information:
Call (309) 662-8797
or Fax (309) 662-9438