

Steering your dealership to higher profits

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September 2022 profit results net percentage of sales was 3.9%, in August it was 4.7%, and in July 2022 profit results net was 4.3% of sales remain very good. June was 4.6% and in May 2022 it was 5.0%. It appears there is a downward monthly profit and profit margin trend based on our over 250 new vehicle dealers we serve. Dealers tell us as of the date this was written in late October that sales are materially down in October. Only time will tell. As a reminder historical net percentage of sales was in the range approximately 2.4% from 2010–2019 while in 2020 it approximated 3.6% and in 2021 it approximated 5.0%. The enclosed survey based on a limited number of dealer financial statements for September 2022 reflected the pre-tax net profit percentage of sales for September to be an average 4.8% while the median was 4.5%. This survey also reflects an overall range for the month of September net profit percent of sales for: Chrysler to be 4.3%; Ford 4.0%; GM 3.3%; Imports 5.8% and an overall 4.4%. This survey reflects an overall range for the Year-To-Date net profit percent of sales for: Chrysler 6.0%; Ford 4.5%; GM 3.5%; Imports 6.2% and an overall 4.8%. With the month overall results down from the year-to-date results, this indicates for the year that the profit trend is downward. It appears front-end gross profit margins are trending downward which is probably the main indicator the net profit percent of sales metric is trending downward.

Monthly Financial Results – August 2022

	August Better Than July	August Worse Than July	August Best Month	Net Profit % Sales August	New Units	Used Units
CHRYSLER	60%	40%	10%	4.3%	31	47
FORD	75%	25%	25%	4.6%	22	40
G.M.	80%	20%	20%	4.3%	44	58
IMPORTS	60%	40%	25%	5.6%	54	55
OVERALL	70%	30%	20%	4.9%	41	51

Monthly Financial Results – September 2022

	September Better Than August	September Worse Than August	September Best Month	Net Profit % Sales September	New Units	Used Units
CHRYSLER	20%	80%	0%	3.5%	35	48
FORD	15%	85%	0%	3.7%	27	47
G.M.	35%	65%	0%	3.2%	32	47
IMPORTS	30%	70%	10%	5.0%	55	52
OVERALL	25%	75%	5%	3.9%	40	49

	Net < 3.0%	Net 3.0 – 3.99%	Net 4.0 – 4.99%	Net + 5.0%
CHRYSLER	39%	10%	22%	29%
FORD	43%	13%	10%	34%
G.M.	47%	18%	18%	17%
IMPORTS	26%	5%	10%	59%
OVERALL	36%	10%	14%	40%

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“Growth and comfort do not coexist.”

– Ginni Rometty

Factory Measurement Metrics

As we have written in the past, all dealers are measured by their factory in new vehicle unit sales effectiveness. Many dealers are making such high profits and while being “short” on new inventory they currently are not very concerned about their new vehicle sales effectiveness. There are two reasons dealers should be concerned about materially below average sales effectiveness. One concern is if the dealer is not receiving their share currently of new vehicle inventory, it is costing them current and future profits, even though their profits might be materially increased now from the pre-2020 time period. The second reason is if their sales efficiency score is well below average, say 100% is average, their factory can use this against the dealer in the future by stating the dealer is a poor performer and needs to do certain things that might cost the dealer financially. If we were a dealer, we would find our sales efficiency scores as of 12/31/2020, 12/31/2021, and 8/31,2022. If the score is well below 100%, say 90%, your factory might use this low performance metric against you in the future that costs you financially. We have found more than one factory where their “performance metric” was inaccurate or flawed. This analysis was based on the new units sold and units in inventory and day’s supply of the dealer. Needless to say, no factory will agree there is a flaw in their computations for various reasons. If you find you are below the factory sales efficiency metric, work on it now, not when it is too late. It might be with the current inventory shortages the factory formula was not allowed for this and that is why their formula and results today is “flawed.”

Dealership Compliance Federal Data Safeguards

As you all know, the Federal Trade Commission has issued amendments to its 2001 Safeguard Rules. As we have written in the past, we have encouraged dealers to quit sharing their data files with third parties because they were not really necessary and for other various reasons. Our main concern was not a “legal” perspective, but to quit sharing confidential data with vendors that are in competition with dealers. Many, if not most, dealers did not quit sharing their confidential data for various reasons. With the new rules, very long and complicated, maybe dealers will quit sharing their confidential data with third party vendors and make sure they are following the new rules.

National New Unit Sales

Nationwide new car and light duty trucks sales through September 2022 were reported by Automotive News. New unit sales for the nine months that ended in 2022 were down from 2021 a decline of 13% in total unit sales (10,236,245 to 11,768,255). If we annualize the nine months for 2022, the twelve-month new unit sales will only approximate 13,648,000. The most recent conventional year 2019 nationwide new unit sales were 17,100,00. Those franchises that had improved in 2022 Y-T-D market share include: Ford, Chevrolet, Jeep, Hyundai, Kia, GMC, Tesla, Mercedes, BMW, Cadillac, and Chrysler.

Employee Compensation (Reminder Article)

We have seen and suggested dealers pay special bonuses-compensation, the same amount to their employees except for recent new hires. We have heard these special payments have ranged from \$100 per employee up to \$1,000 with the most common amount being \$500. This is based on the excellent profit months most dealers have had in 2022. We also suggest you let the employees know this is a special “payment” due to the 2022 profit results.

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