

Steering your dealership to higher profits

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August 2022 profit results, net percentage sales 4.7%. 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 slightly based on our over 200 new vehicle dealers. Dealers tell us as of the date this was written in October, the sales are materially down. Only time will tell. As a reminder historical net percentage sales was in the range approximately 2.4% from 2010–2019 while in 2020 it approximated 3.6% and in 2021 it was 5.0%. The enclosed survey based on a limited number of dealer financial statements for August 2022 reflected the pre-tax net profit percentage of sales for August was 5.2%. This survey also reflects the total and warranty parts sales gross profit margin (warranty sales less warranty cost of sales/warranty parts sales). You can see this margin for Chrysler is 40%; Ford is 38%; G.M. is 39%; Imports 39%, and overall average and median is 39%. For dealers' percentage that is less than 35% or more than 45%, we might suggest you review with your accounting office and service department.

Monthly Financial Results – July 2022

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

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

	Net < 3.0%	Net 3.0 – 3.99%	Net 4.0 – 4.99%	Net + 5.0%
CHRYSLER	33%	13%	13%	41%
FORD	19%	12%	19%	50%
G.M.	32%	11%	19%	38%
IMPORTS	16%	13%	6%	65%
OVERALL	25%	12%	14%	49%

**“Your attitude not your aptitude will
determine you altitude.”**

– Zig Ziglar

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National Financial Metrics Survey

We sent out a survey for a financial institution. Below are the results of those dealers responding mainly for the Midwest through August 2022:

1. Total retail vehicle sales y-t-d compared to last year.
 - a. Up more than 10%
 - b. Up 0-10%
 - c. Down 0-10%
 - d. Down more than 10%

Results: a=1; b=1; c=12; d=15

2. How did 2022 August and September combined compare total vehicle sales same period 2021?
 - a. Up more than 10%
 - b. Up 0-10%
 - c. Down 0-10%
 - d. Down more than 10%

Results: a=2 ; b=7; c=8; d=12

3. How does new and used inventory compare with pre-pandemic "normal" levels?
 - a. Less than 10% of normal
 - b. 10-25% of normal
 - c. 26-50% of normal
 - d. 51-75% of normal
 - e. 76-100% of normal
 - f. Back to normal

Results: a=5 ; b=6; c=13; d=3; e=2; f=0

4. In August and September how did the final transaction price of new vehicles compare with MSRP?
 - a. 110% of MSRP
 - b. 101-110% of MSRP
 - c. 91-100% of MSRP
 - d. <90% pf MSRP

Results: a=1 ; b=8; c=19; d=1

5. How much longer are lead times to obtain parts for service department work?
 - a. Normal lead times
 - b. 1-2 weeks longer
 - c. 3-6 weeks longer
 - d. 6-12 weeks longer
 - e. Longer than 12 weeks

Results: a=2 ; b=16; c=9; d=2; e=0

Most businesses expect small decrease in economic activity and in overall demand, no change in overall prices, a small increase in 12-month prices, no change in employment, and no change in capital spending.

National New Vehicle Unit Sales

As reported by Automotive News, the nine months of new unit sales for 2022 was 8,073,000 and for 2021 it was 9,041,000.

Based on units, the following were increased minimally: Ford, Hyundai, Kia, Tesla, Mercedes, and BMW.

Ford Electric Vehicle (E.V.) Program

As many of you have read Ford has come out with a program for its production and sale of its electric vehicles. They have stated they will be following some of the processes/programs like Tesla. They must believe that Tesla is the way to go. We do not know if they understand that with Tesla being the real first E.V. producer and the huge income tax credits that will expire that maybe the Tesla way is not the way for other E.V. manufacturers. Ford bought into Rivian, an electric truck producer, and sold out of the Rivian investment and lost a lot of money. Ford is trying to get its dealers to buy into its program. As we read it, knowing their program will change, dealers will not really be dealers anymore on E.V. sales, but just a delivery center earning some kind of incentive. Dealers have a choice of signing up for the program paying approximately \$500,000 for equipment and programs or paying \$1,000,000. Ford has already changed the program with a revised signup date in December from October. We sent out a survey to Ford dealers and the 27 dealers that responded is as follows: 12 plan on doing nothing, they will not sign up and wait to see what happens, 2 plan to sign up for the \$500,000 plan, 5 plan to sign up for the \$1,000,000 plan, and 8 plan to sign up for the program and will likely cancel later.

Factory Franchise Buy Back

G.M. is making offers to many of its Buick dealers to give up the franchise for a one-time payment. We find when analyzing the financial amount that often it does not make sense to sell out for the offer made by G.M. to give up Buick. Feel free to call us 7 days a week to discuss.

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