

POWER

S T E E R I N G

*Steering your dealership
to higher profits*

A publication of Woodward & Associates
Consultants to the Automotive Industry

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For 2023 55% of dealership pre-tax profits were down in November when compared to October. October 2023 pre-tax profits were down 57% compared to September 2023. September 2023 pre-tax profits were down 60% when compared to August 2023. This overall trend has continued since the end of 2021. As we have written in most of our previous publications, 2022 dealership pre-tax net profit as a percentage of sales was 4.9%. 2022 was the second-best year for new vehicle pre-tax net profits compared to the best year ever of 5.4% in 2021. The 2023 monthly net-to-sales profit summary using our sample is as follows: January 2.6%, February 2.8%, March 3.4%, April 3.3%, May 3.8%, June 3.1%, July 2.7%, August 3.6%, September 3.0%, October 2.8%, and November 2.6%. November year-to-date was 3.5%. While the enclosed survey (which is just a sample of our 300 dealers) reflects a year-to-date pre-tax net profit as a percentage of sales through November 2023 of 3.9%, our full data reflects 3.5%. Pre-tax net profit as a percentage of sales for all of our dealers is slowly declining to pre-COVID metrics due to a lower new front-end gross profit margin average of \$2,500 and lower used front-end gross profit margin average of \$2,200. Increased floor plan interest expense and advertising costs also have a role in the declining profit performance. This is not a positive trend but was expected by many in this industry.

MONTHLY FINANCIAL RESULTS – NOVEMBER 2023*

	NOVEMBER BETTER THAN OCTOBER	NOVEMBER WORSE THAN OCTOBER	NET PROFIT % SALES - NOVEMBER	NEW UNITS	USED UNITS
CHRYSLER	60%	40%	2.6%	30	43
FORD	40%	60%	1.9%	21	34
G.M.	50%	50%	1.9%	28	44
IMPORTS	40%	60%	4.0%	66	49
OVERALL	45%	55%	2.6%	35	42

MONTHLY FINANCIAL RESULTS – OCTOBER 2023*

	OCTOBER BETTER THAN SEPTEMBER	OCTOBER WORSE THAN SEPTEMBER	NET PROFIT % SALES - OCTOBER	NEW UNITS	USED UNITS
CHRYSLER	50%	50%	2.1%	22	33
FORD	35%	65%	2.2%	23	44
G.M.	45%	55%	1.9%	25	39
IMPORTS	45%	55%	4.0%	63	48
OVERALL	45%	55%	2.8%	39	42

**"If you can dream it, you can
do it."**

-Enzo Ferrari

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MONTHLY FINANCIAL RESULTS – SEPTEMBER 2023*

	SEPTEMBER BETTER THAN AUGUST	SEPTEMBER WORSE THAN AUGUST	NET PROFIT % SALES - SEPTEMBER	NEW UNITS	USED UNITS
CHRYSLER	25%	75%	2.0%	28	40
FORD	30%	70%	1.9%	23	41
G.M.	30%	70%	1.9%	31	37
IMPORTS	55%	45%	4.8%	67	49
OVERALL	40%	60%	3.0%	43	43

MONTHLY FINANCIAL RESULTS – NOVEMBER 2023*

	NET<3.0%	NET 3.0% - 3.99%	NET 4.0% - 4.99%	NET > 5.0%
CHRYSLER	65%	10%	5%	20%
FORD	60%	20%	5%	15%
G.M.	65%	15%	5%	15%
IMPORTS	35%	15%	10%	40%
OVERALL	60%	15%	5%	20%

National Economic Metrics

We receive an INTEREST RATE RISK MANAGEMENT WEEKLY UPDATE courtesy of KeyBank. Some of the informative metrics include (December 18, 2023):

SOFR (comparable to LIBOR)	5.32%	no change
Fed Funds rate	5.50%	no change
Prime rate	8.50%	no change

The PRIME RATE continues to be very high compared to the last 10 years.

Survey (Enclosed) Results

The enclosed survey on page 3 represents a group of the approximately 300 new vehicle dealerships we serve on a regular basis. You can see the front-end new and used vehicle gross profit margins. This dealer group has a wide range of grosses due to the skill level of the sales department employees. It does not appear the higher grossing dealers are selling the same new and used retail units but are doing better due to their skills and demands of management. This group of dealers is reporting both average and median pre-tax net profit as a percentage of sales of 4.0%.

*FOR DEALERS THAT REPORTED MONTHLY FINANCIAL STATEMENTS TO WOODWARD & ASSOCIATES, INC.

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Factory Relations

Factories continue to pressure dealers into surrendering secondary franchises, such as Cadillac or Buick. Dealers need to proceed cautiously, considering all relevant present and future forecasts when selling a secondary franchise. We refer to these franchises as an incremental franchise. In some cases where the dealer has more than one franchise, the effort applied to a secondary franchise is minimal. This often leads to a dealer being below their minimum sales responsibility. A dealer being below “average”, or less than 100% sales effective, is often times used by the factory to terminate a franchise. Even if you are making reasonable profits, do not overlook these franchises. You almost always want more franchises, not less. Make sure you always have a reasonable day’s supply of these secondary franchise units based on the factory planning volume, and that your staff is making some real effort to sell these vehicles. If you need to sell 10 units per month of this secondary franchise, you might pick just 2 sales people to present and sell it, rather than allowing all your sales people to sell this franchise and do it poorly.

New Vehicle Sales - September 2023 Year-to-date

As reported in Automotive News, national new car and light duty truck sales were 11,691,000 through September 2023. This was a substantial increase from September 2022 year-to-date unit sales of 10,243,000. The franchises that were up more than 15% were Chevrolet, Honda, Nissan, Kia, Tesla, Subaru, Mazda, Audi, Buick, Chrysler, Cadillac, Acura, and Volvo.