

Dealer performance in 2007 mirrors same period in 2006

After a strong start to the year sales of new and used cars have fallen back and stock volumes increased

After a strong March, results for 2007 have fallen back slightly and now match the same period in 2006, according to data collected by ASE.

The overall net profit as a percentage of turnover for the four months stands at 1.1 per cent, down from 1.3 per cent at the end of March.

As an isolated month April was difficult, with only 19 working days having a direct impact on aftersales performance.

However, April was an even shorter working month the previous year. Without significant action, all indicators point to a similar result to 2006, with the average dealer earning 0.7 per cent return on sales.

Used vehicle performance

You can see from the table (right) that there has been a significant drop in used vehicle performance year-on-year.

The principal driver behind this was the fact that the volume of vehicles held in stock grew during April, having a negative effect on both stockturn and return on investment.

Ratio	National average to end of April 2007	National average to end of April 2006	Industry benchmark
Sales			
Used: new sales	0.9:1	1.0:1	1.5:1 minimum
Vehicle sales expenses as % gross	62.8%	71.5%	50% maximum
Sales per salesman (annualised)	142	165	150
Used vehicle stock turn in days	66	49	45 days
Used car profit return on stock (annualised)	64.2%	70.8%	100%
Aftersales			
Overhead absorption	74.5%	75.3%	80% minimum
Overall workshop efficiency	85.3%	86.7%	100%
Gross profit on labour sales	77.2%	78.1%	75% minimum
Service expenses as % of gross	45.7%	51.4%	40% maximum
Hours per retail job card	1.7	1.8	2.5 hours
Parts gross profit on sales	21.5%	21.6%	21% - 23%
Parts expenses as % gross	48.7%	48.5%	40% maximum
Parts stock turn	8.2	8.1	8 times
Net profit as % of total sales	1.1%	1.1%	3%

Source: Trevor Jones and ASE

'All dealers need to look at ways of increasing stock-turn'

In addition to this, used car margins softened across the market in April and this is likely to have continued into May with some dealers reducing margins further to clear surplus stock.

It is vital that, while continuing to meet their manufacturers' requirements, dealers

maintain focus on used vehicles.

Nevertheless, the top 10 per cent of performers across all franchises earned 4.9 per cent over the first four months, up on their performance in the previous year. So where are the best getting better?

The top 10 per cent are still reporting a used : new performance of 1.2:1 and a metal margin £52 per vehicle greater than average.

They have achieved this by reacting to the dip in used vehicle values and stocking vehicles which are £1,000 cheaper than average.



Mike Jones
Partner
Trevor Jones Chartered Accountants

Interest rate rises

As the recent interest rate rises continue to bite on households' disposable income, marketing vehicles for which customers can afford the monthly payment will become increasingly important.

The principal problem dealers tend to have with decreasing the average stand-in-value of their used stock is the method of sourcing the vehicles.

Whether through self-generated used vehicles or manufacturer remarketing programmes dealers have an easy supply of nearly new vehicles to take to market.

These vehicles are covered by the manufacturer's warranty and fit well within the franchise used vehicle programmes.

Dealers are, however, going to have to find a way to stock lower priced, slightly older vehicles if the market continues to move towards cheaper cars.

Otherwise these customers will

be lost to the franchised vehicle sector and will make their purchases elsewhere.

As noted above, however, top-performing dealers are retaining greater margins in these cheaper vehicles.

All dealers need to look at ways of increasing stock-turn in addition to the way their customers are treated.

From the performance of the service department, with hours per job card falling, to vehicle margins it is imperative that dealers look at the way they handle customers.

In the current market profitability depends on making that extra £100 out of each customer.

This is being achieved by the top performers in the marketplace and the average dealer needs to approach this result in order to get an acceptable return.



IN SESSION: Paul Webb (above) and delegates at last year's event (right)



Profitability conference

Trevor Jones Chartered Accountants has joined forces with Motor Trader and sponsor NatWest to host a major dealer conference, *Extracting Real Profit*, featuring one of the most popular American speakers from the annual *Nada* convention.

Paul Webb, the keynote speaker, is a highly regarded management consultant whose international clients include manufacturers, dealer groups and industry associations. His training programmes have helped dealers significantly increase unit sales on new and used cars, boost service hour sales and increase profitability.

The conference sessions are aimed at dealer group managing directors, dealer principals, general managers, sales managers and other senior managers.

To offer as much access as possible to Webb the conference will be held in two venues starting in Slough on 9 October before moving to Haydock Park on 10 October.

"With competition ever increasing and the impact this having on margins and profitability, it is more important than ever to gain a competitive advantage from every aspect of your business," said Steve Branney, head of NatWest's motor retail team.

Trevor Jones and Motor Trader previously worked together to host UK conferences featuring other top *Nada* speakers Paul Cummings and Dave Anderson.

● For further details contact David Kendrick on 0161 475 4700 or conference@trevorjones.uk.com.