

Average UK Car Retailer Profitability – August 2021

Motor retail profitability boom continues with £41,000 profit in August

14 key ratios	Rolling 12 months Aug 2021	Movement on prior month	Rolling 12 months Aug 2020	Benchmark
Net profit as % sales	2.13%	↓	0.50%	3.0%
Overhead absorption	64.1%	↓	46.0%	80%
Used: new sales	1.41:1	↓	1.67:1	1.5:1
Vehicle sales expenses as % gross	58.2%	↑	67.7%	50%
Sales per sales executive	131	↓	130	150
Used vehicle stockturn (days)	56.4	↓	60.8	45
Return on used car investment	95.6%	↓	75.6%	100%
Overall labour efficiency	89.8%	↑	84.1%	100%
Service gross profit % on labour	74.6%	↓	74.5%	75%
Service expenses as % gross	57.4%	↑	64.3%	40%
Hours per retail job card	1.61	↑	1.59	2.5
Parts gross profit %	20.5%	↑	21.5%	22%
Parts expenses as % gross	41.1%	↑	44.4%	40%
Parts stockturn	8.4	↑	7.70	8.00



Average retailer outperforms prior year

The average UK motor retailer continued their strong performance during 2021 as they made £41,000 in the month of August compared to a £14,000 profit in August 2020. Despite the profitability rise average return on sales fell slightly as a result of increased turnover levels.



Profitability looks set to continue

August profitability continued the trend we have seen in recent months with new volume declines more than offset by new and used gross profits per unit and cost savings. With the new product shortage set to last into the second half of 2022 this situation looks set for the near future.



Used car margins continue to rise

The increased cost of used cars in the wholesale market has not dented margins, with profit per unit continuing to rise in August. The margin increase has practically offset the slightly longer stockturn to leave used car return on investment just below 100%.



New car registration falls will have an impact

The lower level of new vehicle registrations as a result of the COVID crisis and the current chip shortage will have a medium-term impact on aftersales. By the time we reach the end of these issues we may have 1.5m fewer new cars registered which will further negatively impact an aftersales sector already facing falls from electrification.

The ASE Key Ratios are a simple way to benchmark performance and quickly assess the strengths and weaknesses of a motor retail dealer. ASE plc collect in excess of 17,000 composite submissions on a monthly basis across the world, whilst ASE Audit LLP offers professional advisory services to over 320 privately owned UK motor businesses. The analysis and commentary has been performed by Mike Jones utilising data generated by ASE plc and others.