

Average UK Car Retailer Profitability – October 2020

Strong October continues post-lockdown profitability boom

14 key ratios	Rolling 12 months Oct 2020	Movement on prior month	Rolling 12 months Oct 2019	Benchmark
Net profit as % sales	0.92%	↑	0.84%	3.0%
Overhead absorption	52.0%	↑	51.6%	80%
Used: new sales	1.56:1	↓	1.49:1	1.5:1
Vehicle sales expenses as % gross	66.0%	↓	67.4%	50%
Sales per sales executive	140	↑	162	150
Used vehicle stockturn (days)	62.7	↑	59.5	45
Return on used car investment	82.5%	↑	76.9%	100%
Overall labour efficiency	85.6%	↑	84.5%	100%
Service gross profit % on labour	74.5%	↓	74.8%	75%
Service expenses as % gross	61.8%	↓	63.2%	40%
Hours per retail job card	1.56	↓	1.54	2.5
Parts gross profit %	20.3%	↑	20.2%	22%
Parts expenses as % gross	44.9%	↓	45.0%	40%
Parts stockturn	7.76	↑	7.42	8.00



Average profits of £53,000

October continued the trend we saw during Summer 2020 with average retailer profitability significantly outperforming the prior year. Return on sales has risen to within touching distance of 1% as a result of strong profits earned off a lower turnover level. Whilst some of the improved performance will be as a result of early sales bonus recognition the overall result remains very impressive.



Used car return on investment back above 80%

For the first time since the spring lockdown used car return on investment rose back above 80%. This has been a stunning recovery, demonstrating the strength of the used car market and the margins retailers have been earning since reopening. Following on from September, used car return on investment was over 100% for the month of October taken in isolation.



Aftersales performance strong

Despite workshops not being fully staffed, resulting in a lower volume of hours sold, aftersales performance remains strong, with profitability levels matching the prior year. Retailers are successfully prioritising profitable work, delivering an enhanced contribution from a lower volume.



November lockdown to hit year-end results

The strong profitability recovery we have seen since June will undoubtedly be hit by the lockdowns suffered during November. Whilst retailers are much more capable of continuing trade than they were in the spring, the closure of showrooms will increase November losses, even with the positive contribution from the furlough scheme.

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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.