

## Average UK Car Retailer Profitability – December 2019

# Marginal December loss rounds out tough year for UK motor retailers

14 key ratios	Rolling 12 months Dec 2019	Movement on prior month	Rolling 12 months Dec 2018	Benchmark
<b>Net profit as % sales</b>	<b>0.81%</b>	↓	<b>0.98%</b>	<b>3.0%</b>
<b>Overhead absorption</b>	<b>51.0%</b>	↑	<b>52.3%</b>	<b>80%</b>
Used: new sales	1.54:1	↑	1.46:1	1.5:1
Vehicle sales expenses as % gross	67.5%	↓	66.0%	50%
Sales per sales executive	157	↓	156	150
Used vehicle stockturn (days)	58.7	↑	58.0	45
Return on used car investment	78.0%	↑	85.6%	100%
Overall labour efficiency	84.2%	↓	85.0%	100%
Service gross profit % on labour	74.6%	↓	75.0%	75%
Service expenses as % gross	63.6%	↑	63.0%	40%
Hours per retail job card	1.54	↑	1.55	2.5
Parts gross profit %	20.3%	↑	20.7%	22%
Parts expenses as % gross	45.2%	↑	44.7%	40%
Parts stockturn	7.52	↑	7.26	8.00



### December loss rounds out tough year

The average UK retailer produced a loss of £1,700 for the month of December, compared to a profit of £2,900 during December 2018. Whilst not a huge financial swing, this movement shows the tough year retailers have had to endure in 2019 with lower new car volumes impacting bonus earnings.



### Overall profitability and ROS down for the year

2019 finished with overall return on sales down at 0.81%, the lowest year-end position we have seen since 2011. Average retailer profitability also fell during the year, despite a number of late rescue packages as brands sought to support their retail networks.



### Bounce in Used Car Return on Investment

As new car retailing has become more challenging retailers have increasingly focussed on used cars to fill the profitability gap. After a couple of months of decline we saw a rise in the key ROI ratio during December as retailer profit generated increased. Whilst still below the prior year ROI, this was a result of increased stock as overall profit from used in the year rose.



### What will 2020 bring?

We have already see a slight bounce to retail activity following on from the decisive election result. This will hopefully continue as we move through 2020, albeit I am sure that the Brexit trade deal negotiations will produce a number of confidence sapping scare headlines as we move through the year and closer to deadline day.

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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.