

Average UK Car Retailer Profitability – October 2019

Marginal October profit sees retailers drop back slightly on 2018

14 key ratios	Rolling 12 months Oct 2019	Improvement on prior month	Rolling 12 months Oct 2018	Benchmark
Net profit as % sales	0.84%	↓	0.94%	3.0%
Overhead absorption	51.6%	↓	53.0%	80%
Used: new sales	1.49:1	↑	1.47:1	1.5:1
Vehicle sales expenses as % gross	67.4%	↓	66.4%	50%
Sales per sales executive	163	↓	154	150
Used vehicle stockturn (days)	59.5	↑	57.0	45
Return on used car investment	76.9%	=	86.8%	100%
Overall labour efficiency	84.5%	↓	84.9%	100%
Service gross profit % on labour	74.8%	↓	75.0%	75%
Service expenses as % gross	63.2%	=	62.5%	40%
Hours per retail job card	1.54	↓	1.53	2.5
Parts gross profit %	20.2%	=	22.0%	22%
Parts expenses as % gross	45.0%	↑	43.7%	40%
Parts stockturn	7.42	↑	7.20	8.00



Slight fall in October profitability

The average UK retailer made a profit of £1,500 in October, compared to a profit of £6,000 in the prior year. Whilst this may look disappointing, we should remember that the 2018 result was bolstered by the unwinding of some of the WLTP issues from that year. 2019's performance looks more favourable when set against the result for 2017, which was an average loss of £1,400.



Used car stock high, but turning

Used car stock remained at historically high levels during October. The growth in the used to new ratio shows retailers switching their focus to used cars and stockturn days improved slightly in the month. This remains, however, an area of concern, with retailers needing to continue the current focus on improving stockturn.



Focus on overheads

Over the past year we have seen an increase in general overheads of 3%. As we move into 2020 I expect to see a real war on costs taking place. The new car market is not forecast to improve, therefore retailers will need to manage cost increases to compensate, whilst continuing the focus on used cars and aftersales.



Overall profitability for the year likely to fall

At the end of October overall retailer profitability for the previous 12 months had fallen 9% on the prior year, reflecting the challenges we have seen, particularly in the new car market. It now looks likely that overall profitability for the year will settle at this level for the year.

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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.