

Average UK Car Retailer Profitability – September 2021

UK motor retailers increase profits by £58,000 in September

14 key ratios	Rolling 12 months Sept 2021	Movement on prior month	Rolling 12 months Sept 2020	Benchmark
Net profit as % sales	2.36%	↑	0.74%	3.0%
Overhead absorption	61.5%	↓	47.7%	80%
Used: new sales	1.38:1	↓	1.64:1	1.5:1
Vehicle sales expenses as % gross	55.9%	↓	66.0%	50%
Sales per sales executive	132	↑	133	150
Used vehicle stockturn (days)	53.7	↓	62.6	45
Return on used car investment	85.7%	↓	76.5%	100%
Overall labour efficiency	84.8%	↓	84.9%	100%
Service gross profit % on labour	74.3%	↓	74.8%	75%
Service expenses as % gross	57.7%	↑	63.1%	40%
Hours per retail job card	1.63	↑	1.59	2.5
Parts gross profit %	20.5%	↑	21.7%	22%
Parts expenses as % gross	40.8%	↑	44.0%	40%
Parts stockturn	9.26	↑	7.73	8.00



Retailers make £168,000 in September

The average UK motor retailer continued their strong performance during 2021 as they made £168,000 in the month of September, an increase of £58,000 on 2020. This continues the phenomenal profitability we have seen since March and pushed the rolling 12 month average return on sales up to 2.36%



Lower new car sales produces short-term profit

The continued new car supply challenges continued to produce a positive trend for retailer profitability in September. Whilst registrations fell 34.4% year-on-year retailer profitability continued its growth on the back of strong margins and used volume growth.



Used car margins flatten

For the past two months we have seen a stabilization in the used car profit margins being earned by retailers. As prices continue to rise, retailers have held margin, however if wholesale prices continue to rise in Q4 retailers will need to ensure consumer demand remains robust at the higher prices to avoid their margins being squeezed.



Further efficiency gains required

With the new car supply shortages set to continue for another 12 months and franchises continuing to push their agency agendas retailers need to keep driving through efficiency savings to reduce their cost bases. Digitalisation provides a good opportunity to do this, however it requires hard work to implement effectively.

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.