

Average UK Car Retailer Profitability – September 2019

Solid September result sees average UK car retailer slightly outperform 2018

14 key ratios	Rolling 12 months Sept 2019	Improvement on prior month	Rolling 12 months Sept 2018	Benchmark
Net profit as % sales	0.85%	↑	0.91%	3.0%
Overhead absorption	51.7%	↑	52.8%	80%
Used: new sales	1.45:1	↑	1.48:1	1.5:1
Vehicle sales expenses as % gross	67.2%	↓	66.5%	50%
Sales per sales executive	163	↑	153	150
Used vehicle stockturn (days)	59.7	↑	57.1	45
Return on used car investment	76.9%	↓	86.9%	100%
Overall labour efficiency	84.6%	↓	84.9%	100%
Service gross profit % on labour	74.8%	=	74.9%	75%
Service expenses as % gross	63.2%	↑	62.6%	40%
Hours per retail job card	1.54	=	1.52	2.5
Parts gross profit %	20.2%	↑	22.4%	22%
Parts expenses as % gross	45.1%	↓	43.0%	40%
Parts stockturn	7.39	↓	7.10	8.00



Slight improvement on September profitability

I was expecting an improvement in September profitability however, as with the slight rise in overall registration levels, it was not as big a bounce as expected. Overall retailer profits for the month rose by £3,000 on the result for the prior year, which was itself depressed as a result of WLTP related supply issues.



Fall in used car stock return on investment

September saw the seasonal increase in used car stocks as a result of part exchange vehicles and retailer registrations. This produced a fall in the return on investment on used cars and a lengthening of the average days in stock. Retailers need to increase the speed of stockturn to hedge against any potential falls in residual values.



Aftersales remains stable

Overall aftersales performance remains stable. Whilst we have seen a slight fall in overall efficiency year-on-year, profitability has risen slightly as a result of the increased pool of technicians. Maximising this profit area remains key to medium term profitability prospects.



Outlook for the year looks challenging

Whilst September profitability was slightly above the prior year, the outlook for the remainder of the year remains challenging, albeit not disastrous. It looks like registration levels will fail to match the SMMT forecasts and used car and aftersales profitability will have to rise to fill the gap in the overall result.

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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.