

UK Motor Retail Profitability Statistics – August 2017



Tough August sees average UK motor retailer lose £17,000

KEY Ratio	Rolling 12 months August 2017	Rolling 12 months August 2016	Bench-mark
Net Profit as % Sales	0.99%	1.15%	3.0%
Overhead Absorption	53.3%	52.9%	80%
Used: New Sales	1.28:1	1:1	1.5:1
Vehicle Sales Expenses as % Gross	66.6%	65.3%	50%
Sales per Sales Executive	155	173	150
Used Vehicle Stockturn (days)	56.9	53.6	45
Return on Used Car Investment	89.8%	76.1%	100%
Overall Labour Efficiency	83.5%	83.0%	100%
Service Gross Profit % on Labour	75.1%	75.6%	75%
Service Expenses as % Gross	60.9%	60.3%	40%
Hours per Retail Job Card	1.51	1.56	2.5
Parts Gross Profit %	20.9%	22.6%	22%
Parts Expenses as % Gross	31.2%	43.8%	40%
Parts Stockturn	6.73	8.02	8.0

Losses for the month of August at the average UK motor retailer worsened by £2,000 compared to the prior year to just under £17,000 in 2017. This brings the total 12 month rolling profit to £182,000.

As a result of the increased loss, the return on sales percentage dropped below 1% for the first time since August 2012. As a result of increased turnover, average site profits stand £20,000 above the values earned in 2012, however it is still significant that the 1% barrier has been broken.

Used car return on investment increased again in August to just under 90%, reflecting the continued strength of the used car sector. This is particularly the case with older used cars which are currently performing strongly. Retailers need to be wary of the increase in vehicle stock days, which have begun to creep up, putting dealers at risk if there is a downturn in residual values.

With new vehicle sales (and registration levels) set to be significantly behind the prior year in September, the level of bonus earnings will be pivotal for the overall performance for the year. Many franchises reduced retailer target levels for the quarter and used car and aftersales profits remained strong, so overall performance is likely to not be as bad as the headlines would suggest. It does, however, appear that we are settling into a period of reduced retailer profitability from the heady heights of 2016 and 2017.

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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.

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