

Challenging October sees retailers fall back on 2017 performance

Average UK car retailer profitability - October 2017

ASE

Driving Profitability

14

Key Ratios

	ROLLING 12 MONTHS Oct 2017	ROLLING 12 MONTHS Oct 2016	BENCHMARK
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Net Profit as % Sales	1.01%	1.08%	3.0%
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Overhead Absorption	53.1%	53.0%	80%
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Used: New Sales	1.3 : 1	1.0 : 1	1.5 : 1
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Vehicle Sales Expenses as % Gross	66.4%	66.1%	50%
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Sales per Sales Executive	159	171	150
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Used Vehicle Stockturn (days)	57.5	54.7	45
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Return on Used Car Investment	88.4%	76.7%	100%
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Overall Labour Efficiency	83.5%	83.3%	100%
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Service Gross Profit % on Labour	74.9%	75.6%	75%
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Service Expenses as % Gross	61.2%	60.4%	40%
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Hours per Retail Job Card	1.50	1.56	2.50
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Parts Gross Profit %	25.3%	22.9%	22%
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Parts Expenses as % Gross	41.8%	42.6%	40%
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Parts Stockturn	8.01	8.02	8.0
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Average retailer profitability down 


The average UK motor retailer made a loss in October of £2,000 reversing the trend over previous years where the first month of the final month was profitable. This resulted in overall return on sales falling very close to the 1% level with expectations that it will dip below this in November.

Profitability reflects overall nature of the market 


Following on from the stronger than expected September this October performance reflects the challenging current nature of the retail motor sector. The continued negative press surrounding diesel is certainly having an impact on performance, albeit used car diesel residuals have remained robust.

Continued strong contribution from used cars 

Used vehicle performance remains the shining star, with profitability levels remaining strong despite fears of challenges in the market. Whilst improvement could be made in used vehicle stockturn to mitigate any potential risk the feared crash in residual values has not materialised.

Increased polarization in used cars 

Whilst the overall picture for used cars is strong, as noted above, we are seeing a polarisation in some franchises. This is typically the case where franchised retailers have a high proportion of very new stock which they are now looking to move on. Whilst the reduction in pressure on new car registrations will help retailers

Continued downturn expected for Quarter 4 

November is always a poor month for motor retailers and we expect this trend to be exacerbated in 2017. The registration statistics released yesterday show a small drop in retail and the decreased supply push feeding through into the fleet market. This will reduce bonus earnings for the month, albeit these are never huge for November. Looking at the quarter as a whole I am expecting the overall result to fall significantly behind the prior year for the average retailer.

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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 retailer. ASE plc collect in excess of 10,000 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.

Driving profitability across the global automotive industry