

UK Motor Retail Profitability Statistics – July 2017



£7,000 loss for the average UK motor dealer as Q3 kicks off slowly

KEY Ratio	Rolling 12 months July 2017	Rolling 12 months July 2016	Bench-mark
Net Profit as % Sales	1.02%	1.15%	3.0%
Overhead Absorption	53.3%	52.6%	80%
Used: New Sales	1.26:1	0.99:1	1.5:1
Vehicle Sales Expenses as % Gross	66.5%	65.2%	50%
Sales per Sales Executive	155	169	150
Used Vehicle Stockturn (days)	57	54	45
Return on Used Car Investment	88.5%	75.0%	100%
Overall Labour Efficiency	83.5%	83.0%	100%
Service Gross Profit % on Labour	75.1%	75.5%	75%
Service Expenses as % Gross	60.7%	60.6%	40%
Hours per Retail Job Card	1.51	1.57	2.5
Parts Gross Profit %	22.5%	22.5%	22%
Parts Expenses as % Gross	41.2%	43.8%	40%
Parts Stockturn	6.8	7.8	8.0

The average UK motor dealer produced a loss of just under £7,000 for the month of July, marginally worse than their performance in the same month of the prior year. This is to be expected given the lower registration levels reported for the month and the lack of “fast start” activity from many brands.

We expect this trend to be continued through August and we will have to wait until the quarter closes for the final position to be settled.

In the month of July we saw continued growth in used car retail sales from dealerships with margins taking a slight dip compared to June. Return on Investment on used cars remains healthy at 88.5%, a significant improvement over the position at the start of the year. Dealer stock levels remain high, driven by self registered units, however we have seen no increase in stockturn days through 2017.

Aftersales revenues continue to grow and for the past couple of months we appear to have stemmed the decline in the retail labour percentage of total hours. I will be monitoring this closely to ensure the recovery continues as there remains a huge retail opportunity for retailers through increased red and amber work conversion.

Looking forwards many brands have realigned their expectations for the third quarter and the year as a whole. Hopefully the plethora of scrappage schemes we have seen launched will generate some incremental retail business, reducing retailers’ self registration requirement to hit targets. Profits for the year as a whole should remain strong, albeit down from the records achieved in 2016.

ASE plc and ASE Audit LLP pride themselves on delivering the highest quality advice and service to the motor industry. With significant industry experience at all levels the business is now widely recognised as not only the Motor Trade's No.1 professional services provider but also a trusted partner in driving profitability. 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.

The ASE Key Ratios are a simple way to benchmark performance and quickly assess the strengths and weaknesses of a motor retail dealer.

Contact

Mike Jones BSc FCA
ASE Chairman

Tel: +44 (0) 161 493 1930

www.ase-global.com

© ASE plc 2017