POWER STEERING

Steering your dealership to higher profits

A publication of Hulsey, Harwood & Sheridan, LLC and Woodward & Associates

Written by Ben Hulsey, Susan Harwood & Carl Woodward **November 2019**

September 2019 was a down profit month for most dealers. As you can see below, 75% of new vehicle dealer's September profits were down compared to August 2019. The percentage of dealers having their best month of the year is going down as would be expected to 10%. The overall year-to-date loss dealers approximate 15%. The National Automobile Dealers Association (NADA) reported year-to-date metrics through September 2019 as follows:

Annualized dollar sales up slightly (upward trend)
Pre-tax net profit % sales 2.4% compared to last year of 2.3% (upward trend)
Return on equity improved (upward trend)
New retail units sold down from same period 2018 (downward trend)
Used retail units sold increased slightly from same period 2018 (upward trend)
Net Advertising Expense decreased slightly

Monthly Profit Trends

	SEPTEMBER BETTER THAN AUGUST	SEPTEMBER WORSE THAN AUGUST	SEPTEMBER BEST MONTH	SEPTEMBER PROFITS + 3.0% SALES	SEPTEMBER LOSS MONTH	SEPTEMBER Y-T-D LOSS
CHRYSLER	30%	70%	5%	5%	20%	10%
FORD	30%	70%	10%	25%	20%	15%
G.M.	20%	80%	10%	10%	25%	20%
IMPORTS	25%	75%	10%	30%	10%	10%
OVERALL	25%	75%	10%	20%	15%	15%

Nationwide, as reported by the *Automotive News*, through October 2019 reflect new vehicles sold is down slightly, down for the month of October. October year-to-date new vehicle sales are down slightly less than 2% from the same period 2018. We do not know how much new retail sales are compared to 2018 since we do not have access to fleet sales for 2019. The franchises that have an increased market share through October 2019 include: Honda, Subaru, Ram, Hyundai, Kia, GMC, VW and BMW.

"Try, try, try, and keep on trying is the rule that must be followed to become an expert in anything."

W. Clement Stone

Inside

Factory Relations

Some common negative comments we hear from dealers about their front line factory employees and their supervisors are as follows:

Know it "all's" even though they have never sold anything
Unable to read and "understand" the dealership financial statement
Know better how to operate a dealership than the dealer
Never wrong

Don't smile too much, but it is amusing and has been the same for over 40 years if not forever.

We have had more than one dealer that purchased their second or more dealerships this year. We try to tell dealers to make sure they read every page of the new factory agreement they are signing. You want to make sure you know what you are signing and what you are agreeing to. We have seen the following more than once for new Ford dealers:

Agree to be 100% new vehicle sales effective (impossible for all dealers to meet this)
Agree to be at the middle, 50%, of CSI
Agree to be at the middle, 50%, of SSI

The above three categories might seem to make sense, but statistically the likelihood of being at the 50% level in all three categories is 50% x 50% x 50% or 12.5%. Ford tells its dealers they require all new dealers to meet all three metrics.

Factory Surveys

We see and hear at various times, factory surveys and customer comments on these surveys.

Some of the comments we come across include:

Hard to understand
Too long and too many questions
If the scoring is 1 – 10 with 10 outstanding, what score do you give if you were satisfied?
If the scoring is 1 – 10 with 10 outstanding, what does a dealer need to do get a 10?

We recently received a copy of an email that a Toyota dealer received from a customer. We are quoting the customer's remarks below:

"I have had at least two occasions where I have received survey requests in the last year or so. The first was after I purchase a used Toyota van and the second was after an appointment to have regular maintenance work on my Highlander. I found both experiences very frustrating to the point that I eventually gave up and did not complete the surveys. In both cases my ratings of the service and the individuals who I worked with were very positive. If other customers have the same experience, you probably aren't getting a very good sample of our opinions.

In my case, I had completed my ratings and attempted to save them, but the system would not allow me to do so without adding comments. I have a personal policy of not providing written comments that might be used as an endorsement of the company, even though I was very happy with my experiences. Maybe I was doing something wrong, but for me at least, the survey was not a friendly one to complete. For me, a survey needs to be easy to use and not require what I feel is too much time."

Dealership Financial Statements

As you can see in the enclosed survey, we have determined the metric of net new floor plan interest per new unit sold (YTD). As you can see, Chrysler reflects $164, Ford $147, G.M. a negative $61, and Import $109 with an overall average of $64 and median of $69. We were surprised with G.M. dealers having so many negative net interest expense per new unit sold metrics. Part of it might be the amount of the interest credits paid per new vehicle and/or the strike. We believe G.M. has the highest number of days of interest credits paid at the highest floor plan interest rate.

Also, we reviewed the factory dealership financial statements to determine which statements had both a new vehicle interest expense account and a separate account for interest expense credits. The following franchises had only one combined line for net new floor plan interest expense and interest credits:

Mitsubishi; Toyota; VW; Kia; Hyundai; Honda; BMW

It would be nice if all factories had the same accounting statement for these two accounts.

To Subscribe:
Send $96.00 (Annual Subscription) to:
HULSEY, HARWOOD & SHERIDAN, LLC
1900 Roselawn Avenue
Monroe, LA 71201
Email: ben@hhcpa.net
susan@hhcpa.net

For More Information:
Phone (318) 325-6500 x 282
Fax: (318) 325-1423