

February pre-tax percentage sales profit margin results were close to January pre-tax percentage sales profit results. As you can see in the enclosed survey, pre-tax net profits percentage of sales were overall 5.0% of sales for both January and February 2022. These profit margins were mixed with some dealers doing better in January than February and vice versa.

Monthly Profit Survey – February 2022

	PROFIT % SALES + 7.0%	PROFIT % SALES 5.0% – 6.9%	PROFIT % SALES 3.0 % – 4.9%	PROFIT % SALES LESS THAN 3.0%
CHRYSLER	20%	35%	45%	0%
FORD	15%	40%	45%	0%
G.M.	0%	25%	35%	40%
IMPORTS	60%	20%	10%	10%
OVERALL	30%	30%	30%	10%

Service and Warranty Labor and Parts – Gross Profit Margins

We measured the range of gross profit margins on service and warranty labor and parts recently for a sample of new vehicle dealers. For paid labor we found the gross profit margin range from a low of 65% to a high of 80% with the average being 74% and the median being 76%. For paid labor parts we found the gross profit margin to range from a low of 32% to a high of 45% with the average being 37% and the median being 36%. For warranty labor, we found the gross profit margin range from a low of 66% to a high of 81% with the average being 75% and the median being 73%. For warranty parts, we found the gross profit margin range from a low of 28% to a high of 47% with the average being 36% and the median being 32%. As many of you are aware, the state franchise law of what dealers can charge for warranty labor and warranty parts varies. In Illinois, dealers for warranty parts are allowed to markup up the parts 45% from cost. This means a warranty part that costs \$100 can be marked up \$45 to a selling price of \$145. The margin on this ($\$45/\145) = 31%. You might see how your store compares with the above service and parts department metrics.



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Nationwide New Vehicle Sales Metrics

As reported by Automotive News, we have listed below some various comparative metrics:

Toyota sold the most new vehicles at 2.027 million and its market share improved from 12.6% in 2020 to 13.5% in 2021. Ford sold the second most new vehicles at 1.804 million and its market share went down from 13.2% in 2020 to 12.0% in 2021. Chevrolet sold the third most new vehicles at 1.422 million and its market share went down from 11.92% in 2020 to 9.4%, all large percentage reductions, in 2021.

Used Vehicle Metric Analysis

For the enclosed survey, we concluded the following:

The average dealer had 122 used units in stock and the median dealer had 107 used units in stock. The average dealer retailed 56 used units and the median dealer retailed 41 used units.

The average dealer based on used retail units had a 77 day's supply. It might be too soon to tell, but these indicators might mean dealers are starting to approach a normal day's supply of used vehicles in stock. If this is the case, be careful and watch your day's supply and the value amount assigned for trade-ins and cost paid for purchase vehicles.



Auto Insurance with Car Purchase

We know a few dealers that have an insurance department in their dealership selling full coverage insurance on the vehicle a customer is buying. We also know dealers are being approached about selling full coverage insurance to their customers. We do not believe dealers should be selling this product. Though we understand the dealership might make some incremental profit selling this product, we do not think dealers want to be in competition with all the insurance agents in their community.

If we were an insurance agent and a local dealer were in competition with us, we would not like it and would suggest to all of our customers to NOT buy a vehicle from that dealer. If this makes sense to you, then this is a reason not to have your dealership selling full coverage insurance.

Pre-Tax Profit Percentage of Sales – Larger Versus Smaller Dealers

We had been asked how the performance, pre-tax net profit percentage of sales was for larger dealers versus smaller dealers over the last few years. We asked several dealers what they thought, and got a mix of answers. We thought larger dealers probably made a higher pre-tax net profit percentage of sales than smaller dealers, but were not sure. We then went back to our monthly issue of Power Steering for October y-t-d results for 2018, 2019, 2020, and 2021. We measured the upper 50% of dealerships in size profit metrics versus the lower 50% of dealerships in size profit metrics as follows:

PRE-TAX NET % SALES	SMALLER DEALERS	LARGER DEALERS	NADA
2018	2.1%	2.5%	2.3%
2019	2.3%	2.6%	2.4%
2020	2.9%	3.1%	3.4%
2021	5.3%	6.3%	5.8%

The NADA column of metrics is through November of each year. What do the above metrics tell us? The metrics for smaller and larger dealers do match up with the NADA metrics. The smaller dealers had a smaller net profit percentage of sales margin than the larger dealers. There can be many reasons for this, but we suspect the main contributor is efficiency in expense controls

Monthly Sales and Profit Survey

February 2022

Make	Inventory #	Retail	Day's Supply	Jan Net % Sales	Feb Net % Sales
CHRYSLER	183	118	47	7.5%	8.0%
CHRYSLER	112	61	55	7.4%	7.2%
CHRYSLER	123	36	103	5.5%	6.2%
CHRYSLER	84	38	66	8.3%	5.9%
CHRYSLER	111	33	101	8.8%	5.8%
CHRYSLER	153	74	62	4.5%	3.9%
CHRYSLER	64	31	62	5.0%	3.8%
CHRYSLER	99	47	63	3.1%	3.7%
CHRYSLER	108	52	62	3.2%	3.2%
FORD	33	38	26	7.0%	7.1%
FORD	132	31	128	6.8%	6.7%
FORD	90	35	77	7.3%	6.7%
FORD	69	41	50	2.0%	6.0%
FORD	112	47	71	4.0%	4.8%
FORD	118	92	38	5.3%	3.7%
FORD	396	226	53	2.5%	3.7%
FORD	129	40	97	2.8%	2.4%
GM	303	145	63	6.0%	6.9%
GM	148	52	85	7.1%	6.7%
GM	62	65	29	6.0%	6.0%
GM	157	31	152	9.7%	5.6%
GM	106	38	84	5.8%	5.4%
GM	166	37	135	7.9%	5.2%
GM	132	49	81	0.2%	4.9%
GM	89	32	83	5.4%	4.7%
GM	340	205	50	2.2%	4.7%
GM	192	80	72	9.6%	4.4%
GM	120	51	71	3.0%	3.8%
GM	90	38	71	4.4%	3.8%
GM	102	48	64	3.0%	3.0%
GM	108	44	74	3.5%	2.7%
GM	95	55	52	3.0%	2.5%
GM	254	78	98	2.2%	2.3%
GM	211	99	64	0.3%	1.8%
GM	173	102	51	1.4%	0.6%
GM	79	30	79	-1.7%	0.0%
IMPORT	202	157	39	5.8%	11.9%
IMPORT	197	71	83	10.2%	10.6%
IMPORT	132	169	23	10.1%	10.3%
IMPORT	294	121	73	5.9%	9.1%
IMPORT	102	41	75	5.2%	7.3%
IMPORT	130	55	71	7.6%	6.0%
IMPORT	117	67	52	5.5%	5.2%
IMPORT	42	57	22	3.6%	3.3%
IMPORT	73	40	55	2.6%	2.2%
IMPORT	95	31	92	1.5%	1.2%
OVERALL AVERAGE	122	56	77	5.0%	5.0%
OVERALL MEDIAN	107	41	71	4.7%	4.8%



Factory Metrics for New Vehicle Dealerships

We write on occasion about basic metrics dealers should meet that factories use to measure their dealers. Some dealers feel no need to know about below average factory metrics for their dealership. We think all dealers should be aware of the main metrics they are measured against by their factory. This would be metrics that are substantially below average. Factories will use these substantially below average metrics to “coerce” dealers to add to their facility, or possibly keep the dealer from adding a stockholder, or to keep a dealer from buying another dealership. As an example, GM has a 4 metric one page sheet called generally the DART REPORT, also known as Dealer Performance Summary(DPS). These 4 metrics include New Vehicle Sales Effectiveness (most important metric of the 4), Service and Sales CSI, Capital Standard Met, and Net profit percentage sales compared to region.

We suggest all dealers obtain at least annually the appropriate factory measurement metrics as stated above. Feel free to call us anytime to discuss at no charge.

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