

# POWER STEERING

March 2023



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As we wrote in last month's issue, February 2023, the year 2022 was the second-best year for new vehicle dealer's pre-tax net profit as a percentage of sales of 4.9%, compared to the best year ever of 5.4% in 2021. We are seeing the last month of 2022 and the first two months of 2023 net profit as a percentage of sales is trending downward as we expected. From our sample of many new vehicle dealers, January 2023 net profit of percentage of sales was only 2.6% while February 2023 was 2.8%.

## MONTHLY FINANCIAL RESULTS – FEBRUARY 2023

	February Better Than January	February Worse Than January	February Best Month	Net Profit % Sales February	New Units	Used Units
CHRYSLER	65%	35%	—	2.6%	23	40
FORD	45%	55%	—	2.4%	32	52
G.M.	50%	50%	—	2.3%	25	45
IMPORTS	55%	45%	—	3.7%	45	41
OVERALL	55%	45%	—	2.8%	31	41

	Net < 3.0%	Net 3.0 – 3.99%	Net 4.0 – 4.99%	Net + 5.0%
CHRYSLER	60%	0%	20%	20%
FORD	40%	20%	30%	10%
G.M.	55%	25%	10%	10%
IMPORTS	30%	10%	30%	30%
OVERALL	50%	15%	15%	20%

## MONTHLY FINANCIAL RESULTS – DECEMBER 2022

	December Better Than November	December Worse Than November	December Best Month	Net Profit % Sales November	New Units	Used Units
CHRYSLER	10%	90%	5%	N/A	25	32
FORD	40%	60%	20%	2.6%	27	61
G.M.	50%	50%	20%	3.0%	37	42
IMPORTS	45%	55%	5%	3.8%	53	50
OVERALL	40%	60%	10%	2.3%	37	47

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The trends we see and read about include new vehicle inventories are increasing along with used vehicle inventories, advertising, new and used vehicle floor plan interest expense, and lower front-end new and used gross profit margins as would be expected. These changes will cause net profit as a percentage of sales to decline as expected. Also, we have read some factories are increasing fleet sales. The results for February on page 1 do not agree to similar amounts on the numbers page at the end of this issue. The numbers are computed using all of our dealership clients and the summary at the end of this issue is computed based only on a sample.

## Worker's Compensation Audit

All dealers have worker's compensation insurance. Annually when you renew your policy or change worker's compensation insurance companies you supply them expected worker's compensation payroll for the next twelve months. They base the one year premium on this expected annual payroll. Each state has different categories of employees with different "rates" for each employee group. This means you will typically have a low rate per hundred dollars of compensation for office employees and usually a very high rate for service technicians. At the end of the insurance year the workers compensation insurance company will ask for the employee compensation for each "rate classification." It is in your financial interest to have employees in the lower cost "rating" groups.

Below are some comments from one of our dealers when he was reviewing the worker's compensation audit that had been tentatively done by someone in his accounting office:

The audit was done over the phone.

An additional bill exceeded \$10,000 after the audit was done by the office.

He Googled his employees worker's compensation classifications for his state.

He found in his state the service writers should be treated as salespersons and have a low rate vs. a high rate of technicians.

Also, he found several other employees were classified incorrectly at a "higher" rate.

He found for several employees that were "officers"

their maximum worker's compensation should be limited to the first \$85,000 of compensation though their compensation exceeded \$85,000.

As a summary someone needs to take the time for your state to confirm each employee category definition, don't assume, for you might find you are over-paying your worker's compensation insurance premiums.

## Enclosed February Selected Financial Results

You might review your results where you are substantially below the average metrics to see if your metrics are below average due to accounting or to the effectiveness of your sales department employees. For your dealer group do you find your ratio of new to used is such that you are missing used retail sales. Find out why. If your used retail gross profit margin is substantially below average find out why. If your net profit percentage of sales is below 3.0% find out why. Feel free to contact us, at no charge, to discuss any substantially below average metrics.

## National New Car and Light Duty Trucks Sales March 31, 2023

As reported in Automotive News, first quarter 2023 new unit sales were 3,594,000 versus 3,317,000 for the same quarter in 2022. This is an increase for Ford, Toyota, Chevrolet, Honda, Nissan, and Hyundai, and a decrease for both Jeep and Ram.



# Monthly Sales and Profit Survey

February 2023

Make	New Units	Gross New	Used Units	Gross Used	YTD Net Profit %	MTD Net Profit %
CHRYSLER	37	\$2,956	34	\$2,615	7.0%	6.4%
CHRYSLER	16	\$3,604	27	\$3,095	7.4%	10.4%
CHRYSLER	27	\$2,733	23	\$2,421	3.9%	4.2%
CHRYSLER	29	\$3,588	42	\$3,269	0.3%	1.8%
CHRYSLER	26	\$3,410	34	\$2,474	2.8%	2.6%
CHRYSLER	17	\$2,127	58	\$1,358	1.3%	1.7%
CHRYSLER	26	\$4,275	29	\$928	1.4%	1.8%
CHRYSLER	10	\$3,155	101	\$2,478	0.5%	0.9%
CHRYSLER	20	\$3,554	18	\$1,649	2.4%	0.7%
CHRYSLER	24	\$(67)	40	\$1,045	-1.9%	-1.2%
<b>AVERAGE CHRYSLER</b>	<b>23</b>	<b>\$2,934</b>	<b>41</b>	<b>\$2,133</b>	<b>2.5%</b>	<b>2.9%</b>
FORD	78	\$3,857	82	\$2,487	4.2%	4.6%
FORD	84	\$3,754	86	\$2,258	3.4%	3.0%
FORD	36	\$1,937	64	\$2,602	3.8%	3.5%
FORD	25	\$3,393	42	\$2,220	2.9%	4.1%
FORD	20	\$2,497	45	\$3,116	2.8%	4.2%
FORD	30	\$3,682	138	\$929	1.4%	1.4%
FORD	16	\$3,533	42	\$1,817	1.6%	1.6%
FORD	27	\$3,369	25	\$3,677	1.1%	1.1%
FORD	50	\$2,346	48	\$2,594	0.2%	0.2%
<b>AVERAGE FORD</b>	<b>41</b>	<b>\$3,152</b>	<b>64</b>	<b>\$2,411</b>	<b>2.4%</b>	<b>2.6%</b>
GM	88	\$2,145	107	\$1,771	4.4%	4.4%
GM	62	\$2,230	143	\$1,355	4.2%	5.4%
GM	23	\$3,922	69	\$3,371	2.9%	3.3%
GM	32	\$3,619	43	\$3,794	6.5%	6.1%
GM	46	\$4,340	69	\$2,842	2.1%	3.0%
GM	25	\$4,285	12	\$2,493	3.6%	3.8%
GM	20	\$2,370	66	\$1,314	3.8%	4.2%
GM	27	\$2,733	23	\$2,421	3.9%	4.2%
GM	32	\$1,874	30	\$2,676	4.8%	4.0%
GM	31	\$3,509	37	\$2,644	2.6%	3.6%
GM	25	\$3,371	64	\$2,563	2.5%	2.5%
GM	23	\$3,811	46	\$3,022	1.6%	3.3%
GM	20	\$2,643	45	\$3,005	2.6%	3.8%
GM	32	\$3,493	59	\$1,981	2.6%	2.4%
GM	23	\$3,153	39	\$1,043	3.4%	3.3%
GM	28	\$1,967	44	\$2,470	2.5%	3.1%
GM	27	\$2,287	30	\$1,191	1.3%	1.2%
GM	24	\$1,142	56	\$1,805	1.9%	0.7%
GM	9	\$1,477	27	\$1,266	1.1%	1.6%
GM	19	\$1,697	25	\$2,311	1.9%	0.9%
<b>AVERAGE GM</b>	<b>31</b>	<b>\$2,803</b>	<b>52</b>	<b>\$2,267</b>	<b>3.0%</b>	<b>3.2%</b>
IMPORT	163	\$2,783	141	\$1,790	9.7%	10.3%
IMPORT	110	\$3,468	44	\$2,508	6.2%	6.6%
IMPORT	66	\$3,586	52	\$2,384	3.8%	5.0%
IMPORT	58	\$3,103	87	\$2,574	7.0%	7.2%
IMPORT	62	\$(471)	35	\$968	-0.4%	-0.1%
IMPORT	64	\$2,853	43	\$2,334	5.3%	6.0%
IMPORT	51	\$2,351	38	\$4,579	6.0%	5.2%
IMPORT	33	\$1,880	34	\$2,271	0.1%	0.0%
IMPORT	38	\$3,188	29	\$153	-1.1%	-1.1%
IMPORT	32	\$2,036	71	\$(67)	-3.8%	-2.5%
IMPORT	30	\$2,421	35	\$2,428	1.1%	0.8%
IMPORT	28	\$2,264	44	\$2,470	2.5%	3.2%
IMPORT	40	\$2,129	20	\$2,581	3.6%	4.0%
IMPORT	37	\$2,915	28	\$1,733	4.5%	4.2%
IMPORT	9	\$4,098	14	\$1,096	-0.4%	-1.8%
<b>AVERAGE IMPORT</b>	<b>55</b>	<b>\$2,574</b>	<b>48</b>	<b>\$1,987</b>	<b>2.9%</b>	<b>3.1%</b>
<b>AVERAGE</b>	<b>38</b>	<b>\$2,822</b>	<b>51</b>	<b>\$2,188</b>	<b>2.8%</b>	<b>3.1%</b>
<b>MEDIAN</b>	<b>29</b>	<b>\$2,936</b>	<b>43</b>	<b>\$2,421</b>	<b>2.6%</b>	<b>3.2%</b>



# National Economic Metrics

We receive an Interest Rate Risk Management Weekly update courtesy of KeyBank. Some of the informative metrics include:

SOFR (comparable to LIBOR)	4.81%	trending downward
Federal Funds rate	5.00%	level last two weeks
Prime rate	8.00%	level last two weeks