



It is time to analyze how your dealership generates profits. Are you making the most of your time and effort? Being

a dealer isn't an easy job, you must be able to market your dealership, supervise and lead a diverse group of employees, control a variety of inventories, deal with manufacturer issues, make your customers happy, retail vehicles, parts and service, etc.

It can be easy to get caught up in day-to-day operations, take a step back, and evaluate your performance: (chart 1)

This is a great way to look at your performance. All departments participate, and it doesn't matter where dealer handling fees, holdback or advertising credits are recorded. Now, let's look at where you want your dealership to be. (chart 2)

Now that you have quantified how much additional income is needed, you must get there?

Send the message.

A goal can't be accomplished unless your team knows what it is. Talk to your managers about your expectations. In your next meeting, let everyone know how important it is to raise your net per retail from \$500 per unit to \$800 per unit. In the future, you will want to reach \$1,200

Make Your Dealership Work for You

chart 1

<i>Calculate net per retail.</i>		<i>Sample:</i>
Year to date net profit before income taxes:	\$ _____	\$650,000
Year to date retail units:	_____	1,300
Net per retail (divide net profit by retail units):	\$ _____	\$500
<i>Domestic / import:</i>		<i>High Line:</i>
0 - \$200	Concerned	0 - \$500
\$200 - \$400	Needs improvement	\$500 - \$1,000
\$400 - \$800	Average	\$1,000 - \$1,500
\$800 - \$1,000	Above average	\$1,500 - \$2,000
\$1,000+	Great job	\$2,000 +

chart 2

<i>How much income do we need to find?</i>		<i>Sample:</i>
Net per retail you would like:	\$ _____	\$800
Net per retail from above:	\$ _____	\$500
Difference:	\$ _____	\$300
Year to date retail units from above:	_____	1,300
Additional income:	\$ _____	\$390,000
# of months in year to date:	_____	10
Additional income needed by month:	\$ _____	\$39,000

or higher, but in the short-term begin with an attainable goal. Ask each manager how much they can contribute to the overall \$39,000 (chart 2) monthly increase in profits. Get them involved. Display the monthly net per retail by month where all managers can see.

Sell fewer units.

The initial reaction is to sell fewer units and then income per unit will go up. This is incorrect, your overhead is already covered, and your incremental gross less selling expense is greater than your target, net per retail. If it isn't, you need to

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evaluate your vehicle gross, F&I gross and compensation. If you can increase your market share, it will do wonders for your net per retail. In addition to the additional gross, you will have additional income from advertising and floor plan credits, while reducing floor plan interest expense.

Discuss sales volume with parts and service. Are they marketing correctly and retaining customers. Are they up selling on the service drive? Are you losing customers to other dealerships? Discuss these items with your managers, and monitor their number of customer ROs, sales per RO and effective labor rate. Your effective labor rate should be similar to your posted labor rate.

Cut expenses.

The second reaction is to cut expenses, but you will find a greater opportunity focusing on gross. Dealerships leave thousands of dollars in gross on the table every month. Make sure you are asking for enough gross up front, you can always come down to make the sale, but ask for it up front. Nissan dealers, for years, couldn't sell cars without huge factory incentives, and the attitude became that there is no gross on a Nissan. Now that Nissan is producing a great product with great gross potential, a number of dealers are still in the '800 is a strong gross' mode. Don't get into that mindset, review your sales journal, and make sure you have some \$5,000 grosses to offset your \$200 grosses. Make sure your used gross including dealer handling fees are between \$1,600 and \$2,000 per retail. F&I gross should be from \$800 to \$1,400 per retail unit. If your dealership doesn't fall into these parameters, analyze your results with your managers, and ask them why. Do not accept excuses, you need results and a plan to reach them.

Review your percentages in parts and service, you may not want to set the market, but you want to be close. One area to find a lot of opportunity for gross is on internal work. Parts gross percent of sales internal should be at least 30 percent, and service internal should be at least 75 percent, while some dealers are getting 40 percent in parts and 80 percent in service, while maintaining their benchmarks in used vehicle gross. A change in internal percentages will have no effect on new and used car gross, since they are still working for the same gross.

Focus on expenses.

Now that you have established sales and gross goals, you can work on expenses. The largest expense is personnel. In the majority of dealerships 50 percent of the gross goes to employees. Since this is such a key area, you need to take an employee inventory by department. Do you have too many employees? Are you paying overtime? What is your gross per employee? Divide total gross per employee, and you should be from \$8,000 to \$10,000 per employee.

Review the pay plans to make sure they are accomplishing your goals. Your pay plans should focus on market, gross and CSI. A manager will exploit their pay plan, so design it to be exploited. Look at personnel expense by department as it relates to gross. F&I compensation shouldn't exceed 18 percent of gross, total parts compensation shouldn't exceed 28 percent of gross and service compensation shouldn't exceed 33

percent of gross. It is very important to stay within your guidelines in order to build the net per retail.

In measuring each expense, use a checklist. Does it effect sales, gross, employee satisfaction, customer satisfaction or provide a great place to do business. If not, you probably should eliminate it. Are you paying too much? Explore the market, and renegotiate your current contracts.

With interest rates being so low and the market staying relatively strong, it is very important to get your net per retail as high as possible. Keep your message strong, and structure your dealership to accomplish your goals.

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ADVERTISING (v)
1. To build name awareness for future sales.

MARKETING (v)
1. To offer for sale/place for selling.

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