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THE MOTOR DEALER REPORT FROM AUSWILD & CO  
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## IF IT IS TO BE, IT'S UP TO ME!

The 2009 Financial Year is finally over and what a year it has been! We had the Global Financial Crisis which caused tsunami sized shock waves throughout the world. Here in Australia, we haven't been immune from it although our economy didn't quite go into a recession. The automotive industry in Australia has been hard hit – we had the withdrawal of GMAC and GE Capital from our markets leaving many dealers without floorplan financing; the remaining finance companies have been tightening the screws on their existing dealers; the sales of vehicles are significantly down from previous years; and, many dealers – from the small family dealerships to some large metropolitan dealerships – have folded during the past twelve months.

On a daily basis, we have been bombarded with negative news. Sometimes we wonder whether we would all be better off if we stop watching the news and reading the newspapers (plus web sites today).

Well, as we all know, one month or quarter does not a year make, and remember, in this industry, we are running a marathon, not a sprint! The stock market, interest rates, etc., impact all dealers much more than the typical customer. We are not saying there aren't reasons to be aware of what's going on outside your businesses, but you, as a business owner and dealer, cannot let that dictate your futures.

Perhaps it is time to park your golf carts and boats and figure out a way to take advantage of this. The point is – there are two kinds of business people in this world, those who watch things happen and those who make things happen.

Which category do you fall in?

Although it is early days yet, we have quite a few dealers who had as good a year in 2009 (and in some cases, a better year) in sales and net profit than they did in 2008. Some of these dealers are showing over 4.0% net profit to sales for 2009!

How did they do it?

Most of them decided to be proactive rather than wait to see what was going to happen. Generally, these dealers found a way to be profitable based on today's volume and gross.

They made the tough decisions on right-sizing their operations. They explored other opportunities and identified those that are applicable to their markets. They found ways to make these an integral part of their operations.

What opportunities?

Take a good hard look at your dealership and at each department. Identify each department's weaknesses and strengths. Compare these to industry averages and benchmarks.

What are you doing with your customer database? Are your salespeople ringing up customers who bought from you in the past to see if they are ready for a change of vehicle? A recent Roy Morgan Research (reported in *Autofile Online* on 17 July 2009) show that an estimated 631,000 Australians intend to purchase a vehicle in the next 12 months. This is significantly up from December 2008 when less than 490,000 indicated that they intended to purchase a vehicle in the next 12 months.

Are you using the "investment allowance" as a marketing tool? The surge in new vehicle sales in May and June has been attributed in part to this tax bonus.

What about used vehicles – your second franchise? Are you stocking the "right" vehicles – the makes and models and the price range that you are getting enquiries on and not the vehicles you or your used vehicle manager think you should stock?

Profitable dealers are becoming much stronger with regard to inventory management both from a unit-count standpoint and also from what they stock. New and used vehicle inventory turn measurements have become common performance indicators and are a part of the decision regarding which inventory to purchase.

What is your customer retention rate? Do you know? Most top performing dealerships have focused on increasing customer loyalty. A simple method used to encourage repeat service visits is a service reminder! You will be surprised how many dealerships do not use this. We know – from the absence of reminders from the various dealerships we have had our vehicles serviced at!

Most dealers with net profit improvements this year have focused their energies on improving their operation's efficiency.

Human resource management must be addressed as a part of your profit improvement process. Focus on your recruitment processes; structured and formal training processes; bonuses and incentives for top performers; and, performance tracking and accountability. Improved gross per employee can generally be accomplished in one of two ways – one method being less employees generating more gross, and the other, more gross from the existing employees. This is a critical element of any dealer's road to success.

From an expense standpoint, have you reviewed each and every expense and looked at ways you can cut those unnecessary costs? It has become common for dealerships to use a preferred-vendor list. This list is routinely checked to ensure the lowest and best price is being received.

Yes, times are tough but there are many opportunities out there.

Remind yourself as you begin each new day: "If it is to be, it's up to me."

### **VALE – OWEN GWILYM (OG) ROBERTS (1919 – 2009)**

*Owen Roberts, the founder of **OG Roberts & Co** or **OGR** as it is better known, passed away peacefully on 11 July 2009. Like many of his contemporaries, OG was considered a pioneer in the automotive industry – playing a major role in the development and evolution of the local motor industry in Mount Gambier, South Australia. The **OGR** story began on 1 July 1956 when OG moved his young family from Shepparton in Victoria to Mount Gambier to takeover the existing GMH dealership. Over the next two decades, OG expanded his operations and business interests in Mount Gambier at a rapid pace. OG's business interests at various times included a wrecking yard, service stations, travel agency, an Avis franchise and an oat mill (Blue Lake Oatmill). He also owned in excess of 20 major properties in Mount Gambier. In 1975, OG branched into trucks in Adelaide, opening a state of the art truck facility in Salisbury North, selling White, Leader, UD, Mercedes, Mazda and Leyland trucks. In 1979, OG and his wife, Gwen, moved to Adelaide to oversee the truck dealership and other business interests, handing over the reins of **OGR** to his son, Peter, the current Dealer Principal. OG retired from the family business in 1981. He is survived by Peter and daughters Denise Cook and Maree Aslin. Our heartfelt condolences go to the Roberts family on their loss.*

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