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THE MOTOR DEALER REPORT FROM AUSWILD & CO
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THE SUCCESSFUL DEALER

Wow! How time flies. Here we are in May 2010 and the 2009/2010 financial year is almost over, bar the shouting. Hopefully, by the time you read this, you will be reviewing your business plan for your dealership and putting the finishing touches to the 2010/2011 budget for your dealership. Even though external influences (which you have absolutely no control over) may affect your dealership's performance, the final results for your dealership will ultimately reflect the execution of your plans and processes.

At **Auswild**, our best performing dealer for the 2009 financial year achieved a net profit of 5.8% to sales. This is a single franchise metro dealer with sales of \$34 million. For the 2009/2010 year, this dealer is on track to exceed that! Our best performing rural dealer achieved a net profit of 4.3% to sales of \$22 million and yet, the franchises he has are neither Toyota nor Holden. Another of our single franchise rural dealers has fixed expense coverage of 93.8%.

Why is it that some dealers, regardless of what franchise they have, seem to excel year after year?

It is not totally that their personnel are any better than any other.

True, human resource management must be addressed as part of any dealer's profit improvement process; and, you must have professional and dedicated personnel. But what's more important is how your people perform and execute the plan. What seems to be the answer is the environment in which the personnel operate.

Most dealers operate in markets where there is competition from several same-franchise dealers as well as competitive dealers with other franchises. Long gone are the days when customers only supported their "local" dealer.

So how is it that some dealers can be so successful when many of their competitors are having issues? Most of them are hands-on and pro-active dealers. Without exception, successful dealers have processes and plans in place that everyone in their dealerships must follow, and all employees are accountable for their area of responsibility.

One example is the inventory-management standards with regard to unit-count, aging and model composition that have been established, and on which there is no compromise. The successful dealer insists that no used vehicle remain in inventory past 60 days, if that is his aging standard.

He also insists that used vehicles meet the dealership's inventory profile. If a vehicle doesn't, it goes to auction or is wholesaled sooner rather than later so that capital and space is freed up for a vehicle that has historically sold well.

The successful dealer monitors his monthly new-vehicle sales rate by individual model and knows by month what the average sales have been. If he sees a change in the market, he adjusts the selling price to avert any inventory and turn-rate stagnations.

If he senses an opportunity to gain market share in an area, he creates a plan in advance of ordering the vehicles. There is a written plan to sell these vehicles that includes the advertising message and campaign.

In his fixed operations, the same types of plans are created as well as game plans outlining the required execution. He knows, for example, his car parc and monitors the penetration of certain types of mechanical services such as menu-related items.

Obviously, service department and technician productivity and efficiency are monitored daily, as well as individual service advisor performance in areas such as hours per-repair order, effective labour rate and parts-to-labour ratio. He prints a list of open RO's each day and meets with his service manager to go over each one and finds out why it is still open.

He monitors his gross and true turn of parts, plus his day's supply level and his level of service to ensure the department operates at the highest level.

Accounts receivable are reviewed monthly to ensure that customer credit limits are appropriate. Overdue accounts are investigated and cut off if necessary until the account is brought back to current.

Non-parts-department employees are used for doing bin counts on a regular basis and they submit a written report to the dealer.

The successful dealer holds manager meetings daily to review the previous day's performance as well as the dealership's month-to-date results compared with the business plan.

And more importantly, the successful dealer is passionate about his business. When you realise what it takes to be successful and refuse to relax your standards, you too can achieve the results that successful dealers are achieving.

For additional information, please contact your
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