LEXUS OPERATING & EXPENSE PROFILES

14th Edition

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20 Group
8400 Westpark Drive
Tysons, Virginia 22102-3591
703.821.7220
20group@nada.org
http://www.nada.org/20group

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MANAGEMENT OPERATING PROFILES

Cash in Bank	100% of average monthly Total Dealership Expense plus Technician Payroll
Service, Parts and Body Receivables	50% of average monthly Service, Parts and Body Sales (excluding warranty and internal sales)
Receivable Aging	0 - 30 days 70% 31 - 60 days 30%
Warranty Receivables	Manufacturer's average turnaround time or up to 25% of average monthly Warranty Sales
New Inventory	1.5 months' supply (units and dollars)
New Vehicle Turnover Rate	8 times per year
Used Vehicle Inventory	1 month supply (units and dollars)
Used Vehicle Turnover Rate	12 times per year
Parts Inventory	1.5 months' supply
Parts Inventory Fill Rate	90% - 95%
Asset/Liability Ratios	2:1 (Current) 1:1 (Quick)
Debt to Equity Ratio	Ratio of less than 3:1 would show possible borrowing power
Net Profit Return on Assets	17% - 25%: Return percentage should be sufficient to justify operations, considering the *cost of money, risk, alternative investment.*
Asset Utilization	Annualized sales divided by assets = 7 to 1
Net Profit Return on Net Worth	45% - 50%
Net Profit Return on Total Sales	4% - 5%

Absorption = Gross Profit divided by Total Dealership Expense

	With Body Shop	Without Body Shop
Used Vehicle Department Absorption	40%	40%
Service Department Absorption	30%	35%
Body Shop Department Absorption	10%	0%
Parts Department Absorption	20%	25%
Total Absorption	100%	100%

PRODUCTIVITY PROFILES

New and Used Vehicle Departments

Sales Productivity	13 New + Used Vehicle Sales per Salesperson per Month
Used Retail to New Ratio	1.25:1

Service Department

Sales Proficiency	120% sale of hours available
Gross Retention	73% Customer Labor 73% Internal Labor 73% Warranty Labor
Technician Efficiency	125% Factory Manual 135% Chilton Motors and others
Stall Utilization/Productivity	75% minimum
Technician to Support Personnel Ratio	2:1
Customer Follow-Up Contact Rate	100%

Body Shop Department

Gross Retention	43% - 55% Total 65% Labor 30% - 35% Parts 40% Paint and Materials
Apprentice Technician Efficiency	100%
Journeyman Technician Efficiency	150%
Master Technician Efficiency	200% - 300%

Parts Department

Inventory Turnover (turns)	8 times per year
Inventory Profile-Sales Movement Range	
0 to 3 months	75% of inventory
4 to 6 months	23% of inventory
7 to 12 months	2% of inventory
Parts Sales Per Employee	$48,000 to $55,000+ per month
Parts Gross Per Employee	$17,000 to $19,000 per month
Parts-to-Labor Ratio	1.00 minimum
Pricing Policy	Matrix when possible by individual parts numbers cost
Level of Service	90% - 95%

Lexus Expenses *Gross includes Total Distributor Bonus	Total Dealership Expense % Adj. Gross*	New Dept Expense % Adj. Gross*	Pre-Owned Expense % Gross	Service Dept Expense % Gross	Parts Dept Expense % Gross	Body Shop Dept Expense % Gross
Sales Compensation	14.10%	14.60%	17.10%	13.15%	8.80%	5.85%
Sales Supervision Compensation	7.85%	9.20%	8.25%	6.20%	6.35%	6.80%
Delivery Expense	0.40%	0.35%	0.60%			
Fin., Ins. & S.C. Compensation	2.75%	6.40%	4.20%			
Advertising - Departmental	3.85%	6.65%	5.15%	1.10%	2.15%	0.25%
Interest - Floor Plan	-5.45%	-20.55%	1.70%			
TOTAL SELLING EXPENSE	**23.50%**	**16.65%**	**37.00%**	**20.45%**	**17.30%**	**12.90%**
Policy Adjustments	0.85%	0.40%	1.00%	1.40%	0.30%	0.25%
Demos & Company Vehicles - Dept'l	2.20%	1.50%	0.95%	1.60%	0.50%	0.10%
Inventory Maintenance	0.25%	0.45%	0.50%		0.50%	
Personnel Training	0.45%	0.40%	0.35%	0.70%	0.35%	0.80%
Outside Services - Departmental	2.90%	2.75%	2.35%	4.40%	3.50%	0.25%
Freight	0.05%				0.45%	
Supplies & Small Tools	0.00%	0.45%	0.40%	-1.35%	0.75%	1.50%
Laundry & Uniforms	0.15%	0.10%	0.05%	0.25%	0.10%	0.25%
Depr. - Equip & Vehicles - Departmental	0.55%	0.40%	0.75%	2.15%	1.35%	2.75%
Equip - Maint, Repair & Rental - Dept'l	0.40%	0.35%	0.20%	0.65%	0.45%	0.30%
Miscellaneous Expense	0.80%	0.60%	0.30%	1.00%	0.80%	0.60%
Salaries & Wages	5.30%	5.55%	2.40%	7.70%	3.95%	6.25%
Clerical Salaries	1.55%	1.50%	1.50%	1.75%	1.45%	2.40%
Vacation & Time Off Pay	1.35%	1.05%	0.85%	2.80%	0.95%	2.15%
TOTAL OPERATING EXPENSE	**16.80%**	**15.50%**	**11.60%**	**23.05%**	**15.40%**	**17.60%**
Rent & Equivalent	9.00%	12.15%	9.65%	5.00%	9.00%	2.75%
Salaries & Wages - Admin & Gen	1.70%	3.00%	2.05%	1.65%	2.65%	3.75%
Owners Salaries	1.50%	1.30%	1.65%	0.70%	0.80%	0.00%
Payroll Taxes	3.50%	4.00%	2.25%	3.35%	1.60%	2.45%
Employee Benefits	3.70%	3.10%	2.40%	2.85%	2.50%	2.90%
Pension Fund/Profit Sharing	0.85%	1.20%	0.75%	0.45%	0.60%	0.90%
Advertising - General & Institutional	0.45%	0.65%	0.70%	0.25%	0.20%	0.20%
Stationery & Office Supplies	0.50%	0.40%	0.50%	0.25%	0.35%	0.15%
Data Processing Services	1.90%	2.00%	2.20%	2.05%	1.85%	0.40%
Outside Services - Gen & Inst	2.45%	2.20%	1.45%	3.25%	2.35%	0.90%
Company Vehicles - Administration	1.85%	1.40%	0.20%	3.40%	2.35%	0.00%
Contributions	0.10%	0.15%	0.15%	0.05%	0.10%	0.05%
Dues & Subscriptions	0.20%	0.35%	0.30%	0.05%	0.35%	0.25%
Telephone	0.25%	0.30%	0.30%	0.20%	0.30%	0.15%
Legal & Auditing	0.25%	0.40%	0.20%	0.20%	0.35%	0.15%
Postage	0.25%	0.35%	0.45%	0.15%	0.10%	0.00%
Travel & Entertainment	0.35%	0.45%	0.60%	0.35%	0.35%	0.55%
Heat, Light, Power & Water	0.95%	0.90%	0.90%	0.75%	1.05%	0.70%
Furn - Depr, Maint, Repair & Rental	0.60%	0.85%	0.60%	0.55%	0.65%	0.85%
Ins. - Other than Bldgs & Imp	1.25%	2.30%	1.35%	0.65%	1.05%	0.25%
Taxes - Other than Real Estate, Pay & Inc	0.90%	0.95%	0.85%	0.85%	0.85%	0.25%
Interest - Other than Floor Plan & RE Mort	0.65%	1.65%	1.35%	1.65%	1.50%	1.75%
TOTAL OVERHEAD EXPENSE	**33.15%**	**40.05%**	**30.85%**	**28.65%**	**30.90%**	**19.35%**
TOTAL EXPENSES	**73.45%**	**72.20%**	**79.45%**	**72.15%**	**63.60%**	**49.85%**
TOTAL OPERATING PROFIT	**26.55%**	**27.80%**	**20.55%**	**27.85%**	**36.40%**	**50.15%**

Expenses that cannot be easily categorized to the departments should be analyzed based on the following methods: time, usage, benefit, value or area.

If there are expenses that still cannot be categorized, use these recommended percentages:

Proration of Unallocated Expenses	**100.00%**	**30.00%**	**20.00%**	**25.00%**	**20.00%**	**5.00%**

Proration no Body Shop	**100.00%**	**30.00%**	**20.00%**	**30.00%**	**20.00%**	**0.00%**