



NISSAN OPERATING & EXPENSE PROFILES

14th Edition

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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 <i>cost of money, risk, alternative investment.</i> | |
| 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

| | <u>With Body Shop</u> | <u>Without Body Shop</u> |
|------------------------------------|-----------------------|--------------------------|
| 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% |

| Nissan Expenses | Total Dealership Expense % Gross | Total Dealership Expense % Gross including Program Bonuses* | New Dept Expense % Gross | New Dept Expense % Gross including Program Bonuses* | Used Dept Expense % Gross | Service Dept Expense % Gross | P&A Dept Expense % Gross | Body Shop Expense % Gross |
|--|----------------------------------|---|--------------------------|---|---------------------------|------------------------------|--------------------------|---------------------------|
| Commissions & Incentives | 15.40% | 12.75% | 18.05% | 13.05% | 16.55% | 10.20% | 9.20% | 2.25% |
| Salaries - Salespeople | 2.45% | 2.25% | 3.50% | 1.60% | 3.80% | 5.40% | 5.25% | 0.00% |
| F & I Commissions & Incentives | 5.75% | 4.45% | 8.20% | 5.85% | 6.20% | | | |
| Delivery Expense | 0.40% | 0.45% | 1.05% | 0.20% | 1.00% | | | |
| Policy Adjustment | 1.10% | 0.95% | 0.60% | -0.10% | 0.70% | 2.45% | 0.45% | 0.70% |
| Demonstration | 0.20% | -0.05% | 0.30% | 0.35% | -0.15% | | | |
| Advertising | 9.65% | 8.15% | 19.35% | 11.90% | 7.25% | 2.85% | 2.90% | 0.70% |
| Advertising Reimbursement/Allowances | -3.05% | -2.60% | -8.25% | -5.75% | -0.90% | -0.05% | -0.70% | 0.00% |
| Interest - Floor Plan - Vehicles | 5.20% | 5.00% | 15.75% | 10.40% | 1.75% | | | |
| Floor Plan Assitance | -6.55% | -6.05% | -20.25% | -14.35% | -0.15% | | | |
| TOTAL VARIABLE SELLING EXPENSE | 30.55% | 25.30% | 38.30% | 23.15% | 36.05% | 20.85% | 17.10% | 3.65% |
| Salaries - Owners | 2.45% | 2.75% | 2.70% | 2.10% | 2.05% | 2.15% | 2.00% | 3.20% |
| Salaries - Supervision | 12.85% | 11.40% | 15.55% | 12.05% | 11.55% | 9.15% | 10.45% | 6.90% |
| Salaries - Clerical | 3.00% | 2.90% | 3.25% | 2.55% | 2.45% | 3.75% | 1.85% | 6.25% |
| Other Salaries & Wages | 7.75% | 7.25% | 4.95% | 3.10% | 2.80% | 14.50% | 7.75% | 6.45% |
| Absentee Wages - Productive Personnel | 0.45% | 0.40% | | | | 2.10% | | 1.25% |
| Taxes - Payroll | 4.55% | 3.90% | 4.60% | 3.90% | 2.15% | 5.00% | 2.20% | 3.85% |
| Employee Benefits / Pension Fund / 401 K | 4.00% | 3.30% | 3.55% | 2.50% | 1.90% | 4.35% | 1.80% | 2.95% |
| TOTAL SALARY & WAGE EXPENSE | 35.05% | 31.90% | 34.60% | 26.20% | 22.90% | 41.00% | 26.05% | 30.85% |
| Company Vehicle | 0.95% | 0.65% | 1.05% | 0.20% | 0.85% | 1.05% | 0.65% | 0.75% |
| Small Tools | 0.20% | 0.20% | | | | 1.00% | | 0.30% |
| Freight & Express | 0.05% | 0.05% | | | | | 0.45% | |
| Institutional Advertising | 1.70% | 0.90% | 2.15% | 0.40% | 0.15% | 1.55% | 0.50% | 0.50% |
| Stationery & Office Supplies | 0.70% | 0.60% | 0.45% | 0.45% | 0.45% | 0.60% | 0.40% | 0.25% |
| Supplies & Laundry | 0.50% | 0.45% | 1.00% | 0.75% | 0.55% | -1.35% | 0.45% | 6.25% |
| Outside Services | 3.55% | 2.80% | 3.85% | 2.55% | 1.70% | 2.75% | 1.80% | 1.25% |
| Travel & Entertainment | 0.30% | 0.35% | 0.60% | 0.45% | 0.35% | 0.15% | 0.10% | 0.20% |
| Legal & Auditing | 0.40% | 0.30% | 0.45% | 0.25% | 0.20% | 0.25% | 0.40% | 0.25% |
| Communication, Telephone, Internet & Data Processing | 3.05% | 2.60% | 3.45% | 2.75% | 2.10% | 2.45% | 2.00% | 1.35% |
| Employee Training | 0.60% | 0.55% | 0.85% | 0.55% | 0.25% | 0.90% | 0.30% | 0.10% |
| Bad Debts | 0.10% | 0.05% | 0.10% | 0.10% | 0.45% | 0.15% | 0.15% | 0.20% |
| Postage & Misc. | 0.55% | 0.50% | 0.60% | 0.50% | 0.35% | 0.30% | 0.30% | 0.25% |
| Dues, Subscriptions, Memberships & Contributions | 0.40% | 0.40% | 0.60% | 0.35% | 0.30% | 0.40% | 0.30% | 0.30% |
| TOTAL SEMI-FIXED EXPENSE GROUP | 13.05% | 10.40% | 15.15% | 9.30% | 7.70% | 10.20% | 7.80% | 11.95% |
| Rent & Interest - Real Estate Mortgages | 6.40% | 6.00% | 6.70% | 5.75% | 4.85% | 6.95% | 6.60% | 12.10% |
| Amortization - Leaseholds | 0.95% | 0.30% | 0.75% | 0.40% | 0.25% | 0.95% | 0.85% | 0.20% |
| Repair & Maintenance - Real Estate | 0.50% | 0.40% | 0.50% | 0.40% | 0.30% | 0.45% | 0.50% | 0.80% |
| Depreciation - Buildings and Improvem | 1.20% | 1.10% | 0.45% | 0.40% | 0.50% | 0.10% | 0.80% | 2.20% |
| Insurance - Buildings & Improvements | 0.50% | 0.60% | 0.70% | 0.40% | 0.55% | 0.70% | 0.55% | 1.15% |
| Taxes - Real Estate | 1.00% | 0.90% | 1.05% | 0.80% | 0.80% | 1.10% | 0.95% | 1.40% |
| Heat, Light, Power & Water | 1.05% | 0.95% | 1.00% | 0.75% | 0.60% | 1.10% | 0.95% | 2.70% |
| SUBTOTAL- RENT & EQUIV EXPENSE | 11.60% | 10.25% | 11.15% | 8.90% | 7.85% | 11.35% | 11.20% | 20.55% |
| Management Fees | 2.70% | 0.80% | 3.25% | 0.75% | 2.60% | 0.35% | 0.25% | 0.00% |
| Equipment - Repairs & Rental | 0.35% | 0.30% | 0.20% | 0.20% | 0.15% | 0.50% | 0.25% | 1.25% |
| Depreciation - Other than Bldgs & Imps | 1.05% | 0.75% | 1.05% | 0.55% | 0.50% | 2.10% | 0.75% | 1.45% |
| Insurance - Other than Bldgs & Imps | 1.40% | 1.25% | 1.75% | 1.45% | 0.85% | 1.00% | 1.00% | 0.85% |
| Taxes - Other than Real Est, Payroll & Inc | 0.65% | 0.65% | 0.80% | 1.00% | 0.45% | 0.55% | 0.70% | 0.80% |
| TOTAL FIXED EXPENSES | 17.75% | 14.00% | 18.20% | 12.85% | 12.40% | 15.85% | 14.15% | 24.90% |
| TOTAL FIXED OVERHEAD EXPENSE | 65.85% | 56.30% | 67.95% | 48.35% | 43.00% | 67.05% | 48.00% | 67.70% |
| TOTAL EXPENSES | 96.40% | 81.60% | 106.25% | 71.50% | 79.05% | 87.90% | 65.10% | 71.35% |
| TOTAL OPERATING PROFIT | 3.60% | 18.40% | -6.25% | 28.50% | 20.95% | 12.10% | 34.90% | 28.65% |

* Bonus Programs = Quality Growth Program & Nissan 10 Bonus, Sales Growth Program (SGP), Aftersales Growth Program (AGP) & Miscellaneous Factory

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% | 33.00% | 20.00% | 21.00% | 14.00% | 12.00% |
| Proration No Body Shop | 100.00% | 33.00% | 20.00% | 33.00% | 14.00% | 0.00% |