



SUBARU 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% |

| Subaru Expenses | Total Dealership Expense % Gross | New Dept Expense % Gross | Used Dept Expense % Gross | Service Dept Expense % Gross | P&A Dept Expense % Gross | Body Shop Dept Expense % Gross |
|---|-------------------------------------|-----------------------------|------------------------------|---------------------------------|-----------------------------|-----------------------------------|
| Compensation & Incentive - Salespeople | 9.50% | 16.35% | 17.25% | | | |
| Interest Floor Plan | 1.30% | 2.45% | 1.55% | | | |
| Floor Plan Assistance | -3.05% | -9.10% | | | | |
| Compensation F&I/Service Contracts | 3.85% | 8.10% | 5.90% | | | |
| Delivery Expense (less allowance) | -0.20% | -0.90% | -0.45% | | | |
| Customer Relations Adjustments | 0.50% | 0.40% | 0.50% | | | |
| Demonstrator Expense | 0.20% | 0.20% | 0.25% | | | |
| Advertising Associations | 0.10% | 0.35% | 0.60% | | | |
| Advertising - New & Used Vehicle | 8.40% | 17.75% | 4.75% | | | |
| Internet Advertising - New & Used Vehicle | 2.45% | 6.10% | 2.55% | | | |
| Advertising Rebates - New & Used Vehicle | -6.50% | -22.60% | | | | |
| TOTAL VEHICLE SELLING EXPENSE | 16.55% | 19.10% | 32.90% | | | |
| Salaries - Owners | 2.35% | 2.75% | 2.35% | 2.60% | 1.60% | 2.70% |
| Salaries - Supervision | 11.80% | 13.95% | 13.10% | 9.70% | 8.90% | 13.10% |
| Compensation – Advisors, Wholesale, Counter | 4.85% | | | 11.75% | 7.30% | 6.15% |
| Compensation – Express Service | 0.80% | | | 2.85% | 2.80% | 0.00% |
| Salaries - Clerical | 3.40% | 3.10% | 3.10% | 3.45% | 2.40% | 3.65% |
| Other Salaries & Wages | 8.75% | 2.75% | 3.60% | 10.40% | 10.35% | 11.90% |
| Taxes - Payroll | 4.65% | 4.10% | 2.95% | 5.05% | 2.80% | 7.65% |
| Employee Benefits / Pension Fund | 3.45% | 2.60% | 3.10% | 3.50% | 1.95% | 6.00% |
| Absentee Compensation | 1.10% | 0.90% | 1.00% | 2.20% | 0.45% | 2.85% |
| TOTAL PERSONNEL EXPENSE | 41.15% | 30.15% | 29.20% | 51.50% | 38.55% | 54.00% |
| Company Vehicle Expense | 0.80% | 0.40% | 0.60% | 0.95% | 0.75% | 1.30% |
| Office Supplies | 0.35% | 0.35% | 0.30% | 0.40% | 0.30% | 0.25% |
| Other Supplies | 0.80% | 0.65% | 0.80% | 0.25% | 0.75% | 2.15% |
| Advertising - Service, P&A & Body Shop | 1.60% | | | 3.20% | 2.25% | 1.45% |
| Internet Advertising - Service, P&A & Body | 0.50% | | | 1.15% | 1.80% | 0.80% |
| Advertising Rebates - Service, P&A & Body | -0.60% | | | -1.40% | -0.90% | -0.10% |
| Bad Debt | 0.05% | 0.05% | 0.15% | 0.30% | 0.30% | 0.15% |
| Contributions | 0.20% | 0.25% | 0.20% | 0.15% | 0.10% | 0.30% |
| Policy Work - Service, P&A & Body Shop | 0.70% | | | 3.20% | 1.30% | 2.75% |
| Outside Services | 2.85% | 3.00% | 2.95% | 3.90% | 3.20% | 1.55% |
| Laundry & Uniforms | 0.20% | 0.05% | 0.10% | 0.50% | 0.10% | 0.95% |
| Travel & Entertainment | 0.55% | 0.60% | 0.35% | 0.25% | 0.25% | 0.35% |
| Membership, Dues & Publications | 0.15% | 0.15% | 0.15% | 0.15% | 0.15% | 0.20% |
| Legal & Auditing | 0.35% | 0.40% | 0.50% | 0.35% | 0.40% | 0.45% |
| Telephone | 0.30% | 0.30% | 0.35% | 0.30% | 0.25% | 0.50% |
| Freight & Express / Postage | 0.50% | 0.50% | 0.50% | 0.15% | 2.00% | 0.15% |
| Training | 0.85% | 0.70% | 0.30% | 1.35% | 0.30% | 0.50% |
| Data Processing | 2.35% | 1.95% | 2.05% | 2.05% | 2.15% | 3.20% |
| Miscellaneous | 0.60% | 0.50% | 0.40% | 1.40% | 0.25% | 0.55% |
| TOTAL OPERATING EXPENSE | 13.10% | 9.85% | 9.70% | 18.60% | 15.70% | 17.45% |
| Rent / Lease | 6.05% | 5.20% | 6.05% | 6.10% | 4.80% | 4.70% |
| Amortization - Leaseholds | 0.25% | 0.40% | 0.30% | 0.40% | 0.20% | 0.30% |
| Repairs - Real Estate | 0.40% | 0.35% | 0.35% | 0.45% | 0.30% | 1.30% |
| Depreciation - Buildings & Improvements | 0.55% | 0.55% | 0.55% | 0.60% | 0.35% | 1.30% |
| Taxes - Real Estate | 1.00% | 0.90% | 0.80% | 0.95% | 0.80% | 1.15% |
| Insurance - Buildings & Improvements | 0.40% | 0.45% | 0.35% | 0.50% | 0.35% | 0.40% |
| Interest - Real Estate Mortgage | 0.95% | 1.05% | 1.25% | 0.50% | 0.55% | 0.00% |
| Heat, Light, Power & Water | 0.95% | 0.85% | 0.90% | 0.75% | 0.65% | 2.10% |
| Insurance - Other than Buildings & Improvements | 0.75% | 0.85% | 0.75% | 1.10% | 0.70% | 1.35% |
| Taxes - Other than Real Est, Income & Payroll | 0.55% | 0.75% | 0.75% | 0.25% | 0.15% | 0.50% |
| Interest Other | 0.20% | 0.55% | 0.10% | 0.20% | 0.25% | 0.60% |
| Depreciation - Other than Buildings & Imps | 1.10% | 0.70% | 0.65% | 1.60% | 0.60% | 1.80% |
| Equipment Repairs & Rental | 0.40% | 0.20% | 0.20% | 0.50% | 0.40% | 0.80% |
| TOTAL OVERHEAD EXPENSE | 13.55% | 12.80% | 13.00% | 13.90% | 10.10% | 16.30% |
| TOTAL EXPENSES | 84.35% | 71.90% | 84.80% | 84.00% | 64.35% | 87.75% |
| TOTAL OPERATING PROFIT | 15.65% | 28.10% | 15.20% | 16.00% | 35.65% | 12.25% |
| 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 without Body shop | 100.00% | 33.00% | 20.00% | 33.00% | 14.00% | 0.00% |