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VADA OPERATING TRENDS

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THE REALITY OF THE INTERNET

Every minute:

- **9.5M** Google searches
- **1M** questions for Siri
- **139M** YouTube Shorts views
- **272M** emails sent
- **97M** Meta messages sent
- **70,000** TikTok videos uploaded

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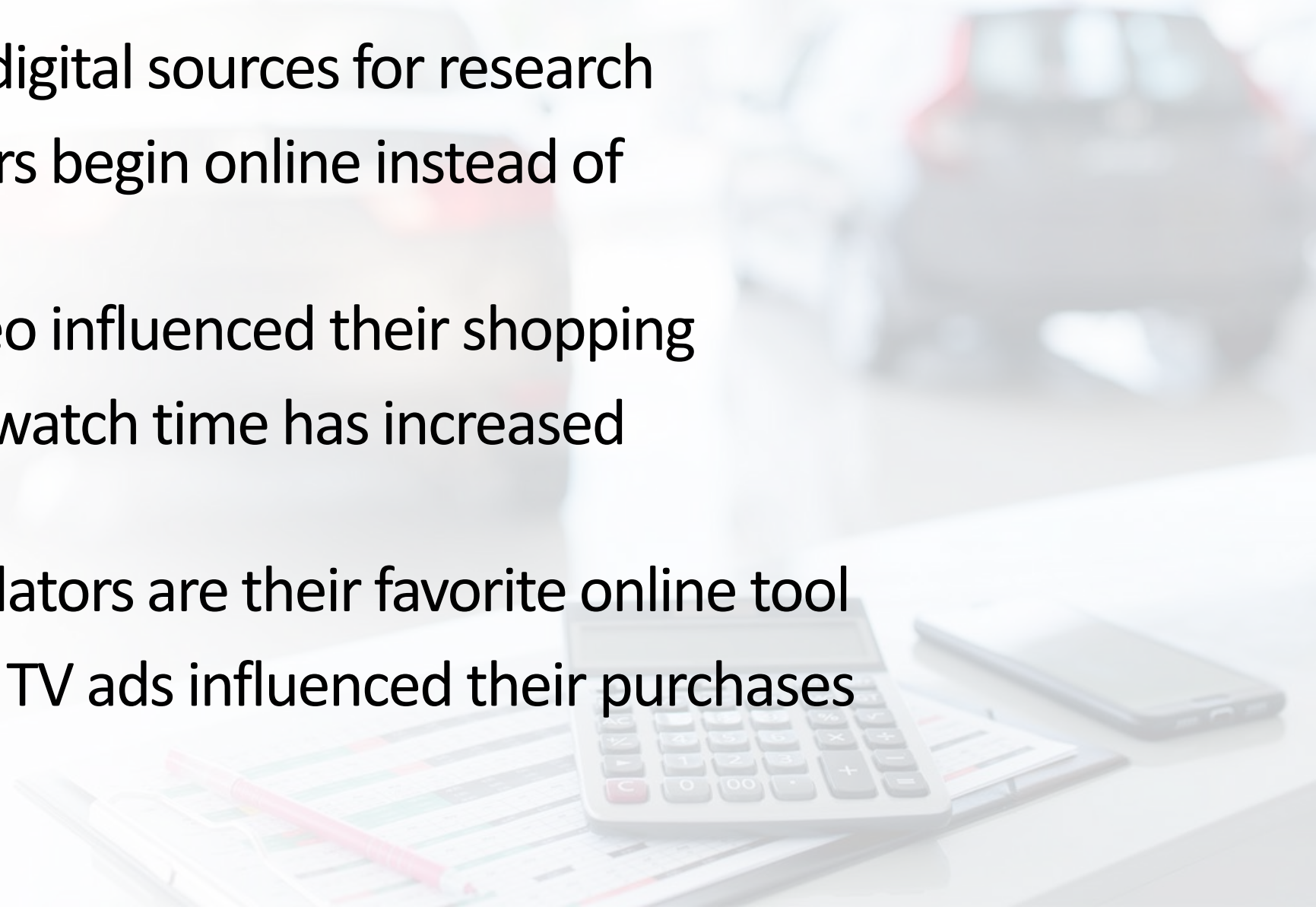
WHEN BUYING A CAR…

- **95%** of buyers use digital sources for research
- **2x** as many shoppers begin online instead of at the dealership
- **75%** say online video influenced their shopping
- YouTube test drive watch time has increased **65%** in 2 years
- **59%** say price calculators are their favorite online tool
- **61%** say connected TV ads influenced their purchases



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DO YOU SEPARATE ACQUISITION FROM PRICING?

Acquisition

Pricing

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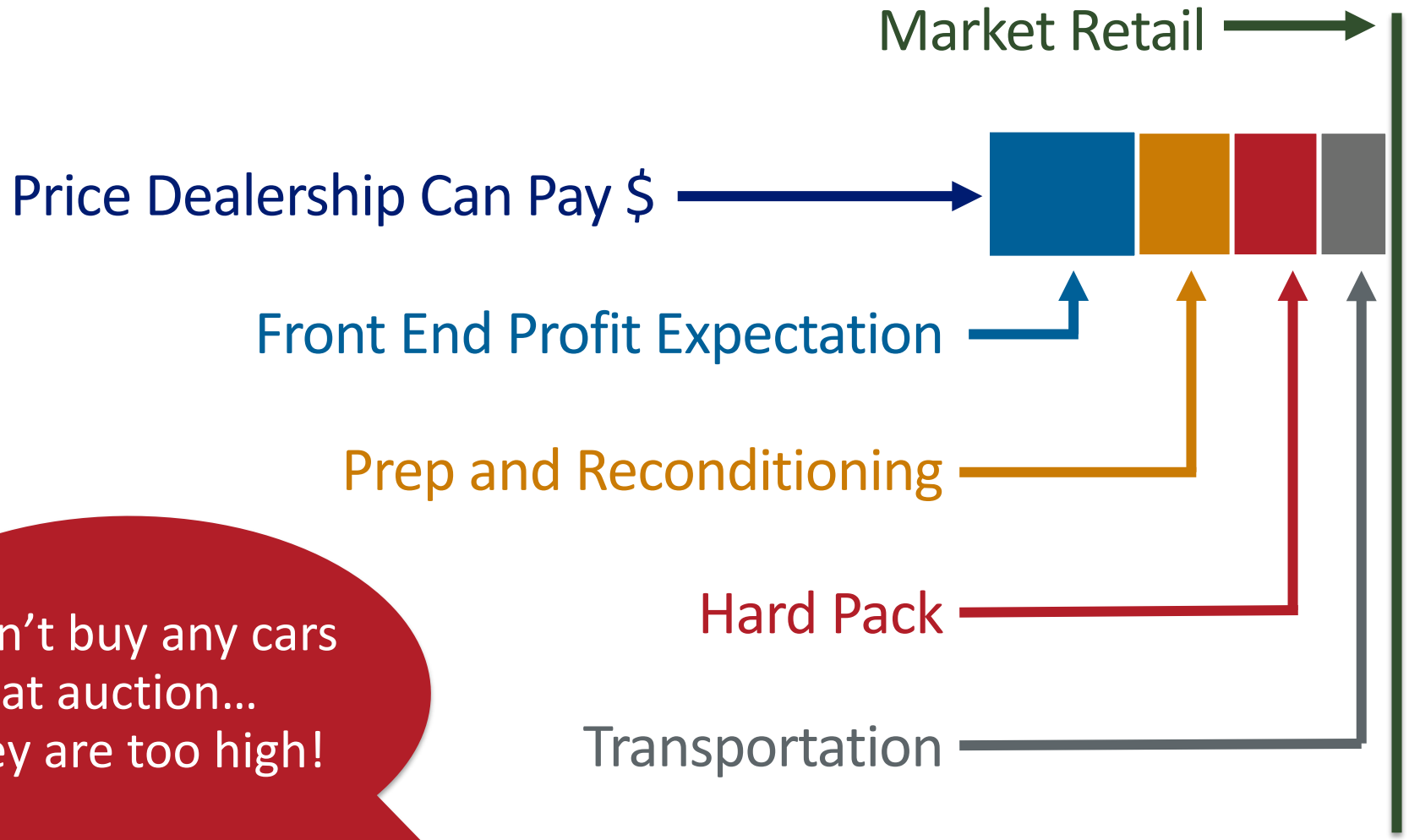
SOURCING



I can't buy any cars at auction… they are too high!

That dealer is crazy for paying that much!!!

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HARD PACK

Tax:

Levy that does not enhance value or quality of the item being taxed. In fact, taxes can make items less attractive to consumers due to higher price.

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PACKS

- Distort the value of your financial reporting
  - Incorrect decisions
- Hide learning opportunities
  - Wholesale loss
  - Policy account
- Represent old-school thinking
  - Do you believe in the realities of the Internet?
- Reduce acquisition opportunities
  - I can't buy these vehicles

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GROSS RETURN ON INVENTORY (GROI)

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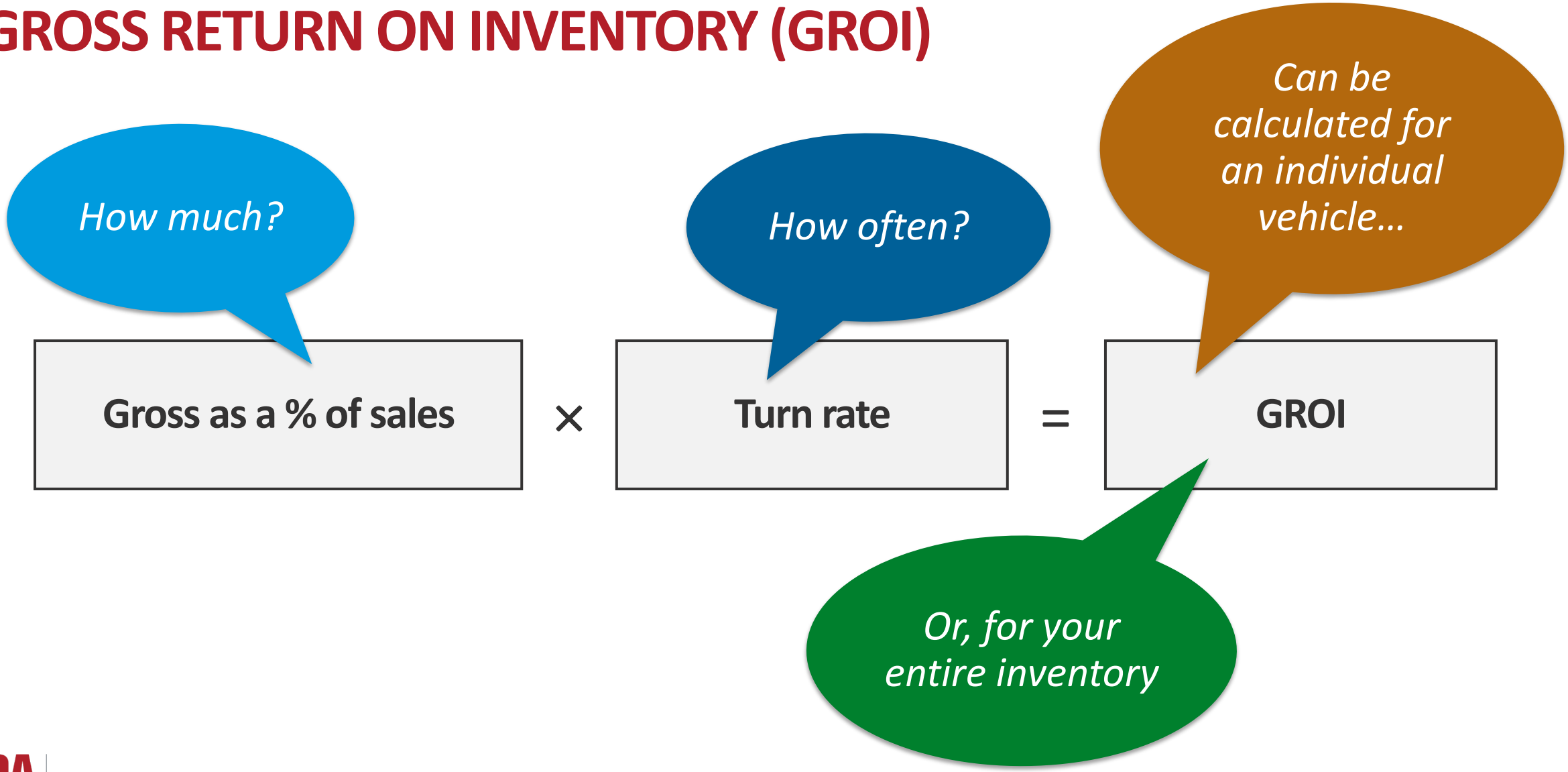
MEASUREMENT STRATEGY: GROSS RETURN ON INVENTORY (GROI)



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CALCULATING GROI

If a $10,000 vehicle sells after 1 year in-stock and generates a $1,000 profit… What is the GROI?

10%	Gross as a % of Sales	×	1	Turn Rate	=	10% GROI

What if it sold after 90 days in inventory?

10%	Gross as a % of Sales	×	4	Turn Rate	=	40% GROI

What if it sold after 30 days in inventory?

10%	Gross as a % of Sales	×	12	Turn Rate	=	120% GROI

BECOME AN INVESTMENT ANALYST

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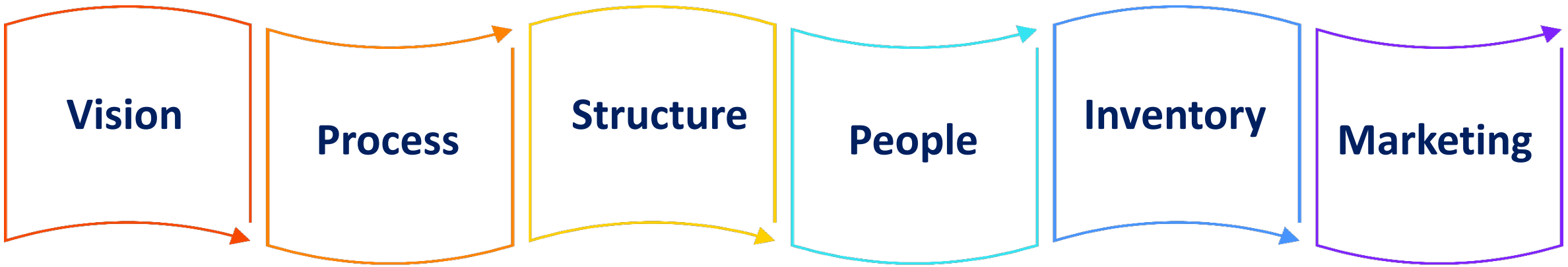
T-1

IMPROVING YOUR DEALERSHIP

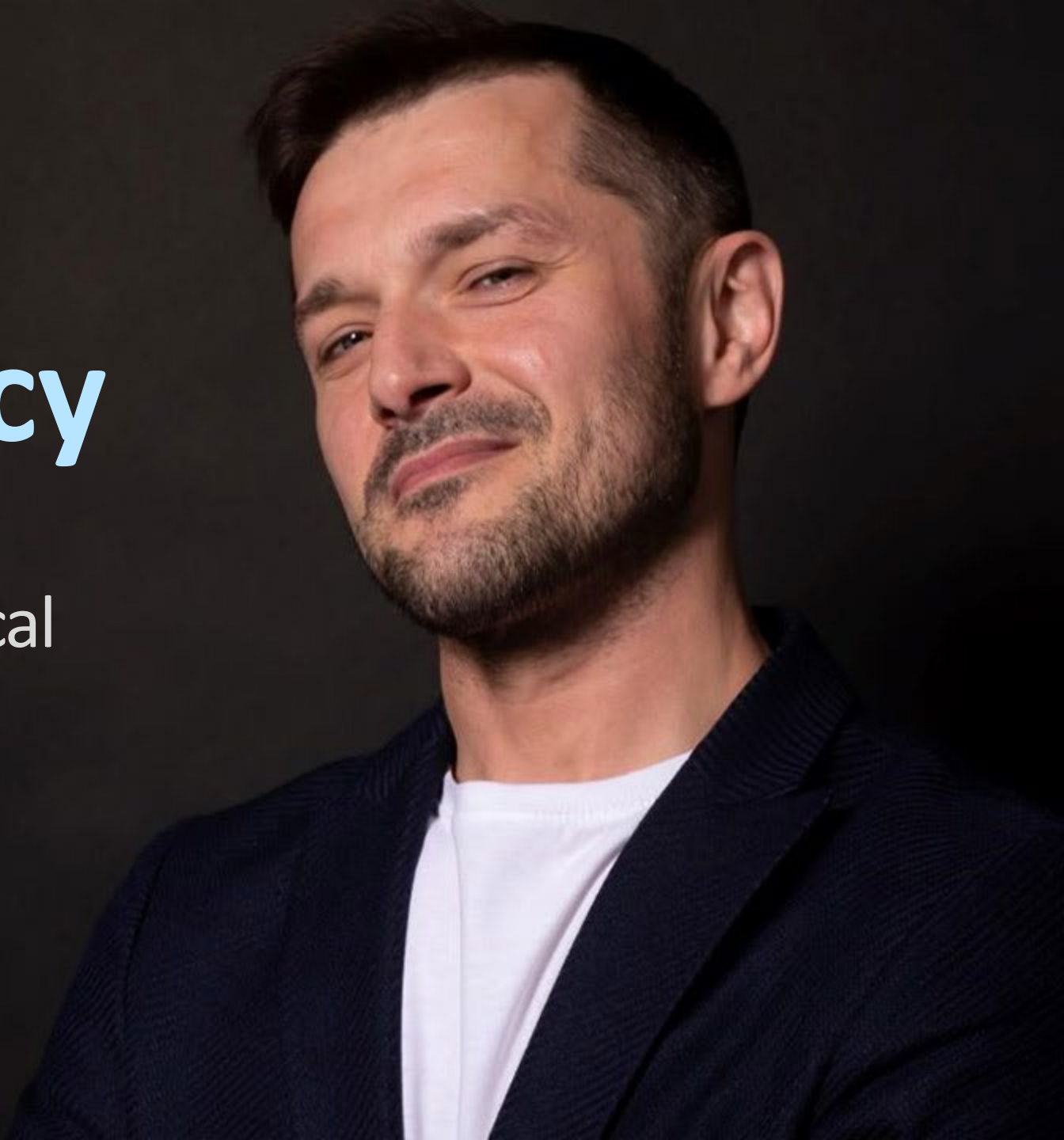
As you consider improving your dealership, in what order would you put these items?

Process Marketing Vision Inventory People Structure



com·pla·cen·cy

A feeling of smug or uncritical satisfaction with oneself or one’s achievements



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MAJOR TYPES OF COMPLACENCY

Driven by **Success**

Driven by **Lack of Success**

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SIGNS OF COMPLACENCY

FIND A VISION

- Company
- Personal
- Consequences

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PROCESS

- Build a Plan
- Disrupt the comfort zone

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STRUCTURE

- Accountability
- Feedback

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PEOPLE

- Recognition
- Team building
- Cross training

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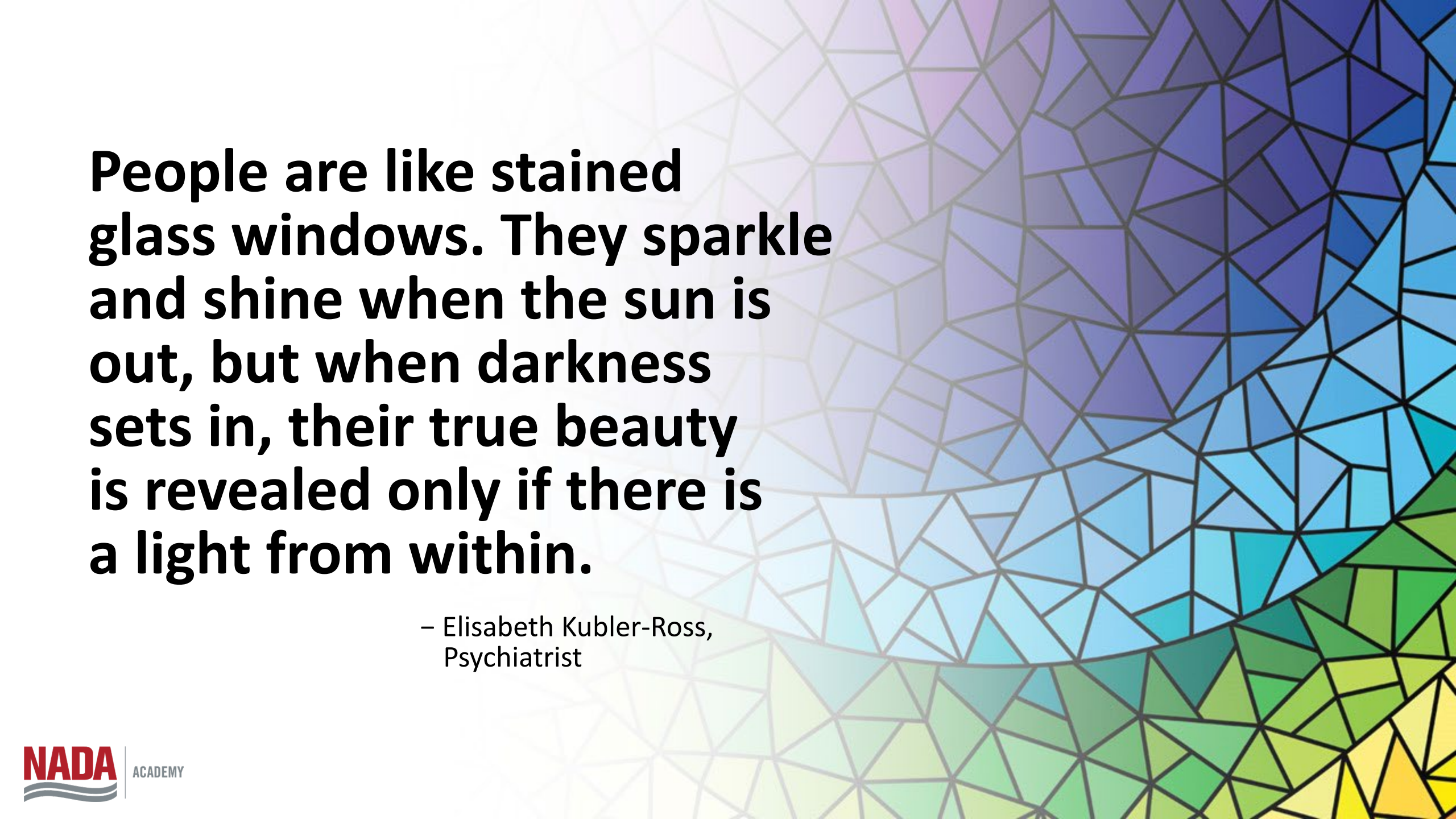
People are like stained glass windows. They sparkle and shine when the sun is out, but when darkness sets in, their true beauty is revealed only if there is a light from within.

– Elisabeth Kubler-Ross,
Psychiatrist



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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 internal sales)	50% of average monthly Service, Parts and Body Sales (excluding warranty and
• Receivable Aging	0 - 30 days 90% 31 - 60 days 10%
• 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

MANAGEMENT OPERATING PROFILES

- Net Profit Return on Assets 15% - 20%: Return percentage should be sufficient to justify operations, considering the *cost of money, risk, alternative investment.*
- Asset Utilization Annualized sales divided by assets = 6 to 1
- Net Profit Return on Net Worth 45% - 50%
- Net Profit Return on Total Sales 4.00%

- 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%
• Collision Center 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 — 125% sale of hours available
- Gross Retention — 78%+ Customer Labor
  78%+ Internal Labor
  78%+ Warranty Labor
- Stall Utilization/Productivity — 75% minimum
- Technician to Support Personnel Ratio — 1.5:1
- Customer Follow-Up Contact Rate — 100%

PRODUCTIVITY PROFILES

- **Collision Center**
- Gross Retention 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 6 months 85% of inventory
  - 7 to 12 months 10-15% of inventory
  - 12 months and older < 5% of inventory
- Parts Sales Per Employee $85,000+ per month
- Parts Gross Per Employee $34,000+ per month
- Parts-to-Labor Ratio 1.00 minimum
- Pricing Policy Matrix when possible by individual parts numbers cost
- Level of Service 90% - 95%

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