

BREAKEVEN KNOW IT AND MANAGE IT

SIMPLE MATH THAT CAN DRAMATICALLY IMPROVE DEALER PROFITS



If you had more cars on the lot – could you sell them?

Simple math suggests that if you sell more cars, dealership profits increase. If it was that easy we would all be retired and relaxing on our private island.

One thing is for sure. You have to know your numbers, especially time to breakeven.

Breakeven, sometimes referred to as “days on the street,” is the number of weeks before

you recoup the cost of the vehicle. Your cost includes your initial investment in the car and any reconditioning required.

“Current industry time to breakeven is 78 weeks,” Subprime Analytics president Kenneth Shilson said. “Some operators measure performance strictly on how many vehicles they sell each month and not on collection performance metrics like breakeven and cash flow.”

Why is that important?

That is simple.

When you recoup the vehicle cost, you have the capital to purchase and sell another vehicle. Waiting 78 weeks to purchase that next vehicle delays dealer profits and slows overall growth.

Managing breakeven is knowing the number for every deal, but also, more important, knowing how to reduce the time to breakeven.

Imagine if you could shorten breakeven to four weeks.

How many vehicles could you purchase and sell in the time it takes to sell one that breaks even at 78 weeks?

It's simple math. Seventy-eight divided by four is a lot of cars (19½ to be exact).

Take the increase in the number of sales times the profit you make on each customer and you will soon be setting sights on that island.

Remember – this all assumes you have the demand to sell all those cars.

This model has been around for years. It is simple “leverage” and can be a very effective tool to maximize dealer profits.

Using outside capital to help you financially bridge that gap between 78 and four weeks is the key.

FINDING A PARTNER FOR GROWTH

Securing access to capital is an important strategy for every dealer with goals of growth.

It is important to find the right partner who understands your business and has a program that works with your business. Look for a capital provider that can easily integrate with your business model without taking over your customers or business. ■



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