



# FINANCIALS 101



A division of the  
North American Equipment Dealers Association



# FINANCIAL DYNAMICS OF A DEALERSHIP

## Overview

High performing dealerships have employees who understand financial metrics and how they impact their organization. Employees who understand the components of a metric and how to use them to improve the metric, significantly impact efficiency, support growth and create long-term profitability.

Our Financials 101 course is specifically designed to help dealership employees understand basic financial metrics and how to use them effectively to grow your business. It also puts employees on a path to success by providing them the understanding to fulfill their role more effectively.

## What We Offer

One day program designed specifically for all dealership employees. Financials 101 is for new and experienced executive and mid-level managers, departmental leads and any front-line dealership employee.

## How You Benefit

Dealership employees will learn how to use basic financial metrics to increase dealership and departmental efficiency and maximize organizational profit potential.

**In this course, students will review case studies for practical usage to:**

- Identify underperforming dealership metrics
- Analysis of all department metrics in how they mix and lead to net income
- How metrics become above-average
- Suggestions to improve the department or location
- Course of actions to turn around or fine-tune a department

**Recommended attendees** are employees who are accountable or will be accountable for financial performance in any area of the organization.

## GENERAL

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### Old School - New School

- ART of reports
- Managing by reports

### Balance sheet vs income statement

- Reasons to monitor both

### Income Statement

- Other names
- What is on an income statement
- Relationship between balance sheet and income statement

### DuPont

- Whole store and by department
- Return on sales - net income - net profit margin
- Asset turnover
- What works on DuPont models?
- When it does not work

### Gross Margin

- Gross margin vs markup
- Gross margin = available income

## DEALERSHIP METRICS

### Dealership Metrics - The Big Three

- Store sales mix
- Parts & service absorption
- Expense metric

## METRICS BY WHOLEGOODS DEPARTMENT

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### Wholegoods DuPont Model

#### Wholegoods Metrics

- Sales mix
- Wholegoods mix- new, used, shortlines
- Cost of sale
- Used inventory as a % of R12 new/used sales
- Inventory turnover
- Aging equipment
- Advertising
- Floor planning expenses
- Salaries/commissions as a percent of department gross margin
- Salesperson pay styles- commissions, cash difference, salary
- Expenses
- Gross margin
- Net income

## METRICS BY PARTS DEPARTMENT

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### Parts DuPont Model

#### Parts Metrics

- Parts sales mix %
- YTD growth rate %
- Inventory turn, true turn
- No turn 24 mos.
- Parts to labor ratio
- Salaries/margin %
- Net parts freight
- Gross margin %
- Department expense %, imputed costs
- Parts absorption %
- Department net income %

## METRICS BY SERVICE DEPARTMENT

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### Service DuPont Model

#### Service Metrics

- Service sales mix %
- YTD growth rate %
- Wage multiple
- Parts/labor ratio
- Administrative salary %
- Recovery rate
- Billing efficiency
- Net shop supplies
- Gross margin %
- Department expense %
- Service absorption %
- Department net income %

## CAPITAL USAGE

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