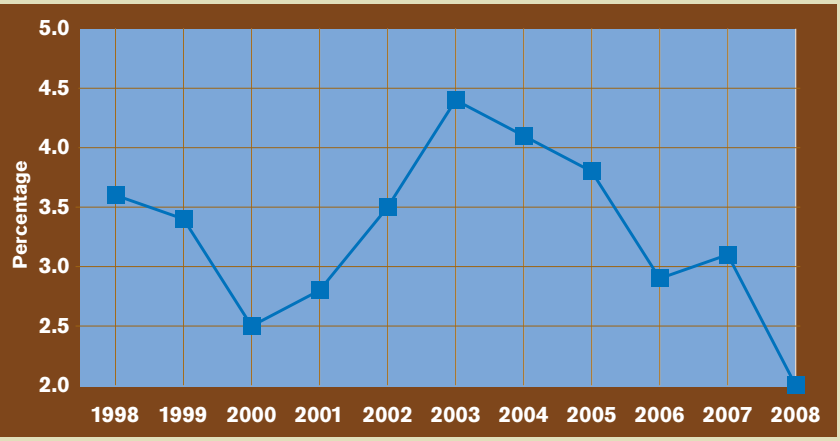
Benchmarking for Success:
Analyzing Dealership Margins and Expenses

by: Melissa Broadus

Reviewing margin and expense benchmarks is not the only way to compare how well your dealership is doing in relation to other dealers around the country, but it does provide an excellent point of reference. In our annual benchmarking section, *RV Executive Today* presents the numbers on some important areas of dealer operations. This data is based on information dealers report and is an average of those reporting, not an all-encompassing scientific study of all dealers across the nation. Keep this is mind when you are analyzing your dealership's benchmarks.

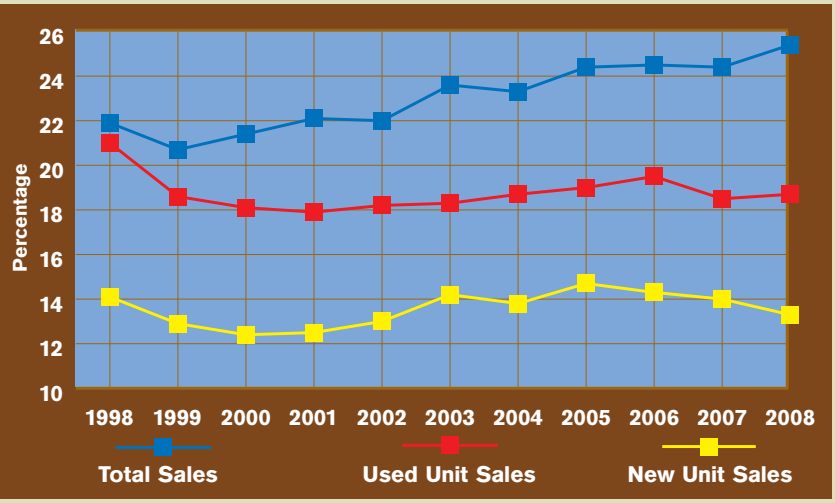
Net Profit as Percentage of Sales

Net profit as a percentage of sales decreased in 2008 for reporting dealers. Net profit dipped to 2.0 percent in 2008 compared to 3.1 percent in 2007, keeping it well below the high of 4.4 percent in 2003.



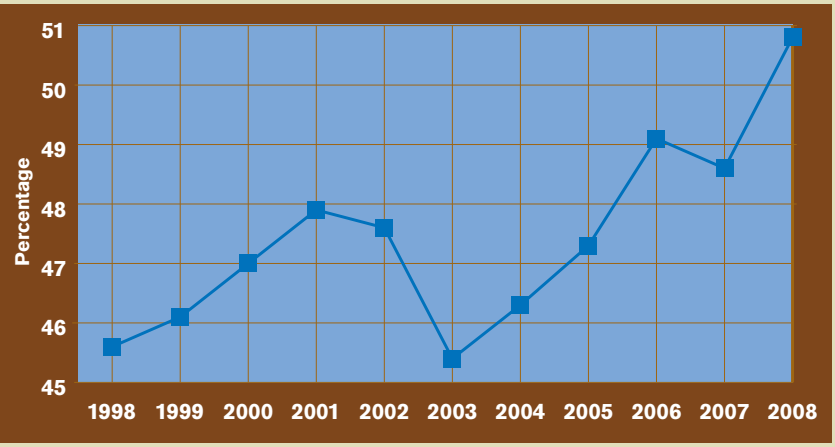
Gross Margin as Percentage of Sales

The gross margin for new unit sales decreased in 2008; however the gross margin for used unit sale increased slightly. The new unit margin, decreased by 0.7 percent to 13.3 percent in 2008, compared to 14.0 percent in 2007. The used unit margin increased in 2008, after a decline in 2007, to 18.7 percent. The used unit margins continued its historical lead over new units. The margin on total sales in 2008 showed a full percentage point increase over 2007, increasing to 25.4 percent.



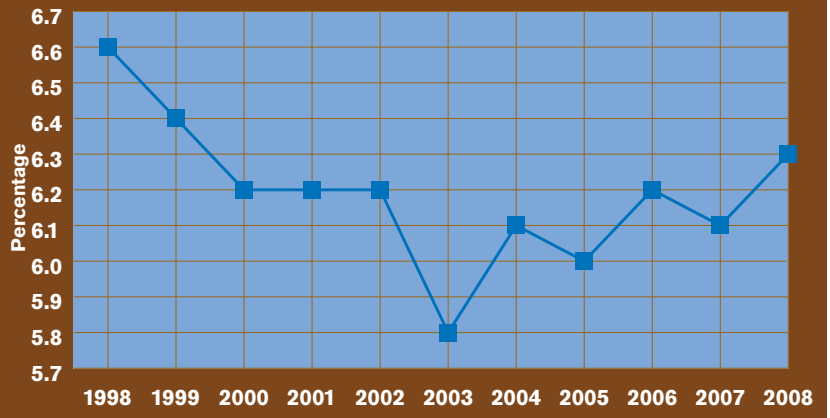
Personnel Expenses as Percentage of Gross Margin

Personnel expenses, the cost of salaries, benefits, and other employment costs, as a percentage of gross margin, increased to 50.8 percent in 2008, from 48.6 percent in 2007. This increase makes 2008 the highest year for personnel expenses during the past decade.



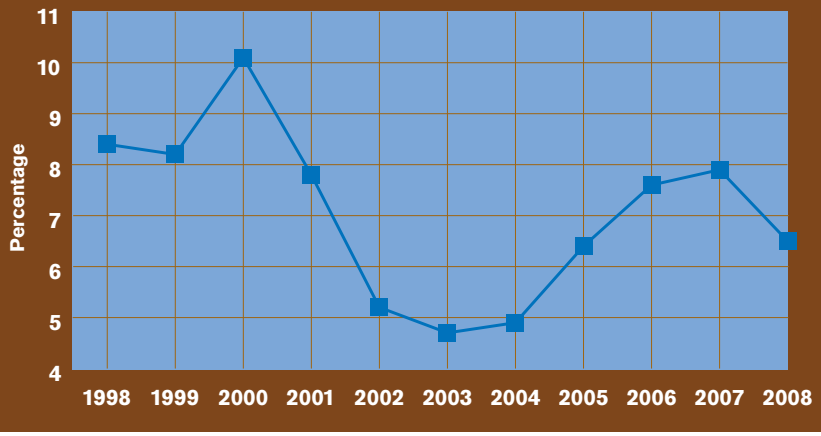
Advertising Expenses as Percentage of Gross Margin

Advertising spending remained at the lower end of the historical range in 2008, at 6.3 percent of gross margin, compared to 6.1 percent of gross margin in 2007. This marginal change is in line with the relatively flat spending on advertising since the beginning of this decade.



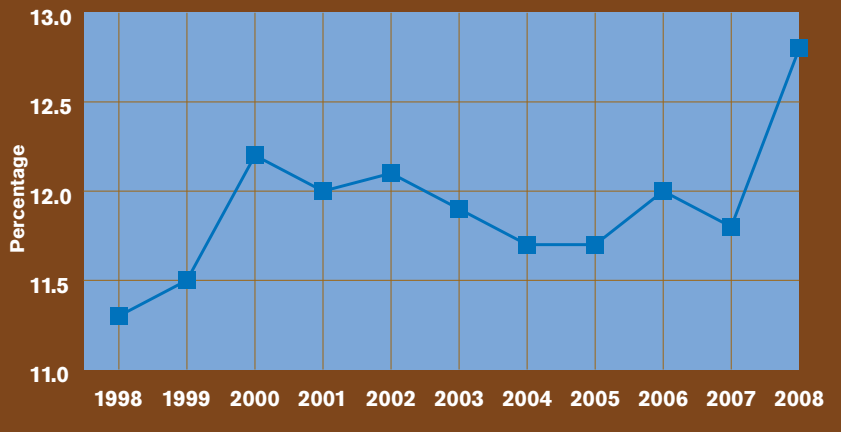
Interest Expense as Percentage of Gross Margin

Interest expense as a percentage of gross margin decreased for the first time in four years. In 2008 interest expense as a percentage of gross margin dropped 1.4 percent to 6.5 percent in 2008, compared to 7.9 percent in 2007. This keeps the interest expense well below the 10-year high of 10.1 percent in 2000.



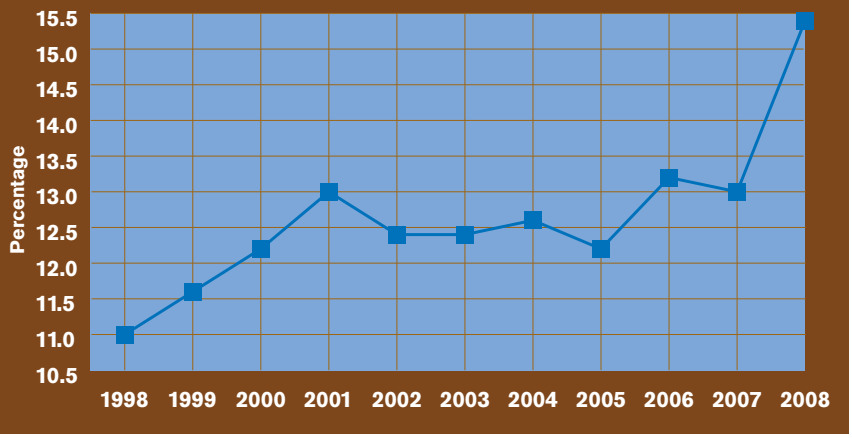
Semi-Fixed Expenses as Percentage of Gross Margin

Semi-fixed expenses, a category including various supplies, and non-financial inventory as a percentage of gross margin, increased in 2008 to 12.8 percent of the gross margin, from 11.8 percent in 2007. This full percentage point increase makes 2008 the highest year in the past 10 years, with the low being 11.3 percent in 1998.



Fixed Expenses as Percentage of Gross Margin

Fixed expenses, which include the cost of mortgages or leases, equipment, taxes, and insurance, increased 2.4 percent to 15.4 percent of gross margin in 2008. This large increase makes 2008 the highest year in the past 10 years, which has seen relatively flat to moderate changes in spending in previous years. ◆



Source: Spader Business Management