

CLIENT SERVICES

DEALERSHIPS INDUSTRY EXPERIENCE AND SERVICE

LISTENING. That is where we have the most experience. It is where our client relationships begin and it is always a part of how we work best, even with clients we have served for extended periods of time. In working with dealership clients, once we have listened, we find the best ways to apply our service and industry experience to make a positive difference in their financial circumstances.

Dealership accounting is very specialized due to its unique financial reporting format as well as the numerous general ledger accounts that can be affected by one sale transaction. Understanding the proper accounting and operational results of each department (new, used, parts and service) within a dealership is necessary for us to provide complete accounting, assurance, tax and consulting services for our dealership clients. Price CPAs' extensive knowledge and experience in this industry allow us to "talk the talk" when working with dealership management and personnel, which creates efficiencies and the ability to provide value-added services for our clients.

Knowing the operational and accounting language associated with each dealership department means we already understand the appropriate internal controls and processes for dealerships, including benchmark industry comparisons and what constitutes proper supporting documentation for the company's financial statements.

Price CPAs experience in the dealership industry includes:

- Over 100 years of direct dealership industry experience represented on our staff.
- A broad understanding of the industry through our work with new, used and specialty dealerships

In addition to accounting, tax and financial reporting services, additional services provided to our dealership industry clients include consulting and advisory services related to buy/sell transactions. The advisory and consulting work also includes assessment of accounting systems and department personnel with recommendations for improvements; interim accounting department management and oversight; special projects for owners and management as needed; accounting and tax related matters pertaining to changes in ownership, in addition to company valuation services.

Additional accounting and financial services range from CFO/Controller to complete oversight of internal management and accounting systems, including the performance of daily accounting functions, when necessary.

Our services are scalable. While we are staffed and equipped to provide our services to large, established companies, we can also work with start-up and recently-established companies and grow in what we provide as support services as the company itself expands.

Price CPAs truly does exist to make a positive difference in the financial experience of our clients. Contact us today about how we can be of service to you and your organization.

INDUSTRY OVERVIEW:

COMPETITIVE LANDSCAPE

Consumer spending and **interest rates** drive demand for cars. The profitability of individual companies depends on the volume and mix of cars and services sold. Large companies can offer a wider selection of cars and have advantages in marketing, purchasing, and finance. Small companies can compete effectively by offering superior customer service or serving a local market. The US industry is **highly fragmented**: the top 50 companies generate less than 15 percent of revenue. About 45 percent of dealerships have fewer than five employees.

For vehicle sales, auto dealers compete with private market sellers, who are increasingly using the Internet to bypass traditional retail channels. Companies compete with various retail outlets, such as oil change centers, tire stores, and independent service shops and chains, for service revenue.

FINANCE & REGULATION

The average US new car dealership has annual sales of about \$60 million, according to the National Automobile Dealers Association. **Gross margins** are about 10 percent of sales. Because sales of new vehicles can be volatile, service and parts can account for a majority of operating profit. During tough

economic times, dealers may barely break even on new vehicle sales. Used cars are generally more profitable than new cars. The industry is **capital-intensive**: average annual revenue per worker in the US is about \$675,000.

INDUSTRY UPDATE

Opportunity: Demand for Technology Driving

Sales - Car buyers are navigating toward vehicles that are equipped with the latest technologies, even if that means shifting their brand loyalty. Some 48% of consumers rank vehicle technology as more important than either body style or brand, according to data from Autotrader's 2016 Auto Tech Study reported in WardsAuto. Among millennials, nearly 60% said they'd switch vehicle brands to get the technology they want, and 55% would spend more for it. Concerned with the rise in vehicle deaths in recent years, car buyers are also turning to new models for their safety features, such as automatic emergency braking, lane-departure warning systems, and collision-avoidance technology, according to the National Automobile Dealers Association. Functionality-packed infotainment systems also are a draw at auto dealerships. Consumers familiarize themselves with a car's new technologies through trial and error, the car's manual, or via tutorials provided by dealership personnel. To speak the same language as car-shopping techies, dealerships are training salespeople on vehicle tech features or hiring product specialists. According to the J.D. Power 2016 U.S. Sales Satisfaction Index Study, 24% of luxury-vehicle owners and 16% of mainstream-vehicles owners worked with both a salesperson and a product specialist when buying or leasing a new car. That's up from 19% and 15%, respectively, two years ago. Dealers must consider offering classes to existing and potential customers looking for extra guidance on advanced technology features. This also serves as a dealership's way to showcase technology features on their makes and model.