



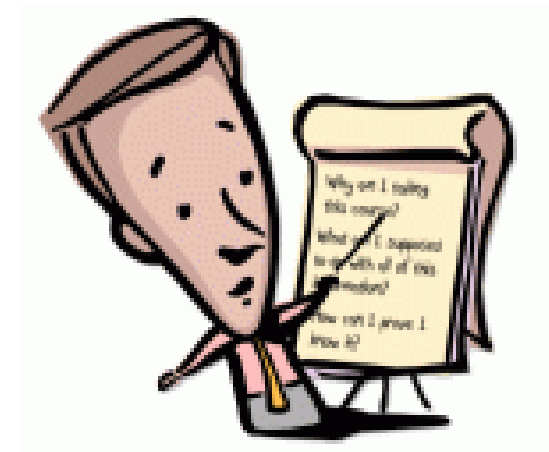
REINVENTING RETAIL

David Rosenberg
CEO Prime Automotive Group



OVERVIEW:

- ***Looking back 10 years***
- ***Disrupters are on the way***
- ***Solution and Ideas***



Financial Changes – 2009 vs. 2018

- **Data Set:**

- Toyota Boston Region  **TOYOTA**
- 5 New England States (ME, VT, NH, RI, MA)
- 71 Dealers – 100,000 Sales - \$1.5mm avg. net profit
- 2009 Average Dealer Financial Performance vs 2018



Key Expenses Analysis New Vehicle Dept. (% of GP):*

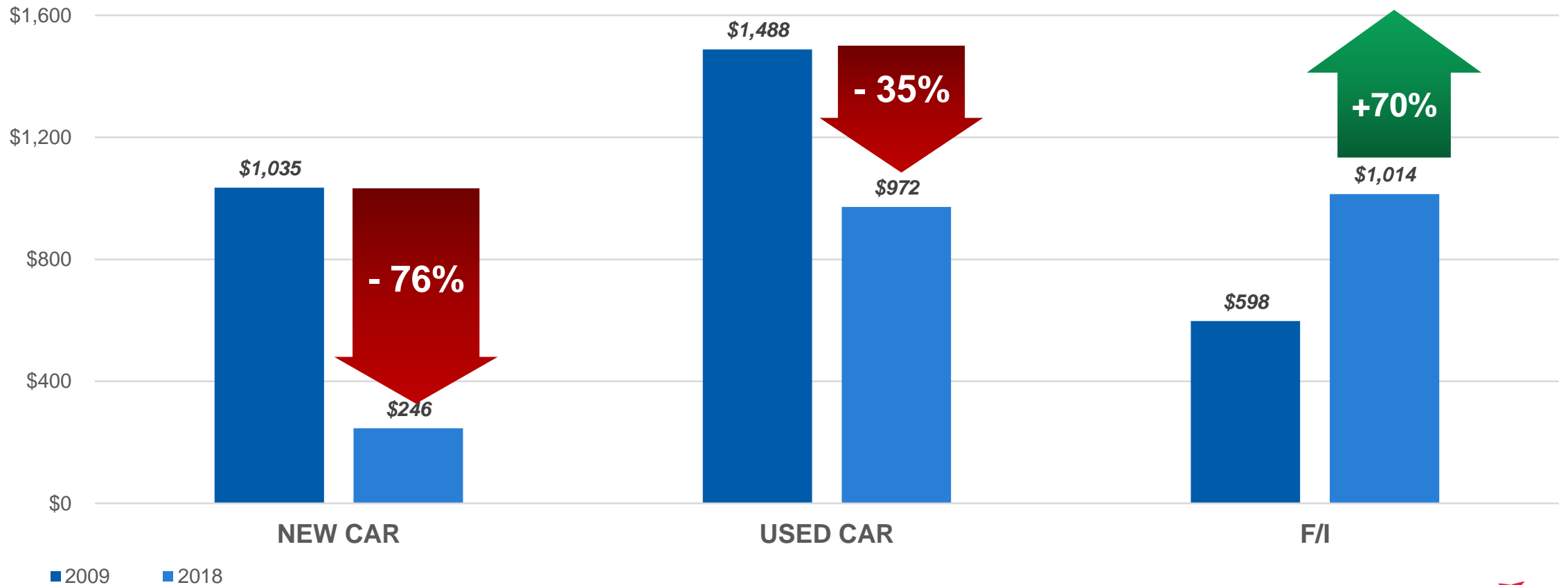
Sales Comp	21%	33%	57%
Supervision Comp	14%	21%	50%
F/I Commissions	6%	16%	166%
Clerical Salaries	3%	7%	133%
Salaries & Wages	5%	8%	3%
TOTALS	49%	85%	73%

Departmental Gross Profit Contribution:

New Vehicle	30%	20%	-33%
Used Vehicle	21%	24%	+14%
Service	29%	34%	+16%
Parts	18%	20%	+11%
Net Adds	\$579,803	\$1,785,566	+207%

GROSS PROFIT CHANGES

2009 vs. 2018 Gross Profit



SEISMIC CHANGES COMING



Disruptors/Challenges

- **Short Term**

Franchise Failures?

Rising
Costs

Carvana
[fair.com](https://www.fair.com)
[shift.com](https://www.shift.com)

Gross Margin
Compression

Flat or
Shrinking
SAAR

Interest Rate
Increases

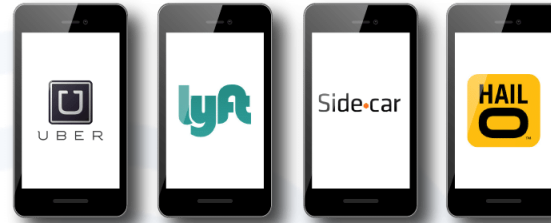
New
Competitors

“New Teslas”



Seismic Changes ...

- Mid-Term



Effects of
Social Media

Cost
Containment

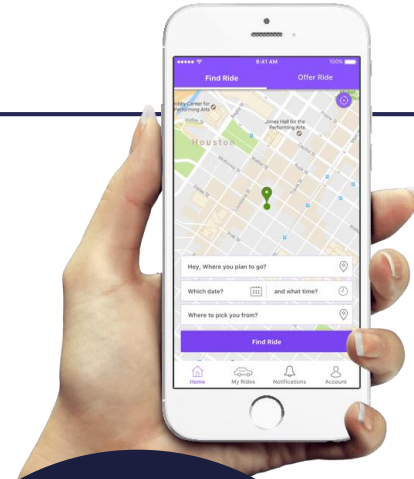
New
Competition
from
Ride Sharing

Effects of
B.E.V



Seismic Changes ...

- Long Term



BEV – Loss
of Fixed Ops
Gross Profit

Autonomous
Vehicles
effect on
SAAR

Ride Sharing
fleets make
up majority of
sales

SOLUTIONS

- Car Dealers are Resilient



Potential Solutions

- **Mature Industry – Low Cost Producer Wins**
- **Utilization of technology to reduce costs**
 - Eliminating cost of sale (F/I Manager)
 - Economies of Scale
 - Advertising
 - Financing
 - Support Functions



Potential Solutions (cont'd)

- **New Revenue Models/Cost Savings**

- Subscription Services
- Vertical Integration, i.e. parts distribution, tire distribution, financing
- Overcoming Traditional Franchise Facility Models
- Small local service shops and showrooms
- Centralized Distribution Center
- Improved OEM distribution (reduce holding costs)

