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Are Your Dealership Investments Paying Off? Measuring Return in the Age of Online Vehicle Retail

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Online vehicle retailers have changed customer expectations. Consumers can browse inventory, secure financing, estimate trade-in values, and complete much of the buying process from home. While traditional dealerships may not be able to match the cost structure of online-first competitors, they possess advantages that are difficult to replicate, including physical facilities, local market presence, and established customer relationships.

The challenge is making those advantages worth the cost. Dealerships invest heavily in facilities, inventory, technology, advertising, and personnel. As online competitors continue operating with leaner business models, dealers should focus not only on controlling expenses but also on ensuring their investments generate measurable returns.

Much of the discussion surrounding online retailing focuses on convenience and transaction speed. However, the more important question may be whether a dealership is maximizing the value generated from its overhead investments. A dealership that spends heavily on a new CRM system, digital retailing platform, AI tool, facility improvement, or staffing addition should be able to identify how that investment contributes to profitability, customer retention, service growth, or operational efficiency.

One key advantage of a traditional dealership is the breadth of revenue opportunities beyond the initial vehicle sale. Service, parts, warranty work, and future vehicle purchases can generate substantial long-term profitability. A customer who returns for regular service and ultimately purchases another vehicle often produces significantly more profit than the original sale alone. For this reason, dealers should evaluate investments not only on immediate sales results, but also on their ability to improve customer retention and long-term customer value.

Technology can help support this effort. Data analytics, CRM systems, inventory management tools, and artificial intelligence can improve lead conversion, optimize inventory levels, and identify operational inefficiencies. But technology should be evaluated like any other investment.

Measuring return on investment does not need to be complicated. Before making a significant investment, management should identify the specific outcome it expects to achieve and determine how success will be measured.

Too often, dealerships evaluate an investment only when it is purchased and rarely revisit the decision afterward. Periodic reviews of major expenditures can help management determine whether a tool, program, facility improvement, or staffing addition is generating the expected benefits or whether resources should be redirected elsewhere.

Is Your Overhead Getting a Return?

Investment	Expected Outcome	Metric to Monitor
CRM system	Improved retention/repeat business	Customer retention rate
Digital retailing platform	Higher conversions	Lead-to-sale conversion
Service expansion	Greater fixed ops profit	RO count/labor gross
AI communication tool	More kept appointments	Show rate
Facility upgrade	Stronger customer experience	CSI and retention

Before making major investments, dealerships should define expected outcomes and establish metrics to evaluate performance.

-Measure whether investments in facilities, technology, and personnel are generating meaningful returns.
-Invest in technology that simplifies and accelerates the buying experience.
-Monitor inventory turnover, service retention, and departmental profitability.
-Review major investments periodically rather than only at the time of purchase.
-Capitalize on the dealership's local presence, expertise, and customer relationships.

Online retailers have changed the landscape, but they have not eliminated the value of the traditional dealership. Dealers that combine digital convenience with disciplined cost management, strong customer retention, and a commitment to measuring results can turn a higher-cost business model into a lasting competitive advantage. When investments help create long-term customer relationships and produce measurable returns, overhead becomes more than a cost. It becomes a competitive advantage.

Your **AutoCPAGroup** member can help identify meaningful performance metrics, evaluate profitability trends, and determine whether key investments are delivering the expected return.¶

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Middle-of-the-Year Financial Wellness Checkup

Dealers are pulled in a hundred different directions every day. Between sales, service, employees, customers, lenders, manufacturers, and inventory questions, the financial statement can easily become something that gets reviewed only when there is a problem. A mid-year checkup is a good way to catch small issues before they become expensive surprises. The items below are not meant to replace your year-end planning, but they can help management improve profits, strengthen controls, and avoid cleanup projects later in the year.

1. Start with cash, floorplan, and working capital. If your dealership has excess cash, make sure it is being reviewed intentionally. Could those funds be used to maximize floorplan offsets, reduce new or used vehicle inventory balances, or pay down higher-rate debt? With floorplan rates still higher than they were a few years ago, idle cash can be costly. At the same time, review actual working capital against the manufacturer's requirements. This is especially important before changing lenders, buying or selling a store, making large distributions, or entering into a new floorplan agreement.

2. Revisit lender covenants and required financial statements. Pull out the lender agreements and confirm what financial reporting is actually required. Some agreements include reviewed or compiled financial statement requirements that are easy to miss when the documents are signed. Also review covenant calculations before distributions, related-party debt changes, large capital purchases, or ownership changes. A dealership can be out of compliance before management realizes the requirement exists.

3. Review vehicle inventory aging and valuation. Request aging reports for new and used vehicles and ask managers for a written plan for stale units. Pay particular attention to units over 45, 60, and 90 days. Aged inventory is more expensive than it was a few years ago because carrying costs, insurance, depreciation, and floorplan interest can quickly consume front-end gross. Used vehicle values can also change quickly, so write-down reserves should be reviewed monthly rather than adjusted only at year-end.

4. Compare parts inventory to the financial statement. Ask the parts manager for a parts summary and compare it to the financial statement to make sure the figures are reasonably aligned. Then review parts aging for items that may be at risk of future obsolescence write-offs. Confirm that returnable parts, manufacturer return programs, and obsolete parts reserves are being reviewed during the year instead of waiting until the annual physical inventory or year-end close.

5. Look closely at service, warranty, and open repair orders. Request a list of open repair orders from the service manager and have them explain any tickets that have been open for an extended period. Delayed ticket closing can distort service results, technician productivity, manufacturer receivables, and warranty timing. Also review effective labor rate by customer pay, warranty, and internal work. If warranty work is increasing, management should monitor technician efficiency, labor rate opportunities, maintenance upsells, and whether lower-margin work is pulling down overall service profitability.

6. Clean up old balance sheet items. Ask the office for a list of old receivables, open schedules, and unusual balances that need attention. This should include factory receivables, contracts in transit, finance chargebacks, employee receivables, prepaid expenses, and any stale or unexplained items. Prepaid expenses should have support schedules and defined amortization periods. The goal is to clean up issues during the year rather than discovering them during tax season or the year-end review.

7. Reconcile packs and reserve accounts. If your dealership uses packs, review how they are being recorded and when the income is recognized. Packs should not be used to prematurely recognize income, shift profit between departments, or build unexplained reserve balances. Reconcile pack reserve accounts to vehicle inventory and confirm that income is recognized when the related vehicle is sold.

8. Review reinsurance company performance. Many dealers are receiving surprise calls from administrators that loss ratios are creeping up or claims have increased. In some cases, the call comes too late and the dealer has to inject personal funds to cover minimum reserves. Review loss ratios, reserve requirements, investment performance, administrator communication, and whether distributions or additional funding should be planned before year-end.

9. Confirm cyber, fraud, and insurance controls. Cybercrime and sophisticated phone scams continue to be a major risk for dealerships. Review cyber coverage, employee dishonesty coverage, bank callback procedures, wire approval controls, and vendor payment changes. Also confirm that the dealership's actual IT and internal control practices match the requirements in the insurance policy. A gap between written procedures and daily practice can affect whether a claim is fully covered.

10. Plan tax moves before the last week of the year. Before making large fixed asset purchases, review the interaction between floorplan interest, Section 163(j), Section 179, and bonus depreciation. A dealership may not be able to claim bonus depreciation if it must rely on the floorplan interest exception to deduct all of its business interest expense. This should be reviewed before year-end, especially for remodels, equipment purchases, software, and vehicles.

11. Update ownership and succession documents. Mid-year is also a good time to review stockholder agreements, partner agreements, buy-sell provisions, and manufacturer ownership requirements. Confirm that ownership records, estate planning documents, and manufacturer-required transfer forms are current before a gift, sale, death, redemption, or succession transaction is needed.

For help with your mid-year financial wellness checkup, contact your **AutoCPAGroup** member. ¶

The Data Is Talking: Why Dealership Compliance with the Manufacturer Has Entered a New Era

Joe Cutillo, CPA

For years, dealerships have approached an OEM audit as an event.That approach made sense when the audit itself was the beginning of the review. Today, dealership leadership should consider a different possibility: the analysis may have started long before the audit notice arrived. The reason is data. Dealerships generate enormous amounts of structured information through vehicle sales, incentive submissions, warranty claims, repair orders, parts transactions, customer records and employee activity. As analytical technology becomes more sophisticated, organizations can evaluate larger populations of transactions, identify exceptions and concentrate human attention on areas that appear unusual.

An Audit Can Start with a Question Generated by the AI Analyzing Data. Traditional audit testing has involved selecting transactions and examining the documentation behind them. Data analytics can reverse that process. Which dealer has an unusual claim rate? Which employee number consistently operates outside the norm? Which warranty service operation occurs much more frequently at one location? Why is a particular sales incentive used differently at one dealership than at comparable stores in the same region? Are there recurring relationships among dates, mileage, customers, parts, labor operations or transaction types? The individual transactions behind those questions may ultimately be completely legitimate. An anomaly is not proof of wrongdoing. But it can tell an auditor where to look. That distinction is significant because AI technology can make OEM audit resources more targeted. Instead of devoting the same amount of attention to every transaction or every dealership, analytical tools can help focus resources on exceptions and higher-risk activity.

Now consider the information contained in a typical service operation. A dealership may generate records involving technicians, advisors, vehicle mileage, repair dates, diagnostic information, labor operations, parts, repeat repairs, warranty claims and customer-pay work. Looking at one repair order may reveal very little. Looking across thousands can reveal something entirely different. Repeated procedures, unusual repair frequencies, employee concentrations, atypical parts-and-labor relationships or recurring documentation problems can become much easier to recognize when transactions are evaluated collectively.

One isolated mistake may be difficult to notice. A mistake embedded in a process eventually becomes data patterns that AI from the OEM can pick up on. Manufacturers may administer numerous programs with different eligibility, timing and documentation requirements. A dealership processing a large volume of transactions can therefore create identifiable patterns simply through the way those programs are used.

-Are we using certain programs materially more often than expected?
-Are particular incentive combinations concentrated with certain employees?
-Do claims increase significantly around program deadlines?
-Are the same customer data points appearing repeatedly?
-Are overrides or corrections concentrated in one department or with one manager?
-Would our activity look unusual when compared with similar dealerships?

Dealers Should Perform Their Own Exception Analysis. The best response is not to wait for an OEM to identify an unusual pattern. Dealerships should develop the ability to ask similar questions internally. That does not necessarily require an elaborate artificial-intelligence platform. Management can begin by examining:

Incentive activity: Compare utilization across programs, employees, months and transaction types.

Warranty trends: Review claim frequency, repair categories, repeat repairs, labor operations and documentation exceptions.

Employee concentration: Determine whether certain activities, adjustments or exceptions are disproportionately associated with particular employees.

Timing patterns: Look for unusual concentrations around month-end, program expiration dates or other deadlines.

Overrides and adjustments: Repeated manual intervention can indicate that a process deserves closer examination.

Outliers: Identify transactions, people and departments that operate differently from the rest of the dealership. The goal is not to treat every outlier as suspicious. The goal is to understand it.

AI Does Not Replace Judgment: There is also an important limitation. Technology can identify an exception, but an exception still requires interpretation. An unusual pattern may represent a control failure. It may reflect an employee training issue. It may be a data-quality problem. It may be legitimate business activity. Or it may require a deeper investigation. Human judgment remains critical. That is why dealerships should avoid viewing AI and analytics simply as enforcement tools. The same capabilities that can help an OEM identify unusual dealer activity can potentially help a dealership strengthen its own controls. Technology can help management decide where to ask questions. People still have to determine the answers.

For further guidance on dealer strategies in the new AI audit environment, contact your**AutoCPAGroup** member. ¶

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