

# 2016 Kentucky Economic Impact Report

## The Economic Impact of Franchised New Car Dealerships on the Kentucky Economy



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Kentucky Automobile Dealers Association

# INTRODUCTION

## President's Message



Gay Williams  
President, KADA

This Economic Impact Study has been conducted to show the significant contribution that automobile dealers make to the Kentucky economy.

The Kentucky Automobile Dealers Association was formed in 1938 to represent the interests of car and truck dealers in the state. The primary purpose then and now has been to make it as easy as possible for dealers and their customers to buy, sell, and maintain automotive vehicles.

Dealers provide thousands of jobs to Kentucky residents, and are an important component of the state's economy. Kentucky franchised new vehicle dealers are very proud of their contributions to statewide economic growth and development.

## Introduction

This report provides an in-depth analysis of the economic impact of Kentucky new car and truck dealers on the State's economy. It includes estimates of direct and indirect employment, personal income, and tax collections generated by Kentucky automotive dealers. Also included is a review of dealership financial statistics and operations. This report was prepared by Auto Outlook, Inc., an independent automotive market analysis firm, and was sponsored by the Kentucky Automobile Dealers Association.

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# PRIMARY CONCLUSIONS



## Kentucky Franchised New Vehicle Dealers Vital contributors to the state's economy in 2016

- Total jobs in Kentucky attributable to franchised new vehicle dealerships .....31,100
- Number of jobs per new vehicle dealership .....61
- Total earnings for Kentucky residents attributable to dealership operations ..... \$1.3 billion
- Average dealership payroll expense (including fringe benefits) ..... \$3.485 million
- Average annual salary per employee..... \$51,639
- Total state and local taxes collected or paid ..... \$559.2 million
- Total federal payroll taxes collected or paid ..... \$216.6 million
- Total dealership sales (dollars) ..... \$10.5 billion
- Total dealership expenses, excluding cost of goods sold (dollars) ..... \$1.27 billion
- Average number of vehicles serviced by each Kentucky dealership .....16,800
- Average dealership sales (dollars).....\$42.1 million
- Average dealership retail new and used vehicle sales (units) ..... 1,520 units
- Average dealership expenditures on capital improvements in 2015 and 2016 ..... \$452,000
- Total dealership contributions to charitable causes..... \$9 million
- Average dealership advertising expenses ..... \$450,000

# EMPLOYMENT

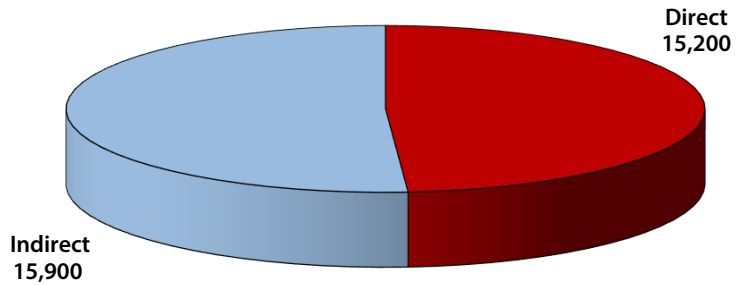


## Employment totals for new vehicle retailing industry - 2016 (Direct: at dealerships; Indirect: elsewhere in economy)

In 2016, Kentucky new vehicle dealerships directly employed a total of 15,200 individuals.

An additional 15,900 individuals were employed due to the indirect impact of dealership operations.

Automobile dealership operations accounted for 14.5% of total retail employment in the state. (This included both direct and indirect employment.)



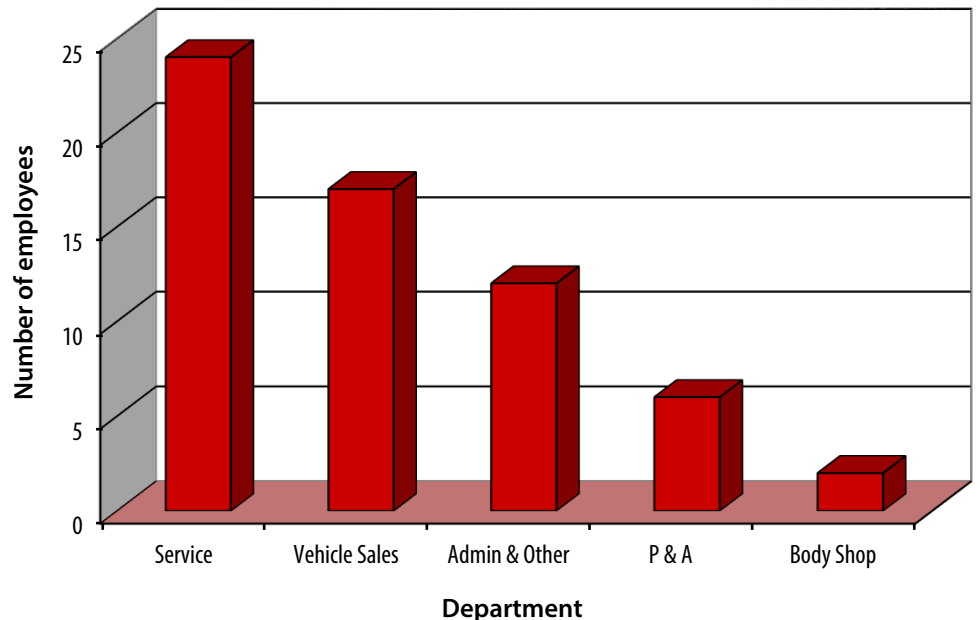
Dealership Contribution to Retail Employment in Kentucky - 2016	
Total employment resulting from auto dealerships	31,100
Total retail employment in Kentucky	214,000
<b>Dealership percentage of state retail employment</b>	<b>14.5%</b>

## Dealership employment by department

The average dealership in Kentucky employed 61 people.

39.3% of dealership staff are employed in the Service Department, while 27.9% are in New and Used vehicle sales departments.

Percentage of Dealership Employment by Department	
Service	39.3%
Vehicle Sales	27.9%
Administration & Other	19.7%
Parts & Accessories	9.8%
Body Shop	3.3%



# PAYROLL AND TAXES



## Employee compensation due to new vehicle retailing industry - 2016

In 2016, the average Kentucky dealership paid \$3.485 million to its employees (including fringe benefits). Including both direct and indirect sources, the new vehicle retailing industry resulted in more than \$1.3 billion of total compensation to Kentucky residents!

Industry Total	Direct	Indirect	TOTAL
Payroll	\$784,350,000	\$400,018,500	\$1,184,368,500
Fringe Benefits	\$83,415,000	\$40,873,350	\$124,288,350
<b>TOTAL</b>	<b>\$867,765,000</b>	<b>\$440,891,850</b>	<b>\$1,308,656,850</b>

Average Dealership Payroll	Direct
Payroll	\$3,150,000
Fringe Benefits	\$335,000
<b>TOTAL</b>	<b>\$3,485,000</b>

## Tax revenue generation - 2016

In 2016, new franchised automobile dealerships in Kentucky collected or paid more than \$559 million in state and local taxes, an average of \$2.246 million per dealership. The average dealership collected nearly \$2 million in state sales and use taxes. The industry was responsible for over \$216 million in Federal Payroll taxes.

Tax Category	Average Per Dealer	Auto Retailing Industry Total
State Sales and Use Taxes collected	\$1,925,000	\$479,325,000
State/Local Payroll Taxes	\$240,000	\$59,760,000
Real Estate Taxes	\$55,000	\$13,695,000
Other Local Taxes	\$26,000	\$6,474,000
<b>Kentucky Total</b>	<b>\$2,246,000</b>	<b>\$559,254,000</b>

Federal Payroll Taxes	\$870,000	\$216,630,000
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# DEALERSHIP FINANCES



## Departmental sales (dollars) - 2016

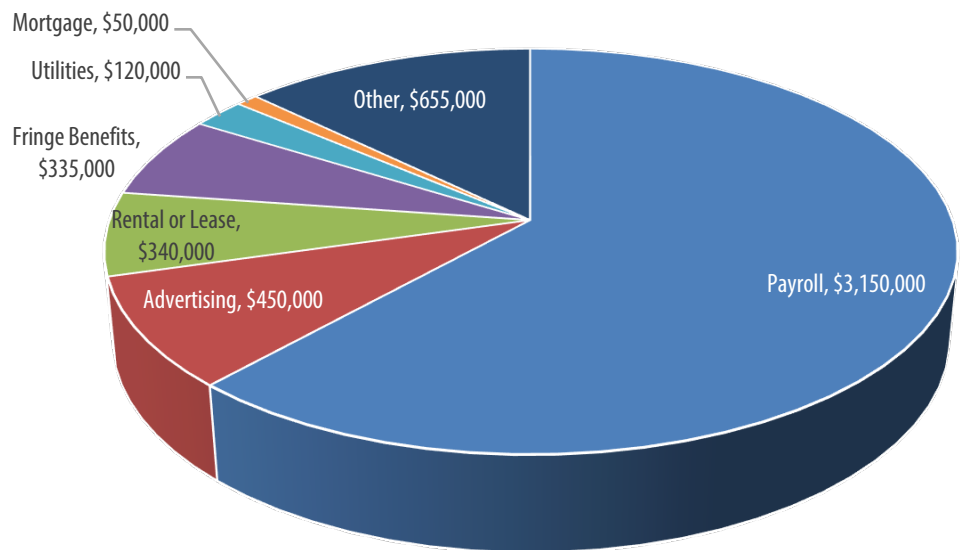
Total sales for franchised new vehicle dealerships in Kentucky during 2016 exceeded \$10.4 billion, an average of \$42.1 million per dealership.

The average dealership new vehicle department revenue exceeded \$20.6 million.

Department	Average Per Dealer	Auto Retailing Industry Total
New vehicle	\$20,650,000	\$5,141,850,000
Used vehicle	\$15,600,000	\$3,884,400,000
Service and parts	\$4,600,000	\$1,145,400,000
Other	\$1,250,000	\$311,250,000
<b>Total</b>	<b>\$42,100,000</b>	<b>\$10,482,900,000</b>

## Dealership Expenses - 2016

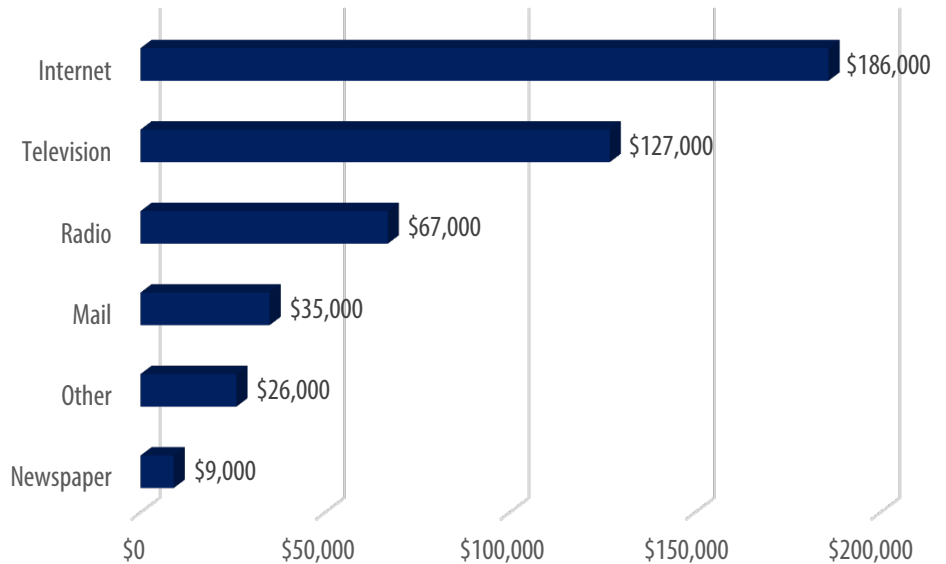
The average Kentucky new vehicle dealership had total expenses of \$5,100,000 (excludes cost of good sold). Payroll expense was \$3,150,000 which accounted for 62% of the overall total





## Dealership Advertising

Average dealership advertising spending by media type (\$'s) - 2016



The average new vehicle dealership had total advertising expenses of \$450,000. Grand total for the industry exceeded \$112,000,000

41% of dealership advertising expenditures (average of \$186,000 per dealership) were devoted towards the Internet and social media.

## Dealership Profile

### Dealership Financial Summary

Average dealership total sales during 2016: \$42.1 million.

Average dealership expenditures on capital improvements during 2015 and 2016 combined: \$452,000.

Average dealership contributions to charitable causes during 2016: \$36,300.

Number of vehicles serviced by average dealership during 2016: 16,800.

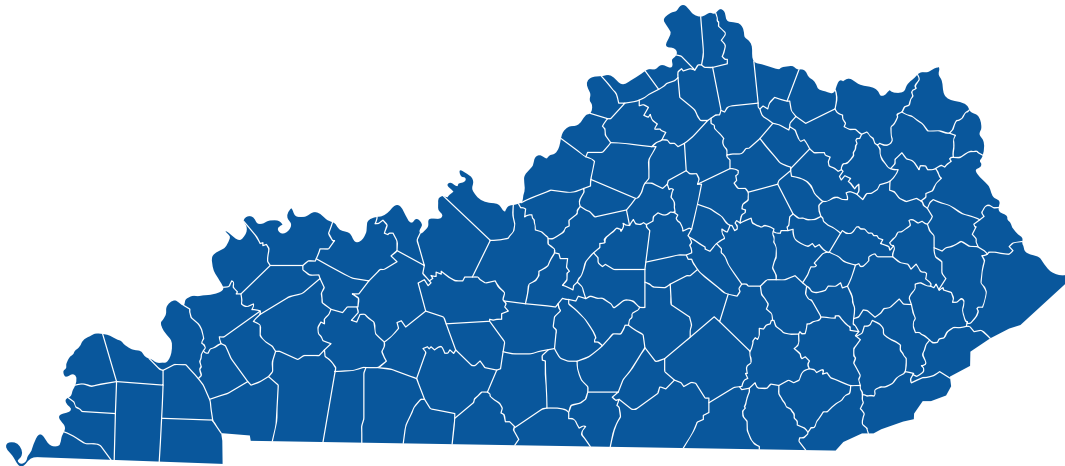
### Dealership Vehicle Sales Summary

Average dealership new and used vehicle sales during 2016: 1,520 units.

## Background and Methodology

Dealership financial data (and other information cited in the report) was collected from a detailed survey sent to all new vehicle automotive retailers in Kentucky. Additional data sources: National Automobile Dealers Association and Bureau of Labor Statistics. Economic impact is separated into two main categories: direct and indirect. Direct impact comprises economic activity at automotive dealerships themselves, such as dealership employment and compensation to employees. Indirect impact occurs away from the dealership, and takes into account the extended contribution dealerships and their employees make to the Kentucky economy.

The indirect economic impact of automotive retailers was estimated by Auto Outlook, Inc. Estimates were based on previous impact studies that relied upon regional input-output economic computer models. Indirect economic estimates in this report are intentionally conservative, and therefore, may underestimate the overall contribution automotive retailers make to the Kentucky economy. Auto Outlook, Inc. is a regional automotive market analysis firm providing market research services to automotive dealers. Jeffrey Foltz, the President of Auto Outlook, Inc., obtained a Masters Degree in Economics from the University of Delaware in 1985, and has conducted many research projects analyzing state and regional economies.



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