

# 2015 Massachusetts Economic Impact Report

based on Data thru December 31, 2014

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



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# INTRODUCTION

## President's Message

This Automotive Industry Economic Impact Study has been conducted to show the significant contribution our industry makes to the Massachusetts economy.

The Massachusetts State Automobile Dealers Association was formed in 1940 to represent the interests of new 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 tens of thousands of jobs to Massachusetts residents, and are an important component of the state's economy. Massachusetts franchised new vehicle dealers are very proud of their contributions to economic growth and development throughout.

Scott Dube  
Bill Dube Hyundai  
MSADA President

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Executive Vice President

## Introduction

This report provides an in-depth analysis of the economic impact of Massachusetts 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 Massachusetts 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 Massachusetts State Automobile Dealers Association.

### **Massachusetts State Automobile Dealers Association**

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## Massachusetts Franchised New Vehicle Dealers Vital contributors to the state's economy in 2014:

- Total jobs in Massachusetts attributable to franchised new vehicle dealerships.....50,778
- Number of jobs per new vehicle dealership .....62
- Total earnings for Massachusetts residents attributable to dealership operations ..... \$2.95 billion
- Average dealership payroll expense (including fringe benefits) .....\$4.14 million
- Total state and local taxes collected or paid ..... \$541.8 million
- Total federal payroll taxes collected or paid ..... \$436.8 million
- Total dealership sales (dollars) ..... \$21.33 billion
- Average dealership sales (dollars).....\$50.8 million
- Average dealership retail new and used vehicle sales (units) ..... 1,380 units
- Average dealership expenditures on products and services from other state businesses ..... \$992,000
- Total dealership contributions to charitable causes.....\$10.1 million
- Average dealership advertising expenses ..... \$485,000

# EMPLOYMENT

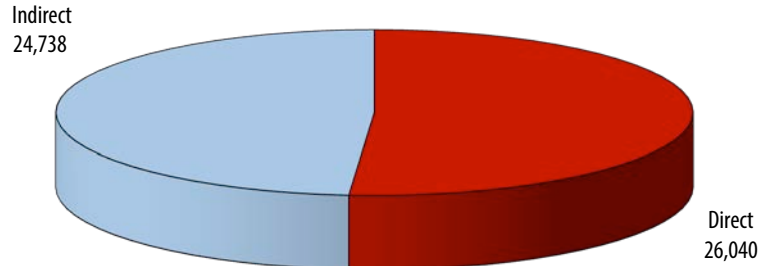


## Employment totals for new vehicle retailing industry - 2014 (Direct: at dealerships; Indirect: elsewhere in economy)

In 2014, Massachusetts new vehicle dealerships directly employed a total of 26,040 individuals.

An additional 24,738 individuals were employed due to the indirect impact of dealership operations.

Automobile dealership operations accounted for 13.9% percent of total retail employment in the state. (This included both direct and indirect employment.)

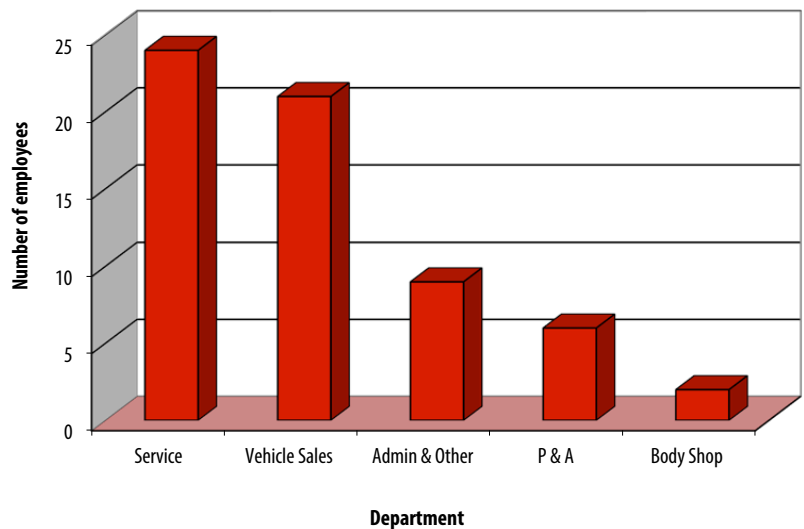


Dealership Contribution to Retail Employment in Massachusetts - 2014	
Total employment resulting from auto dealerships	50,778
Total retail employment in Massachusetts	365,800
Dealership percentage of State retail employment	13.9%

## Dealership employment by department

The average dealership in Massachusetts employed 62 people.

38.7% of dealership staff are employed in the Service Department, while 33.9% are in New and Used vehicle sales departments.



Percentage of Dealership Employment by Department	
Service	38.7%
Vehicle Sales	33.9%
Administration & Other	14.5%
Parts & Accessories	9.7%
Body Shop	3.2%

# PAYROLL AND TAXES



## Employee compensation due to new vehicle retailing industry - 2014

In 2014, the average Massachusetts dealership paid \$4.14 million to its employees (including fringe benefits). Including both direct and indirect sources, the new vehicle retailing industry resulted in nearly \$3 billion of total compensation to Massachusetts residents!

Industry Total	Direct	Indirect	TOTAL
Payroll	\$1,600,200,000	\$1,120,140,000	\$2,720,340,000
Fringe Benefits	\$138,600,000	\$97,020,000	\$235,620,000
<b>TOTAL</b>	<b>\$1,738,800,000</b>	<b>\$1,217,160,000</b>	<b>\$2,955,960,000</b>

Average Dealership Payroll	Direct
Payroll	\$3,810,000
Fringe Benefits	\$330,000
<b>TOTAL</b>	<b>\$4,140,000</b>

## Tax revenue generation - 2014

In 2014, new franchised automobile dealerships in Massachusetts collected or paid more than \$540 million in state and local taxes, an average of nearly \$1.3 million per dealership.

The industry was responsible for over \$436 million in Federal Payroll taxes.

Tax Category	Average Per Dealer	Industry Total
State sales tax collected	\$970,000	\$407,400,000
State and local payroll taxes	\$195,000	\$81,900,000
Real estate and other local taxes	\$125,000	\$52,500,000
<b>Massachusetts Total</b>	<b>\$1,290,000</b>	<b>\$541,800,000</b>
Federal Payroll Taxes	\$1,040,000	\$436,800,000

# MASSACHUSETTS MARKET SUMMARY



## Departmental sales (dollars) - 2014

Total sales for franchised new vehicle dealerships in Massachusetts during 2014 exceeded \$21.3 billion, an average of \$50.8 million per dealership.

The average dealership new vehicle department revenue was \$27.5 million.

Department	Average Per Dealer	Auto Retailing Industry Total
New vehicle	\$27,500,000	\$11,550,000,000
Used vehicle	\$13,200,000	\$5,544,000,000
Service and parts	\$8,300,000	\$3,486,000,000
Other	\$1,800,000	\$756,000,000
<b>Total</b>	<b>\$50,800,000</b>	<b>\$21,336,000,000</b>

## New retail car and light truck registrations in Massachusetts - 2005 thru 2014

As shown on the graph, combined new retail car and light truck registrations in Massachusetts increased steadily from 2010 thru 2014, following a sharp decline between 2005 and 2009.

Registrations increased by 38% between 2009 and 2014.

*Data Source: Experian Automotive.*



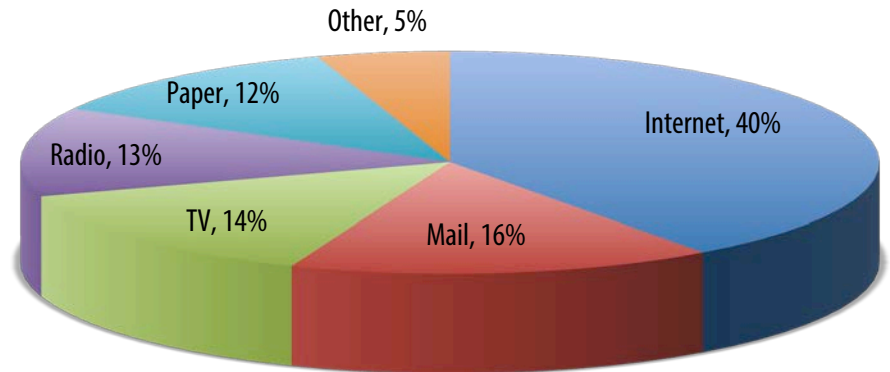


## Dealership Advertising

Percentage of dealership advertising spending by media type - 2014

New vehicle dealerships in Massachusetts had advertising expense of over \$203 million in 2014.

40% of dealership advertising expenditures were devoted towards the Internet.



## Dealership Profile

### Dealership Financial Summary

Average dealership total sales during 2014: \$50.8 million.

Average expenditures on products and services from other Massachusetts businesses: \$992,000.

Average dealership contributions to charitable causes during 2014: \$24,100.

### Dealership Vehicle Sales Summary

Average dealership new and used vehicle sales during 2014: 1,380 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 Massachusetts. 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 Massachusetts 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 Massachusetts 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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