

Motor Industry Services
2016 Dealership Benchmarks



Financial solutions for the motor industry
Cars – Australia

The 2016 Deloitte Motor Industry Services Dealership Benchmarks

It is our pleasure to present the 2016 Deloitte Motor Industry Services Dealership Benchmarks for the Australian car market.

The benchmarks are split into three market categories: the Volume Market, the Prestige Market and the Luxury Market. This segmentation aims to provide an insight and better reflect the different dealer business models used to operate and generate a profit at the dealership level. 2015 was a year of tremendous growth and opportunities in the Australian market where the characteristics of each segment was tested and refined. However, the impact on dealers was not uniform and while the best performers continued to stretch their lead on the pack, the average dealer still faced very real risks to their profitability with almost one in five failing to make a profit over the course of 2015.

It should be noted that while the business models in each segment are intrinsically impacted by the brands that dealers carry, the benchmarks are not a commentary on the positioning or esteem of those brands. Please refer to the introduction to each of the benchmark sections for more insight into the segmentation categories.

The benchmarks should be used as a guide to building a sustainable, long term business. The starting point is the data uploaded to the eProfitFocus system of more than 800 dealers in the Australian market for the 12 months leading up to the benchmark period. The performances of the top 30% of dealers are isolated and taken as the reference point for the benchmarks. This raw data is then adjusted to reflect contemporary industry and market circumstances as well as long-held best practices.

In addition, you will also find Customer Retention Management (CRM) benchmarks. CRM benchmarking is an excellent method for dealerships to monitor and set goals towards effective acquisition, satisfaction and retention of customers.

We are always happy to speak further with you on any aspect of these benchmarks so please feel free to contact a member of the Deloitte Motor Industry Services team using the details provided at the back of this booklet.

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CRM

CRM benchmarking your dealership

In contrast to the generally accepted opinion, CRM is more than just a software solution. The best dealerships across the nation address the four pillars of comprehensive Customer Relationship Management equally.

The four pillars of CRM

People

Processes

Tools

IT Solution

For benchmark dealers, CRM is a combination of the marketing, sales and service departments' activities of effectively acquiring, satisfying and retaining customers. CRM benchmarking is an excellent method of monitoring the relevant operational performance and setting transactional goals in dealerships.

The five goals of CRM

1. Increase vehicle and service sales
2. Improve vehicle and service gross profits
3. Improve service retention and repurchases
4. Generate advocate customers
5. Reduce marketing expenses.

CRM benchmarks

These CRM benchmarks are a measure of Best Practices as identified in the Australian Motor Industry. The displayed figures represent the benchmark of what dealers need to aim for when implementing successful CRM operations.

Some dealerships, due to certain geographic or demographic circumstances, cannot achieve some of the benchmarks in practice. Nonetheless, we consider these CRM benchmarks to be realistic as 'a reference point' for a typical dealership in the Volume, Prestige and Luxury segments.

CRM and marketing

Every customer relationship begins with effective marketing.

Marketing effectiveness means:

1. Generate as many high quality Leads as possible
2. Increase return on every dollar spent in marketing
3. Improve customer experience.

Lead origin

| Channel and enquiry type | New vehicle | Used vehicle |
|------------------------------------|-------------|--------------|
| Dealership website | 31% | 10% |
| Phone-ins (website phone number) | 21% | 5% |
| Walk-ins (website solicited) | 25% | 7% |
| Online lead providers* | 12% | 70% |
| Phone-ins (traditional media only) | 6% | 5% |
| Walk-ins (traditional media only) | 5% | 3% |
| | 100% | 100% |

*Average of all lead providers

Marketing/advertising costs

| Per new vehicle | Volume | Prestige | Luxury |
|-------------------|--------|----------|--------|
| Benchmark dealers | \$238 | \$238 | \$400 |
| Average dealers | \$240 | \$243 | \$345 |

Marketing campaign effectiveness metrics (traditional and online)

| Metric | Sample calculation |
|--|--------------------|
| 1. Total number of leads generated | 200 |
| 2. Total costs of campaign | \$15,000 |
| 3. Total units sold via campaign | 20 |
| 4. Total GP of units sold via campaign | \$40,000 |
| 5. Costs per generated lead (2./1.) | \$75 |
| 6. Costs per sold lead (2./3.) | \$750 |
| 7. Campaign ROI (4.-2./2.) | 167% |

CRM and sales

How effective is your sales team at converting new market leads, referrals and repeat customers into sales.

Sales effectiveness means:

1. Maximise closing ratios and F&I penetration
2. Increase GP per sale and sales staff
3. Improve customer experience.

The Road to Sale

| Conversion ratios | AVG staff | Top staff |
|-------------------|------------|------------|
| Enquiries/leads** | 100% | 100% |
| Appointments* | 70% | 92% |
| Test drives* | 45% | 73% |
| Offers* | 33% | 58% |
| Sales* | 22% | 35% |
| F&I contracts* | 6% | 15% |

| Units per month (based on BM) | Volume | Prestige | Luxury |
|-------------------------------|-----------|-----------|-----------|
| Test drives* | 29 | 31 | 27 |
| Offers* | 23 | 25 | 22 |
| Sales* | 14 | 14 | 11 |
| F&I contracts* | 5 | 5 | 4 |

*% of enquiries/leads

** All channels: internet, phone, lead-providers and traditional

| Online lead handling | Response time |
|-----------------------------|---------------|
| Benchmark sales staff | <10 minutes |
| Average sales staff | <2 hours |
| Minimum acceptable standard | same day |

CRM and service

Once acquired, how do you retain customers in service?

Service effectiveness means:

1. Increase service retention
2. Increase vehicle repurchase probability
3. Improve customer experience.

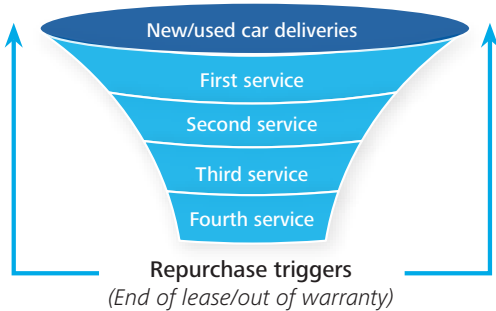
Service retention

| Year after purchase | Metro | Rural |
|----------------------------|-------|-------|
| Handover/follow-up service | 100% | 100% |
| First year | 91% | 93% |
| Second year | 82% | 87% |
| Third year | 68% | 77% |
| Fourth year | 49% | 58% |
| Fifth year | 40% | 49% |

How many customers, who bought their vehicle at the dealership have their car serviced at the dealership again?

The customer retention funnel

'Creating customers for life'



Repurchase intention

| Customer type | Metro | Rural |
|---------------|-------|-------|
| All customers | 33% | 45% |
| F&I | 50% | 54% |
| Non-F&I | 24% | 37% |

The Big 4 CRM measures

1. Customer orientation

| New vehicle sales | Metro | Rural |
|----------------------------------|-------------|-------------|
| Conquest customers (unsolicited) | 62% | 48% |
| Referral customers | 13% | 22% |
| Repeat customers | 25% | 30% |
| Total new vehicle sales | 100% | 100% |

2. Customer profitability*

| New vehicle customer profitability | National |
|------------------------------------|----------|
| Conquest customers (unsolicited) | 100% |
| Referral customers | 142% |
| Repeat customers | 193% |

* Customer profitability as % of conquest business (100%).

3. Dealership advocacy**

| Customer | National |
|-------------------------------------|----------|
| Advocates – positive word of mouth | 80% |
| Indifferent customers | 18% |
| Detractors – negative word of mouth | 2% |

** The dealership's ability to create advocate customers.

4. Customers' perception of effort in dealing with dealership

| Effort | National |
|---|----------|
| Customers who perceive low levels of effort | 82% |
| Customers who perceive neutral levels of effort | 11% |
| Customers who perceive high levels of effort | 7% |

Volume Market

Volume Market benchmarks

The Deloitte Motor Industry Services dealership benchmarks help dealers assess their performance against the top 30% of the dealers running a similar type of business operation.

Dealers who fall into the Volume Market classification tend to be dealers focussing on the volume side of the volume/margin equation. Dealers in this segment typically have:

- Higher through-put (e.g. sales per sales person)
- Lower margins (e.g. gross per new vehicle retailed)
- A relatively low fixed cost base (as a percentage of gross)
- A 'front-end' bias to their overall business orientation (i.e. more than half their gross profit is generated from selling new and used cars).

In 2015, dealers in the Volume Market took advantage of record volumes, better utilised their resources and managed their costs better. This coupled with the increase in volume and gross led to competitive benchmarks for all parameters in 2016.

A note about these benchmarks

Benchmarking is an excellent method of monitoring performance and setting goals. These benchmarks are a measure of 'best practice' as identified in the industry and represent the top 30% of dealers in the eProfitFocus database of more than 800 dealers.

The intention of the benchmarks is to provide a 'guide only' for dealership performance. Some dealerships, due to certain geographic or demographic circumstances, may not be able to achieve all the guidelines as a volume dealer.

For further clarification and interpretations of benchmarks please contact us at

1300 784 511

eprofitfocus@deloitte.com.au

Total dealership

Trading summary

| | |
|--------------------------------|----------|
| Net profit as % of sales* | 4.1-4.4% |
| Days to dealership breakeven** | 23 |

*Average Dealer NP%\$ 2.30%

**Based on a full month i.e. 30 days

| Dealership structure | Orientation | GP % |
|----------------------|-------------|---------------|
| New | 38% | 8-10% |
| Used | 15% | 14-16% |
| Parts | 13% | 22-26% |
| Service | 34% | 64-68% |
| | 100% | 13-15% |

| | |
|--------------------------------|--------------------|
| Front end (vehicle operations) | 53% |
| Back end (fixed operations) | 47% |
| Finance and insurance income | 20% of total gross |
| Other income and incentives | 13% of total gross |

Orientation = Where does the gross come from?

GP% = How strong are my margins?

Note these orientation benchmarks are aimed at building a balanced business that is sustainable over time.

People

| | |
|-----------------------------------|---------|
| Gross per employee per month | \$9,500 |
| Net profit per employee per month | \$2,950 |

Vehicle operations

| Product | New | Used |
|-------------------------|---------|---------|
| Gross per unit* | \$2,700 | \$2,700 |
| Used/new ratio (retail) | n/a | 0.4 |
| Days supply | 55-65 | 65-75 |
| Stock turns p.a. | 6-7 | 5-6 |
| Gross ROI** | 65% | 95% |

* Includes holdback, bonuses, aftermarket and load reversals but excludes F&I

** Gross as a % of cost of sales x turns p.a.

| People | New | Used |
|---------------------------------|----------|----------|
| Units per sales staff per month | 14 | 14 |
| Gross per salesperson per month | \$38,000 | \$37,800 |

Finance and insurance (F&I)

| F&I Product | New | Used |
|--------------------------------|-----------------|-----------------|
| Finance penetration | 32-36% | 30-34% |
| Finance income per contract | \$2,400-\$2,600 | \$2,600-\$2,800 |
| Finance per retail unit sold | \$875 | \$865 |
| Insurance per retail unit sold | \$160 | \$175 |

| | |
|--|-------|
| F&I selling gross per vehicle retailed | \$810 |
|--|-------|

| People | |
|---|----------|
| Vehicles retailed per F&I staff per month | 45-55 |
| Salaries and commissions as a % of income | 22% |
| F&I income per dept employee per month | \$42,500 |

Fixed operations

| Parts department | Sales mix % | GP % |
|------------------|-------------|------------|
| Retail/counter | 5% | 30% |
| Wholesale/trade | 24% | 19% |
| Workshop | 28% | 36% |
| Warranty | 19% | 11% |
| Internal | 24% | 20% |
| Total | 100% | 23% |

Operational benchmarks

| | |
|----------------------------|----------|
| Days supply | 45-55 |
| Stock turns p.a. | 7-8 |
| Monthly sales per employee | \$82,000 |
| Monthly gross per employee | \$18,900 |
| \$ Sales per \$ salary | \$18.00 |

| Service department | Sales mix % | GP % |
|-------------------------------------|-------------|------------|
| Labour | | |
| – Retail | 56% | 79% |
| – Warranty | 12% | 69% |
| – Internal | 32% | 77% |
| Total labour sales | 100% | 76% |
| Sublet sales | | 13% |
| Total gross profit (% sales) | | 65% |

Operational benchmarks

| | |
|---|----------|
| Performance index (productivity x efficiency) | 95-105% |
| Monthly labour sales per technician | \$16,400 |
| Monthly labour gross per technician | \$12,500 |
| Parts/labour ratio | \$0.60 |
| Ratio of chargeable to non-chargeable | 1.8-2.3 |
| Parts and service absorption | 50-55% |
| Retention – relative service size** | \$1,400 |

**Labour sales per new retail unit sold per month

Department profitability

| Vehicle operations | New | | Used | |
|--------------------------------|--------------|----------------|--------------|----------------|
| | % Gross | \$/Unit | % Gross | \$/Unit |
| Gross* | 100% | 2,700 | 100% | 2,700 |
| Sales staff salaries and comms | 17.9% | 484 | 18.7% | 505 |
| Manager salaries and comms | 8.2% | 221 | 10.4% | 280 |
| Other salaries | 4.4% | 119 | 4.1% | 111 |
| Pre-delivery costs | 8.5% | 230 | – | – |
| Free service/policy | 2.2% | 59 | – | – |
| Used warranty | – | – | 1.5% | 41 |
| Advertising | 8.1% | 219 | 8.4% | 227 |
| Training | 1.3% | 35 | 0.4% | 11 |
| Floorplan | 9.0% | 243 | 2.5% | 68 |
| Demonstrator expenses | 2.3% | 62 | 1.9% | 51 |
| Selling gross | 38.1% | \$1,028 | 52.1% | \$1,407 |
| Selling gross per salesperson | | \$15,000 | | \$19,500 |
| Selling gross per employee | | \$7,900 | | \$9,600 |

* Includes holdback, bonuses, aftermarket and load reversals but excludes F&I

| Fixed operations | Parts % gross | Service % gross |
|-----------------------------------|---------------|-----------------|
| Salaries (non-chargeable) | 22.9% | 23.8% |
| Advertising and promotion | 0.6% | 1.5% |
| Training | 0.2% | 1.2% |
| Policy/freight | 1.3% | 1.5% |
| Tools and supplies | 0.2% | 0.2% |
| Equipment and vehicle maintenance | 2.0% | 2.8% |
| Sick/holiday – technicians | – | 4.7% |
| Selling gross | 72.8% | 64.4% |
| Selling gross per technician | – | \$9,500 |
| Selling gross per employee | \$18,900 | \$4,600 |

Department profitability

| | % Gross |
|--|----------------|
| Administration and salaries | 7.8% |
| Training | 0.1% |
| FBT (net of contributions) | 0.5% |
| Payroll tax | 3.1% |
| Superannuation | 5.1% |
| Long service leave | 0.6% |
| Rent (or mortgage interest) | 10.5% |
| Rates and taxes | 1.2% |
| Property maintenance/outside services | 2.4% |
| Telephone | 0.8% |
| Insurance (including workers compensation) | 2.1% |
| Office supplies/stationery | 0.6% |
| Professional fees | 0.6% |
| Data processing | 1.5% |
| Bank charges and taxes | 0.5% |
| Interest (overdraft/working capital) | 0.5% |
| Bad debts | 0.1% |
| Depreciation | 2.0% |
| Electricity | 1.2% |
| Travel and entertainment | 0.5% |
| Miscellaneous | 2.9% |
| Total fixed expenses | 45% |

Prestige Market

Prestige Market benchmarks

The Deloitte Motor Industry Services dealership benchmarks help dealers assess their performance against the top 30% of the dealers running a similar type of business operation.

Dealers who fall into the Prestige Market classification tend to be dealers focussing on finding a balance in the volume/margin equation. Dealers in this segment typically have:

- Mid-range through-put (e.g. sales per sales person)
- Above average margins (e.g. gross per new vehicle retailed)
- A relatively low fixed cost base (as a percentage of gross)
- A 'front-end' bias to their overall business orientation (i.e. more than half their gross profit is generated from selling new and used cars).

In 2015, dealers in the Prestige Market benefitted from strong volumes, and were also able to grow their overall business and maintain their departmental orientation of their operations

A note about these benchmarks

Benchmarking is an excellent method of monitoring performance and setting goals. These benchmarks are a measure of 'best practice' as identified in the industry and represent the top 30% of dealers in the eProfitFocus database of more than 800 dealers.

The intention of the benchmarks is to provide a 'guide only' for dealership performance. Some dealerships, due to certain geographic or demographic circumstances, may not be able to achieve all the guidelines as a prestige dealer.

For further clarification and interpretations of benchmarks please contact us at

1300 784 511

eprofitfocus@deloitte.com.au

Total dealership

Trading summary

| | |
|--------------------------------|----------|
| Net profit as % of sales* | 4.1-4.4% |
| Days to dealership breakeven** | 23 |

*Average Dealer NP%\$ 2.30%

** Based on a full month i.e. 30 days

| Dealership structure | Orientation | GP % |
|----------------------|-------------|---------------|
| New | 39% | 8-10% |
| Used | 14% | 13-15% |
| Parts | 13% | 22-26% |
| Service | 34% | 64-68% |
| | 100% | 13-15% |

| | |
|--------------------------------|--------------------|
| Front end (vehicle operations) | 53% |
| Back end (fixed operations) | 47% |
| Finance and insurance income | 18% of total gross |
| Other Income and incentives | 11% of total gross |

Orientation = Where does the gross come from?

GP% = How strong are my margins?

Note these orientation benchmarks are aimed at building a balanced business that is sustainable over time.

People

| | |
|-----------------------------------|----------|
| Gross per employee per month | \$10,200 |
| Net profit per employee per month | \$3,000 |

Vehicle operations

| Product | New | Used |
|-------------------------|---------|---------|
| Gross per unit* | \$2,850 | \$2,700 |
| Used/new ratio (retail) | n/a | 0.3 |
| Days supply | 55-65 | 60-70 |
| Stock turns p.a. | 6-7 | 5-6 |
| Gross ROI** | 65% | 90% |

* Includes holdback, bonuses, aftermarket and load reversals but excludes F&I

** Gross as a % of cost of sales x turns p.a.

| People | New | Used |
|---------------------------------|----------|----------|
| Units per sales staff per month | 14 | 13 |
| Gross per salesperson per month | \$39,900 | \$35,100 |

Finance and insurance (F&I)

| F&I Product | New | Used |
|--|-----------------|-----------------|
| Finance penetration | 30-34% | 33-37% |
| Finance income per contract | \$2,700-\$2,900 | \$2,900-\$3,100 |
| Finance per retail unit sold | \$895 | \$1,050 |
| Insurance per retail unit sold | \$210 | \$250 |
| <hr/> | | |
| F&I selling gross per vehicle retailed | \$1,000 | |

| People | |
|---|----------|
| Vehicles retailed per F&I staff per month | 50-60 |
| Salaries and commissions as a % of income | 18% |
| F&I income per dept employee per month | \$55,000 |

Fixed operations

| Parts department | Sales mix % | GP % |
|------------------|-------------|------------|
| Retail/counter | 4% | 29% |
| Wholesale/trade | 26% | 17% |
| Workshop | 30% | 34% |
| Warranty | 19% | 10% |
| Internal | 21% | 21% |
| Total | 100% | 22% |

Operational benchmarks

| | |
|----------------------------|----------|
| Days supply | 50-60 |
| Stock turns p.a. | 6-7 |
| Monthly sales per employee | \$95,000 |
| Monthly gross per employee | \$20,900 |
| \$ Sales per \$ salary | \$22.00 |

| Service department | Sales mix % | GP % |
|-------------------------------------|-------------|------------|
| Labour | | |
| – Retail | 57% | 81% |
| – Warranty | 13% | 70% |
| – Internal | 30% | 77% |
| Total labour sales | 100% | 77% |
| Sublet sales | | 13% |
| Total gross profit (% sales) | | 66% |

Operational benchmarks

| | |
|---|----------|
| Performance index (productivity x efficiency) | 95-105% |
| Monthly labour sales per technician | \$17,200 |
| Monthly labour gross per technician | \$13,200 |
| Parts/labour ratio | \$0.65 |
| Ratio of chargeable to non chargeable | 1.8-2.0 |
| Parts and service absorption | 50-55% |
| Retention – relative service size** | \$1,400 |

**Labour sales per new retail unit sold per month

Department profitability

| Vehicle operations | New | | Used | |
|--------------------------------|--------------|----------------|--------------|----------------|
| | % Gross | \$/Unit | % Gross | \$/Unit |
| Gross* | 100% | 2,850 | 100% | 2,700 |
| Sales staff salaries and comms | 18.5% | 527 | 17.6% | 475 |
| Manager salaries and comms | 8.1% | 231 | 8.9% | 241 |
| Other salaries | 3.8% | 108 | 3.4% | 92 |
| Pre-delivery costs | 7.3% | 208 | – | – |
| Free service/policy | 1.5% | 43 | – | – |
| Used warranty | – | – | 1.3% | 35 |
| Advertising | 7.3% | 208 | 7.1% | 192 |
| Training | 1.4% | 40 | 0.4% | 11 |
| Floorplan | 7.8% | 222 | 2.4% | 65 |
| Demonstrator expenses | 2.3% | 66 | 1.8% | 49 |
| Selling gross | 42.0% | \$1,197 | 57.1% | \$1,540 |
| Selling gross per salesperson | | \$16,500 | | \$20,300 |
| Selling gross per employee | | \$9,000 | | \$10,200 |

* Includes holdback, bonuses, aftermarket and load reversals but excludes F&I

| Fixed operations | Parts % gross | Service % gross |
|-----------------------------------|---------------|-----------------|
| Salaries (non-chargeable) | 19.3% | 24.0% |
| Advertising and promotion | 0.5% | 1.0% |
| Training | 0.2% | 1.1% |
| Policy/freight | 1.4% | 1.1% |
| Tools and supplies | 0.3% | 0.1% |
| Equipment and vehicle maintenance | 1.7% | 2.7% |
| Sick/holiday – technicians | – | 4.6% |
| Selling gross | 76.6% | 65.1% |
| Selling gross per technician | – | \$10,200 |
| Selling gross per employee | \$20,900 | \$6,700 |

Overheads

| | % Gross |
|--|------------|
| Administration and salaries | 6.9% |
| Training | 0.1% |
| FBT (net of contributions) | 0.4% |
| Payroll tax | 2.9% |
| Superannuation | 4.9% |
| Long service leave | 0.5% |
| Rent (or mortgage interest) | 10.3% |
| Rates and taxes | 1.2% |
| Property maintenance/outside services | 2.4% |
| Telephone | 0.7% |
| Insurance (including workers compensation) | 2.0% |
| Office supplies/stationery | 0.6% |
| Professional fees | 0.5% |
| Data processing | 1.5% |
| Bank charges and taxes | 0.4% |
| Interest (overdraft/working capital) | 0.5% |
| Bad debts | 0.1% |
| Depreciation | 2.0% |
| Electricity | 1.1% |
| Travel and entertainment | 0.5% |
| Miscellaneous | 2.7% |
| Total fixed expenses | 42% |

Luxury Market

Luxury Market benchmarks

The Deloitte Motor Industry Services dealership benchmarks help dealers assess their performance against the top 30% of the dealers running a similar type of business operation.

Dealers who fall into the Luxury Market classification tend to be dealers focussing on finding a balance in the volume/margin equation. Dealers in this segment typically have:

- Lower through-put (e.g. sales per sales person)
- Higher margins (e.g. gross per new vehicle retailed)
- An above average fixed cost base (as a percentage of gross)
- A close to an even split between the 'front-end' and the 'back-end' in their overall business orientation (i.e. around half of their gross profit is generated from selling new and used cars).

In 2015, dealers in the Luxury market were able to combine volume growth with solid margins which led to a continued front end focus for this segment.

A note about these benchmarks

Benchmarking is an excellent method of monitoring performance and setting goals. These benchmarks are a measure of 'best practice' as identified in the industry and represent the top 30% of dealers in the eProfitFocus database of more than 800 dealers.

The intention of the benchmarks is to provide a 'guide only' for dealership performance. Some dealerships, due to certain geographic or demographic circumstances, may not be able to achieve all the guidelines as a luxury dealer.

For further clarification and interpretations of benchmarks please contact us at

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eprofitfocus@deloitte.com.au

Total dealership

Trading summary

| | |
|--------------------------------|----------|
| Net profit as % of sales* | 4.2-4.5% |
| Days to dealership breakeven** | 23 |

*Average Dealer NP%\$ 2.50%

**Based on a full month, i.e. 30 days

| Dealership structure | Orientation | GP % |
|--------------------------------|--------------------|---------------|
| New | 43% | 10-12% |
| Used | 12% | 12-14% |
| Parts | 14% | 22-26% |
| Service | 31% | 65-69% |
| | 100% | 13-15% |
| Front end (vehicle operations) | 55% | |
| Back end (fixed operations) | 45% | |
| Finance and insurance income | 14% of total gross | |
| Other Income and incentives | 9% of total gross | |

Orientation = Where does the gross come from?

GP% = How strong are my margins?

Note these orientation benchmarks are aimed at building a balanced business that is sustainable over time.

People

| | |
|-----------------------------------|----------|
| Gross per employee per month | \$11,900 |
| Net profit per employee per month | \$3,700 |

Vehicle operations

| Product | New | Used |
|-------------------------|---------|---------|
| Gross per unit* | \$4,650 | \$2,700 |
| Used/new ratio (retail) | n/a | 0.4 |
| Days supply | 55-65 | 65-75 |
| Stock turns p.a. | 6-7 | 6-7 |
| Gross ROI** | 65% | 80% |

* Includes holdback, bonuses, aftermarket and load reversals but excludes F&I

**Gross as a % of cost of sales x turns p.a.

| People | New | Used |
|---------------------------------|----------|----------|
| Units per sales staff per month | 11 | 13 |
| Gross per salesperson per month | \$51,150 | \$35,100 |

Finance and insurance (F&I)

| F&I Product | New | Used |
|--|-----------------|-----------------|
| Finance penetration | 33-37% | 30-34% |
| Finance income per contract | \$2,300-\$2,500 | \$2,050-\$2,250 |
| Finance per retail unit sold | \$840 | \$690 |
| Insurance per retail unit sold | \$180 | \$175 |
| F&I selling gross per vehicle retailed | \$750 | |

| People | |
|---|----------|
| Vehicles retailed per F&I staff per month | 50-55 |
| Salaries and commissions as a % of income | 23% |
| F&I income per dept employee per month | \$37,500 |

Fixed operations

| Parts department | Sales mix % | GP % |
|------------------|-------------|------------|
| Retail/counter | 4% | 27% |
| Wholesale/trade | 27% | 19% |
| Workshop | 34% | 35% |
| Warranty | 20% | 11% |
| Internal | 14% | 21% |
| Total | 100% | 23% |

Operational benchmarks

| | |
|----------------------------|----------|
| Days supply | 45-55 |
| Stock turns p.a. | 6-8 |
| Monthly sales per employee | \$96,400 |
| Monthly gross per employee | \$22,200 |
| \$ Sales per \$ salary | \$18.00 |

| Service department | Sales mix % | GP % |
|-------------------------------------|-------------|------------|
| Labour | | |
| – Retail | 57% | 79% |
| – Warranty | 14% | 65% |
| – Internal | 29% | 80% |
| Total labour sales | 100% | 76% |
| Sublet sales | | 12% |
| Total gross profit (% sales) | | 67% |

Operational benchmarks

| | |
|---|----------|
| Performance index (productivity x efficiency) | 95-105% |
| Monthly labour sales per technician | \$18,100 |
| Monthly labour gross per technician | \$13,800 |
| Parts/labour ratio | \$0.77 |
| Ratio of chargeable to non-chargeable | 1.8-2.3 |
| Parts and service absorption | 55-60% |
| Retention – relative service size** | \$1,600 |

**Labour sales per new retail unit sold per month

Department profitability

| Vehicle operations | New | | Used | |
|--------------------------------|--------------|----------------|--------------|----------------|
| | % Gross | \$/Unit | % Gross | \$/Unit |
| Gross* | 100% | 4,650 | 100% | 2,700 |
| Sales staff salaries and comms | 16.8% | 781 | 20.1% | 543 |
| Manager salaries and comms | 6.3% | 293 | 8.3% | 224 |
| Other salaries | 3.3% | 153 | 2.2% | 59 |
| Pre-delivery costs | 5.5% | 256 | – | – |
| Free service/policy | 0.6% | 28 | – | – |
| Used warranty | – | – | 1.8% | 49 |
| Advertising | 8.5% | 395 | 7.4% | 200 |
| Training | 1.0% | 47 | 0.2% | 5 |
| Floorplan | 7.5% | 349 | 3.5% | 95 |
| Demonstrator expenses | 2.2% | 102 | 2.0% | 54 |
| Selling gross | 48.3% | \$2,246 | 54.5% | \$1,472 |
| Selling gross per salesperson | | \$19,250 | | \$21,500 |
| Selling gross per employee | | \$10,300 | | \$11,200 |

* Includes holdback, bonuses, aftermarket and load reversals but excludes F&I

| Fixed operations | Parts % gross | Service % gross |
|-----------------------------------|---------------|-----------------|
| Salaries (non-chargeable) | 23.0% | 26.7% |
| Advertising and promotion | 0.6% | 1.0% |
| Training | 0.4% | 1.6% |
| Policy/freight | 1.0% | 2.0% |
| Tools and supplies | 0.2% | 0.4% |
| Equipment and vehicle maintenance | 1.3% | 4.2% |
| Sick/holiday – technicians | – | 4.3% |
| Selling gross | 73.5% | 59.8% |
| Selling gross per technician | – | \$9,900 |
| Selling gross per employee | \$16,300 | \$6,700 |

Overheads

| | % Gross |
|--|----------------|
| Administration and salaries | 5.3% |
| Training | 0.1% |
| FBT (net of contributions) | 0.5% |
| Payroll tax | 2.5% |
| Superannuation | 4.4% |
| Long service leave | 0.6% |
| Rent (or mortgage interest) | 10.5% |
| Rates and taxes | 0.9% |
| Property maintenance/outside services | 1.9% |
| Telephone | 0.6% |
| Insurance (including workers compensation) | 1.7% |
| Office supplies/stationery | 0.7% |
| Professional fees | 0.8% |
| Data processing | 1.4% |
| Bank charges and taxes | 0.6% |
| Interest (overdraft/working capital) | 0.6% |
| Bad debts | 0.1% |
| Depreciation | 1.9% |
| Electricity | 1.0% |
| Travel and entertainment | 0.5% |
| Miscellaneous | 2.3% |
| Total fixed expenses | 39% |

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