

Motor Industry Services
2016 Dealership Benchmarks



Financial solutions for the motor industry
Volume and luxury cars – New Zealand

The 2016 Deloitte Motor Industry Services Dealership Benchmarks

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

Our benchmarks are split into two market categories: the Volume Market and the Luxury Market. This segmentation reflects the different dealer business models used to operate and generate a profit at the dealership level making the benchmarks relevant for all. Interestingly, 2015 was a year that challenged the business models typically characterising each segment with shifts in market volumes and grosses impacting on dealer profitability. 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 of 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 200 dealers in the New Zealand 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 commercial performance 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 and New Zealand 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 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 and online ads	30%	20%
Phone-ins (website phone number)	25%	20%
Walk-ins (website solicited)	25%	20%
Online lead providers*	15%	35%
Referral	5%	5%
	100%	100%

*Average of all lead providers and classified listings

Marketing/advertising costs

Per new vehicle	Volume	Luxury
Benchmark dealers	\$250	\$400

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 – new vehicles

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	Luxury
Test drives*	30	20
Offers*	24	16
Sales*	13	11
F&I contracts*	5	5

* % 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 – volume

Year after purchase	Metro	Rural
Handover/follow-up service	100%	100%
First year	85%	90%
Second year	75%	82%
Third year	65%	75%
Fourth year	50%	60%
Fifth year	40%	50%

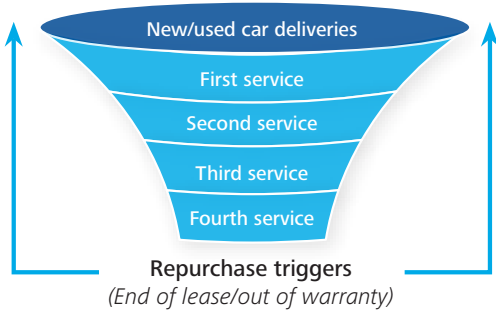
How many customers, who bought their vehicle at the dealership have their car serviced at the dealership again?

Service retention – luxury

Year after purchase	All
Handover/follow-up service	100%
First year	93%
Second year	85%
Third year	78%
Fourth year	65%
Fifth year	55%

The customer retention funnel

'Creating customers for life'



Repurchase intention – volume and luxury

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)	55%	45%
Referral customers	15%	20%
Repeat customers	30%	35%
Total new vehicle sales	100%	100%

2. Customer profitability*

New vehicle customer profitability	National
Conquest customers (unsolicited)	100%
Referral customers	150%
Repeat customers	200%

*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 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 salesperson)
- 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).

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 200 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.

For further clarification and interpretations of benchmarks please contact us at

0800 77 33 07

eprofitfocus@deloitte.com

Total dealership

Trading summary

Net profit as % of sales	3.0-3.5%
Days to dealership breakeven*	23-24 days

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

Dealership structure	Orientation	GP %
New	28%	7-9%
Used	21%	11-12%
Parts/Accessories	18%	23-25%
Service	33%	59-61%
	100%	14%
Front end (vehicle operations)	49%	
Back end (fixed operations)	51%	
Finance and insurance income	9% of total gross	

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

Orientation = Where does the gross come from?

GP% = How strong are my margins?

Vehicle operations

Product	New	Used
Gross per unit*	\$2,600-\$2,800	\$2,500
Used/new ratio (retail)	n/a	0.7
Days supply	55	55-65
Stock turns p.a.	7	6
Gross ROI**	56%	70%

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

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

People	New	Used
Units per sales staff per month	12-14	12-14
Gross per salesperson per month	\$33,000-\$36,000	\$30,000-\$35,000

Finance and insurance (F&I)

F&I product	New	Used
Finance penetration	26%	30%
Finance income per contract	\$1,600	\$1,400
Finance per retail unit sold	\$416	\$420
Insurance per retail unit sold	\$20	\$40

People	
Vehicles retailed per F&I staff per month	55-65
Salaries and commissions as a % of income	25%
F&I selling gross per dept employee per month	\$22,050

Fixed operations

Parts department	Sales mix %	GP %
Retail/counter	9%	24%
Wholesale/trade	30%	21%
Workshop	32%	34%
Warranty	11%	11%
Internal	18%	18%
Total	100%	24%

Operational benchmarks

Days supply	33
Stock turns p.a.	11
Monthly sales per employee	\$70,000
Monthly gross per employee	\$16,800
\$ Sales per \$ salary	\$15.00

Service department	Sales mix %	GP %
Labour		
– Retail	67%	72%
– Warranty	9%	62%
– Internal	24%	72%
Total labour sales	100%	69%
Sublet sales		17%
Total gross profit (% sales)		60%

Operational benchmarks

Performance index (productivity x efficiency)	95-105%
Monthly labour sales per technician	\$13,000-\$14,000
Monthly labour gross per technician	\$9,000-\$10,000
Parts/labour ratio	\$0.88
Ratio of chargeable to non-chargeable	1.8

Department profitability

Selling gross is the key

Vehicle operations	% Gross	New	% Gross	Used
		\$PU		\$PU
Gross*	100%	\$2,600-\$2,800	100%	\$2,500
Sales staff salaries and comms	22%	\$594	24%	\$600
Manager salaries and comms	4%	\$108	5%	\$125
Other salaries	4%	\$108	3%	\$75
Pre-delivery costs	7%	\$189	–	–
Free service/policy	1%	\$26	–	–
Used warranty	–	–	4%	\$100
Advertising and training	8.5%	\$230	8.5%	\$213
Floorplan	6.5%	\$176	4.5%	\$112
Demonstrator expenses	2%	\$54	3%	\$75
Selling gross	45%	\$1,215	48%	\$1,200
Selling gross per sales staff		\$15,525		\$15,600
Selling gross per employee		\$8,000		\$10,000

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

Fixed operations	Parts % gross	Service % gross
Salaries (non-chargeable)	30%	26%
Advertising and promotion	1%	2%
Training	1%	1%
Policy/freight	1%	2%
Tools and supplies	1%	1%
Equipment and vehicle maintenance	1%	3%
Sick/holiday – technicians	–	5%
Selling gross	65%	60%
Selling gross per technician	–	\$5,700
Selling gross per employee	\$10,920	\$3,800

Overheads

The cost to open the doors

Fixed expenses	% of gross
Administration and salaries	8.0%
FBT (net of contributions)	0.6%
Training	0.5%
Superannuation	0.8%
Long service leave	0.0%
Rent (or mortgage interest)	9.0%
Rates and taxes	0.9%
Property maintenance/outside services	1.6%
Telephone	0.8%
Insurance (including workers compensation)	1.8%
Office supplies/stationery	0.9%
Professional fees	1.0%
Data processing	1.5%
Bank charges and taxes	0.7%
Interest (overdraft/working capital)	1.2%
Bad debts	0.1%
Depreciation	2.5%
Electricity	0.8%
Travel and entertainment	0.7%
Miscellaneous	4.0%
Total fixed expenses	37.4%

The Big Seven – balanced productivity ‘sweet spots’

1. Gross profit as a % of sales	13-15%
2. Days to break even (based on 30-day months)	23-24 days
3. Gross per employee per month	\$10,000-\$11,000
4. Parts and service absorption	64% +
5. Labour sales per technician per month	\$13,000-\$14,000
6. Finance used vehicles % penetration	30% +
7. Relative service size (Indicator of service retention)	\$2,200 +

This balance provides the basis of Benchmark Net Profit of 3.0% +.

Training calendar

Training programs available in 2016

Aftersales management development

Fraud review

Performance management and recruitment skills development

Sales management development

Customer relationship management (CRM) success

Service advisor reception sales skills

Advanced dealer principal programme

Finance and insurance mastery

For further information on these training programmes, please call Stephen Timperley, M: +64 21 865 175

Luxury Market

Luxury Market benchmarks

The Deloitte Motor Industry Services dealership benchmarks help dealers assess their performance against the top 30% of 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 salesperson)
- 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).

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 200 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.

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Total dealership

Trading summary

Net profit as % of sales	3.0-3.5%
Days to dealership breakeven*	24-25 days

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

Dealership structure	Orientation	GP %
New	38%	8-9%
Used	18%	10-12%
Parts/Accessories	16%	24-26%
Service	28%	62%
	100%	14%
Front end (vehicle operations)	56%	
Back end (fixed operations)	44%	
Finance and insurance income	8% of total gross	

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

Orientation = Where does the gross come from?

GP% = How strong are my margins?

Vehicle operations

Product	New	Used
Gross per unit*	\$5,500-\$6,000	\$4,000
Used/new ratio (retail)	n/a	0.7
Days supply	55-65	50-60
Stock turns p.a.	6-6.5	6-7
Gross ROI**	54%	75%-80%

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

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

People	New	Used
Units per sales staff per month	9-11	8-10
Gross per salesperson per month	\$55,000-\$60,000	\$34,000-\$38,000

Finance and insurance (F&I)

F&I Product	New	Used
Finance penetration	30%	30%
Finance income per contract	\$2,000	\$1,500
Finance per retail unit sold	\$600	\$450
Insurance per retail unit sold	\$80	\$40

People	
Vehicles retailed per F&I staff/month	40-50
Salaries and commissions as a % of income	30%
F&I selling gross per dept employee/month	\$25,080

Fixed operations

Parts department	Sales mix %	GP %
Retail/counter	12%	22%
Wholesale/trade	29%	24%
Workshop	35%	34%
Warranty	13%	9%
Internal	11%	22%
Total	100%	25%

Operational benchmarks

Days supply	35
Stock turns p.a.	10
Monthly sales per employee	\$80,000
Monthly gross per employee	\$20,000
\$ Sales per \$ salary	\$18.00

Service department	Sales mix %	GP %
Labour		
– Retail	66%	76%
– Warranty	12%	70%
– Internal	22%	70%
Total labour sales	100%	70%
Sublet sales		18%
Total gross profit (% sales)		60%

Operational benchmarks

Performance index (productivity x efficiency)	95-110%
Monthly labour sales per technician	\$16,000
Monthly labour gross per technician	\$11,500
Parts/labour ratio	\$1.00
Ratio of chargeable to non-chargeable	1.7

Department profitability

Selling gross is the key

Vehicle operations	% Gross	New	% Gross	Used
		\$PU		\$PU
Gross*	100%	\$5,500-\$6,000	100%	\$4,000
Sales staff salaries and comms	26%	\$1,495	23%	\$920
Manager salaries and comms	6%	\$345	5%	\$200
Other salaries	2.5%	\$144	3%	\$120
Pre-delivery costs	4%	\$230	–	–
Free service/policy	1%	\$57	–	–
Used warranty	–	–	2%	\$80
Advertising and training	10.5%	\$604	8%	\$320
Floorplan	8%	\$460	7%	\$280
Demonstrator expenses	2%	\$115	2%	\$80
Selling gross	40%	\$2,300	50%	\$2,000
Selling gross per sales staff		\$23,000		\$18,000
Selling gross per employee		\$13,800		\$12,600

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

Fixed operations	Parts % gross	Service % gross
Salaries (non-chargeable)	29%	30%
Advertising and promotion	1%	1%
Training	1%	1%
Policy/freight	1%	2%
Tools and supplies	1%	3%
Equipment and vehicle maintenance	1%	4%
Sick/holiday – technicians	–	5%
Selling gross	66%	54%
Selling gross per technician	–	\$6,200
Selling gross per employee	\$13,200	\$3,600

Overheads

The cost to open the doors

Fixed expenses	% of gross
Administration and salaries	8.0%
FBT (net of contributions)	1.0%
Training	1.0%
Superannuation	0.5%
Long service leave	0.0%
Rent (or mortgage interest)	10.6%
Rates and taxes	1.1%
Property maintenance/outside services	1.3%
Telephone	0.6%
Insurance (including workers compensation)	2.0%
Office supplies/stationery	0.7%
Professional fees	1.2%
Data processing	1.2%
Bank charges and taxes	0.8%
Interest (overdraft/working capital)	1.0%
Bad debts	0.1%
Depreciation	2.7%
Electricity	0.8%
Travel and entertainment	0.6%
Miscellaneous	4.4%
Total fixed expenses	39.6%

The Big Seven – balanced productivity ‘sweet spots’

1. Gross profit as a % of sales	13-15%
2. Days to break even (based on 30-day months)	24-25 days
3. Gross per employee per month	\$13,000-\$14,000
4. Parts and service absorption	60% +
5. Labour sales per technician per month	\$16,000-\$17,000
6. Finance used vehicles % penetration	30% +
7. Relative service size (Indicator of service retention)	\$2,000 +

This balance provides the basis of Benchmark Net Profit of 3.0% +.

Training calendar

Training programs available in 2016

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Talent
development

Talent development program

Dates for the following courses will be subject to expressions of interest:

- Understanding dealership financials
- Customer retention and CRM
- Aftersales management
- Service advisor – retention and profitability
- Sales management
- Used car manager – foundation co-dependencies in a dealership
- F&I mastery for sales and business managers
- Build and manage high performance teams
- Finance managers and controllers – holistic dealership performance

For more information on our courses please visit www.eprofitfocus.com or contact:

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