



# Deloitte Motor Industry Services Dealer Guide

# ProfitFocus Reports

## A Management Tool

ProfitFocus reports give you the management tool to highlight where you should focus your attention in order to optimise the dealership's profit performance.

*You have five businesses in one,  
treat each department as a separate business.*

Deloitte Motor Industry Services strongly believes that a dealership should be viewed as five businesses:

- New
- Used
- F&I
- Parts
- Service

Each of them needs to perform to its full potential.

The numbers have shown us, that those dealers who view each department as a separate business or profit centre and aim to maximise the results of each department, will have a better chance of maximising the total dealership bottom line.

A dealership should avoid the mindset that "the total dealership overall bottom line is good, so we are doing just fine."

Often one or two poorly performing departments are not given the attention they deserve because one strong department disguises the poor performers.

*"How much more potential does the business have?"*

## Understanding the reports

The ProfitFocus Dealer Guide provides you with a basic outline of how to interpret key features of a ProfitFocus report.

If you are unsure as to what is included in each description, refer to a ProfitFocus Accounting Manual for further guidance.

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# Dealership Benchmarks

## Key Operational Performance Indicators

Benchmarking is an excellent way to monitor performance and set goals and aspirations.

The benchmarks are a measure of "best practice" as identified in the industry. This does not mean the benchmarks represent the best performing dealers, nor are they an average/composite of dealers.

The starting point for developing the benchmarks is the performance 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 these dealers are isolated and taken as the reference point for the benchmarks.

Given that the philosophy behind the Deloitte dealership benchmarks is that they should be a guide to building a sustainable, long-term business, we take that raw data and adjust for unusual circumstances which may have affected the underlying numbers. By doing this we blend the realities of the current market with long-held best practice to arrive at a set of benchmarks which provide sound guidance on how to build a profitable and lasting business in the real world.

As the benchmarks are a guide, some dealerships due to certain geographic or demographic circumstances, cannot achieve all the guidelines. Nonetheless, we consider the benchmarks to be realistic for a typical dealership.

## Measuring Performance

The reports effectively provide you with three criteria to measure your current performance against:

- *DMIS Benchmarks*
- *Past performance of dealership*
- *Two industry composites of your choosing*

With such a comprehensive range of criteria, this should leave you in no doubt as to how your dealership is travelling.

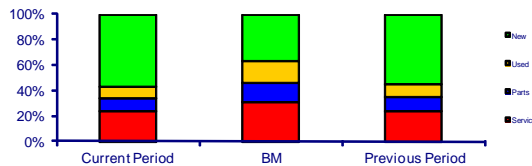
# Dealership Orientation

The key to optimising gross performance in each department

## Sample Dealership DEALERSHIP ORIENTATION

### Departmental Contributions to Gross Profit

	Dec-11		BENCHMARK	Dec-10	
	\$	%		\$	%
New	543,938	57%	37%	485,270	55%
Used	83,746	9%	17%	84,820	10%
Parts	96,941	10%	15%	102,837	12%
Service	227,975	24%	31%	204,610	23%
<b>Sub-total</b>	<b>952,600</b>	<b>100%</b>	<b>100%</b>	<b>877,538</b>	<b>100%</b>
F & I	137,521	14%	14%	124,006	14%
<b>TOTAL</b>	<b>1,090,120</b>			<b>1,001,544</b>	
Front End	627,684	66%	54%	570,090	65%
Back End	324,916	34%	46%	307,448	35%



How much gross does each department contribute?  
Is the dealership front end or back end driven?

New & Used

Parts & Service

The gross orientation figures above will indicate whether your dealership's departments are proportionately big or small.

The "**Front End**" refers to new and used vehicles whilst the "**Back End**" refers to parts and service.

*For a 'well balanced dealership' we suggest 56% of the gross should come from the front end and 44% from the back end.*

All our benchmarks are driven around the 'well balanced dealership' model which will tend to have more sustainable profits over the longer term and a bottom line closer to our 3.5% benchmark if the expense benchmarks are achieved.

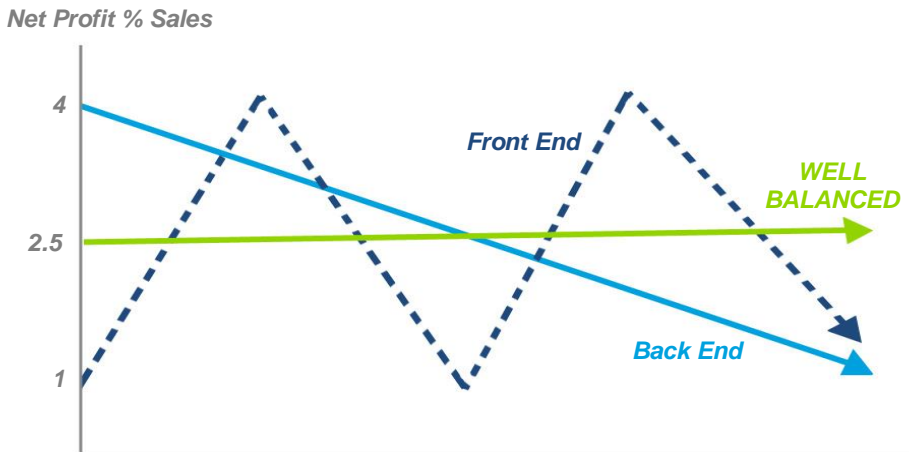
A front end driven dealership will have a larger proportion of gross coming from the new and used vehicle departments and a proportionately small proportion from parts and service. The opposite is true for a back end driven dealership.

Front-end driven dealerships typically have volatile profits. Profits will fluctuate wildly with vehicle sales and the break-even point is longer because front end gross comes at a much higher cost. For example, a weak vehicle sales month caused by a supply problem or the release of a competitor's hot selling new model will result in

a large drop in dealership profits. Conversely, when sales are strong, profits also lift strongly.

In a back end driven business the dealerships profits are less vulnerable to a drop in vehicle sales in the short term and a strongly performing dealership will normally have a higher net profit as % of sales. (We suggest a 3 - 3.5% benchmark).

However, there are shortcomings in the long term! As the vehicle departments are ultimately the source of future parts and service customers, the customer base will eventually shrink over the long term and the viability of the business will be questionable. The following graph summarises these features:



The gross orientation and the implications of the size of each department were discussed on the previous page. We now look at the quality of each department's gross profits relative to the sales turnover (gross as % of sales) - in essence, reflecting your trading margins.

**Sales and Gross Profit**

	Dec-11			BENCHMARK	Dec-10		
	Sales \$	Gross \$	%		Sales \$	Gross \$	%
New	7,522,165	543,938	7%	7 - 9%	7,615,249	485,270	6%
Used (Only Retail Sales)	836,722	83,746	10%	13 - 15%	851,511	84,820	10%
Parts	530,164	96,941	18%	24 - 28%	551,532	102,837	19%
Service	281,808	227,975	81%	66 - 70%	271,070	204,610	75%
<b>Sub Total</b>	<b>9,170,860</b>	<b>952,600</b>	10%		<b>9,289,361</b>	<b>877,538</b>	9%
Used wholesale sales	257,678				231,039		
<b>TOTAL</b>	<b>9,428,538</b>	<b>952,600</b>	10%	13 - 15%	<b>9,520,400</b>	<b>877,538</b>	9%

Each department's Gross as % Sales

This is the weighted average of the above. Therefore department sales mix will affect this.

The Deloitte Motor Industry Services Benchmarks shown are designed to achieve a 3.5% bottom line. The benchmark for the Total dealership of 13-15% applies to an evenly balanced dealership, however it does depend on your orientation (i.e. department sales mix).

For example, a heavily front end driven dealership with a larger proportion of total sales coming from lower grossing new and used vehicles will be lower, say 9%, while a back end driven dealership with a larger proportion of sales coming from the higher grossing parts and service will be higher, say 15%.

Unfortunately for most dealerships, the overhead costs are based on turnover and not gross profit, the more turnover, and the more overheads. That's why it takes longer in working days for a front-end dealer at 9% total dealership gross, to break even.

# Trading Summary

An overview of all major expense categories

## Sample Dealership TRADING SUMMARY

	<u>Dec-11</u>	<u>Dec-10</u>
<b>Sales</b>	9,428,538	9,520,400
<b>Gross Profit</b>	<b>952,600</b>	<b>877,538</b>
<b>F &amp; I Income</b>	137,521	124,006
<b>Other Income</b>	<u>73,257</u>	<u>70,749</u>
<b>TOTAL</b>	<u>1,163,378</u>	<u>1,072,294</u>
<b>EXPENSES</b>		
<b>Advertising</b>	25,767	34,256
<b>Interest</b>	91,886	94,125
<b>Rent &amp; Outgoings</b>	182,745	182,268
<b>Wages/Commissions</b>	509,063	413,326
<b>Other</b>	239,076	230,502
<b>Total Expenses</b>	<u>1,048,537</u>	<u>954,478</u>
<b>Net Profit</b>	<u>114,841</u>	<u>117,816</u>

The above table gives an overview of the dealerships trading summary. It breaks the dealerships expenses into the four key expense categories. i.e. Advertising, Interest, rent & outgoings and wages/commissions. These represent 70-80% of all expenses, get these right and the net profit takes care of itself.

The layout will give you a simple snapshot to see how your expenditure has changed from period to period.

It also shows how your net profit (bottom line) is determined after taking these expenses from your gross profit/income.

To give further meaning to expenses, they are also compared to the gross profit.  
 After all, you incur expenses to generate gross profits.

% of Gross profit

		BENCHMARK*	
<b>Gross Profit</b>	100.0%	100.0%	100.0%
<b>Expenses</b>			
<b>Advertising</b>	(2.7%)	5.0%	(3.9%)
<b>Interest</b>	(9.6%)	7.5%	(10.7%)
<b>Rent &amp; Outgoings</b>	(19.2%)	12.0%	(20.8%)
<b>Wages &amp; Commissions</b>	(53.4%)	35.0%	(47.1%)
<b>Other</b>	(25.1%)	29.0%	(26.3%)
<b>Total Expenses</b>	(110.1%)	89.0%	(108.8%)
<b>F&amp;I Income</b>	14.4%	14%	14.1%
<b>Other Income</b>	7.7%	0%	8.1%
<b>Net Profit % Gross</b>	<hr/> 12.1%		<hr/> 13.4%
<b>Net Profit % Sales</b>	1.22%	2.5 - 3%	1.24%

\* These benchmarks are for an "Evenly Balanced" Dealership

The dealership's major expenses expressed as a percentage of the total dealership gross.

How much of the dealership's gross is left after expenses and adding back F&I income and other income?

Each major expense category is compared to the total dealership's gross profit (expressed as a percentage).

The Deloitte Motor Industry Services Benchmarks are for a 'Well Balanced Dealership' (refer to orientation discussed earlier) resulting in a 3 – 3.5% net profit to sales when the expenses fall within our benchmark range.



# New Vehicle Department

An analysis of the new vehicle department performance

# Sample Dealership NEW VEHICLE DEPARTMENT

UNIT SALES	Dec-11	Dec-10
<b>Retail</b>		
Holden	30	20
Kia	21	13
Toyota	65	45
Total Retail	137	96
Government/Rental Sales - Reporting Franchise	41	34
Fleet Sales - Reporting Franchise	88	134
Fleet & Govt Sales - Other Franchise/s	3	3
<b>TOTAL UNITS</b>	<b>269</b>	<b>267</b>

## AVERAGE GROSS (before A/market + H/back)

<b>Retail</b>		
Holden	323	401
Kia	907	1,118
Toyota	169	268
Total Retail	467	596
Government/Rental Sales - Reporting Franchise	(596)	(559)
Fleet Sales - Reporting Franchise	(28)	(467)
Fleet & Govt Sales - Other Franchise/s	(312)	(11)

Retail gross including accessories and delivery charges. Any loads are reversed back to gross (i.e. excluded).

Average holdback and floorplan assistance per unit. This includes FPA's calculated as a % of cost of vehicle which are in effect 'quasi' holdbacks.

Total new car gross (including holdback and aftermarket) per unit sold.

<b>After Market Income</b>	38,124	26,538
After Market per retail unit	278	276
<b>Holdback/FPA Income</b>	507,861	515,116
Holdback/FPA per unit	1,888	1,929
<b>Gross per Retail Unit (incl H'back)</b>	2,633	2,801
<b>Gross per unit (total units)</b>	2,022	1,817

**BENCHMARK**  
\$2,350 - 2,650

## KEY BENCHMARKS

carrying value	9,484,545	9,598,864
units on hand	315	300
average cost	30,110	31,996

Total units sold = Sales/day  
No. of days  
Units on hand = Days supply  
Sales/day

How well do I control my new vehicle stock levels and therefore floorplan interest?

<b>Days Supply</b> (based on all sales)	36	45 - 60	34
<b>Units/sales staff/month</b> (all sales)	29.9	15 - 18	29.66666667
<b>Gross per unit as % of Cost of Sale</b>	8%	7 - 9%	7%
<b>Gross per salesperson per mth</b>	60,438	\$37,500 - 45,000	53,919

How productive are my sales staff? Do I have too many or do they have more potential?  
Calculated using Total Units sold per month divided by No of Sales Staff.

Gross per unit (total units) divided by average cost of sales.

# Used Vehicle Department

An analysis of the used vehicle department performance

# Sample Dealership USED VEHICLE DEPARTMENT

	<u>Dec-11</u>	<u>Dec-10</u>
<b>SALES</b>		
Retail - \$	836,722	851,511
- units	40	51
Wholesale - units	48	42

		<b>BENCHMARK</b>	
<b>GROSS</b>			
average retail gross (inc. After-market)			
Cars	1,977	\$2,350	1,430
Trucks			
average wholesale gross			
Cars	97	Breakeven	283
Trucks			

Retail gross including aftermarket and accessories. Any loads are reversed back to gross (i.e. excluded).

## KEY BENCHMARKS

carrying value	1,772,318		1,723,656
units on hand	105		98
average cost	16,879		17,588
average cost of sale	18,941		15,266

How does the average cost of vehicles on the lot compare to the value of cars I sell?

<b>Days Supply</b> (based on retail sales)	80	45 - 60	58
<b>Units per sales staff per month</b>	8.0	14 - 16	10.2
<b>No. of Sales Staff</b>	5.0		5.0
<b>Gross per unit as % of Cost of Sale</b>	10%	13 - 15%	9%
<b>Used / New Ratio (excl. Govt/Fleet)</b>	0.3	0.7	0.5
<b>Gross per sales person per month</b>	15,818	\$32,000 - 37,000	14,586

Total retail sales = Sales/day  
No. of days  
Units on hand = Days supply  
Sales/day

How well do I control my used vehicle stock levels and therefore my interest costs?

How big is my used vehicle operation relative to my new vehicle department? An evenly balanced dealership ratio is 7 retail units to 10 new.

Calculated using Used Retail Units sold per New Vehicle Sold (excluding Fleet/Govt.)

# Finance & Insurance Department

An overview of F&I generated income/expenses and their related benchmarks

## Sample Dealership FINANCE AND INSURANCE DEPARTMENT

		<u>Dec-11</u>	<u>Dec-10</u>
<b>SALES</b>			
Number of Contracts Written -	New	72	37
	Used	6	15
	Total	78	52

This amount includes commissions and interest offset benefits.

<b>GROSS</b>			
Finance Income -	New	92,990	55,083
	Used	6,149	40,337
	Other		
Insurance Income	New	37,772	27,940
	Used	610	646
	Other	0	0
<b>Total F&amp;I Income</b>		<b>137,521</b>	<b>124,006</b>

New/Used finance contracts written divided by the New/Used retail ratio (on Used page).

### KEY BENCHMARKS

			<b>BENCHMARK</b>	
Finance Penetration -	New	53%	38 - 40%	39%
	Used	15%	39 - 43%	29%
Finance per Retail Sale -	New	679	\$750	574
	Used	154	\$700	791
Insurance per Retail Sale -	New	276	\$165	291
	Used	15	\$225	13
Salaries & Commissions as % of Gross		31%	22%	22%
Vehicles retailed per F&I Staff		49	40 - 60	42

How effective am I at converting vehicle customers to finance contracts?

New/Used finance income divided by new/used retail units.

F&I salaries and commissions as a % of total F&I income.

If this figure is high and your penetration rate is low, then you may need to put on more F&I staff.

# Parts Department

A summary of parts operations including gross performance, sales mix and stock

## Sample Dealership PARTS DEPARTMENT

### SALES MIX

Retail  
Wholesale  
Workshop  
Warranty  
Internal  
Other

	Dec-11		BENCHMARK	Dec-10	
	\$	%		\$	%
Retail	19,327	4%	7%	14,857	3%
Wholesale	20,493	4%	25%	32,032	6%
Workshop	212,451	40%	33%	197,665	36%
Warranty	22,512	4%	14%	21,861	4%
Internal	14,198	3%	21%	13,524	2%
Other	241,183	N/A	N/A	271,593	N/A
<b>TOTAL DEPARTMENT SALES</b>	<b>530,164</b>	<b>100%</b>	<b>100%</b>	<b>551,532</b>	<b>100%</b>

This shows where the department's sales come from. Our benchmarks are based on the parts department being a profit centre in its own right, and not just simply relying on the other departments for sales.

### TOTAL DEPARTMENT SALES

### GROSS PROFIT

Retail  
Wholesale  
Workshop  
Warranty  
Internal  
Other (incl inventory adj)

	\$	%	BENCHMARK	\$	%
Retail	5,653	29%	35%	5,466	37%
Wholesale	7,704	38%	23%	8,235	26%
Workshop	41,505	20%	40%	37,671	19%
Warranty	1,485	7%	15%	1,521	7%
Internal	3,199	23%	22%	3,493	26%
Other (incl inventory adj)	37,395	16%	N/A	46,452	17%
<b>TOTAL DEPARTMENT GROSS</b>	<b>96,941</b>	<b>18%</b>	<b>28%</b>	<b>102,837</b>	<b>19%</b>

Gross profit as % sales – essentially reflecting the size of your trade margins

### TOTAL DEPARTMENT GROSS

### KEY BENCHMARKS

Carrying Stock  
Days Supply  
Monthly Sales per employee  
No. of Parts Staff  
\$ Sales per \$ salary  
Externally Generated Sales

	551,130	BENCHMARK	487,448
Carrying Stock	551,130		487,448
Days Supply	39	40 - 55	33
Monthly Sales per employee	58,907	\$70,000 - 80,000	61,281
No. of Parts Staff	9.0		9.0
\$ Sales per \$ salary	14.79	\$17.00	20.04
Externally Generated Sales	8%	32%	9%

Carrying stock =  $\frac{\text{Days supply}}{\text{Sales/day}}$

How well do I control my investment in parts stock?

Parts sales per month divided by Total Parts Staff

A key indicator to parts department performance as salaries are the only major expense in the department, achieving a high figure here, practically guarantees a strong bottom line.

This analyses how much you pay your staff relative to their productivity. This ratio in conjunction with parts sales per employee allows you to assess both your staff numbers and how much you pay them.

Retail and wholesale sales mix percentage.

Is your parts department self supporting? A figure of 74% or more shows your department is extremely externally focused and is a true profit centre in its own right.

# Service Department

A service department profile based on sales mix, gross profit and productivity

## Sample Dealership SERVICE DEPARTMENT

### SALES MIX

#### Labour

Retail
Warranty
Internal
<b>Total Labour Sales</b>

Dec-11		BENCHMARK	Dec-10	
\$	%		\$	%
129,421	56%	62%	112,406	52%
40,474	17%	9%	38,254	18%
61,639	27%	29%	65,704	30%
231,534	100%	100%	216,363	100%
Sublet	13,692		10,490	4%
Miscellaneous	36,582		44,217	16%
<b>TOTAL SALES</b>	<b>281,808</b>		<b>271,070</b>	

This highlights where the department's sales come from. The sales mix will vary depending on your franchise, nonetheless the department needs to be primary retail focused.

Labour sales divided by Total sales

### GROSS PROFIT

#### Labour

Retail
Warranty
Internal
Unapplied Time
<b>Total Labour Gross</b>

107,774	83%	82%	93,562	83%
36,585	90%	68%	33,151	87%
57,747	94%	78%	62,833	96%
4,550			1,891	
206,655	89%	80%	191,437	88%
Sublet	2,360	13 - 18%	361	3%
Miscellaneous	18,960	N/A	12,813	29%
<b>TOTAL GROSS PROFIT</b>	<b>227,975</b>	<b>66 - 70%</b>	<b>204,610</b>	<b>75%</b>

How good is my service department at selling parts? A low ratio here is prevalent in dealerships with an inefficient or no profit sharing arrangement.

Non-productive salaries divided by Total gross

### KEY BENCHMARKS

<b>Customer R/O - Parts/Labour Ratio</b>	1.64	BENCHMARK 0.80	1.76
<b>Unapplied Time - % Labour COS</b>	-18%	3%	-8%
<b>Non Chargeable Salaries as % of Gross</b>	46%	24%	32%
<b>Monthly Labour Gross per technician</b> (Apprentices weighted by year*)	15,308	12,500 - 13,000	14,180
<b>No. of Techs</b>	13.5		13.5
<b>Chargeable/non chargeable employees</b>	2.0	2 to 1	2.0
<b>Parts &amp; Service Absorption</b>	33%	55 - 60%	35%

Do I have the right level of non-chargeable staff for the gross I am achieving? A below benchmark indicates either:  
 1. Too many non-productive staff  
 2. Insufficient service sales  
 3. Low production or efficiency

Labour gross per month divided by No. of productive staff

Parts and service department gross divided by all the dealership's expenses, except for vehicle department variable expenses.

How vulnerable is my business? To what extent do my 'stable' back end profits cover my fixed expenses? The higher your parts and services absorption, the easier is to trade profitability in times of weak vehicle demand.

Vital statistic: If you are low here, your department is unproductive and/or inefficiency and will struggle to make a profit

# Snapshot Performance Graph

## How does my dealership compare to industry benchmarks?

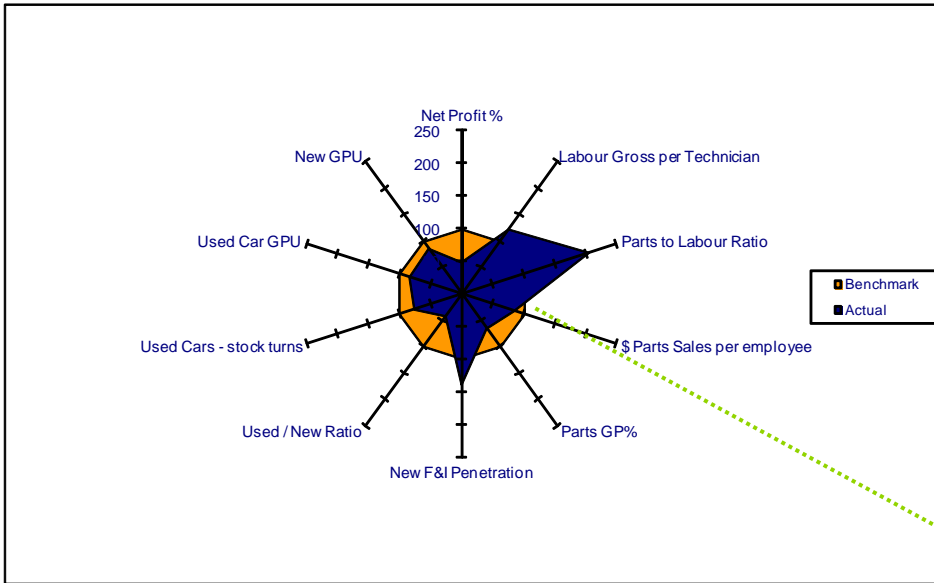
These graphs show in an instant how your dealership compares to benchmark for ten key performance indicators - the ultimate performance indicator being Net Profit %.

The more BLUE you see, the more Profitable your Dealership. Track the Shape of your graph from period to period.

**Sample Dealership**  
**KEY BENCHMARK GRAPH - Current Period**

**CURRENT PERIOD:**

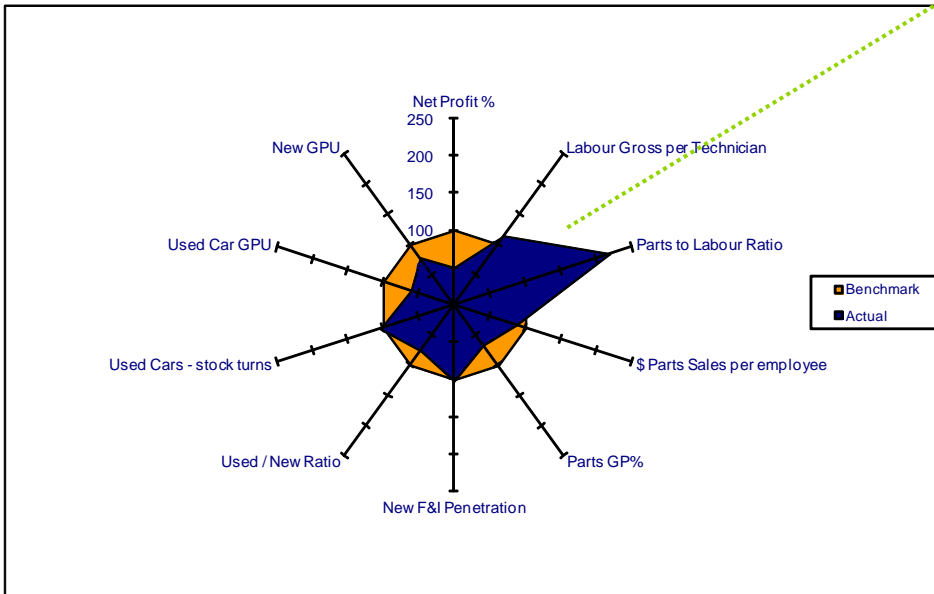
**Dec-11**



Being significantly under the benchmark, there could be some great opportunities by focusing on finance and insurance performance.

**PREVIOUS PERIOD:**

**Dec-10**



# Departmental Profit Analysis

## How well do I keep the gross that I make?

How well do the departments retain the gross that they make? Selling grosses are tabulated for each department where achievement of benchmarks at each line will lead to a **2% bottom line**.

Sales people commission as a % of gross profit



## Sample Dealership DEPARTMENTAL PROFIT ANALYSIS

NEW VEHICLE DEPARTMENT	Dec-11			BENCHMARK	Dec-10		
	\$	%	FOCUS		\$	%	FOCUS
<b>GROSS PROFIT(inc FPA)</b>	<b>543,938</b>	<b>100%</b>		100%	<b>485,270</b>	<b>100%</b>	
SALES PEOPLE - COMMISSION	19,330	4%		8%	11,454	2%	
SALES MANGR - COMMISSION	10,500	2%		2%	15,500	3%	X
PRE-DELIVERY	27,523	5%		7%	29,219	6%	
FREE SERVICE	0	0%		2%	0	0%	
<b>TOTAL VARIABLE EXPENSES</b>	<b>57,353</b>	<b>11%</b>		19%	<b>56,173</b>	<b>12%</b>	
SALES PEOPLE - SALARIES	74,645	14%	X	11%	60,358	12%	X
SALES MANAGER - SALARIES	11,200	2%		6%	11,276	2%	
OTHER SALARIES	8,719	2%		4%	4,662	1%	
ADVERTISING	14,125	3%		8%	23,458	5%	
DEMO EXPENSES	0	0%		2%	0	0%	
FLOORPLAN	76,442	14%	X	14%	79,793	16%	X
<b>TOTAL SEMI FIXED EXPENSES</b>	<b>185,131</b>	<b>34%</b>		45%	<b>179,547</b>	<b>37%</b>	
<b>TOTAL EXPENSES</b>	<b>242,484</b>	<b>45%</b>		64%	<b>235,720</b>	<b>49%</b>	
<b>SELLING GROSS</b>	<b>301,454</b>	<b>55%</b>		36%	<b>249,549</b>	<b>51%</b>	

A red cross indicates this expense is above benchmark

Some dealerships pay their managers a bonus on 'no' or 'fewer' RED crosses.

An above benchmark (RED) expense percentage could mean either your department is making insufficient gross (refer earlier pages) or the expense is

USED VEHICLE DEPARTMENT	Dec-11			BENCHMARK	Dec-10		
	\$	%	FOCUS		\$	%	FOCUS
<b>GROSS PROFIT(inc FPA)</b>	<b>83,746</b>	<b>100%</b>		100%	<b>84,820</b>	<b>100%</b>	
SALES PEOPLE - COMMISSION	7,996	10%	X	7%	10,175	12%	X
SALES MANGR - COMMISSION	7,000	8%	X	3%	7,000	8%	X
WARRANTY	3,648	4%	X	3%	6,875	8%	X
<b>TOTAL VARIABLE EXPENSES</b>	<b>18,644</b>	<b>22%</b>	X	13%	<b>24,050</b>	<b>28%</b>	X
SALES PEOPLE - SALARIES	32,307	39%	X	10%	27,259	32%	X
SALES MANAGER - SALARIES	3,751	4%		6%	3,236	4%	
OTHER SALARIES	-0	0%		5%	413	0%	
ADVERTISING	8,330	10%	X	9%	9,075	11%	X
DEMO EXPENSES	0	0%		2%	0	0%	
FLOORPLAN	8,707	10%	X	4%	8,413	10%	X
<b>TOTAL SEMI FIXED EXPENSES</b>	<b>53,095</b>	<b>63%</b>	X	36%	<b>48,395</b>	<b>57%</b>	X
<b>TOTAL EXPENSES</b>	<b>71,739</b>	<b>86%</b>	X	49%	<b>72,445</b>	<b>85%</b>	X
<b>SELLING GROSS</b>	<b>12,007</b>	<b>14%</b>	X	51%	<b>12,375</b>	<b>15%</b>	X

Selling gross represents gross less all departmental expenses excluding the fixed/administration expenses. Since all these revenue and expense items are generally controllable by the department managers, many dealerships pay their managers on selling gross.

Selling gross =  
Gross profit LESS variable and semi-fixed expenses

Department selling gross  
as a % of gross profit

## Departmental Fixed Expenses

### How well do I control my overheads?

This page takes the departmental profits and deducts fixed expenses to reach a net profit figure. All overheads are calculated as a percentage of gross.

## Sample Dealership DEALERSHIP FIXED EXPENSE ANALYSIS

DEPT CONTRIBUTION TO PROFITS (excluding Parts Gross Transfer)	Dec-11			BENCHMARK	Dec-10		
	\$	%	FOCUS		\$	%	FOCUS
	SELLING GROSS	OF GROSS			SELLING GROSS	OF GROSS	
NEW	301,454	55%		36%	249,549	51%	
USED	12,007	14%	X	51%	12,375	15%	X
PARTS	50,846	52%	X	69%	67,200	65%	X
SERVICE	103,007	45%	X	64%	119,762	59%	X
<b>TOTAL DEALERSHIP SELLING GROSS AS % OF TOTAL GROSS</b>	<b>467,314</b>	<b>49%</b>		<b>52%</b>	<b>448,887</b>	<b>51%</b>	
DEALERSHIP FIXED EXPENSES	EXPENSES		FOCUS		EXPENSES		FOCUS
ADMINISTRATION SALARIES(Incl Dealer salary)	146,463	15.38%	X	6.00%	129,386	14.74%	X
FRINGE BENEFITS TAX (Net of contributions)	6,500	0.68%	X	0.50%	6,500	0.74%	X
PAYROLL TAX	28,004	2.94%	X	2.50%	21,607	2.46%	
SUPERANNUATION	46,832	4.92%	X	4.00%	39,488	4.50%	X
LONG SERVICE LEAVE	-7,733	-0.81%		0.50%	1,900	0.22%	
RENT OR EQUIVALENT	140,576	14.76%	X	9.00%	140,603	16.02%	X
RATES AND TAXES	15,400	1.62%	X	1.00%	15,400	1.75%	X
OUTSIDE SERVICES	26,769	2.81%	X	2.00%	26,265	2.99%	X
TELEPHONE	7,250	0.76%		1.00%	7,250	0.83%	
INSURANCE (Including workers comp.)	16,950	1.78%		2.00%	16,950	1.93%	
OFFICE SUPPLIES	7,600	0.80%	X	0.75%	7,600	0.87%	X
PROF. FEES (Accounting, Legal, Other)	3,200	0.34%		0.75%	3,334	0.38%	
DATA PROCESSING	8,250	0.87%		1.50%	8,250	0.94%	
BANK CHARGES AND TAXES	4,843	0.51%	X	0.50%	5,752	0.66%	X
INTEREST (overdraft, working capital etc)	6,738	0.71%		1.00%	5,918	0.67%	
BAD DEBTS	0	0.00%		0.00%	0	0.00%	
DEPRECIATION	41,000	4.30%	X	1.50%	41,000	4.67%	X
ELECTRICITY	8,570	0.90%		1.00%	8,570	0.98%	
TRAVEL & ENTERTAINMENT	932	0.10%		0.50%	1,177	0.13%	
MISCELLANEOUS - Training, licenses etc	12,773	1.34%		2.50%	11,237	1.28%	
<b>TOTAL FIXED EXPENSES</b>	<b>520,918</b>	<b>54.68%</b>	<b>X</b>	<b>38.50%</b>	<b>498,188</b>	<b>56.77%</b>	<b>X</b>
F & I (Net) / OTHER INCOME	168,444	18%		14%	167,117	19.04%	
<b>NET PROFIT</b>	<b>114,841</b>	<b>12%</b>		<b>25 - 30%</b>	<b>117,816</b>	<b>13%</b>	
<b>NET PROFIT AS % OF SALES</b>	<b>114,841</b>	<b>1.2%</b>		<b>2.5 - 3%</b>	<b>117,816</b>	<b>1.2%</b>	
<b>TOTAL DEALERSHIP SALES</b>	<b>9,428,538</b>				<b>9,520,400</b>		
<b>TOTAL DEALERSHIP GROSS</b>	<b>952,600</b>				<b>877,538</b>		

Department selling gross

Administrative salaries as a % of gross profit

If this expense is above benchmark, you may either have:  
1. Too many admin staff and/or  
2. More gross potential

A red cross indicates this expense is above benchmark

Net profit as a Percentage of Sales

A well balanced dealership should aim for 3 – 3.5%

## Overview Result

Which of my departments is making me money?

This page examines how your profitability has changed from the previous period to the current period.

**Sample Dealership**  
**CHANGE IN RESULT -** Dec-11 Vs Dec-10

The dealership has recorded for the period a profit of \$ 117,816 for the corresponding period. This is compared to a profit of \$ 114,841

The change in the result can be explained as follows:

**GROSS PROFIT**

New Vehicles

\$	31 more	retail units at	\$	241	per unit	7,466	
	(46) less	fleet units at	\$	(37)	per unit	1,718	
	7 more	government units at	\$	(596)	per unit	(4,169)	
\$	(90) lower	average retail gross over				76 units	(6,876)
\$	419 higher	average fleet gross over				137 units	57,437
\$	(36) lower	average government gross over				34 units	(1,240)
		Increased Holdback, FPA & After-market					4,332

Used Vehicles

\$	(11) less	retail units at	\$	1,977		(21,750)	
	547 higher	average gross over		51 units		27,909	
		Weaker Wholesale Result				(7,233)	

Parts

\$	(21,367)	Decreased Sales at a			18.29% gross %	(3,907)	
	-0.36%	Decreased GP % over	\$	551,532	sales	(1,990)	

Service

	15,171	Increased Labour Sales at a			89% gross %	13,541	
	0.78%	Increased GP % over	\$	216,363	sales	1,678	
		Non Labour Service Gross				8,146	

**TOTAL GROSS PROFIT INCREASE**

**OTHER INCOME INCREASE**

**EXPENSES**

	(Increase) Reduction in					(95,737)	Increase
	Salaries, wages & commissions					8,489	Reduction
	Advertising					(477)	Increase
	Rent & Outgoings					2,239	Reduction
	Interest					(8,573)	Increase
	Other						

**TOTAL EXPENSE INCREASE**

**TOTAL NET PROFIT DECREASE**

Net profit

Change in volume

Change in grosses

Increase/(Decrease) in Departmental gross

Increase/(Decrease) in Net Profit

# Net Profit by Department

This page allocated administration/fixed expenses to the department to come up with a Department Net Profit.

## Sample Dealership NET PROFIT BY DEPARTMENT

Dec-11						
	Sales \$	Departmental Selling Gross	Admin expenses allocated in proportion to Gross	Departmental Net Profit	Net Profit %Sales	B/Mark
New (Inc F&I)	7,522,165	391,962	297,446	94,516	1.3%	2-3%
Used (Inc F&I)	1,094,400	16,686	45,796	-29,110	-2.7%	3.5 - 4%
Parts	530,164	50,846	53,011	-2,165	-0.4%	7 - 9%
Service	281,808	103,007	124,665	-21,659	-7.7%	14 - 16%
Other Income		73,257		73,257		
<b>TOTAL</b>	<b>9,428,538</b>	<b>635,759</b>	<b>520,918</b>	<b>114,841</b>	<b>1.2%</b>	<b>2.5 - 3%</b>

Dec-10						
	Sales \$	Departmental Selling Gross	Admin expenses allocated in proportion to Gross	Departmental Net Profit	Net Profit %Sales	B/Mark
New (Inc F&I)	7,615,249	314,068	275,493	38,575	0.5%	2-3%
Used (Inc F&I)	1,082,550	44,224	48,153	-3,929	-0.4%	3.5 - 4%
Parts	551,532	67,200	58,382	8,818	1.6%	7 - 9%
Service	271,070	119,762	116,160	3,603	1.3%	14 - 16%
Other Income		70,749		70,749		
<b>TOTAL</b>	<b>9,520,400</b>	<b>616,003</b>	<b>498,188</b>	<b>117,816</b>	<b>1.2%</b>	<b>2.5 - 3%</b>

Expense allocated on Gross Orientation. If your New Vehicle Department contributes 30% of the dealership gross, then it is allocated 30% of the overheads.

Department selling gross contribution

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