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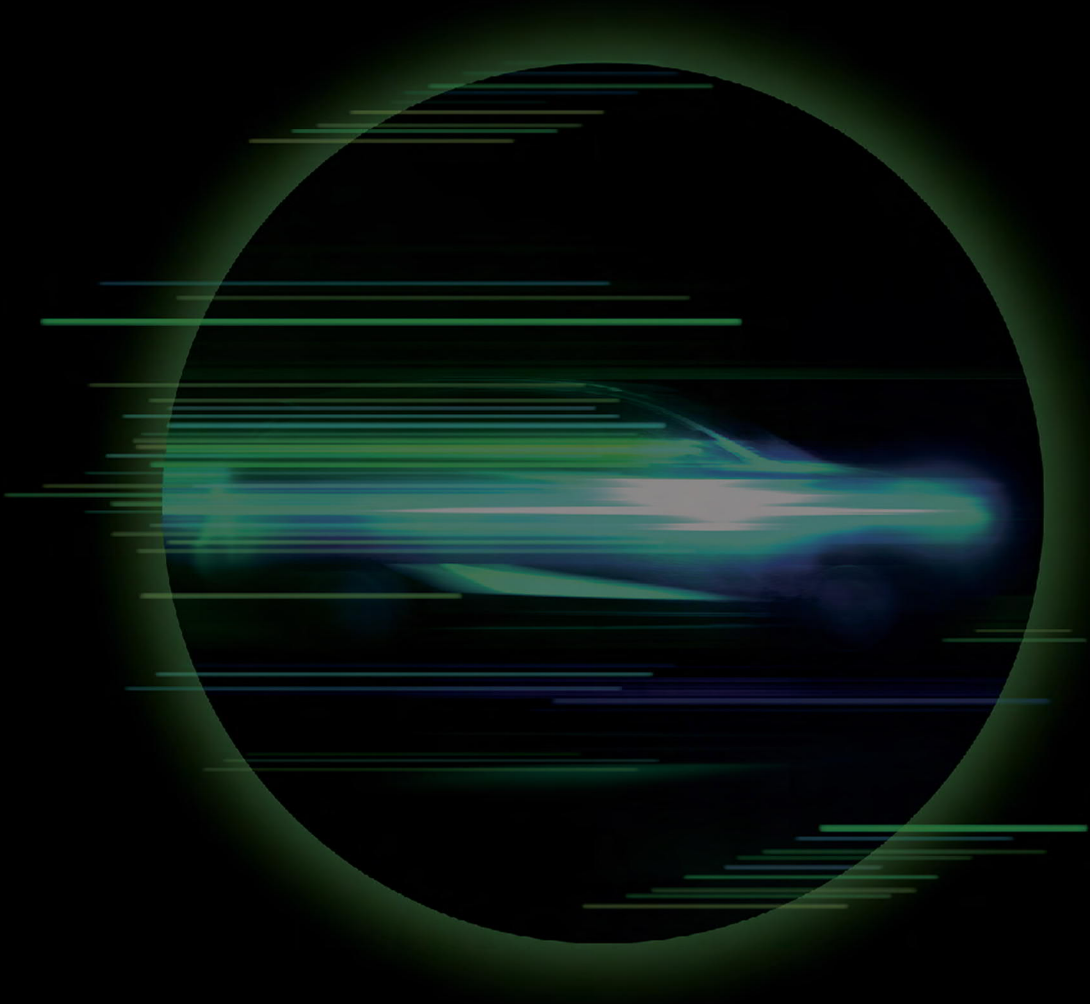


# 2022 Dealership Benchmarks

Profitfocus™

# The 2022 Deloitte Dealership Benchmarks



In a time of great change, we are delighted to present the 2022 Deloitte Dealership Benchmarks for the New Zealand car market.

The starting point for these benchmarks is the data uploaded to the eProfitFocus system by more than 180 dealers in the New Zealand market in the 12 months leading up to the benchmark period. The actual results of the top 30% of dealers in each key department (new, used, parts, service and finance &insurance), as well as the top performers overall, are taken as the reference point for these benchmarks.

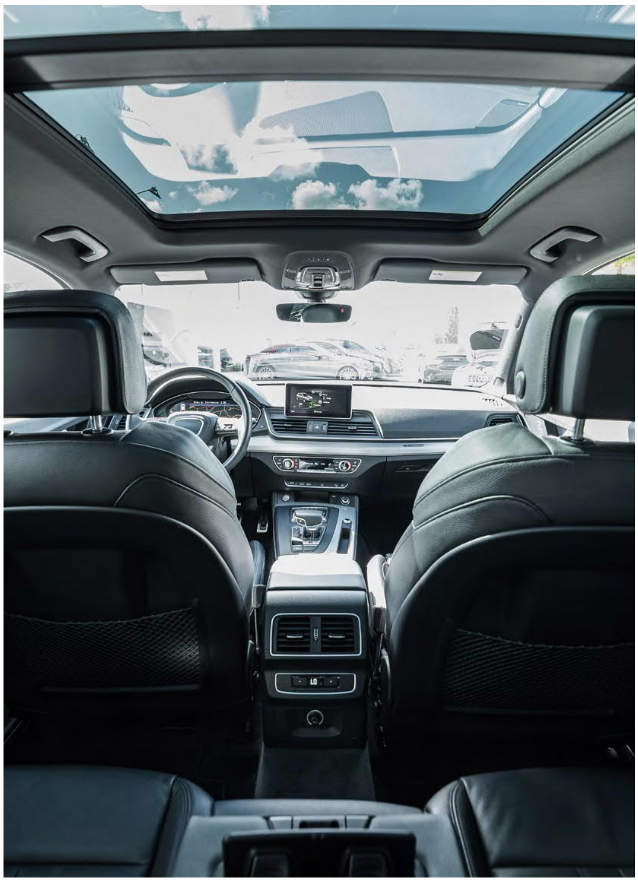
This ensures that the benchmarks are always tied to actual levels of performance that are achievable in the prevailing market. This raw data is then reviewed in the light of current industry circumstances and long-held best practices, to derive a set of benchmarks that can be used as a guide to building a sustainable, long-term business.

The New Zealand market was heavily impacted by COVID-19 again this year. Global new car supply shortages were especially felt by dealers throughout 2021 and lead to heightened margins in the new and used car departments when compared to previous years.

The benchmarks are split into two categories: the Volume Market and the Luxury Market. This segmentation reflects the different business models that dealers operate in their quest to earn a profit. While the business models in each segment are intrinsically impacted by the brands thatdealers carry, the benchmarks are not a commentaryon the positioning or esteem of those brands.

In this booklet, you will also find Customer Retention Management (CRM) guidelines. Focusing on the various elements of CRM is vital for dealerships seeking to improve the satisfaction and retention of their customers.

We are always happy to discuss any aspect of these benchmarks, so please feel free to contact a member of the Deloitte team using the details provided at the back of this booklet or at [www.eprofitfocus.com](http://www.eprofitfocus.com)



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## Volume Market benchmarks

The Deloitte Dealership Benchmarks help dealers assess their performance against a hypothetical high performing dealer running a similar type of business operation.

Dealers who fall into the Volume Market segment tend to focus on the volume side of the volume/ margin equation.

In 2021, the average dealer in the Volume Market experienced a rise in both new car and used car margins which gave a boost to dealership profitability. Overall used car gross profits grew the most of all the departments, leading to a higher gross contribution compared to 2020.

It should be noted that when new vehicles have more of an impact profit, there will also be greater volatility in dealership profits as volumes fluctuate.

For dealers operating in the Volume segment, the “Big 5” metrics to focus on for 2022 are:

1. Net profit as a % of sales — **5.3 - 5.6%**
2. Selling gross profit per new vehicle sold — **$2,084**
3. Total gross profit per used vehicle retailed — **$3,900**
4. Parts & Service Absorption — **62 - 66%**
5. Overheads as a % of dealership gross profit — **31%**

### A note about these benchmarks

Benchmarking is an excellent method of monitoring performance and setting goals. These benchmarks are a measure of ‘best practice’ drawn from the top 30% of dealers in the eProfitFocus database—a dataset of more than 180 dealers.

The intention of the benchmarks is to provide a ‘guide’ for dealership performance. Some dealerships, due to certain geographic or demographic circumstances, cannot achieve all the guidelines.

For further clarification and interpretation of these benchmarks please contact us at: www.eprofitfocus.com

## Total dealership

| Trading summary | |
|---|---|
| Net profit as % of sales | 5.3—5.6% |
| Days to dealership breakeven* | 20 |

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

| Dealership structure | Orientation | GP % |
|---|---|---|
| New | 33% | 8-10% |
| Used | 25% | 12-15% |
| Parts | 14% | 23-25% |
| Service | 29% | 56-60% |
| | 100% | 14-15% |
| Front end (vehicle operations) | 57% | |
| Back end (fixed operations) | 43% | |
| Finance and insurance income | 7% of total gross | |
| Other income and incentives | 4% of total gross | |

Orientation = Where does the gross come from?
GP% = How strong are my margins?
Note these orientation benchmarks provide a guide for achieving above average results in the market today. However, businesses that deliver sustainable results over a longer time frame tend to have a slight front-end bias to their operations.

| People | |
|---|---|
| Gross per employee per month | $30,400 |
| Net profit per employee per month | $11,200 |

## Vehicle operations

| Product | New | Used |
|---|---|---|
| Gross profit per unit* | 3,050-3,550 | 3,900 |
| Used/new ratio (retail) | n/a | 0.60 |
| Days supply | 45-55 | 75-85 |
| Stock turns p.a. | 7 to 8 | 4 to 5 |
| Gross ROI** | 74% | 82% |

* 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 profit per salesperson per month | $46,200 | $54,600 |

## Finance and Insurance (F&I)

| F&I Product | New | Used |
|---|---|---|
| Finance penetration | 25-27% | 27-29% |
| Finance income per contract | $1,850-$2,050 | $1,700-$1,900 |
| Finance per retail unit sold | $505 | $505 |
| Insurance per retail unit sold | $24 | $57 |
| | | |
| F&I selling gross per vehicle retailed | | $451 |

| People | |
|---|---|
| Vehicles retailed per F&I staff per month | 54 |
| Salaries and commissions as a % of income | 25% |
| F&I income per dept employee per month | $33,000 |

## Fixed operations

| Parts department | Sales mix % | GP % |
|---|---|---|
| Retail/counter | 11% | 32% |
| Wholesale/trade | 22% | 13% |
| Workshop | 32% | 31% |
| Warranty | 16% | 14% |
| Internal | 19% | 22% |
| Total | 100% | 23-25% |

| Operational benchmarks | |
|---|---|
| Days supply | 30-40 |
| Stock turns p.a. | 10-11 |
| Monthly sales per employee | $98,230 |
| Monthly gross per employee | $23,270 |
| $ Sales per $ salary | $23.00 |

| Service department | Sales mix % | GP % |
|---|---|---|
| Labour | | |
| • Retail | 66% | 69% |
| • Warranty | 11% | 70% |
| • Internal | 23% | 64% |
| Total Labour Sales | 100% | 62% |
| Sublet sales | | 18% |
| Total gross profit (% sales) | | 56-60% |
| Operational benchmarks | | |
| Performance index (productivity x efficiency) | | 95-105% |
| Monthly labour sales per technician | | $15,300 |
| Monthly labour gross per technician | | $9,400 |
| Parts/labour ratio | | 0.90 |
| Ratio of chargeable to non-chargeable | | 1.4 |
| Parts and service absorption | | 64% |
| Retention—relative service size** | | $2,800 |

**Labour sales per new retail unit sold per month

## Department profitability

| | | New | | Used |
|---|---|---|---|---|
| **Vehicle operations** | **% Gross** | **$/Unit** | **% Gross** | **$/Unit** |
| Gross Profit* | 100% | $3,050-3,550 | 100% | $3,900 |
| Sales staff salaries and comms | 20.2% | 666 | 14.3% | 596 |
| Manager salaries and comms | 3.1% | 104 | 4.2% | 178 |
| Aftermarket salaries and comms | 0.2% | 6 | 2.2% | 93 |
| Other salaries | 1.4% | 48 | 0.7% | 29 |
| Pre-delivery costs | 0.7% | 23 | - | - |
| Free service/policy | 0.9% | 30 | - | - |
| Used warranty | - | - | 1.5% | 64 |
| Advertising | 5.6% | 184 | 3.1% | 128 |
| Training | 0.2% | 6 | 0.1% | 4 |
| Floorplan | 2.7% | 88 | 0.7% | 27 |
| Demonstrator expenses | 1.8% | 61 | 1.9% | 79 |
| **Selling gross profit** | **63.2%** | **$2,084** | **73.5%** | **$2,794** |

| | | |
|---|---|---|
| Selling gross profit per salesperson | $29,200 | $40,131 |
| Selling gross profit per employee | $16,105 | $20,997 |

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

| Fixed operations | Parts % gross | Service % gross |
|---|---|---|
| Salaries (non-chargeable) | 19.9% | 26.2% |
| Advertising and promotion | 0.6% | 1.0% |
| Training | 0.1% | 0.8% |
| Policy/freight | 0.6% | 0.8% |
| Tools and supplies | 0.1% | 1.1% |
| Equipment and vehicle maintenance | 0.6% | 2.4% |
| Sick/holiday—technicians | – | 4.6% |
| **Selling gross profit** | **78.1%** | **63.1%** |
| | | |
| Selling gross profit per technician | – | $7,900 |
| Selling gross profit per employee | $18,200 | $4,570 |

## Dealership overheads

| | % Gross |
|---|---|
| Administration and salaries | 5.6% |
| Training | 0.1% |
| FBT (net of contributions) | 0.5% |
| Payroll tax | 0.1% |
| Superannuation | 0.7% |
| Long service leave | 0.1% |
| Rent (or mortgage interest) | 8.4% |
| Rates and taxes | 0.8% |
| Property maintenance/outside services | 1.3% |
| Telephone | 0.4% |
| Insurance (including workers compensation) | 1.3% |
| Office supplies/stationery | 0.5% |
| Professional fees | 1.5% |
| Data processing | 1.2% |
| Bank charges and taxes | 0.4% |
| Interest (overdraft/working capital) | 0.8% |
| Bad debts | 0.1% |
| Depreciation | 1.5% |
| Electricity | 0.4% |
| Travel and entertainment | 0.3% |
| Management fees | 0.2% |
| Miscellaneous | 4.6% |
| Total fixed expenses | 40% |

Overheads are shown as a percentage of total dealership gross profit. This includes gross profit from the New, Used, Parts and Service departments, but excludes net F&I income which is brought into dealership profit at a selling gross level.

# Luxury market

## Luxury Market benchmarks

The Deloitte Dealership Benchmarks help dealers assess their performance against a hypothetical high performing dealer running a similar type of business operation.

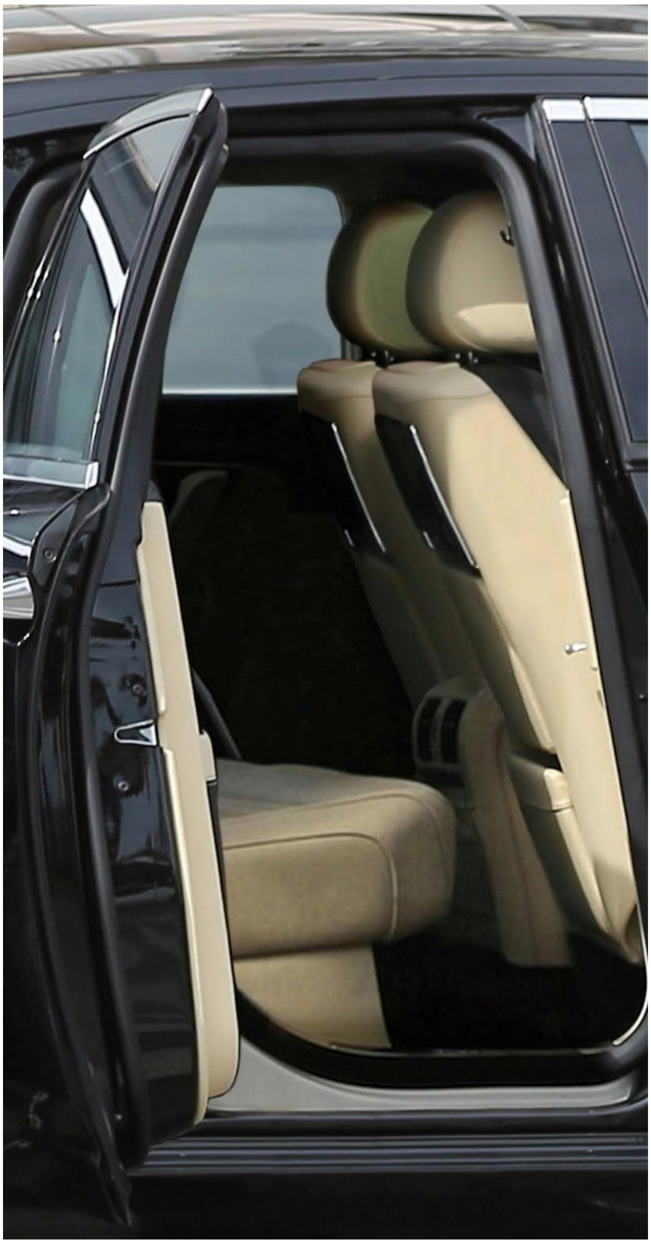
Dealers who fall into the Luxury Market segment tend to focus on the margin side of the volume/ margin equation.

New vehicle sales in the Luxury Market were constrained by the stock shortage from the middle of 2021. This same shortage, however, boosted margins and profitability in the new and used car departments. Despite some softening of returns from Fixed Operations, overall profitability improved for the Luxury segment in 2021.

It should be noted that when new vehicles have more of an impact profit, there will also be greater volatility in dealership profits as volumes fluctuate.

For these dealers, the "Big 5" metrics to focus on for 2022 are:

1. Net profit as a % of sales — 6.0 - 6.4%
2. Selling gross profit per new vehicle sold — $7,427
3. Total gross profit per used vehicle retailed — $6,400
4. Parts & Service Absorption — 55%
5. Overheads as a % of dealership gross profit — 35%



### A note about these benchmarks

Benchmarking is an excellent method of monitoring performance and setting goals. These benchmarks are a measure of 'best practice' based on the top 30% of dealers in the eProfitFocus database of more than 900 dealers.

The intention of the benchmarks is to provide a 'guide' for dealership performance. Some dealerships, due to certain geographic or demographic circumstances, cannot achieve all the guidelines.

For further clarification and interpretations of these benchmarks please contact us at: www.eprofitfocus.com.au

## Total Dealership

| Trading summary | |
|---|---|
| Net profit as % of sales | 6.0-6.4% |
| Days to dealership breakeven* | 20 |

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

| Dealership structure | Orientation | GP % |
|---|---|---|
| New | 45% | 12-13% |
| Used | 19% | 11-14% |
| Parts | 15% | 27-29% |
| Service | 21% | 64-68% |
| | 100% | 17-18% |
| | | |
| Front end (vehicle operations) | 64% | |
| Back end (fixed operations) | 36% | |
| Finance and insurance income | 5% of total gross | |
| Other income and incentives | 4% of total gross | |

Orientation = Where does the gross come from?
GP% = How strong are my margins?
Note these orientation benchmarks provide a guide for achieving above average results in the market today. However, businesses that deliver sustainable results over a longer time frame tend to have a slight front-end bias to their operations.

| People | |
|---|---|
| Gross per employee per month | $12,400 |
| Net profit per employee per month | $4,700 |

## Vehicle Operations

| Product | New | Used |
|---|---|---|
| Gross profit per unit* | $10,400-$10,900 | $6,400 |
| Used/new ratio (retail) | n/a | 0.9 |
| Days supply | 55-65 | 55-65 |
| Stock turns p.a. | 6-7 | 6-7 |
| Gross ROI** | 93% | 107% |

* 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 | 6 | 6 |
| Gross profit per salesperson per month | $58,575 | $38,400 |

## Finance and Insurance (F&I)

| F&I Product | New | Used |
|---|---|---|
| Finance penetration | 26-30% | 31-35% |
| Finance income per contract | $3,050-$3,250 | $1,450-$1,650 |
| Finance per retail unit sold | $880 | $510 |
| Insurance per retail unit sold | $64 | $295 |
| | | |
| F&I selling gross per vehicle retailed | | $792 |

| People | |
|---|---|
| Vehicles retailed per F&I staff per month | 24 |
| Salaries and commissions as a % of income | 31% |
| F&I income per dept employee per month | $23,700 |

## Fixed Operations

| Parts department | Sales mix % | GP % |
|---|---|---|
| Retail/counter | 11% | 26% |
| Wholesale/trade | 29% | 25% |
| Workshop | 42% | 33% |
| Warranty | 12% | 21% |
| Internal | 6% | 23% |
| Total | 100% | 27-29% |

| Operational Benchmarks | |
|---|---|
| Days supply | 30-40 |
| Stock turns p.a. | 10-11 |
| Monthly sales per employee | $78,840 |
| Monthly gross per employee | $20,800 |
| $ Sales per $ salary | $21.00 |

| Service department | Sales mix % | GP % |
|---|---|---|
| Labour | | |
| • Retail | 70% | 78% |
| • Warranty | 11% | 72% |
| • Internal | 19% | 73% |
| Total labour sales | 100% | 72% |
| Sublet sales | | 12% |
| Total gross profit (% sales) | | 64-68% |

| Operational Benchmarks | |
|---|---|
| Performance index (productivity x efficiency) | 90-100% |
| Monthly labour sales per technician | $16,500 |
| Monthly labour gross per technician | $11,250 |
| Parts/labour ratio | $1.10 |
| Ratio of chargeable to non-chargeable | 1.4 |
| Parts and service absorption | 55% |
| Retention—relative service size** | $5,000 |

**Labour sales per new retail unit sold per month

## Department Profitability

| | New | | Used | |
|---|---|---|---|---|
| Vehicle operations | % Gross | $/Unit | % Gross | $/Unit |
| Gross Profit* | 100% | 10,400-10,900 | 100% | 6,400 |
| Sales staff salaries and comms | 13.0% | 1380 | 14.4% | 958 |
| Manager salaries and comms | 6.3% | 667 | 6.1% | 410 |
| Aftermarket salaries and comms | 0.2% | 21 | 2.7% | 184 |
| Other salaries | 2.1% | 220 | 1.2% | 81 |
| Pre-delivery costs | 0.3% | 32 | - | - |
| Free service/policy | 0.2% | 21 | - | - |
| Used warranty | - | - | 1.5% | 103 |
| Advertising | 5.5% | 584 | 1.9% | 124 |
| Training | 0.2% | 21 | 0.1% | 6 |
| Floorplan | 2.0% | 212 | 1.7% | 113 |
| Demonstrator expenses | 0.6% | 65 | 1.0% | 64 |
| **Selling gross** | **69.7%** | **$7,427** | **72.1%** | **$4,548** |

| | New | Used |
|---|---|---|
| Selling gross profit per salesperson | $40,800 | $27,686 |
| Selling gross profit per employee | $22,675 | $16,921 |

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

| Fixed Operations | Parts % gross | Service % gross |
|---|---|---|
| Salaries (non-chargeable) | 19.2% | 28.4% |
| Advertising and promotion | 2.3% | 1.4% |
| Training | 0.1% | 0.6% |
| Policy/freight | 1.1% | 2.4% |
| Tools and supplies | 0.1% | 0.4% |
| Equipment and vehicle maintenance | 1.4% | 2.7% |
| Sick/holiday—technicians | – | 9.7% |
| **Selling gross profit** | **75.7%** | **54.3%** |
| | | |
| Selling gross profit per technician | – | $7,170 |
| Selling gross profit per employee | $15,700 | $4,220 |

## Dealership Overheads

| | % Gross |
|---|---|
| Administration and salaries | 8.4% |
| Training | 0.1% |
| FBT (net of contributions) | 1.1% |
| Payroll tax | 0.1% |
| Superannuation | 0.9% |
| Long service leave | 0.1% |
| Rent (or mortgage interest) | 10.7% |
| Rates and taxes | 0.8% |
| Property maintenance/outside services | 1.1% |
| Telephone | 0.3% |
| Insurance (including workers compensation) | 1.6% |
| Office supplies/stationery | 0.3% |
| Professional fees | 0.5% |
| Data processing | 1.3% |
| Bank charges and taxes | 0.5% |
| Interest (overdraft/working capital) | 0.4% |
| Bad debts | 0.1% |
| Depreciation | 4.1% |
| Electricity | 0.8% |
| Travel and entertainment | 0.1% |
| Management fees | 0.2% |
| Miscellaneous | 1.5% |
| Total fixed expenses | 35% |

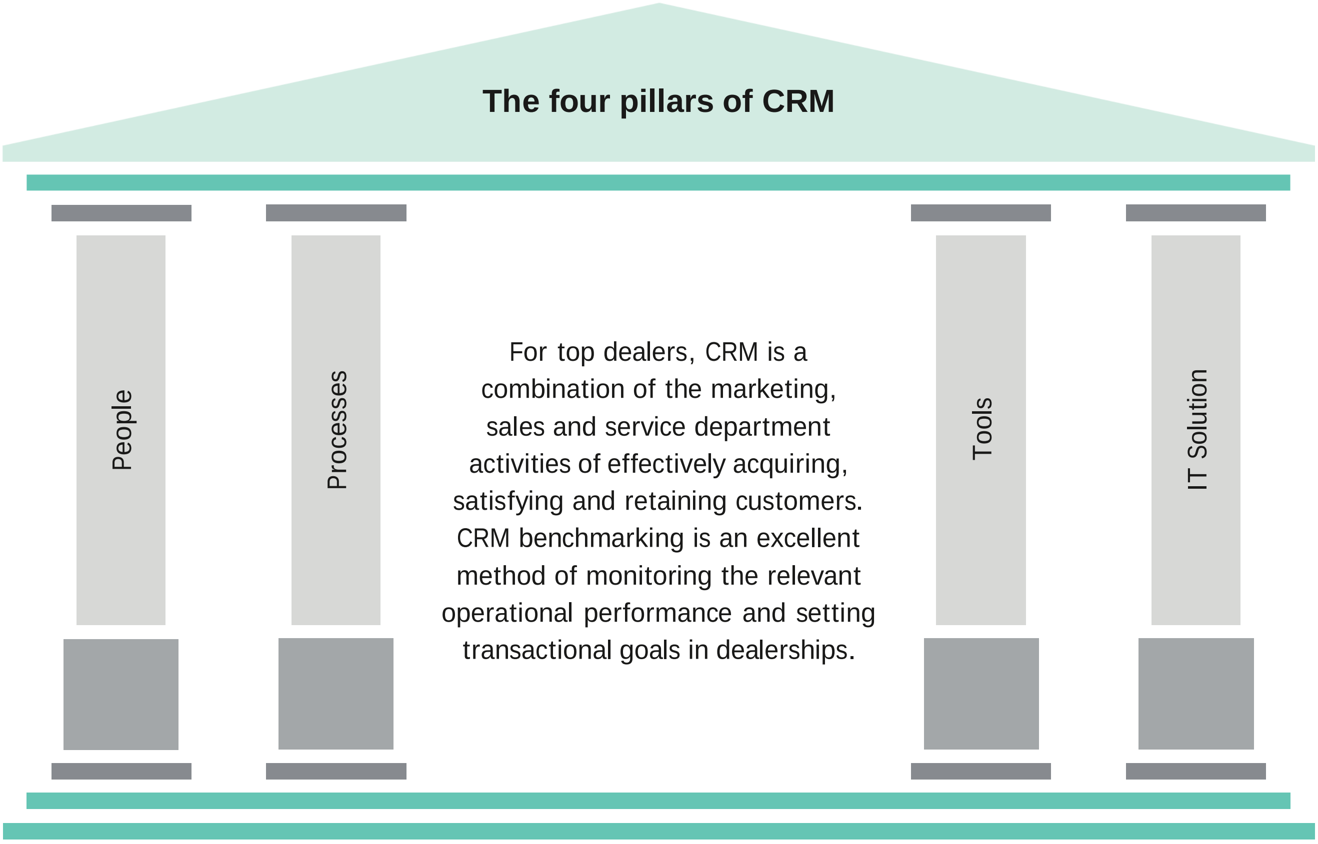
Overheads are shown as a percentage of total dealership gross profit. This includes gross profit from the New, Used, Parts and Service departments, but

excludes net F&I income which is brought into dealership profit at a selling gross level.

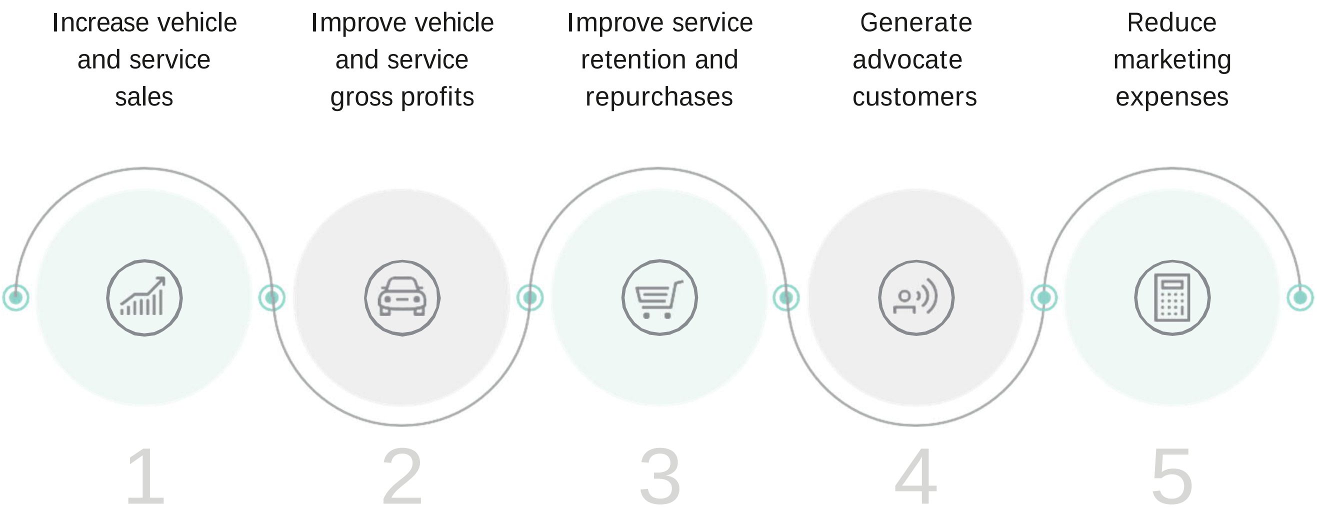
# CRM

## CRM in 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 five goals of CRM




### CRM guidelines

These CRM guidelines outline Best Practices identified in the Australian Motor Industry. They represent a hypothetical model for dealers to aim for when implementing successful CRM operations. Some dealerships, due to certain geographic or demographic circumstances, cannot achieve some of the guidelines in practice. Nonetheless, we consider these CRM guidelines 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 | Luxury |
|---|---|---|
| Benchmark dealers | $184 | $584 |
| Average dealers | $215 | $309 |

## CRM and sales

How effective is your sales team at converting new market leads, referrals and repeat customers into sales? Sales effectiveness means:

Sales effectiveness means:

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

### The Road to Sale

| Conversion ratios | AVG staff | Top staff |
|---|---|---|
| Enquiries/leads** | 100% | 100% |
| Appointments* | 73% | 95% |
| Test drives* | 48% | 75% |
| Offers* | 30% | 58% |
| Sales* | 25% | 36% |
| F&I contracts* | 8% | 13% |

| Units per month*** | Volume | Luxury |
|---|---|---|
| Test drives* | 27 | 21 |
| Offers* | 21 | 16 |
| Sales* | 13 | 10 |
| F&I contracts* | 5 | 4 |

* % of enquiries/leads
** All channels: internet, phone, lead-providers and traditional
*** Based on the Benchmark Units per Salesperson per month

| 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

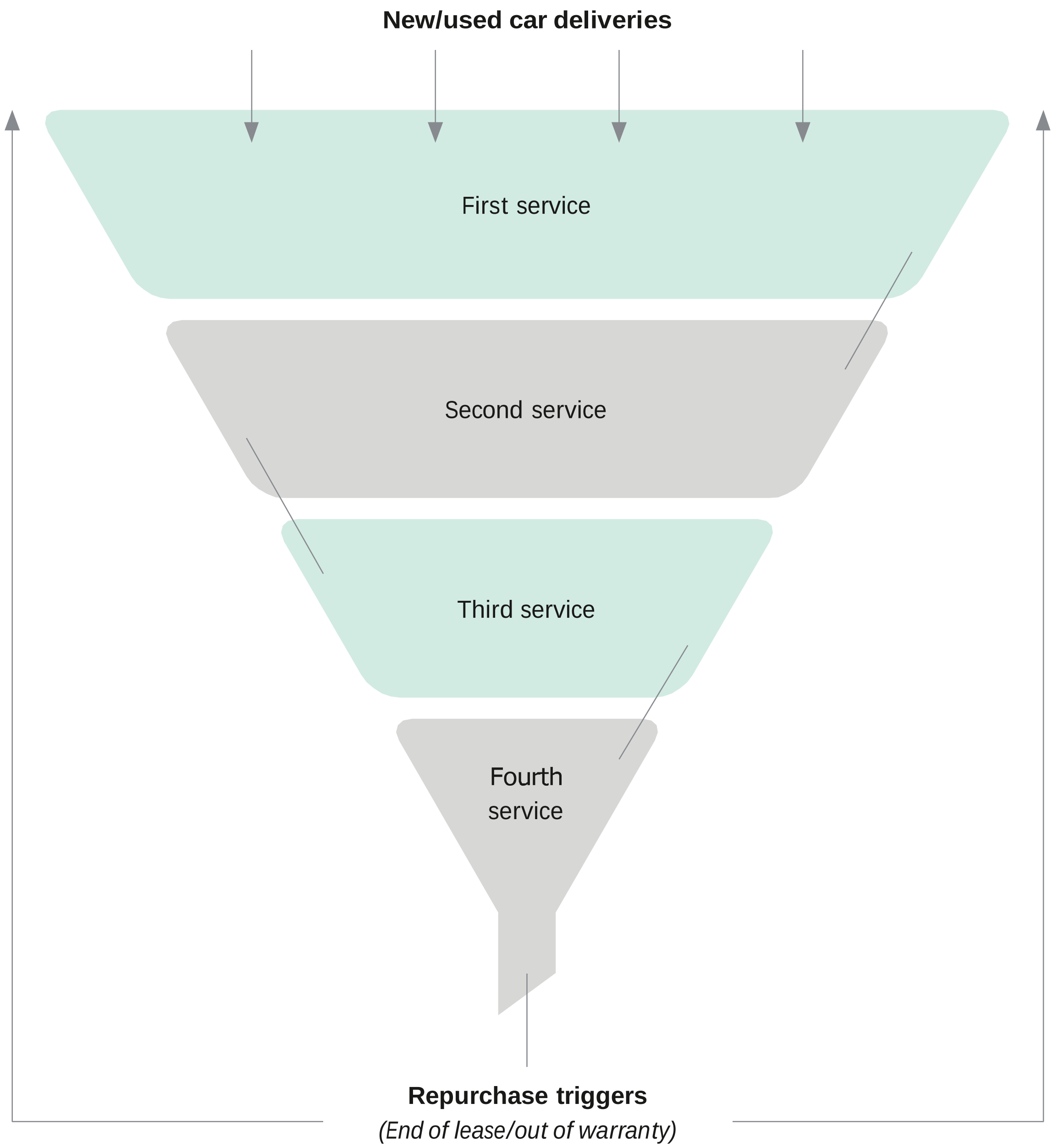
## Service Retention

| Year after purchase | Metro | Rural |
|---|---|---|
| Handover/follow-up service | 100% | 100% |
| First year | 92% | 93% |
| Second year | 81% | 86% |
| Third year | 65% | 75% |
| Fourth year | 48% | 55% |
| Fifth year | 40% | 45% |

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 | 135% |
| Repeat customers | 185% |

* 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% |

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