



**2017 Dealership Benchmarks**  
Motor Industry Services

Cars | New Zealand

# The 2017 Deloitte Motor Industry Services Dealership Benchmarks

It is our pleasure to present the 2017 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.

2016 was a benchmark year by all accounts. New Vehicle sales reached an all-time high of 147,000 units and used imports are fast approaching their 2003 high of 169,000, bringing a combined 307,000 vehicles to the New Zealand Market. The benchmarks that follow reflect a strong 2016 in which average dealer profitability increased 26%. Top dealers continue to outperform and are regularly delivering close on 4% net profit to sales. Consolidation will continue to be a strong feature of the NZ Market through 2017 and beyond.

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 180 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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Volume Market



## Volume Market benchmarks

The Deloitte Motor Industry Services 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 classification tend to be dealers focussing on the volume side of the volume/margin equation. Characteristics of 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); and
- 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 2016, dealers in the Volume Market took advantage of high volumes but also saw an increase in the cost base.

### 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 180 dealers.

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

For further clarification and interpretations of benchmarks please contact us at

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## Total dealership - Volume 2017

### Trading summary

Net profit as % of sales*	3.5-3.8%
Days to dealership breakeven**	22

\* Average Dealer NP%\$ 1.8%

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

Dealership structure	Orientation	GP %
New	30%	7-9%
Used	19%	11-12%
Parts	18%	23-25%
Service	33%	59-61%
	100%	13-15%
Front end (vehicle operations)	49%	
Back end (fixed operations)	51%	
Finance and insurance income	10% 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	\$11,000-12,000
Net profit per employee per month	\$3,100



## Vehicle operations

<b>Product</b>	<b>New</b>	<b>Used</b>
Gross per unit*	\$2600-2800	\$2,400
Used/new ratio (retail)	n/a	0.7
Days supply	55	60
Stock turns p.a.	7	6
Gross ROI**	56%	69%

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

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

<b>People</b>	<b>New</b>	<b>Used</b>
Units per sales staff per month	13-15	13-15
Gross per salesperson per month	\$35,000-38,000	\$33,000-36,000

## Finance and Insurance (F&I)

<b>F&amp;I Product</b>	<b>New</b>	<b>Used</b>
Finance penetration	30%	30%
Finance income per contract	\$1,400	\$1,100
Finance per retail unit sold	\$420	\$330
Insurance per retail unit sold	\$25	\$25
F&I selling gross per vehicle retailed	\$450	

## People

Vehicles retailed per F&I staff per month	65-70
Salaries and commissions as a % of income	28%
F&I income per dept employee per month	\$31,500

## Fixed operations

<b>Parts department</b>	<b>Sales mix %</b>	<b>GP %</b>
Retail/counter	9%	22%
Wholesale/trade	31%	21%
Workshop	31%	34%
Warranty	11%	11%
Internal	18%	20%
<b>Total</b>	<b>100%</b>	<b>24%</b>

## Operational benchmarks

Days supply	30
Stock turns p.a.	12
Monthly sales per employee	\$75,000
Monthly gross per employee	\$18,000
\$ Sales per \$ salary	\$15

<b>Service department</b>	<b>Sales mix %</b>	<b>GP %</b>
Labour		
– Retail	67%	73%
– Warranty	9%	64%
– Internal	24%	73%
<b>Total labour sales</b>	<b>100%</b>	<b>70%</b>
Sublet sales		17%
<b>Total gross profit (% sales)</b>		<b>61%</b>

#### **Operational benchmarks**

Performance index (productivity x efficiency)	95-105%
Monthly labour sales per technician	\$15,000-16,000
Monthly labour gross per technician	\$10,500-11,000
Parts/labour ratio	\$0.88
Ratio of chargeable to non-chargeable	2
Parts and service absorption	0.64
Retention – relative service size**	\$2,200

\*\*Labour sales per new retail unit sold per month

## Department profitability

Vehicle operations	New		Used	
	% Gross	\$/Unit	% Gross	\$/Unit
Gross*	100%	2,700	100%	2,400
Sales staff salaries and comms	22%	594	24%	576
Manager salaries and comms	4%	108	5%	120
Other salaries	4%	108	3%	72
Pre-delivery costs	7%	189	-	-
Free service/policy	1%	27	-	-
Used warranty	-	-	4%	96
Advertising	8.5%	230	8.5%	204
Floorplan	6.5%	176	4.5%	108
Demonstrator expenses	2%	54	3%	72
<b>Selling gross</b>	<b>45%</b>	<b>\$1,215</b>	<b>48%</b>	<b>\$1,152</b>
Selling gross per salesperson		\$15,525		\$15,600
Selling gross per employee		\$8,000		\$10,000

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

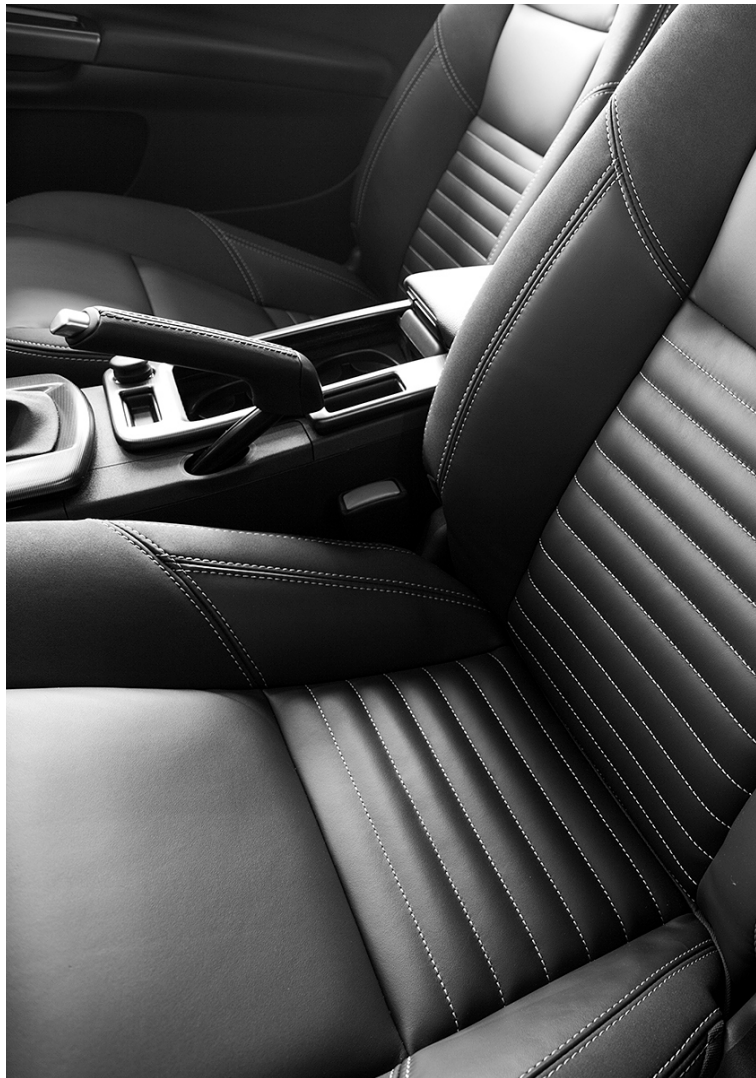
Fixed operations	Parts % gross	Service % gross
Salaries (non-chargeable)	30%	24%
Advertising and promotion	1%	2%
Training	1%	1%
Policy/freight	1%	2%
Tools and supplies	1%	1%
Equipment and vehicle maintenance	1%	3%
Sick/holiday – technicians	-	5%
<b>Selling gross</b>	<b>65%</b>	<b>62%</b>
Selling gross per technician	-	\$6,600
Selling gross per employee	\$10,920	\$4,400

## Department profitability

	<b>% Gross</b>
Administration and salaries	7.2%
Training	0.5%
FBT (net of contributions)	0.6%
Payroll tax	–
Superannuation	0.8%
Long service leave	0%
Rent (or mortgage interest)	8.8%
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%
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%
<b>Total fixed expenses</b>	<b>36.4%</b>



Luxury Market





## Luxury Market benchmarks

The Deloitte Motor Industry Services 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 classification tend to be dealers focussing on finding a balance in the volume/margin equation. Characteristics of 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); and
- 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 180 dealers.

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

For further clarification and interpretations of benchmarks please contact us at

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## Total dealership - Luxury 2017

### Trading summary

Net profit as % of sales*	3.5-4%
Days to dealership breakeven**	22-24

\* Average Dealer NP%\$ 2.0%

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

Dealership structure	Orientation	GP %
New	39%	8-9%
Used	17%	10-12%
Parts	16%	24-26%
Service	28%	62%
	100%	14%
Front end (vehicle operations)	56%	
Back end (fixed operations)	44%	
Finance and insurance income	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	\$14,000-15,000
Net profit per employee per month	\$5,000

## Vehicle operations

<b>Product</b>	<b>New</b>	<b>Used</b>
Gross per unit*	\$6,000-6,500	\$4,500
Used/new ratio (retail)	n/a	0.7
Days supply	60	55
Stock turns p.a.	6	7
Gross ROI**	54%	79%

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

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

<b>People</b>	<b>New</b>	<b>Used</b>
Units per sales staff per month	10-12	9-11
Gross per salesperson per month	\$60,000-65,000	\$40,000-45,000

## Finance and Insurance (F&I)

<b>F&amp;I Product</b>	<b>New</b>	<b>Used</b>
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	\$60
F&I selling gross per vehicle retailed	\$610	

## People

Vehicles retailed per F&I staff per month	50-60
Salaries and commissions as a % of income	30%
F&I income per dept employee per month	\$30,500

## Fixed operations

<b>Parts department</b>	<b>Sales mix %</b>	<b>GP %</b>
Retail/counter	12%	22%
Wholesale/trade	30%	24%
Workshop	34%	34%
Warranty	12%	9%
Internal	12%	22%
<b>Total</b>	<b>100%</b>	<b>25%</b>

## Operational benchmarks

Days supply	30
Stock turns p.a.	12
Monthly sales per employee	\$90,000
Monthly gross per employee	\$22,500
\$ Sales per \$ salary	\$18

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

#### **Operational benchmarks**

Performance index (productivity x efficiency)	95-110%
Monthly labour sales per technician	\$18,000
Monthly labour gross per technician	\$12,600
Parts/labour ratio	\$1
Ratio of chargeable to non-chargeable	1.7
Parts and service absorption	0.64
Retention – relative service size**	\$3,000

\*\*Labour sales per new retail unit sold per month

## Department profitability

<b>Vehicle operations</b>	<b>New</b>		<b>Used</b>	
	<b>% Gross</b>	<b>\$/Unit</b>	<b>% Gross</b>	<b>\$/Unit</b>
Gross*	100%	6,250	100%	4,500
Sales staff salaries and comms	25%	1,563	23%	1,035
Manager salaries and comms	5%	313	5%	225
Other salaries	2.5%	156	3%	135
Pre-delivery costs	4%	250		
Free service/policy	0.5%	31		
Used warranty			2%	90
Advertising	9%	563	8%	360
Floorplan	8%	500	7%	315
Demonstrator expenses	2%	125	2%	90
<b>Selling gross</b>	<b>44%</b>	<b>\$2,750</b>	<b>50%</b>	<b>\$2,250</b>
Selling gross per salesperson		\$23,000		\$18,000
Selling gross per employee		\$13,800		\$12,600

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

<b>Fixed operations</b>	<b>Parts % gross</b>	<b>Service % gross</b>
Salaries (non-chargeable)	29%	28%
Advertising and promotion	1%	2%
Training	1%	1%
Policy/freight	1%	2%
Tools and supplies	1%	3%
Equipment and vehicle maintenance	1%	4%
Sick/holiday – technicians	–	4%
<b>Selling gross</b>	<b>66%</b>	<b>56%</b>
Selling gross per technician	–	\$6,600
Selling gross per employee	\$13,200	\$4,000

## Department profitability

	<b>% Gross</b>
Administration and salaries	7%
Training	1%
FBT (net of contributions)	1%
Payroll tax	–
Superannuation	0.5%
Long service leave	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%
Office supplies/stationery	0.7%
Professional fees	1.2%
Data processing	1.2%
Bank charges and taxes	0.8%
Interest (overdraft/working capital)	1%
Bad debts	0.1%
Depreciation	1.7%
Electricity	0.8%
Travel and entertainment	0.6%
Miscellaneous	4.4%
<b>Total fixed expenses</b>	<b>37.6%</b>





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 guide 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	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

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

<b>Conversion ratios</b>	<b>Avg Staff</b>	<b>Top staff</b>
Enquiries/leads**	100%	100%
Appointments*	70%	92%
Test drives*	45%	73%
Offers*	33%	58%
Sales*	22%	35%
F&I contracts*	6%	15%

<b>Units per month (based on BM)</b>	<b>Volume</b>	<b>Luxury</b>
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

<b>Online lead handling</b>	<b>Response time</b>
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

<b>Year after purchase</b>	<b>Metro</b>	<b>Rural</b>
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%

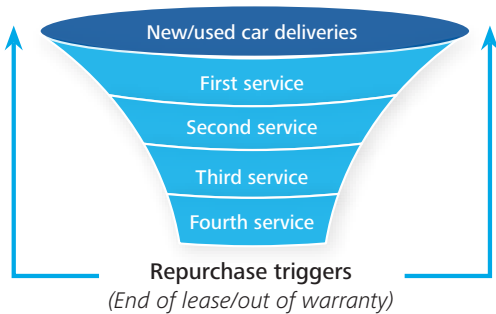
How many customers, who bought their vehicle at the dealership have their car serviced at the dealership again?

### Service retention – Luxury

<b>Year after purchase</b>	<b>All</b>
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

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

<b>New vehicle sales</b>	<b>Metro</b>	<b>Rural</b>
Conquest customers (unsolicited)	55%	45%
Referral customers	15%	20%
Repeat customers	30%	35%
<b>Total new vehicle sales</b>	<b>100%</b>	<b>100%</b>

### 2. Customer profitability\*

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

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

### 3. Dealership advocacy\*\*

<b>Customer</b>	<b>National</b>
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

<b>Effort</b>	<b>National</b>
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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