



**2018 Dealership Benchmarks**  
Motor Industry Services

Cars | New Zealand

# The 2018 Deloitte Motor Industry Services Dealership Benchmarks

It is our pleasure to present the 2018 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.

2017 continued the stellar growth in vehicle sales which we have seen for the past 8 years. New Vehicle sales again reached an all-time high for the 8th year in a row, growing new vehicle volume to just over 160,000 from 147,000 units in 2016. Since the GFC new and used vehicle imports have gone toe for toe, with used vehicles clocking in at nearly 164,000 vehicles in 2017. The biggest used vehicle year ever was 2003 with just shy of 173,000 units, however the total market for 2017 (new + used) at roughly 324,000 units was the biggest in NZ history (up from 307,000 in 2016).

The benchmarks that follow reflect a strong 2017 in which average dealership sales revenue grew by 13% and gross profits by 14%. Top 30% dealers continue to outperform and are regularly delivering close to 4% net profit to sales with the very top 10% of dealers consistently in excess of 4.5%. Consolidation will continue to be a strong feature of the NZ Market through 2018, particularly between the top dealers and dealers that are overly reliant on strong new vehicle department gross contributions.

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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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)
- 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, cannot achieve all the guidelines.

For further clarification and interpretations of benchmarks please contact us at

0800 77 33 07

[nzprofitfocus@deloitte.co.nz](mailto:nzprofitfocus@deloitte.co.nz)

## Total dealership – Volume 2018

### Trading summary

|                                |          |
|--------------------------------|----------|
| Net profit as % of sales*      | 3.8-4.0% |
| Days to dealership breakeven** | 22-24    |

\* Average Dealer NP%\$ 2.4%

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

| Dealership structure           | Orientation       | GP %   |
|--------------------------------|-------------------|--------|
| New                            | 31%               | 7-8%   |
| Used                           | 17%               | 9-11%  |
| Parts                          | 17%               | 23-25% |
| Service                        | 35%               | 60-62% |
|                                | 100%              | 13-14% |
| Front end (vehicle operations) | 48%               |        |
| Back end (fixed operations)    | 52%               |        |
| 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      | \$11,500-12,500 |
| Net profit per employee per month | \$3,200         |



## Vehicle operations

| <b>Product</b>          | <b>New</b>    | <b>Used</b> |
|-------------------------|---------------|-------------|
| Gross per unit*         | \$2,600-2,800 | \$2,300     |
| Used/new ratio (retail) | n/a           | 0.7         |
| Days supply             | 65            | 65          |
| Stock turns p.a.        | 6             | 6           |
| Gross ROI**             | 50%           | 60%         |

\* 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           | 12-14           |
| Gross per salesperson per month | \$35,000-38,000 | \$27,000-30,000 |

## Finance and Insurance (F&I)

| <b>F&amp;I Product</b>                 | <b>New</b> | <b>Used</b> |
|--|------------|-------------|
| Finance penetration                    | 32%        | 34%         |
| Finance income per contract            | \$1,300    | \$1,100     |
| Finance per retail unit sold           | \$420      | \$370       |
| Insurance per retail unit sold         | \$25       | \$25        |
| F&I selling gross per vehicle retailed | \$420      |             |

## People

|   |          |
|---|----------|
| Vehicles retailed per F&I staff per month | 60-65    |
| Salaries and commissions as a % of income | 25%      |
| F&I income per dept employee per month    | \$26,250 |

## Fixed operations

| <b>Parts department</b> | <b>Sales mix %</b> | <b>GP %</b>   |
|-------------------------|--------------------|---------------|
| Retail/counter          | 10%                | 24%           |
| Wholesale/trade         | 30%                | 20%           |
| Workshop                | 30%                | 32%           |
| Warranty                | 12%                | 10%           |
| Internal                | 18%                | 18%           |
| <b>Total</b>            | <b>100%</b>        | <b>23-25%</b> |

## Operational benchmarks

|                            |          |
|----------------------------|----------|
| Days supply                | 30       |
| Stock turns p.a.           | 12       |
| Monthly sales per employee | \$85,000 |
| Monthly gross per employee | \$20,500 |
| \$ Sales per \$ salary     | \$17     |

| <b>Service department</b>           | <b>Sales mix %</b> | <b>GP %</b>   |
|-------------------------------------|--------------------|---------------|
| Labour                              |                    |               |
| - Retail                            | 64%                | 72%           |
| - Warranty                          | 12%                | 66%           |
| - Internal                          | 24%                | 70%           |
| <b>Total labour sales</b>           | <b>100%</b>        | <b>71%</b>    |
| Sublet sales                        |                    | 14%           |
| <b>Total gross profit (% sales)</b> |                    | <b>60-62%</b> |

#### **Operational benchmarks**

|   |                 |
|---|-----------------|
| Performance index (productivity x efficiency) | 95-105%         |
| Monthly labour sales per technician           | \$15,500-16,500 |
| Monthly labour gross per technician           | \$11,000-11,500 |
| Parts/labour ratio                            | \$0.85          |
| Ratio of chargeable to non-chargeable         | 2.3             |
| Parts and service absorption                  | 0.65            |
| Retention - relative service size**           | \$2,400         |

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

## Department profitability

| Vehicle operations             | New        |                | Used       |              |
|--------------------------------|------------|----------------|------------|--------------|
|                                | % Gross    | \$/Unit        | % Gross    | \$/Unit      |
| Gross*                         | 100%       | 2,700          | 100%       | 2,300        |
| Sales staff salaries and comms | 22%        | 594            | 28%        | 644          |
| Manager salaries and comms     | 4%         | 108            | 6%         | 138          |
| Other salaries                 | 4%         | 108            | 4%         | 92           |
| Pre-delivery costs             | 7%         | 189            | -          | -            |
| Free service/policy            | 1%         | 27             | -          | -            |
| Used warranty                  | -          | -              | 4%         | 92           |
| Advertising                    | 8.5%       | 230            | 8.5%       | 196          |
| Floorplan                      | 6.5%       | 176            | 4.5%       | 104          |
| Demonstrator expenses          | 2%         | 54             | 3%         | 69           |
| <b>Selling gross</b>           | <b>45%</b> | <b>\$1,215</b> | <b>42%</b> | <b>\$966</b> |

|                               |          |          |
|-------------------------------|----------|----------|
| Selling gross per salesperson | \$16,000 | \$12,500 |
| Selling gross per employee    | \$8,200  | \$8,000  |

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

| Fixed operations                  | Parts % gross | Service % gross |
|-----------------------------------|---------------|-----------------|
| Salaries (non-chargeable)         | 25%           | 23%             |
| 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>70%</b>    | <b>63%</b>      |

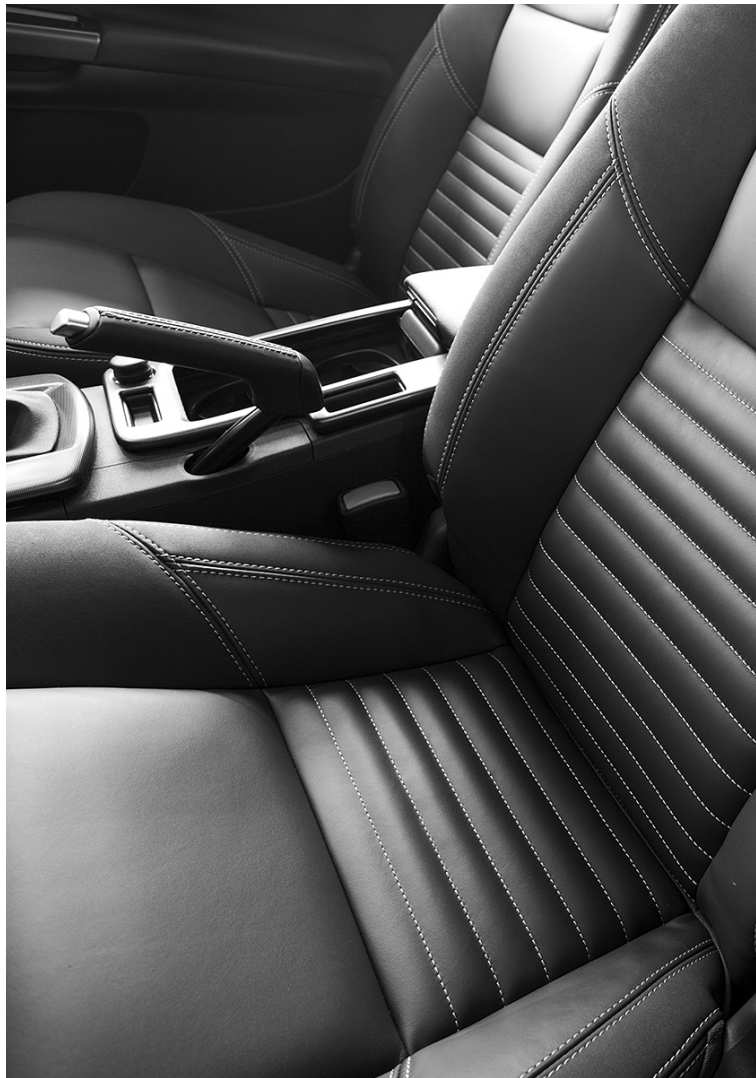
|                              |          |         |
|------------------------------|----------|---------|
| Selling gross per technician | -        | \$6,800 |
| Selling gross per employee   | \$14,300 | \$4,500 |

## Department profitability

|  | <b>% Gross</b> |
|--|----------------|
| Administration and salaries                | 7.6%           |
| Training                                   | 0.5%           |
| FBT (net of contributions)                 | 0.6%           |
| Payroll tax                                | –              |
| Superannuation                             | 0.8%           |
| Long service leave                         | –              |
| Rent (or mortgage interest)                | 9.5%           |
| 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                              | 4.5%           |
| <b>Total fixed expenses</b>                | <b>38.0%</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)
- 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, cannot achieve all the guidelines.

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0800 77 33 07

[nzprofitfocus@deloitte.co.nz](mailto:nzprofitfocus@deloitte.co.nz)

## Total dealership – Luxury 2018

### Trading summary

|                                |        |
|--------------------------------|--------|
| Net profit as % of sales*      | 3.8-4% |
| Days to dealership breakeven** | 22-24  |

\* Average Dealer NP%\$ 2.4%

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

| Dealership structure           | Orientation       | GP %   |
|--------------------------------|-------------------|--------|
| New                            | 40%               | 9-10%  |
| Used                           | 16%               | 9-10%  |
| Parts                          | 16%               | 24-26% |
| Service                        | 28%               | 62-64% |
|                                | 100%              | 14-15% |
| Front end (vehicle operations) | 56%               |        |
| Back end (fixed operations)    | 44%               |        |
| Finance and insurance income   | 7% 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      | \$15,000-16,000 |
| Net profit per employee per month | \$5,200         |

## Vehicle operations

| <b>Product</b>          | <b>New</b>    | <b>Used</b> |
|-------------------------|---------------|-------------|
| Gross per unit*         | \$6,500-7,000 | \$4,000     |
| Used/new ratio (retail) | n/a           | 0.68        |
| Days supply             | 65            | 65          |
| Stock turns p.a.        | 6             | 6           |
| Gross ROI**             | 60%           | 60%         |

\* 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 | 10-11           | 9-10            |
| Gross per salesperson per month | \$65,000-70,000 | \$40,000-45,000 |

## Finance and Insurance (F&I)

| <b>F&amp;I Product</b>                 | <b>New</b> | <b>Used</b> |
|--|------------|-------------|
| Finance penetration                    | 26%        | 28%         |
| Finance income per contract            | \$2,500    | \$2,000     |
| Finance per retail unit sold           | \$650      | \$560       |
| Insurance per retail unit sold         | \$80       | \$60        |
| F&I selling gross per vehicle retailed | \$690      |             |

## People

|   |          |
|---|----------|
| Vehicles retailed per F&I staff per month | 50-55    |
| Salaries and commissions as a % of income | 26%      |
| F&I income per dept employee per month    | \$34,500 |

## Fixed operations

| <b>Parts department</b> | <b>Sales mix %</b> | <b>GP %</b>   |
|-------------------------|--------------------|---------------|
| Retail/counter          | 12%                | 24%           |
| Wholesale/trade         | 30%                | 22%           |
| Workshop                | 34%                | 32%           |
| Warranty                | 12%                | 9%            |
| Internal                | 12%                | 22%           |
| <b>Total</b>            | <b>100%</b>        | <b>24-26%</b> |

## Operational benchmarks

|                            |           |
|----------------------------|-----------|
| Days supply                | 30        |
| Stock turns p.a.           | 12        |
| Monthly sales per employee | \$110,000 |
| Monthly gross per employee | \$27,500  |
| \$ Sales per \$ salary     | \$17      |

| <b>Service department</b>           | <b>Sales mix %</b> | <b>GP %</b>   |
|-------------------------------------|--------------------|---------------|
| Labour                              |                    |               |
| – Retail                            | 66%                | 76%           |
| – Warranty                          | 12%                | 66%           |
| – Internal                          | 22%                | 72%           |
| <b>Total labour sales</b>           | <b>100%</b>        | <b>72%</b>    |
| Sublet sales                        |                    | 15%           |
| <b>Total gross profit (% sales)</b> |                    | <b>62-64%</b> |

#### **Operational benchmarks**

|   |          |
|---|----------|
| Performance index (productivity x efficiency) | 95-110%  |
| Monthly labour sales per technician           | \$18,000 |
| Monthly labour gross per technician           | \$13,000 |
| Parts/labour ratio                            | \$1      |
| Ratio of chargeable to non-chargeable         | 1.8      |
| Parts and service absorption                  | 0.62     |
| Retention – relative service size**           | \$3,200  |

\*\*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%           | 6,750          | 100%           | 4,000          |
| Sales staff salaries and comms | 23%            | 1,553          | 23%            | 920            |
| Manager salaries and comms     | 4.5%           | 304            | 5%             | 200            |
| Other salaries                 | 2.5%           | 169            | 3%             | 120            |
| Pre-delivery costs             | 4%             | 270            | -              | -              |
| Free service/policy            | 0.5%           | 34             | -              | -              |
| Used warranty                  | -              | -              | 2%             | 80             |
| Advertising                    | 8%             | 540            | 8%             | 320            |
| Floorplan                      | 7.5%           | 506            | 7%             | 280            |
| Demonstrator expenses          | 2%             | 135            | 2%             | 80             |
| <b>Selling gross</b>           | <b>48%</b>     | <b>\$3,240</b> | <b>50%</b>     | <b>\$2,000</b> |
| Selling gross per salesperson  |                | \$31,200       |                | \$21,000       |
| Selling gross per employee     |                | \$18,500       |                | \$14,600       |

\* 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)         | 25%                  | 26%                    |
| 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>70%</b>           | <b>58%</b>             |
| Selling gross per technician      | -                    | \$7,500                |
| Selling gross per employee        | \$19,250             | \$4,200                |

## Department profitability

|  | <b>% Gross</b> |
|--|----------------|
| Administration and salaries                | 6.5%           |
| Training                                   | 1.0%           |
| FBT (net of contributions)                 | 1.0%           |
| Payroll tax                                | –              |
| Superannuation                             | 0.5%           |
| Long service leave                         | –              |
| 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)       | 0.8%           |
| Bad debts                                  | 0.1%           |
| Depreciation                               | 1.7%           |
| Electricity                                | 0.8%           |
| Travel and entertainment                   | 0.6%           |
| Miscellaneous                              | 4.0%           |
| <b>Total fixed expenses</b>                | <b>36.5%</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                 | 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%           |
|                                    | <b>100%</b> | <b>100%</b>  |

\*Average of all lead providers

### Marketing/advertising costs

| Per new vehicle   | Volume | Luxury |
|-------------------|--------|--------|
| Benchmark dealers | \$224  | \$479  |
| Average dealers   | \$226  | \$440  |

## 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*           | 7%               | 12%              |

| <b>Units per month (based on BM)</b> | <b>Volume</b> | <b>Luxury</b> |
|--------------------------------------|---------------|---------------|
| Test drives*                         | 25            | 17            |
| Offers*                              | 20            | 13            |
| Sales*                               | 12            | 8             |
| F&I contracts*                       | 4             | 3             |

\* % 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.

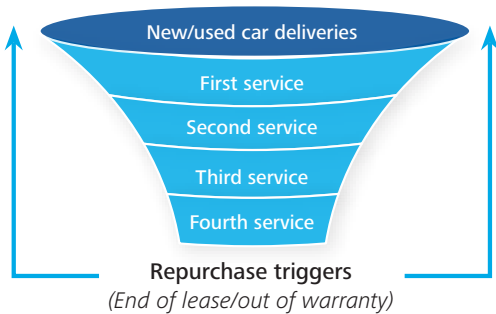
### Service retention

| <b>Year after purchase</b> | <b>Metro</b> | <b>Rural</b> |
|----------------------------|--------------|--------------|
| 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

| <b>New vehicle sales</b>         | <b>Metro</b> | <b>Rural</b> |
|----------------------------------|--------------|--------------|
| Conquest customers (unsolicited) | 62%          | 48%          |
| Referral customers               | 13%          | 22%          |
| Repeat customers                 | 25%          | 30%          |
| <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                        | 142%            |
| Repeat customers                          | 193%            |

\* 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%              |









## **Your Deloitte Motor Industry Services contacts are:**

### **NSW/ ACT**

Grant Cameron, Danny Rezek, Dale McCauley,  
Stephen Timperley, David Haynes  
GrCameron@deloitte.com.au

### **VIC/ TAS/ SA**

Lee Peters, Sam Venn  
LePeters@deloitte.com.au

### **QLD/ NT**

John Startari, Nathan Furness  
jstartari@deloitte.com.au

### **WA**

Grant Cameron  
GrCameron@deloitte.com.au

### **New Zealand**

Stephen Timperley, Vaughan Gibbs  
stimperley@deloitte.com.au, vgibbs@deloitte.co.nz  
Stephen: 021 865 175 | Vaughan: 021 221 4807

## **Deloitte Motor Industry Services – New Zealand Office**

80 Queen Street, Auckland, 1010, New Zealand  
www.eprofitfocus.com | www.deloitte.co.nz  
nzprofitfocus@deloitte.co.nz

### **Benchmarking/ Reporting**

Danny Rezek, Dale McCauley  
DMcCauley@deloitte.com.au

### **Talent Development/Consulting/Dealer Groups**

Stephen Timperley, Vaughan Gibbs  
stimperley@deloitte.com.au

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MCBD\_SYD\_02/18\_055388