



2021 Dealership Benchmarks
Motor Industry Services

Cars | New Zealand

Profit*focus*[™]

The 2021 Deloitte Motor Industry Services Dealership Benchmarks

After a year like no other, we are delighted to present the 2021 Deloitte Motor Industry Services Dealership Benchmarks for the New Zealand car market.

The starting point for these benchmarks has always been the data uploaded to the eProfitFocus system by more than 180 dealers in the New Zealand market. 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 the 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 circumstances to derive a set of benchmarks that can be used as a guide to building a sustainable, long-term business.

The onset of COVID-19 on the New Zealand market had profound impacts to the operation of dealers as the country entered level 4 lockdown in March 2020, forcing dealerships to close overnight.

With the support of the government's wage subsidy scheme, New Zealand dealers were able to come out of hibernation and benefit from a market where lower new vehicle supply allowed increased front end gross profit margins, which helped improve their overall dealership profitability.

The benchmarks are split into three 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 that dealers carry, the benchmarks are not a commentary on 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 Motor Industry Services team using the details provided at the back of this booklet or at **www.eprofitfocus.com**.

A word about the Dealership Benchmarks for 2021

The starting point for the Deloitte Dealership Benchmarks will always be the data uploaded by dealers into the eProfitFocus database. This ensures that our Benchmarks reflect levels of performance that can actually be achieved in the market. This remained at the heart of our approach for the 2021 Benchmarks, however the unusual circumstances of 2020 meant that the way dealers operated at the end of the year was very different to the way they operated at the start of the year.

We knew that the Benchmarks needed to capture the 'new normal' of dealer operations that had emerged during the year, but we also needed to ensure that they were not overly impacted by artificial trading conditions, such as COVID-19 lockdowns. After a detailed review, we elected to base the 2021 Benchmarks on the performance of the top 30% of dealers in the second half of 2020. The data showed us that the elements that go towards dealership performance in a post-COVID world had stabilised by Q3 and remained consistent, giving us confidence that they could be reliably used as a starting point for the 2021 Benchmarks.

However, we also realised that there were some factors in the second half of 2020 that would not last indefinitely. Some of those were institutional, such as the stage 2 government resurgence wage subsidy support, others were driven by market forces, such as the low stock levels and high vehicle margins. To adjust for these temporary factors, we conducted a statistical analysis of the eProfitFocus database to estimate the impact that these temporary factors had on the profitability that dealers reported in H2.

This analysis allowed us to normalise the H2 results and remove some of the more extreme impacts that COVID-19 had on the market so that the benchmarks are not based on conditions that are unlikely to exist in the future. As always, we then drew on the deep industry experience within the Deloitte Motor Industry Services team to review and finalise the 2021 Dealership Benchmarks.

Contents

Volume Market benchmarks	1
Luxury Market benchmarks	11
CRM benchmarks	21
Contact us	29

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 segment tend to focus on the volume side of the volume/margin equation.

While COVID had the predictable impact of reducing vehicle sales in the second quarter of 2020, it also had the unexpected effect of significantly boosting vehicle margins. The net result for the average Volume Market dealer was an uplift in New & Used profitability which helped to lift overall net profit across the segment.

For dealers operating in the Volume segment, the "Big 5" metrics to focus on for 2021 are:

1. Net profit as a % of sales	4.0 - 4.5%
2. Selling gross profit per new vehicle sold	\$1,340
3. Total gross profit per used vehicle retailed	\$2,500
4. Parts & Service Absorption	63%
5. Overheads as a % of dealership gross profit	32.7%

A note about these benchmarks

Benchmarking is an excellent method of monitoring performance and setting goals – this is especially true in times of change when traditional approaches to business may no longer be as valid. These benchmarks are a measure of 'best practice' in the current environment 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	4.0%-4.5%
Days to dealership breakeven*	19-21

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

Dealership structure	Orientation	GP %
New	24%	7-9%
Used	29%	10-12%
Parts	14%	22-24%
Service	33%	62-64%
	100%	14-15%
Front end (vehicle operations)	53%	
Back end (fixed operations)	47%	
Finance and insurance income	5.9% of total gross	
Other income and incentives	2.5% 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 long time frame tend to have a slight front-end bias to their operations.

People

Gross per employee per month	\$14,700
Net profit per employee per month	\$4,916

Vehicle operations

Product	New	Used
Gross per unit*	\$2,500-\$2,700	\$2,500
Used/new ratio (retail)	n/a	1.10
Days supply	45-55	45-55
Stock turns p.a.	7-8	7-8
Gross ROI**	62%	93%

* 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	12-14	17-19
Gross per salesperson per month	\$33,800	\$45,000

Finance and Insurance (F&I)

F&I Product	New	Used
Finance penetration	28%	26%
Finance income per contract	\$1,700	\$1,600
Finance per retail unit sold	\$498	\$416
Insurance per retail unit sold	\$70	\$65

F&I selling gross per vehicle retailed	\$375
--	-------

People

Vehicles retailed per F&I staff per month	65-70
Salaries and commissions as a % of income	29.2%
F&I income per dept employee per month	\$33,000

Fixed operations

Parts department	Sales mix %	GP %
Retail/counter	11%	31%
Wholesale/trade	28%	15%
Workshop	29%	31%
Warranty	13%	10%
Internal	19%	16%
Total	100%	22-24%

Operational benchmarks

Days supply	32
Stock turns p.a.	11-12
Monthly sales per employee	\$84,000
Monthly gross per employee	\$18,700
\$ Sales per \$ salary	\$19.00

Service department	Sales mix %	GP %
Labour		
– Retail	68%	72%
– Warranty	13%	67%
– Internal	19%	65%
Total labour sales	100%	68%
Sublet sales		16%
Total gross profit (% sales)		62-64%
Operational benchmarks		
Performance index (Productivity x Efficiency)		95-105%
Monthly labour sales per technician		\$17,400
Monthly labour gross per technician		\$12,000
Parts/labour ratio		\$0.73
Ratio of chargeable to non-chargeable		1.4
Parts and service absorption		63%
Retention – relative service size**		\$3,500

**Labour sales per new retail unit sold per month

Department profitability

Vehicle operations	New		Used	
	%Gross	\$/Unit	% Gross	\$/Unit
Gross*	100%	\$2,500-2,700	100%	\$2,500
Sales staff salaries & comms	27%	702	19.3%	483
Manager salaries & comms	5.5%	143	3.7%	93
Other salaries	2.3%	60	2.2%	55
Aftermarket salaries & comms	0.1%	3	0.0%	0
Pre-delivery costs	1.8%	47	-	-
Free service/policy	0.6%	16	-	-
Used warranty	-	-	3.1%	78
Advertising	6.7%	174	3.5%	88
Training	0.3%	8	0.1%	3
Floorplan	3.8%	99	1.9%	48
Demonstrator expenses	2.0%	52	1.3%	33
Selling gross profit	49.9%	\$1,250-1,350	64.8%	\$1,620
Selling gross per salesperson		\$17,400		\$23,850
Selling gross per employee		\$18,000		\$12,450

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

Fixed operations	Parts % gross	Service % gross
Salaries (non-chargeable)	25.2%	25.4%
Advertising and promotion	1.0%	1.5%
Training	0.5%	0.9%
Policy/freight	1.2%	1.6%
Tools and supplies	1.0%	0.9%
Equipment and vehicle maintenance	1.0%	3.7%
Sick/holiday – technicians	-	5.1%
Selling gross profit	70.1%	60.9%
Selling gross per technician	-	\$7,300
Selling gross per employee	\$13,100	\$4,241

Dealership overheads

	% Gross
Administration and salaries	6.8%
Training	0.0%
FBT (net of contributions)	0.6%
Payroll tax	0.0%
Superannuation	0.8%
Long service leave	0.0%
Rent (or mortgage interest)	8.5%
Rates and taxes	0.8%
Property maintenance/outside services	1.6%
Telephone	0.5%
Insurance (including workers compensation)	1.5%
Office supplies/stationery	0.7%
Professional fees	1.2%
Data processing	1.5%
Bank charges and taxes	0.5%
Interest (overdraft/working capital)	0.6%
Bad debts	0.0%
Depreciation	1.6%
Electricity	0.5%
Travel and entertainment	0.5%
Miscellaneous	4.5%
Total fixed expenses	32.7%

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 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 segment tend to focus on the margin side of the volume/margin equation.

As with the rest of the industry, the average Luxury Market dealer experienced a downturn in vehicle sales due to COVID early in 2020, and then saw the unexpected uplift in vehicle margins in the second half of the year. While this lifted New & Used profitability, there was a softening in F&I Income. Both the parts and service departments also improved their Gross Profit margins. Overall, the average Luxury dealer saw stronger levels of net profit in 2020 than the year before.

Despite the slight creep up in overhead expenses, Luxury dealers actually saw a slight improvement in net profit for the year.

For these dealers, the "Big 5" metrics to focus on for 2021 are

1. Net profit as a % of sales	3.7 – 4.1%
2. Selling gross profit per new vehicle sold	\$5,175
3. Total gross profit per used vehicle retailed	\$6,000
4. Parts & Service Absorption	56%
5. Overheads as a % of dealership gross profit	39.2%

A note about these benchmarks

Benchmarking is an excellent method of monitoring performance and setting goals – this is especially true in times of change when traditional approaches to business may no longer be as valid. These benchmarks are a measure of 'best practice' in the current environment 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 interpretations of these benchmarks please contact us at www.eprofitfocus.com

Total dealership

Trading summary

Net profit as % of sales	3.7-4.1%
Days to dealership breakeven*	20-22

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

Dealership structure	Orientation	GP %
New	34%	9-10%
Used	21%	9-11%
Parts	18%	24-26%
Service	27%	68-70%
	100%	14-15%
Front end (vehicle operations)	55%	
Back end (fixed operations)	45%	
Finance and insurance income	5.6% of total gross	
Other income and incentives	4.5% 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 long time frame tend to have a slight front-end bias to their operations.

People

Gross per employee per month	\$15,000-\$17,000
Net profit per employee per month	\$4,800

Vehicle operations

Product	New	Used
Gross per unit*	\$9,000-\$9,500	\$6,000
Used/new ratio (retail)	n/a	1.4
Days supply	70	45-55
Stock turns p.a.	5	7-8
Gross ROI**	59%	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	8-10	10-11
Gross per salesperson per month	\$83,250	\$63,000

Finance and Insurance (F&I)

F&I Product	New	Used
Finance penetration	29%	21%
Finance income per contract	\$2,350	\$2,000
Finance per retail unit sold	\$930	\$430
Insurance per retail unit sold	\$75	\$210
F&I selling gross per vehicle retailed		\$640

People

Vehicles retailed per F&I staff per month	30-35
Salaries and commissions as a % of income	28.3%
F&I income per dept employee per month	\$18,000

Fixed operations

Parts department	Sales mix %	GP %
Retail/counter	14%	25%
Wholesale/trade	25%	21%
Workshop	41%	33%
Warranty	18%	18%
Internal	4%	18%
Total	100%	24-26%
Operational benchmarks		
Days supply		30
Stock turns p.a.		12
Monthly sales per employee		\$81,000
Monthly gross per employee		\$21,000
\$ Sales per \$ salary		\$22.00

Service department	Sales mix %	GP %
Labour		
– Retail	70%	80%
– Warranty	18%	76%
– Internal	13%	79%
Total labour sales	100%	75%
Sublet sales		10%
Total gross profit (% sales)		68-70%
Operational benchmarks		
Performance index (Productivity x Efficiency)		95-105%
Monthly labour sales per technician		\$16,000
Monthly labour gross per technician		\$11,000
Parts/labour ratio		\$1.20
Ratio of chargeable to non-chargeable		1.4
Parts and service absorption		56%
Retention – relative service size**		\$7,300

**Labour sales per new retail unit sold per month

Department profitability

Vehicle operations	New		Used	
	% Gross	\$/Unit	% Gross	\$/Unit
Gross profit*	100%	\$9,000-9,500	100%	\$6,000
Sales staff salaries & comms	20.5%	1,896	20.3%	1,218
Manager salaries & comms	5.6%	518	6.4%	384
Other salaries	2.1%	194	2.2%	132
Aftermarket salaries & comms	0.0%	0	0.0%	0
Pre-delivery costs	2.0%	185	-	-
Free service/policy	0.5%	46	-	-
Used warranty	-	-	0.6%	36
Advertising	8.7%	805	5.9%	354
Training	0.5%	46	0.1%	6
Floorplan	3.0%	278	1.7%	102
Demonstrator expenses	1.2%	111	0.5%	30
Selling gross profit	56.0%	\$5,040-5,320	68%	\$4,080
Selling gross per salesperson		\$56,923		\$39,223
Selling gross per employee		\$56,943		\$21,863

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

Fixed operations	Parts % gross	Service % gross
Salaries (non-chargeable)	19.3%	27.1%
Advertising and promotion	1.7%	0.9%
Training	0.2%	0.8%
Policy/freight	1.5%	2.1%
Tools and supplies	0.1%	1.3%
Equipment and vehicle maintenance	1.4%	3.1%
Sick/holiday – technicians	-	7.3%
Selling gross profit	75.7%	57.0%
Selling gross per technician	-	\$6,100
Selling gross per employee	\$15,000	\$3,178

Dealership overheads

	% Gross
Administration and salaries	6.4%
Training	0.2%
FBT (net of contributions)	1.3%
Payroll tax	0.0%
Superannuation	0.8%
Long service leave	0.0%
Rent (or mortgage interest)	12.3%
Rates and taxes	0.8%
Property maintenance/outside services	1.1%
Telephone	0.4%
Insurance (including workers compensation)	1.9%
Office supplies/stationery	0.4%
Professional fees	1.2%
Data processing	1.4%
Bank charges and taxes	0.9%
Interest (overdraft/working capital)	0.9%
Bad debts	0.0%
Depreciation	4.2%
Electricity	0.8%
Travel and entertainment	0.1%
Miscellaneous	4.0%
Total fixed expenses	39.2%

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 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%
	100%	100%

*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

Conversion ratios	AVG staff	Top staff
Enquiries/leads**	100%	100%
Appointments*	70%	92%
Test drives*	45%	73%
Offers*	33%	58%
Sales*	22%	35%
F&I contracts*	7%	12%

Units per month (based on BM)	Volume	Luxury
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

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.

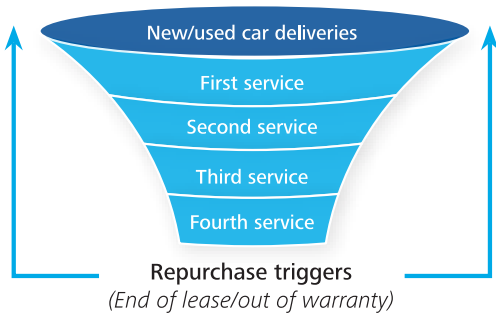
Service retention

Year after purchase	Metro	Rural
Handover/follow-up service	100%	100%
First year	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

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	142%
Repeat customers	193%

* 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%



Your Deloitte Motor Industry Services contacts are:

Dale McCauley
DMcCauley@deloitte.com.au

Lee Peters
LePeters@deloitte.com.au

Alex Hamilton
ahamilton@deloitte.com.au

Deloitte.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries bringing worldclass capabilities, insights, and high-quality service to address clients’ most complex business challenges. To learn more about how Deloitte’s approximately 245,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

About Deloitte New Zealand

Deloitte New Zealand brings together more than 1200 specialist professionals providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Hamilton, Rotorua, Wellington, Christchurch and Dunedin, serving clients that range from New Zealand’s largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website www.deloitte.co.nz.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

© 2021 Deloitte Touche Tohmatsu.