

The 2019 Deloitte Motor Industry Services Dealership Benchmarks

It is our pleasure to present the 2019 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.

2018 was a year of challenges for the motor vehicle industry. With constant year on year growth in both new and used vehicle volume (since 2012), the used vehicle import market in 2018 decreased by 10% on 2017 to around 147,000 units. However, new vehicle sales again reached another all-time high, growing to just over 161,000 units, a very slight increase on 2018 (1%).

The benchmarks that follow reflect a challenging 2018 with pressures on market volumes and grosses impacting on dealer profitability and growth. Top 30% dealers continuing to deliver near 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 2019, 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 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

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Total dealership – Volume 2019

Trading summary

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

* Average Dealer NP%\$ 1.2%

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

Dealership structure	Orientation	GP %
New	28%	6-7%
Used	18%	9-11%
Parts	17%	23-25%
Service	37%	60-62%
	100%	13-14%

Front end (vehicle operations)	46%
Back end (fixed operations)	54%
Finance and insurance income	8% 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	\$3,000

Vehicle operations

Product	New	Used
Gross per unit*	\$2,400-2,600	\$2,200
Used/new ratio (retail)	n/a	0.8
Days supply	60	70
Stock turns p.a.	6	5
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.

People	New	Used
Units per sales staff per month	12-14	11-13
Gross per salesperson per month	\$32,000-34,000	\$25,000-27,000

Finance and Insurance (F&I)

F&I Product	New	Used
Finance penetration	32%	32%
Finance income per contract	\$1,300	\$1,100
Finance per retail unit sold	\$420	\$350
Insurance per retail unit sold	\$20	\$20

F&I selling gross per vehicle retailed	\$400
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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	\$26,000

Fixed operations

Parts department	Sales mix %	GP %
Retail/counter	11%	26%
Wholesale/trade	26%	18%
Workshop	30%	30%
Warranty	12%	10%
Internal	21%	16%
Total	100%	23-25%

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	\$17

Service department	Sales mix %	GP %
Labour		
- Retail	64%	72%
- Warranty	14%	70%
- Internal	22%	70%
Total labour sales	100%	72%
Sublet sales		14%
Total gross profit (% sales)		60-62%

Operational benchmarks

Performance index (productivity x efficiency)	95-105%
Monthly labour sales per technician	\$17,000-18,000
Monthly labour gross per technician	\$10,000-11,000
Parts/labour ratio	\$0.90
Ratio of chargeable to non-chargeable	2.0
Parts and service absorption	68%
Retention - relative service size**	\$2,500

**Labour sales per new retail unit sold per month

Department profitability

Vehicle operations	New		Used	
	% Gross	\$/Unit	% Gross	\$/Unit
Gross*	100%	2,500	100%	2,200
Sales staff salaries and comms	27%	675	29%	638
Manager salaries and comms	4%	100	5%	110
Other salaries	4%	100	6%	132
Pre-delivery costs	6.5%	162	-	-
Free service/policy	1%	25	-	-
Used warranty	-	-	5%	110
Advertising	9%	225	8%	176
Floorplan	7.5%	188	4%	88
Demonstrator expenses	3%	75	3%	66
Selling gross	38%	\$950	40%	\$880

Selling gross per salesperson	\$13,000	\$11,000
Selling gross per employee	\$6,600	\$7,000

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

Fixed operations	Parts % gross	Service % gross
Salaries (non-chargeable)	28%	26%
Advertising and promotion	1%	1%
Training	1%	2%
Policy/freight	1%	2%
Tools and supplies	1%	1%
Equipment and vehicle maintenance	1%	4%
Sick/holiday - technicians	-	4%
Selling gross	67%	60%

Selling gross per technician	-	\$7,000
Selling gross per employee	\$15,000	\$4,600

Department profitability

	% Gross
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	1.4%
Bank charges and taxes	0.6%
Interest (overdraft/working capital)	1.2%
Bad debts	0.1%
Depreciation	2.5%
Electricity	0.8%
Travel and entertainment	0.7%
Miscellaneous	4.7%
Total fixed expenses	38.0%

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)
- 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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Total dealership – Luxury 2019

Trading summary

Net profit as % of sales*	3.6-3.8%
Days to dealership breakeven**	23-25

* Average Dealer NP%\$ 1.5%

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

Dealership structure	Orientation	GP %
New	36%	8-9%
Used	17%	9-10%
Parts	17%	24-26%
Service	30%	62-64%
	100%	14-15%

Front end (vehicle operations)	53%
Back end (fixed operations)	47%
Finance and insurance income	6% 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	\$4,500

Vehicle operations

Product	New	Used
Gross per unit*	\$7,000-7,500	\$4,500
Used/new ratio (retail)	n/a	0.75
Days supply	70	65
Stock turns p.a.	5	6
Gross ROI**	45%	58%

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

Finance and Insurance (F&I)

F&I Product	New	Used
Finance penetration	28%	26%
Finance income per contract	\$2,500	\$2,000
Finance per retail unit sold	\$700	\$520
Insurance per retail unit sold	\$60	\$60

F&I selling gross per vehicle retailed	\$620
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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	\$32,000

Fixed operations

Parts department	Sales mix %	GP %
Retail/counter	14%	22%
Wholesale/trade	28%	22%
Workshop	35%	30%
Warranty	12%	9%
Internal	11%	20%
Total	100%	24-26%

Operational benchmarks

Days supply	30
Stock turns p.a.	12
Monthly sales per employee	\$100,000
Monthly gross per employee	\$25,000
\$ Sales per \$ salary	\$18

Service department	Sales mix %	GP %
Labour		
- Retail	66%	76%
- Warranty	14%	66%
- Internal	20%	72%
Total labour sales	100%	72%
Sublet sales		15%
Total gross profit (% sales)		62-64%

Operational benchmarks

Performance index (productivity x efficiency)	95-110%
Monthly labour sales per technician	\$19,000
Monthly labour gross per technician	\$14,000
Parts/labour ratio	\$1.20
Ratio of chargeable to non-chargeable	1.8
Parts and service absorption	60%
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%	7,250	100%	4,500
Sales staff salaries and comms	24%	1,740	24%	1,080
Manager salaries and comms	5%	363	5%	225
Other salaries	3%	218	4%	180
Pre-delivery costs	4%	290	-	-
Free service/policy	1%	73	-	-
Used warranty	-	-	2%	90
Advertising	9%	653	9%	405
Floorplan	8%	580	5%	225
Demonstrator expenses	2%	145	1%	45
Selling gross	44%	\$3,190	50%	\$2,250

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

Fixed operations	Parts % gross	Service % gross
Salaries (non-chargeable)	28%	32%
Advertising and promotion	1%	1%
Training	1%	1%
Policy/freight	1%	2%
Tools and supplies	1%	2%
Equipment and vehicle maintenance	1%	4%
Sick/holiday – technicians	-	4%
Selling gross	67%	54%

Selling gross per technician	-	\$8,000
Selling gross per employee	\$17,000	\$4,500

Department profitability

	% Gross
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)	1.5%
Bad debts	0.1%
Depreciation	1.7%
Electricity	0.8%
Travel and entertainment	0.6%
Miscellaneous	4.8%
Total fixed expenses	38.0%

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



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.

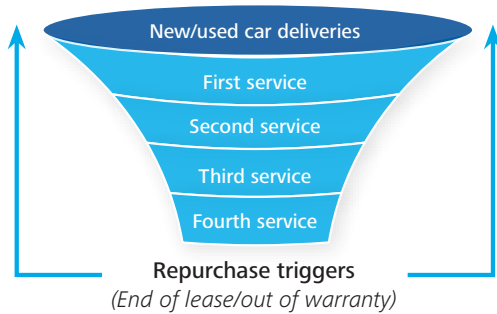
Service retention

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%



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