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2021 Dealership Benchmarks

Motor Industry Services

Cars | Australia

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 Australian car market.

The starting point for these benchmarks has always been the data uploaded to the eProfitFocus system by more than 900 dealers in the Australian 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.

This year, while we still followed this broad methodology, we needed to account for the unusual conditions imposed on the market by COVID-19. A brief overview of way we approached this can be found on page 5.

The benchmarks are split into three categories: the Volume Market, the Prestige 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**

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Market Overview

2020: A year like no other

As 2020 was, by no means, a standard year we felt it was important to summarise the turmoil that Australian dealers faced during the year, and to provide some insight into the way that we sifted through dealer performances to develop the 2021 benchmarks.

The Australian automotive industry entered 2020 on a run of declining new car volumes that stretched back to the middle of 2018. In Q1 2020, the new car market was down -13% against 2019[1]. Dealer profitability – which was largely tied to an incentive-driven business model that rewarded increasing volume – had declined in line with the volumes and, by the first quarter of 2020, net profit as a percentage of sales (NP%S) for the average dealer in the eProfitFocus database had settled to 0.9%.

Then the COVID-19 virus arrived in the country in March, and authorities took decisive action to shut borders, limit the size of gatherings and enforce 'stay at home' conditions during most of the second quarter of the year. The impact on car sales was immediate and dramatic: just 38.926 units were sold in April. This was half the level of the month before and -49% down on April 2019.

Dealer profitability was also immediately impacted. Underlying profitability – excluding the JobKeeper support package – for the average dealer in April was -4.9% NP%S. The average new car salesperson across the country sold just 5 cars for the entire month, used car margins dropped by -41% as dealers liquidated stock, and revenue for Parts & Service both fell by around one-third from Q1 levels. Even though dealers managed to trim departmental expenses by almost 40%, and fixed expenses by almost 15%, overall dealership expenses were still equal to 150% of the average dealer's gross profit in the month of April.

There were signs of recovery in vehicle sales in May and June, however Q2 2020 was still down -27% against 2019. However, the industry was not idle during this time. Dealers continued to cut costs and, buoyed by the safety-net of JobKeeper, explored new approaches to selling cars and keeping their Fixed Operations teams busy. Brands were also busy, reviewing their dealer support programs to boost cashflow to their dealers. The result was a turn-around in profitability in May and June to the extent that the average dealer saw NP%S of 1.7% for Q2 2020 (excluding JobKeeper).

[1] National VFACTS report, Federal Chamber of Automotive Industries

In the second half of 2020, COVID-19 continued to make its presence felt through a series of lock-downs – most notably in Melbourne from August to October. However, it was the indirect impacts of COVID-19 that had a most unexpected impact on the motor industry in Australia.

When COVID-19 emerged in early 2020, it led to the shut-down of factories across the globe. For Australia, where cars spend weeks on water to get here, the factory closures in Q2 turned into gaps in supply in the market in Q3 and Q4. Just as supply tightened in the market, there was an unexpected uplift in demand: in response to COVID, a significant portion of Australians swapped public transport for private vehicles[2]. Further, with borders effectively closed, many of these consumers found themselves with money to spend that would otherwise have been spent on travel.

The result was a gradual uplift in vehicle sales. In Q3 2020, even while the national picture was impacted by the lockdown in Melbourne, it was clear that the market was returning to pre-COVID levels. By Q4, with Victoria opening back up, demand had grown further and sales in both November and December 2020 were c. 10% higher than 2019.

The combination of this growing demand with the tight supply was good news for the industry. As New Car Days Supply dropped below 50 days in Q4, new car gross profit rose to c. $3,400 per unit (up from c. $2,300 in Q1). This uplift in vehicle margins, in dealerships that had squeezed out all unnecessary costs, led to an average NP%S across the industry of over 3% in Q4 (excluding JobKeeper). Over the year, the industry had seen months with NP%S as low as -4.9% and as high as +4.6%, and the average dealer finished with a full year profit of 1.7% NP%S.

[2] Global Automotive Consumer Survey 2021, Deloitte Touche Tohmatsu

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 fourth quarter of 2020. The data showed us that the elements that go towards dealership performance in a post-COVID world had stabilized by Q4 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 Q4 2020 that would not last indefinitely. Some of those were institutional, such as the JobKeeper 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 Q4.

This analysis allowed us to normalize the Q4 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.

Dealership performance metrics during 2020

Due to the abnormal nature of 2020, we felt it was important to record the way some of the key dealership performance metrics evolved during the year. We do this partly for posterity and partly to provide additional context for the Benchmarks that follow in the rest of this booklet.

Please note that the table shows average dealer performance across the whole industry, while the benchmarks on the following pages are drawn from the Top 30% of dealers in each of the market segments.

Selected Dealership Metrics	Q1	Q2/Q3	Q4
Net Profit as % Sales (excl JobKeeper)	0.9%	1.9%	3.2%
Gross Profit Orientation			
New	31%	31%	36%
Used	16%	19%	20%
Parts	15%	14%	12%
Service	38%	35%	32%
F&I % total gross profit	12%	11%	11%
Vehicles			
New vehicles per salesperson / mth	12.8	10.4	13.3
New gross profit per unit*	$2,334	$2,984	$3,428
New vehicle Days Supply	62	55	46
Used retails per salesperson / mth*	16.7	16.7	14.1
Used gross profit per unit	$2,266	$2,700	$3,655
Finance & Insurance			
Finance penetration – New	26%	31%	31%
Finance income per contract - New	$2,556	$2,279	$2,409
Fixed Operations			
Parts gross per employee / mth	$21,507	$18,442	$18,531
Labour gross per technican / mth	$15,612	$13,847	$14,589
Dealership Overheads			
Overheads as % of total gross profit	53%	50%	44%

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 – and to a certain extent vehicle sales – in the second half of the year. The net result for the average Volume Market dealer was an uplift in New & Used profitability which, despite weak F&I results and a growth in overheads, lifted 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	3.3 - 3.8%
2. Selling gross profit per new vehicle sold	$1,507 - $1,707
3. Total gross profit per used vehicle retailed	$2,750 - $2,950
4. Parts & Service Absorption	45- 50%
5. Overheads as a % of dealership gross profit	41.4%

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 900 dealers.

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

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

Total dealership

Trading summary	
Net profit as % of sales	3.3-3.8%
Days to dealership breakeven*	22

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

Dealership structure	Orientation	GP %
New	37%	9-11%
Used	20%	10-12%
Parts	12%	21-24%
Service	31%	66-68%
	100%	14-16%
Front end (vehicle operations)	57%	
Back end (fixed operations)	43%	
Finance and insurance income	9.2% of total gross	
Other income and incentives	9.2% of total gross	

Orientation = Where does the gross come from?

GP% = How strong are my margins?

Note these orientation benchmarks provide a guide for achieving above average results in the market today. However, businesses that deliver sustainable results over a longer time frame tend to have a slight front-end bias to their operations.

People	
Gross per employee per month	$15,000
Net profit per employee per month	$4,000

Vehicle operations

Product	New	Used
Gross per unit*	$3,150-$3,350	$2,750-$2,950
Used/new ratio (retail)	n/a	0.50
Days supply	45-55	45-55
Stock turns p.a.	7-8	7-8
Gross ROI**	72%	95%

* 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	14-15
Gross per salesperson per month	$42,250	$39,900

Finance and Insurance (F&I)

F&I Product	New	Used
Finance penetration	29-33%	20-25%
Finance income per contract	$2,500-$2,700	$2,250-$2,450
Finance per retail unit sold	$730	$450
Insurance per retail unit sold	$70	$65

F&I selling gross per vehicle retailed	$805

People	
Vehicles retailed per F&I staff per month	45-50
Salaries and commissions as a % of income	24%
F&I income per dept employee per month	$30,000

Fixed operations

Parts department	Sales mix %	GP %
Retail/counter	5%	28%
Wholesale/trade	16%	17%
Workshop	37%	33%
Warranty	20%	9%
Internal	22%	22%
Total	100%	21-24%

Operational benchmarks	
Days supply	40-45
Stock turns p.a.	8-9
Monthly sales per employee	$90,000
Monthly gross per employee	$20,500
$ Sales per $ salary	$22.00

Service department	Sales mix %	GP %
Labour		
– Retail	60%	77%
– Warranty	12%	70%
– Internal	28%	79%
Total labour sales	100%	76%
Sublet sales		12%
Total gross profit (% sales)		66-68%
Operational benchmarks		
Performance index (Productivity x Efficiency)		95-105%
Monthly labour sales per technician		$18,000
Monthly labour gross per technician		$13,500
Parts/labour ratio		$0.74
Ratio of chargeable to non-chargeable		1.1-1.5
Parts and service absorption		45-50%
Retention – relative service size**		$1,900

**Labour sales per new retail unit sold per month

Department profitability

Vehicle operations	New %Gross	New $/Unit	Used % Gross	Used $/Unit
Gross*	100%	$3,150-3,350	100%	$2,750-2,950
Sales staff salaries & comms	15.1%	491	16.9%	481
Manager salaries & comms	8.2%	267	7.3%	208
Other salaries	3.2%	104	3.4%	96
Aftermarket salaries & comms	1.8%	59	0.2%	6
Pre-delivery costs	7.5%	244	–	–
Free service/policy	1.3%	42	–	–
Used warranty	–	–	1.7%	49
Advertising	4.3%	140	7.3%	208
Training	0.1%	3	0.1%	1
Floorplan	6.8%	221	2.0%	56
Demonstrator expenses	2.2%	72	1.4%	40
Selling gross profit	49.5%	$1,507-$1,707	59.7%	$1,611-1,811

	New	Used
Selling gross per salesperson	$20,950	$23,850
Selling gross per employee	$10,050	$12,450

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

Fixed operations	Parts % gross	Service % gross
Salaries (non-chargeable)	22.0%	21.8%
Advertising and promotion	0.5%	0.6%
Training	0.1%	0.9%
Policy/freight	1.1%	1.5%
Tools and supplies	0.2%	0.5%
Equipment and vehicle maintenance	1.2%	3.3%
Sick/holiday – technicians	–	4.9%
Selling gross profit	74.8%	66.4%
Selling gross per technician	–	$10,600
Selling gross per employee	$15,000	$5,850

Dealership overheads

	% Gross
Administration and salaries	8.2%
Training	0.1%
FBT (net of contributions)	0.4%
Payroll tax	2.6%
Superannuation	4.5%
Long service leave	0.4%
Rent (or mortgage interest)	10.2%
Rates and taxes	1.4%
Property maintenance/outside services	2.5%
Telephone	0.5%
Insurance (including workers compensation)	2.8%
Office supplies/stationery	0.5%
Professional fees	0.5%
Data processing	1.6%
Bank charges and taxes	0.5%
Interest (overdraft/working capital)	0.5%
Bad debts	0.1%
Depreciation	1.5%
Electricity	0.9%
Travel and entertainment	0.2%
Miscellaneous	1.5%
Total fixed expenses	41.4%

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.

Prestige Market


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Prestige 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 Prestige Market segment tend to focus on finding a balance in the volume/margin equation.

While COVID predictably reduced vehicle sales in the second quarter of 2020, it also unexpectedly boosted vehicle margins in the second half of the year. This, in turn, lifted New & Used profitability for the average Prestige dealer, as well as providing modest gains in F&I. There was some growth in Fixed Overheads in the segment, but not enough to stop net profit from rising overall over the previous year.

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

1. Net profit as a % of sales	3.0 - 3.5%
2. Selling gross profit per new vehicle sold	$1,689 - $1,989
3. Total gross profit per used vehicle retailed	$2,950 - $3,250
4. Parts & Service Absorption	45 - 50%
5. Overheads as a % of dealership gross profit	42.1%

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 900 dealers.

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

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

Total dealership

Trading summary	
Net profit as % of sales	3.0-3.5%
Days to dealership breakeven*	22

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

Dealership structure	Orientation	GP %
New	38%	9-11%
Used	18%	11-13%
Parts	13%	21-24%
Service	31%	66-68%
	100%	15-17%

Front end (vehicle operations)	57%
Back end (fixed operations)	43%
Finance and insurance income	8.6% of total gross
Other income and incentives	5.5% 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 longer time frame tend to have a slight front-end bias to their operations.

People	
Gross per employee per month	$17,600
Net profit per employee per month	$3,800

Vehicle operations

Product	New	Used
Gross per unit*	$3,600-$3,900	$2,950-$3,250
Used/new ratio (retail)	n/a	0.50
Days supply	45-55	45-55
Stock turns p.a.	7-8	7-8
Gross ROI**	75%	99%

* 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	15-16
Gross per salesperson per month	$48,750	$46,500

Finance and Insurance (F&I)

F&I Product	New	Used
Finance penetration	30-35%	20-24%
Finance income per contract	$2,000-$2,200	$2,000-$2,200
Finance per retail unit sold	$740	$440
Insurance per retail unit sold	$95	$60
F&I selling gross per vehicle retailed	$940	

People	
Vehicles retailed per F&I staff per month	43-48
Salaries and commissions as a % of income	25%
F&I income per dept employee per month	$31,500

Fixed operations

Parts department	Sales mix %	GP %
Retail/counter	5%	26%
Wholesale/trade	24%	16%
Workshop	37%	30%
Warranty	20%	11%
Internal	14%	20%
Total	100%	21-24%
Operational benchmarks		
Days supply		45-55
Stock turns p.a.		7-8
Monthly sales per employee		$101,700
Monthly gross per employee		$22,700
$ Sales per $ salary		$22.98

Service department	Sales mix %	GP %
Labour		
– Retail	62%	77%
– Warranty	12%	72%
– Internal	26%	78%
Total labour sales	100%	76%
Sublet sales		13%
Total gross profit (% sales)		66-68%
Operational benchmarks		
Performance index (Productivity x Efficiency)		90-100%
Monthly labour sales per technician		$19,900
Monthly labour gross per technician		$14,700
Parts/labour ratio		$0.81
Ratio of chargeable to non-chargeable		1.1-1.5
Parts and service absorption		45-50%
Retention – relative service size**		$2,200

**Labour sales per new retail unit sold per month

Department profitability

	New		Used	
Vehicle operations	**% Gross**	**$/Unit**	**% Gross**	**$/Unit**
Gross profit*	100%	$3,600–3,900	100%	$2,950 – 3,250
Sales staff salaries & comms	14.9%	559	15.6%	484
Manager salaries & comms	7.8%	293	7.0%	217
Other salaries	3.5%	131	2.5%	78
Aftermarket salaries & comms	1.8%	68	0.2%	6
Pre-delivery costs	8.2%	308	–	–
Free service/policy	1.0%	38	–	–
Used warranty	–	-	1.8%	56
Advertising	5.5%	206	6.6%	205
Training	0.1%	54	0.1%	3
Floorplan	6.0%	225	1.6%	50
Demonstrator expenses	2.1%	79	1.7%	53
Selling gross profit	49.1%	$1,689-1,989	62.9%	$1,798-2,098
Selling gross per salesperson		$24,000		$35,300
Selling gross per employee		$11,700		$18,000

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

Fixed operations	**Parts % gross**	**Service % gross**
Salaries (non-chargeable)	21.2%	21.3%
Advertising and promotion	0.3%	0.4%
Training	0.1%	0.8%
Policy/freight	2.2%	1.5%
Tools and supplies	0.3%	0.7%
Equipment and vehicle maintenance	1.2%	3.6%
Sick/holiday – technicians	–	4.9%
Selling gross profit	**74.7%**	**66.8%**
Selling gross per technician	–	$11,800
Selling gross per employee	$17,000	$6,400

Dealership overheads

	% Gross
Administration and salaries	8.1%
Training	0.1%
FBT (net of contributions)	0.5%
Payroll tax	2.5%
Superannuation	4.2%
Long service leave	0.4%
Rent (or mortgage interest)	10.7%
Rates and taxes	1.6%
Property maintenance/outside services	2.6%
Telephone	0.4%
Insurance (including workers compensation)	2.5%
Office supplies/stationery	0.4%
Professional fees	0.4%
Data processing	1.5%
Bank charges and taxes	0.6%
Interest (overdraft/working capital)	0.4%
Bad debts	0.1%
Depreciation	2.1%
Electricity	0.9%
Travel and entertainment	0.3%
Miscellaneous	1.8%
Total fixed expenses	42.1%

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, as well as F&I income, it was partly offset by a softening in Parts revenue. Overall, however, the average Luxury dealer saw stronger levels of net profit in 2020 than the year before.

Together with cost savings across all areas of their business, 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	3.1 - 3.6%
2. Selling gross profit per new vehicle sold	$2,001 - $2,301
3. Total gross profit per used vehicle retailed	$2,850 - $3,150
4. Parts & Service Absorption	45 - 50%
5. Overheads as a % of dealership gross profit	43.1%

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 900 dealers.

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

Total dealership

Trading summary	
Net profit as % of sales	3.1-3.6%
Days to dealership breakeven*	22

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

Dealership structure	Orientation	GP %
New	40%	10-12%
Used	15%	9-11%
Parts	14%	20-23%
Service	31%	64-66%
	100%	15-17%
Front end (vehicle operations)	55%	
Back end (fixed operations)	45%	
Finance and insurance income	6.6% of total gross	
Other income and incentives	14.6% of total gross	

Orientation = Where does the gross come from?

GP% = How strong are my margins?

Note these orientation benchmarks provide a guide for achieving above average results in the market today. However, businesses that deliver sustainable results over a longer timeframe tend to have a slight front-end bias to their operations.

People	
Gross per employee per month	$15,000
Net profit per employee per month	$3,400

Vehicle operations

Product	New	Used
Gross per unit*	$4,450-$4,750	$2,850-$3,150
Used/new ratio (retail)	n/a	0.5
Days supply	45-55	45-55
Stock turns p.a.	7-8	7-8
Gross ROI**	73%	80%

* 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	10 -12	16 - 17
Gross per salesperson per month	$50,600	$48,000

Finance and Insurance (F&I)

F&I Product	New	Used
Finance penetration	31-35%	18-22%
Finance income per contract	$2,000-$2,200	$1,900-$2,100
Finance per retail unit sold	$810	$380
Insurance per retail unit sold	$120	$55

F&I selling gross per vehicle retailed	$720

People	
Vehicles retailed per F&I staff per month	40-45
Salaries and commissions as a % of income	24.5%
F&I income per dept employee per month	$43,000

Fixed operations

Parts department	Sales mix %	GP %
Retail/counter	9%	23%
Wholesale/trade	27%	15%
Workshop	32%	32%
Warranty	20%	12%
Internal	12%	17%
Total	100%	20-23%

Operational benchmarks	
Days supply	55-60
Stock turns p.a.	6-7
Monthly sales per employee	$114,500
Monthly gross per employee	$25,500
$ Sales per $ salary	$22.00

Service department	Sales mix %	GP %
Labour		
– Retail	58%	81%
– Warranty	16%	73%
– Internal	26%	81%
Total labour sales	100%	77%
Sublet sales		16%
Total gross profit (% sales)		64-66%

Operational benchmarks	
Performance index (Productivity x Efficiency)	90-100%
Monthly labour sales per technician	$19,500
Monthly labour gross per technician	$14,000
Parts/labour ratio	$0.90
Ratio of chargeable to non-chargeable	1.2-1.6
Parts and service absorption	45-50%
Retention – relative service size**	$2,500

**Labour sales per new retail unit sold per month

Department profitability

	New		Used	
Vehicle operations	**% Gross**	**$/Unit**	**% Gross**	**$/Unit**
Gross profit*	100%	$4,450–4,750	100%	$2,850– 3,150
Sales staff salaries & comms	16.6%	764	17.3%	519
Manager salaries & comms	7.6%	350	7.4%	222
Other salaries	3.3%	152	2.3%	69
Aftermarket salaries & comms	1.8%	83	0.2%	6
Pre-delivery costs	6.5%	299	–	–
Free service/policy	0.6%	28	–	–
Used warranty	–	–	1.4%	42
Advertising	7.4%	340	6.4%	192
Training	0.3%	14	0.1%	3
Floorplan	7.1%	327	2.4%	72
Demonstrator expenses	2.0%	92	0.6%	18
Selling gross profit	46.8%	$2,001-2,301	61.9%	$1,707-2,007
Selling gross per salesperson		$23,700		$29,700
Selling gross per employee		$11,200		$15,400

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

Fixed operations	**Parts % gross**	**Service % gross**
Salaries (non-chargeable)	22.1%	24.4%
Advertising and promotion	0.3%	0.5%
Training	0.2%	2.2%
Policy/freight	3.1%	1.6%
Tools and supplies	0.2%	1.0%
Equipment and vehicle maintenance	1.3%	5.0%
Sick/holiday – technicians	–	5.3%
Selling gross profit	**72.8%**	**60.0%**
Selling gross per technician	–	$10,700
Selling gross per employee	$18,500	$5,800

Dealership overheads

	% Gross
Administration and salaries	7.5%
Training	0.1%
FBT (net of contributions)	0.6%
Payroll tax	2.4%
Superannuation	4.2%
Long service leave	0.3%
Rent (or mortgage interest)	11.5%
Rates and taxes	1.5%
Property maintenance/outside services	2.5%
Telephone	0.5%
Insurance (including workers compensation)	2.7%
Office supplies/stationery	0.4%
Professional fees	0.6%
Data processing	1.4%
Bank charges and taxes	0.7%
Interest (overdraft/working capital)	0.6%
Bad debts	0.1%
Depreciation	2.1%
Electricity	0.9%
Travel and entertainment	0.2%
Miscellaneous	2.3%
Total fixed expenses	43.1%

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 Solutions

For benchmark dealers, CRM is a combination of the marketing, sales and service department 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 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, Prestige and Luxury segments.

CRM and marketing

Every customer relationship begins with effective marketing.

Marketing effectiveness means:

1. Generate as many high quality Leads as possible
2. Increase return on every dollar spent in marketing
3. Improve customer experience

Lead origin

Channel and enquiry type	New vehicle	Used vehicle
Dealership website	31%	10%
Phone-ins (website phone number)	21%	5%
Walk-ins (website solicited)	25%	7%
Online lead providers*	12%	70%
Phone-ins (traditional media only)	6%	5%
Walk-ins (traditional media only)	5%	3%
	100%	100%

*Average of all lead providers

Marketing/advertising costs

Per new vehicle	Volume	Prestige	Luxury
Benchmark dealers	$138	$205	$341
Average dealers	$173	$226	$331

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*	73%	95%
Test drives*	48%	75%
Offers*	30%	58%
Sales*	25%	36%
F&I contracts*	8%	13%

Units per month (based on BM)	Volume	Prestige	Luxury
Test drives*	27	27	23
Offers*	21	21	18
Sales*	13	13	11
F&I contracts*	4	5	4

* % 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

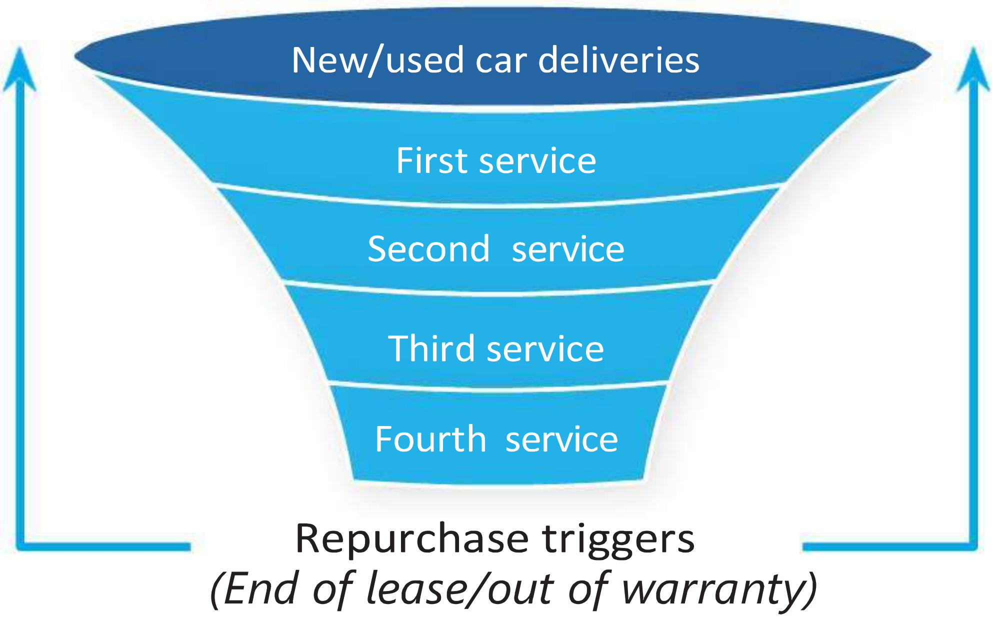
Service retention

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

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

The customer retention funnel

'Creating customers for life'



Repurchase intention

Customer type	Metro	Rural
All customers	33%	45%
F&I	50%	54%
Non-F&I	24%	37%

The Big 4 CRM measures

1. Customer orientation

New vehicle sales	Metro	Rural
Conquest customers (unsolicited)	62%	48%
Referral customers	13%	22%
Repeat customers	25%	30%
Total new vehicle sales	100%	100%

2. Customer profitability*

New vehicle customer profitability	National
Conquest customers (unsolicited)	100%
Referral customers	135%
Repeat customers	185%

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

3. Dealership advocacy**

Customer	National
Advocates – positive word of mouth	80%
Indifferent customers	18%
Detractors – negative word of mouth	2%

**The dealership's ability to create advocate customers.

4. Customers' perception of effort in dealing with dealership

Effort	National
Customers who perceive low levels of effort	82%
Customers who perceive neutral levels of effort	11%
Customers who perceive high levels of effort	7%

Contact us

Your Deloitte Motor Industry Services contacts are:

NSW/ ACT
Dale McCauley, Danny Rezek, David Haynes
DMcCauley@deloitte.com.au

VIC/ TAS/ SA
Lee Peters
LePeters@deloitte.com.au

QLD/ NT
Nathan Furness
NFurness@deloitte.com.au

WA
Lee Peters
LePeters@deloitte.com.au

Deloitte Motor Industry Services

Grosvenor Place, 225 George Street, Sydney, NSW, 2000, Australia
www.eprofitfocus.com | www.deloitte.com.au
eprofitfocus@deloitte.com.au

Benchmarking/ Reporting
Dale McCauley
DMcCauley@deloitte.com.au

Lee Peters
LePeters@deloitte.com.au

Talent Development/ Consulting/ Dealer Groups
Dale McCauley
DMcCauley@deloitte.com.au

Lee Peters
LePeters@deloitte.com.au

Audit/ Assurance/ Taxation
Nathan Furness
NFurness@deloitte.com.au

David Haynes
DavHaynes@deloitte.com.au

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