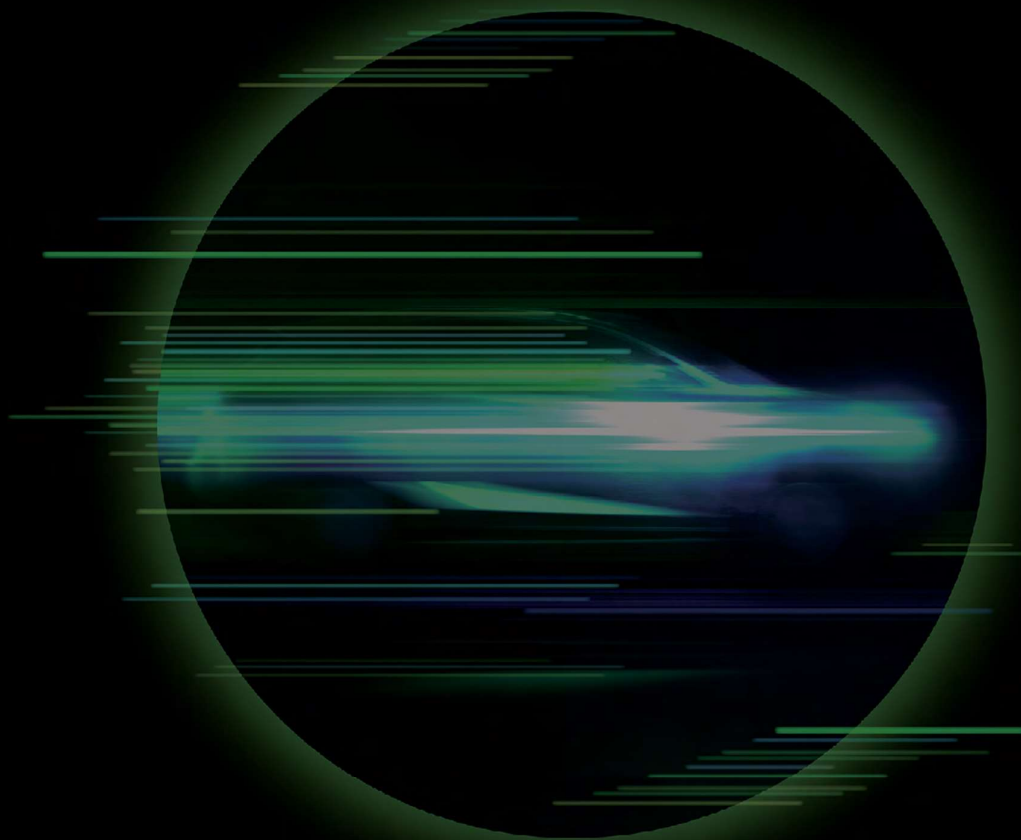


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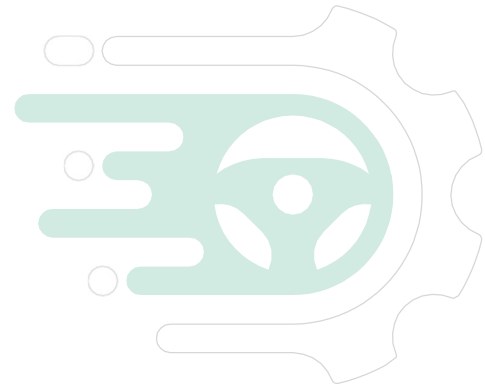


2023 Dealership Benchmarks

Profit*focus*[™]

Introduction

To help navigate these changing times, we are delighted to present our 2023 Dealership Benchmarks for the New Zealand car market.



In 2022, New Zealand dealers faced difficult conditions with falling volumes, tightening margins, and rising costs. We've looked into the data to provide a framework to help dealerships build a sustainable business in this environment.

The starting point for these benchmarks is the data uploaded to the eProfitFocus system by more than 180 dealers in the New Zealand market in the 12 months leading up to the benchmark period. 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, form the reference point.

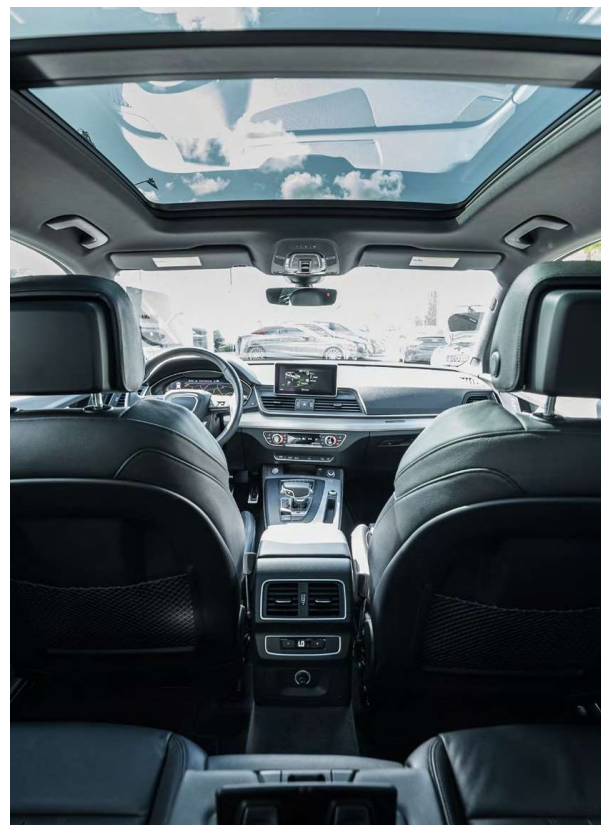
This ensures that the benchmarks are always tied to actual levels of performance that are achievable in the prevailing market. We then review this raw data in the light of industry trends and long-held best practices to derive a set of benchmarks.

After two years of pandemic-driven disruption, we have again been able to call on a full 12 months' data from the eProfitFocus database for our benchmarks. However, while COVID is largely behind us, its ripples are still being felt across various aspects of the industry.

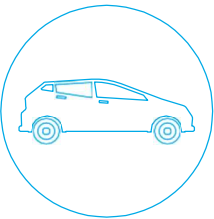
To counter this and provide a robust set of benchmarks for 2023, we have pooled all the data together to develop a single set of benchmarks that cover the overall light vehicle market.

Previously this booklet has included Customer Retention Management (CRM) guidelines. We are revising these guidelines and aim to publish them separately later this year.

We are always happy to discuss any aspect of these benchmarks, so please feel free to contact a member of the Deloitte team listed at the back of this booklet or at www.eprofitfocus.com



Contents



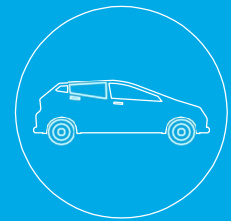
Light vehicle market benchmarks	4
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Contact us	11
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Light vehicle market





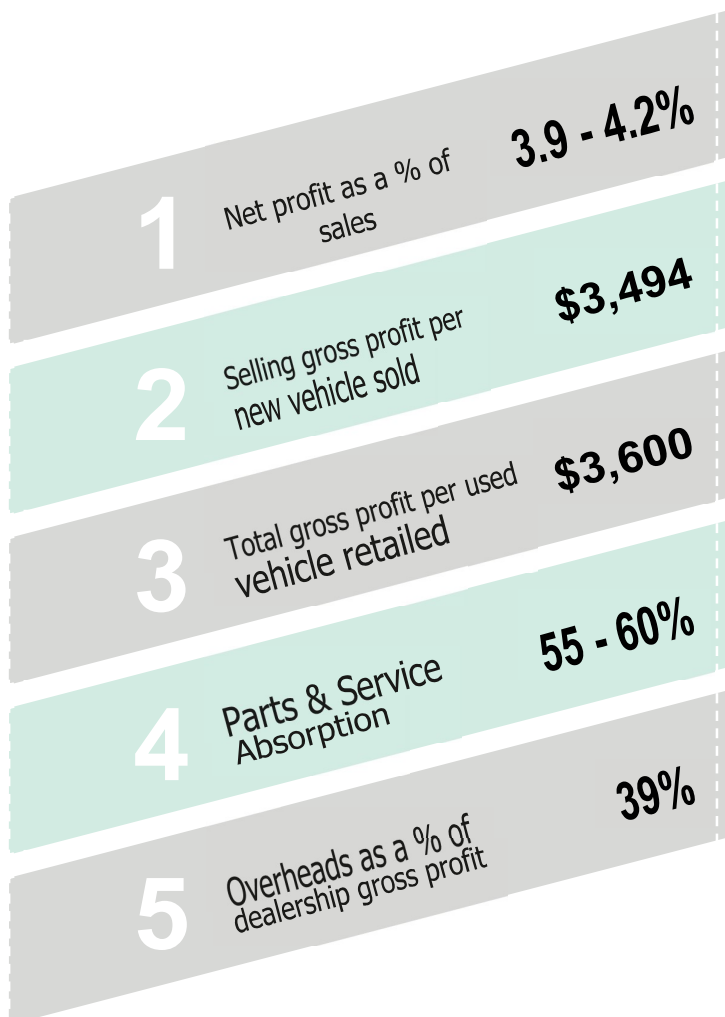
Light Vehicle Market benchmarks

Our dealership benchmarks help dealers assess their performance against a hypothetical high performing business running an operation in the same market.

In 2022, the average dealer in New Zealand maintained strong new car margins but faced falling volumes and rising floorplan costs. Alongside this, used car margins fell back to pre-COVID levels. Despite some strong growth in retail work in the Service department, overall profitability for the average dealer in 2022 returned to pre-pandemic levels.

It should be noted that when new vehicles have greater impact on profit, there will also be greater volatility in profit as volumes fluctuate.

For New Zealand dealers, these are the top five metrics to focus on in 2023:



A note about these benchmarks

Benchmarking is an excellent method of monitoring performance and setting goals.

These benchmarks are a measure of best practice drawn from the top 30% of dealers in the eProfitFocus database, which features more than 180 dealers.

This booklet is intended as a guide to dealership performance. Some dealerships, due to certain geographic or demographic circumstances, cannot achieve all the guidelines.

For help clarifying and interpreting these benchmarks please contact us at www.eprofitfocus.com

Total dealership

Trading summary

Net profit as % of sales	3.9 - 4.2%
Days to dealership breakeven*	22

* Based on a standard month of 30 days

Dealership structure	Orientation	GP %
New*	44%	8-12%
Used	17%	10-13%
Parts	13%	26-29%
Service	26%	62-67%
	100%	14-16%
Front end (vehicle operations)	61%	
Back end (fixed operations)	39%	
Finance and insurance income	7% of total gross	
Other income and incentives	2% of total gross	

Orientation = Where does the gross profit come from?

GP% = Gross Profit % Sales. How strong are my gross 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 only slight front-end bias to their operations.

* New vehicle GP% in the Volume segment tends to be in the range 8-10%, with margins in the Luxury segment in the range 10-12%

People

Gross per employee per month	\$13,500
Net profit per employee per month	\$11,200

Vehicle operations

Product	New	Used
Gross profit per unit*	4,600-6,600	3,200-3,800
Used/new ratio (retail)	n/a	0.60
Days supply	70-75	75-85
Stock turns p.a.	5 to 6	4 to 5
Gross ROI**	61%	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*	8-12	8-10
Gross profit per salesperson per month	\$56,000	\$32,400

* The Volume market tends to see 10–12 new units / month, with 6-8 in Luxury.
Used units tend to be 9-11 in the Volume market and 7-9 in the Luxury market.

Finance and Insurance (F&I)

F&I Product	New	Used
Finance penetration	26-30%	26-29%
Finance income per contract	\$2,700-\$2,900	\$1,820-\$2,050
Finance per retail unit sold	\$785	\$535
Insurance per retail unit sold	\$15	\$65
F&I selling gross per vehicle retailed (new & used)		\$504

People	
Vehicles retailed per F&I staff per month	48
Salaries and commissions as a % of income	27%
F&I income per dept employee per month	\$33,650

Fixed operations

Parts department	Sales mix %	GP %
Retail/counter	22%	29%
Wholesale/trade	14%	25%
Workshop	39%	31%
Warranty	14%	20%
Internal	11%	23%
Total	100%	26-29%

Operational benchmarks	
Days supply	35 - 45
Stock turns p.a.	9 to 10
Monthly sales per employee	\$69,550
Monthly gross per employee	\$19,000
\$ Sales per \$ salary	\$17.90

Service department	Sales mix %	GP %
Labour		
• Retail	70%	71%
• Warranty	9%	58%
• Internal	21%	68%
Total Labour Sales	100%	66%
Sublet sales		18%
Total gross profit (% sales)		62-67%
Operational benchmarks		
Performance index (productivity x efficiency)		90-100%
Monthly labour sales per technician		\$15,500
Monthly labour gross per technician		\$10,250
Parts/labour ratio		0.73
Ratio of chargeable to non-chargeable		1.4
Parts and service absorption		55 - 60%
Retention—relative service size**		\$2,600 - \$3,600

**Labour sales per new retail unit sold per month.
This tends to be \$2500 - \$3500 in Volume and \$3500 - \$4500 in Luxury

Department profitability

		New		Used
Vehicle operations	% Gross	\$/Unit	% Gross	\$/Unit
Gross Profit*	100%	4600-6600	100%	3200-3800
Sales staff salaries and comms	18.9%	1059	18.6%	669
Manager salaries and comms	3.2%	179	3.2%	115
Aftermarket salaries and comms	0.2%	10	0.2%	8
Other salaries	1.8%	101	0.5%	18
Pre-delivery costs	1.5%	84	-	-
Free service/policy	0.5%	28	-	-
Used warranty	-	-	1.3%	47
Advertising	6.2%	347	4.7%	169
Training	0.1%	6	0.1%	4
Floorplan	4.1%	230	1.8%	65
Demonstrator expenses	1.1%	62	2.5%	90
Selling gross profit	62.4%	\$3,494	67.1%	\$2,415
Selling gross profit per salesperson		\$34,900		\$21,740
Selling gross profit per employee		\$20,366		\$11,565

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

Fixed operations	Parts % gross	Service % gross
Salaries (non-chargeable)	22.1%	26.1%
Advertising and promotion	1.5%	0.9%
Training	0.1%	0.9%
Policy/freight	0.9%	0.8%
Tools and supplies	0.1%	1.0%
Equipment and vehicle maintenance	0.9%	4.4%
Sick/holiday—technicians	–	6.8%
Selling gross profit	74.4%	59.1%
Selling gross profit per technician	–	\$7,930
Selling gross profit per employee	\$14,100	\$4,590

Dealership overheads

	% Gross
Administration and salaries	7.3%
Training	0.1%
FBT (net of contributions)	0.9%
Payroll tax	0.1%
Superannuation	1.1%
Long service leave	0.1%
Rent (or mortgage interest)	10.6%
Rates and taxes	1.0%
Property maintenance/outside services	2.1%
Telephone	0.4%
Insurance (including workers compensation)	1.6%
Office supplies/stationery	0.6%
Professional fees	1.6%
Data processing	1.3%
Bank charges and taxes	0.5%
Interest (overdraft/working capital)	1.6%
Bad debts	0.1%
Depreciation	2.0%
Electricity	0.7%
Travel and entertainment	0.6%
Management fees	0.2%
Miscellaneous	4.6%
Total fixed expenses	39%

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.

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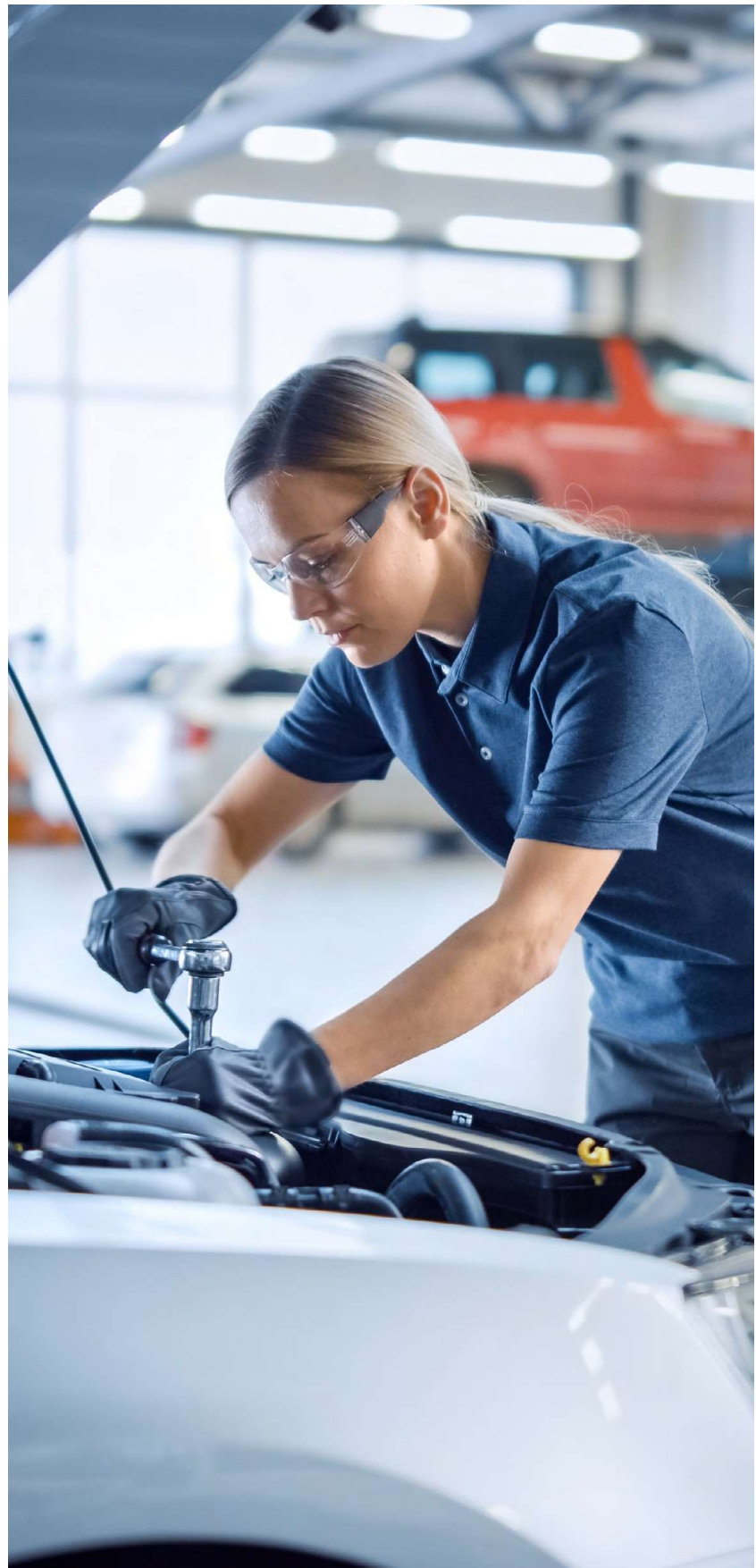
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