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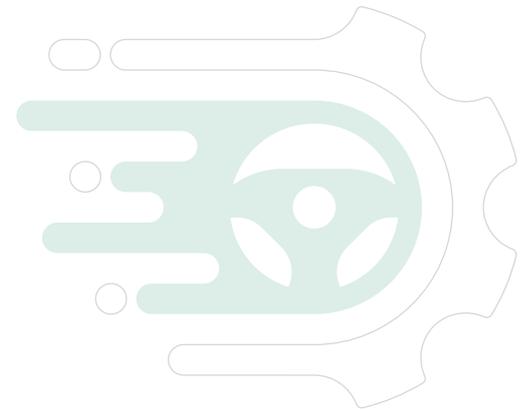
2024 Dealership Benchmarks

Deloitte | New Zealand

Profit*focus*[™]

Introduction

To help navigate these changing times, we are delighted to present our 2024 Dealership Benchmarks for the New Zealand car market.



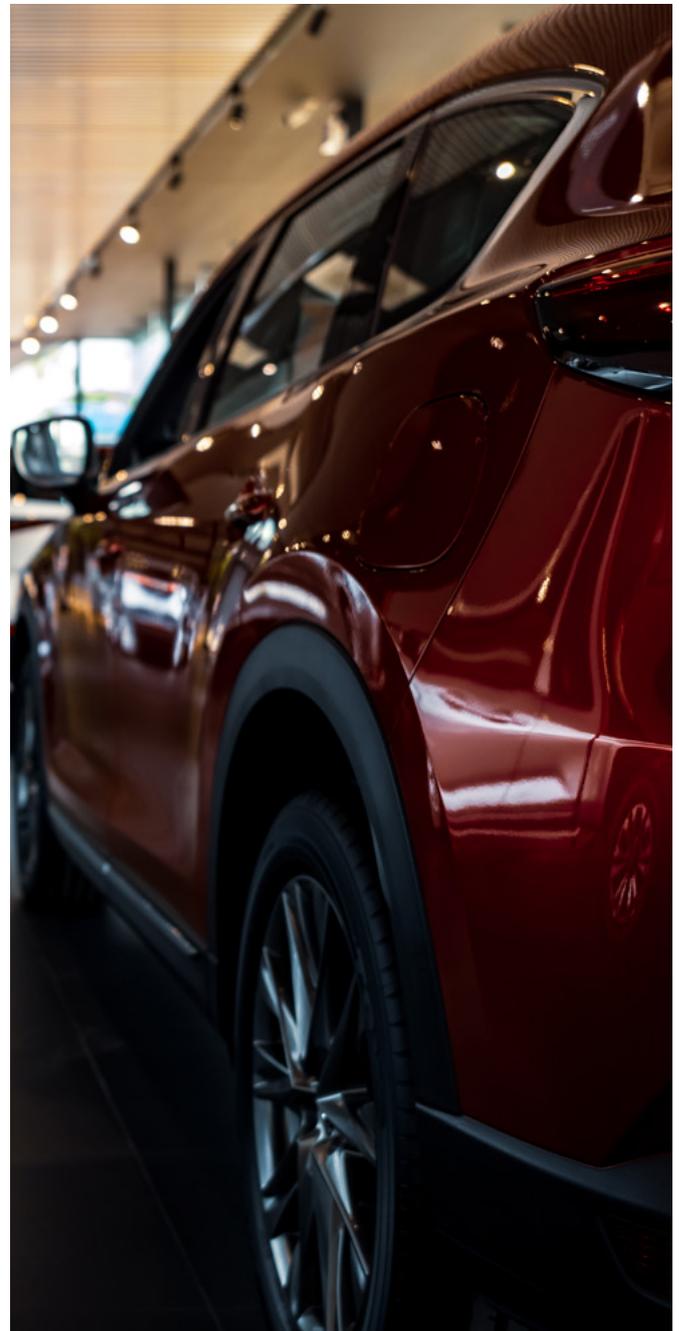
In 2023 New Zealand dealers faced a turbulent marketplace. Major influences such as the general cost of living situation, a government change and the change in the clean car standard impacted various sectors in the market pre-year end, some sectors enjoying accelerated focus (EV's) and others causing the moratorium of deliveries until post January 1, 2024.

However, there was a clear underlying trend of benchmark performance across the strongest dealers, these trends are reflected in the performance data published in this booklet.

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.

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.deloitte.com/au/en/products/profitfocus.

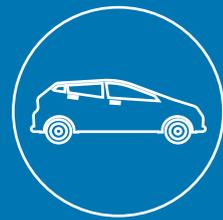




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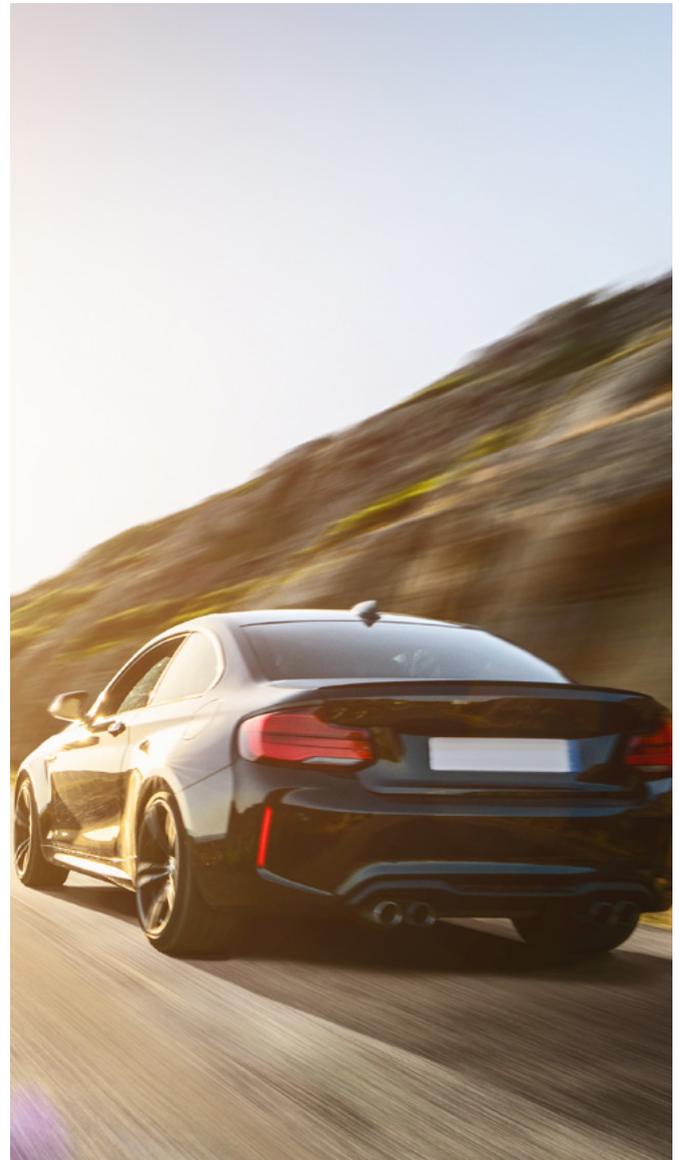


Light Vehicle Market benchmarks

In 2023 the average New Zealand dealer enjoyed strong new-car volumes in the first half of the year, however the lead up to the election then combined with delayed rules around the clean car standard caused significant market volatility in the second half of the year. At the same time used car values were consistent in the first half yet volatile in the second-half, so combined with rising floorplan costs and general expense creep, this lead to challenging market conditions for many in the second half. This only highlights the importance of aftersales for the continued stability of a retail dealership in New Zealand. Nevertheless, net profits for the full year remained higher than pre-Covid levels.

Whilst new car volumes are imperative for dealerships health, so is the overall balance of GP contribution between each department.

For New Zealand dealers, these are the top five metrics to focus on in 2024:



1 Net profit as a % of sales **4.0—4.3%**

2 Selling gross profit per new vehicle sold **\$2,662**

3 Total gross profit per used vehicle retailed **\$4,100**

4 Parts & Service Absorption **56—60%**

5 Overheads as a % of dealership gross profit **32%**

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.deloitte.com/au/en/products/profitfocus

Total dealership

Trading summary

| | |
|-------------------------------|------------|
| Net profit as % of sales | 4.0 - 4.3% |
| Days to dealership breakeven* | 21 |

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

Dealership structure

Orientation

GP %

| | | |
|--------------------------------|-------------------|--------|
| New* | 38% | 7-11% |
| Used | 18% | 8-11% |
| Parts | 15% | 26-29% |
| Service | 29% | 62-66% |
| | 100% | 13-15% |
| Front end (vehicle operations) | 56% | |
| Back end (fixed operations) | 44% | |
| Finance and insurance income | 7% of total gross | |
| Other income and incentives | 3% 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 7-9%, with margins in the Luxury segment in the range 10-11%

People

| | |
|-----------------------------------|----------|
| Gross per employee per month | \$15,200 |
| Net profit per employee per month | \$5,000 |

Vehicle operations

Product

New

Used

| | | |
|-------------------------|-------------|-------------|
| Gross profit per unit* | 4,000-6,000 | 3,700-4,300 |
| Used/new ratio (retail) | n/a | 0.70 |
| Days supply | 50-60 | 60-70 |
| Stock turns p.a. | 6 to 7 | 5 to 6 |
| Gross ROI** | 66% | 64% |

* 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* | 10-14 | 9-10 |
| Gross profit per salesperson per month | \$60,000 | \$39,360 |

* The Volume market tends to see 12-14 new units / month, with 8-10 in Luxury. Used units tend to be 10-11 in the Volume market and 8-9 in the Luxury market.

Finance and insurance (F&I)

| F&I product | New | Used |
|---|-------------|-------------|
| Finance penetration | 30-36% | 35-40% |
| Finance income per contract | 2,600-2,800 | 2,100-2,300 |
| Finance per retail unit sold | 890 | 825 |
| Insurance per retail unit sold | 17 | 109 |
| F&I selling gross per vehicle retailed (new & used) | | \$739 |

| People | |
|---|--------|
| Vehicles retailed per F&I staff per month | 37-42 |
| Salaries and commissions as a % of income | 27% |
| F&I income per dept employee per month | 31,100 |

Fixed operations

| Parts department | Sales mix % | GP % |
|----------------------------|--------------------|-------------|
| Retail/counter | 9% | 32% |
| Wholesale/trade | 30% | 25% |
| Workshop | 36% | 30% |
| Warranty | 11% | 19% |
| Internal | 14% | 28% |
| Total | 100% | 26-29% |
| Operational benchmarks | | |
| Days supply | | 27-37 |
| Stock turns p.a. | | 11 to 12 |
| Monthly sales per employee | | 109,150 |
| Monthly gross per employee | | 29,950 |
| \$ sales per \$ salary | | \$23.40 |

| Service department | Sales mix % | GP % |
|---|-------------|-----------------|
| Labour | | |
| Retail | 66% | 73% |
| Warranty | 12% | 58% |
| Internal | 21% | 70% |
| Total labour sales | 100% | 67% |
| Sublet sales | | 17% |
| Total gross profit (% sales) | | 62-66% |
| Operational benchmarks | | |
| Performance index (productivity x efficiency) | | 95-105% |
| Monthly labour sales per technician | | \$19,000 |
| Monthly labour gross per technician | | \$13,000 |
| Parts/labour ratio | | 0.65 |
| Ratio of chargeable to non-chargeable | | 1.3 |
| Parts and service absorption | | 56-60% |
| Retention—relative service size** | | \$2,220-\$3,220 |

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

This tends to be \$2000 - \$3000 in Volume and \$3000 - \$4000 in Luxury

Department profitability

| Vehicle operations | New | | Used | |
|--------------------------------------|--------------|--------------|--------------|--------------|
| | % Gross | \$/Unit | % Gross | \$/Unit |
| Gross profit* | 100% | 4,000-6,000 | 100% | 3,700-4,300 |
| Sales staff salaries and comms | 18.1% | 905 | 15.2% | 624 |
| Manager salaries and comms | 5.0% | 250 | 3.5% | 143 |
| Aftermarket salaries and comms | 0.2% | 8 | 0.1% | 4 |
| Other salaries | 3.7% | 185 | 1.4% | 57 |
| Pre-delivery costs | 3.0% | 150 | - | - |
| Free service/policy | 1.1% | 55 | - | - |
| Used warranty | - | - | 1.3% | 53 |
| Advertising | 8.0% | 400 | 3.6% | 148 |
| Training | 0.1% | 5 | 0.1% | 4 |
| Floorplan | 6.6% | 330 | 2.6% | 107 |
| Demonstrator expenses | 1.0% | 50 | 2.1% | 86 |
| Selling gross profit | 53.2% | 2,662 | 70.1% | 2,874 |
| Selling gross profit per salesperson | | \$31,900 | | \$27,591 |
| Selling gross profit per employee | | \$17,323 | | \$14,873 |

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

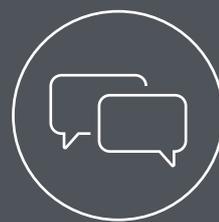
| Fixed operations | Parts % gross | Service % gross |
|-------------------------------------|----------------------|------------------------|
| Salaries (non-chargeable) | 17.4% | 25.0% |
| Advertising and promotion | 0.4% | 0.6% |
| Training | 0.1% | 0.7% |
| Policy/freight | 0.9% | 1.3% |
| Tools and supplies | 0.1% | 0.7% |
| Equipment and vehicle maintenance | 0.8% | 2.7% |
| Sick/holiday—technicians | – | 3.5% |
| Selling gross profit | 80.3% | 65.5% |
| Selling gross profit per technician | – | \$10,230 |
| Selling gross profit per employee | \$24,000 | \$5,750 |

Dealership overheads

| | % Gross |
|--|----------------|
| Administration and salaries | 5.8% |
| Training | 0.1% |
| FBT (net of contributions) | 0.7% |
| Payroll tax | 0.1% |
| Superannuation | 0.9% |
| Long service leave | 0.1% |
| Rent (or mortgage interest) | 9.9% |
| Rates and taxes | 0.9% |
| Property maintenance/outside services | 1.5% |
| Telephone | 0.3% |
| Insurance (including workers compensation) | 1.9% |
| Office supplies/stationery | 0.4% |
| Professional fees | 1.2% |
| Data processing | 1.4% |
| Bank charges and taxes | 0.3% |
| Interest (overdraft/working capital) | 1.3% |
| Bad debts | 0.1% |
| Depreciation | 1.9% |
| Electricity | 0.8% |
| Travel and entertainment | 0.6% |
| Management fees | 0.4% |
| Miscellaneous | 1.4% |
| Total fixed expenses | 32% |

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.

Contact us





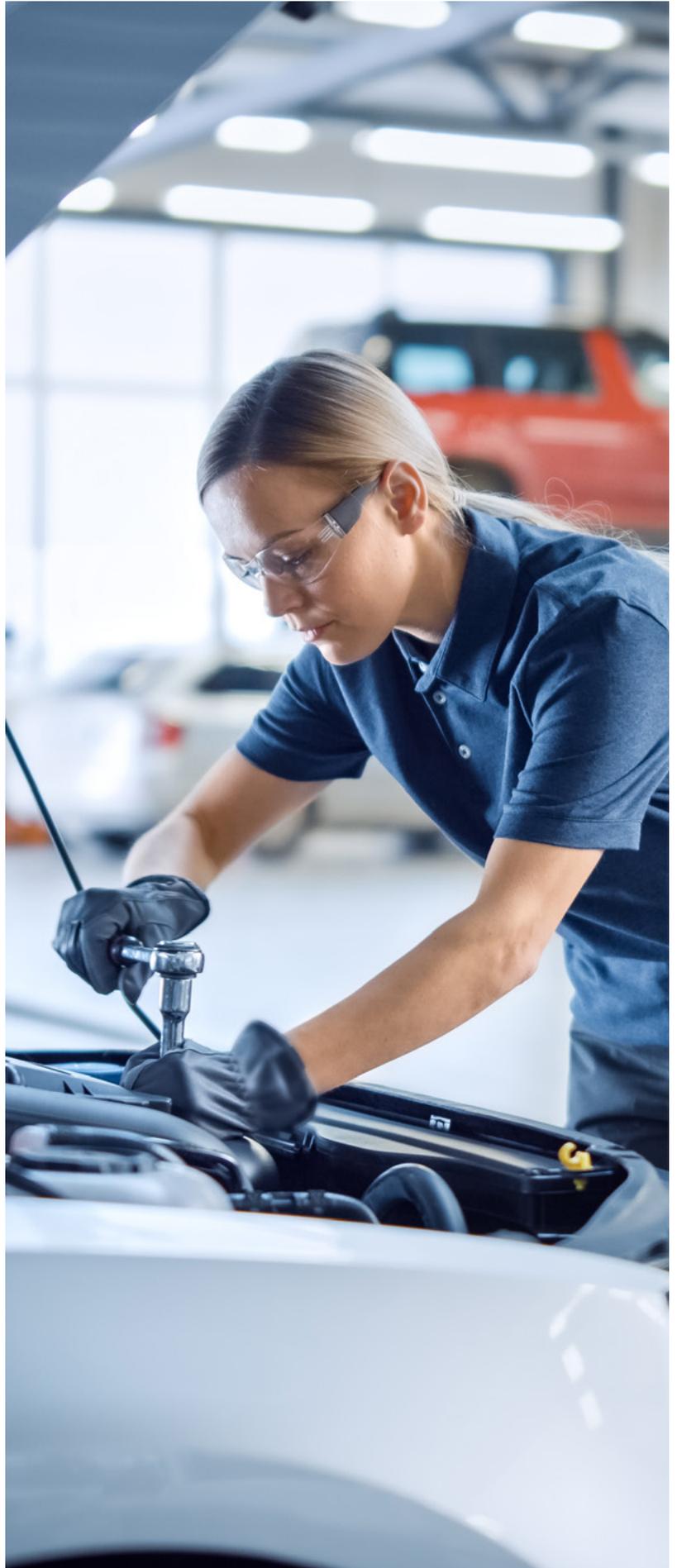
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