

The motor industry continues to evolve.

Rising fuel prices, smaller vehicles increasing market share, diesels gaining popularity, **large passenger segment suffering...**

Grant Thornton 



Dealership Benchmarks

September 2006

...but what does all this mean in terms of dealership profitability?

Clearly, many dealer operators are compelled to change and restructure in order to prosper in these challenging times!

Notwithstanding significant change, the fundamentals of sound business practice continue to shine through. In this update of our industry benchmarks, we have paid specific attention to the necessity of **improving employee productivity** while **increasing the contribution** of the after sales operations (parts and service).

Of late, we have focused heavily on the finance and insurance (F & I) area as this department offers significant profit potential.

We have observed that best–practice F & I operators enjoy excellent insurance commissions from residual **Gap Payout Insurance (GAP)** (**1 in 4** sales penetration) and **Consumer Credit Insurance (CCI)** (**1 in 10** sales penetration). By micro–managing F & I performance to this detailed level, best–practice returns can be achieved.

These benchmarks are used to identify areas of potential improvement. **It is far too easy to accept excuses...**

...as to why a dealership does not perform to its optimum.

Use these guidelines as a tool to identify areas of under-performance, given factors such as location, size and franchise.

Of course, Grant Thornton encourages all clients to contact us for an **action strategy** to attend to specific issues.

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Grant Thornton Motor Dealer Services is a specialist division of Grant Thornton in Melbourne. Our services are tailored to assist in addressing the challenges of the retail motor vehicle industry. By applying our industry knowledge, developed through our direct involvement with retail motor dealers, we strive to assist our clients in achieving best-practice results from their businesses.

Overall Dealership Benchmarks...

	Range *	Benchmark *
1 Contribution to gross profit (Mix)		
New vehicles	27–31%	30%
Used vehicles	16–20%	18%
Service	26–30%	26%
Parts & Accessories	12–17%	14%
Finance & Insurance	8–12%	12%
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2 Gross profit by department (% of sales – excluding F & I and other)		
New	5–8%	7%
Used	9–12%	10%
Service	65–70%	67%
Parts:		
– Dealer	24–28%	26%
– Distributor	19–22%	21%
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3 Total dealership gross profit (on sales)	12–14%	13%
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4 Total dealership net profit (on sales)	1.5–4%	2.5%

New and revised benchmarks have been printed in **green**.

* Range represents acceptable parameters, allowing for variations between franchises. Benchmark represents ideal current performance.

Overall Dealership Benchmarks...

	Range	Benchmark
5 Absorption of overheads by parts and service departments	55–65%	60%
6 Rent factor	–	7.5% Gross
7 Wages/commissions and payroll on-costs (% of gross)	–	42%
8 Administration – total expenses (% of gross)	–	30% max
9 Total gross per employee	\$9,500– \$11,000	\$10,500

New and revised benchmarks have been printed in **green**.

New and Used Benchmarks...

New

Benchmark

Expenses as a % of gross

Sales, salaries & commissions	20%
Advertising	8%
Floorplan	12%
Pre-delivery	10%
Free service	4%

Retail units per salesman
per month **14 min**

New vehicle retail gross per unit
(including Holdback) **\$2,000–\$2,500***

New vehicle fleet gross per unit
(including Holdback) **\$1,250***

Number of sales per inquiry **1:4**

Used

Benchmark

Expenses as a % of gross

Sales, salaries & commissions	23%
Policy	6%
Advertising	10%
Floorplan	6%

Gross profit per unit **\$2,500**

Units per salesman per month **12 min**

Number of sales per inquiry **1:4**

Number of sales per internet inquiry **1:7**

* Depends on franchise

F & I and Aftermarket Benchmarks...

Finance & Insurance (F & I) Benchmark

New

Finance contracts per new vehicles retailed	40%
Finance income per contract	\$1,000

Used

Finance contracts per used vehicles retailed	40%
Finance income per contract	\$1,000

Retail deals per F & I salesperson (new and used)	60–70
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Insurance New

Insurance income per new unit retailed	\$175
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Insurance Used

Insurance income per used unit retailed	\$125
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Insurance Penetration Rate (New & Used)

Payout Residual Gap Insurance (GAP)	25%
Consumer Credit Insurance (CCI)	10%

Aftermarket Benchmark

New

Penetration rate	45%
Aftermarket gross per sale	\$400

Used

Penetration rate	35%
Aftermarket gross per sale	\$300

New and revised benchmarks have been printed in green.

Service & Parts Profitability Benchmarks...

Benchmark

Service

Service, salaries % gross profit	25%
Labour sales per technician per month	\$11,000
Labour gross per technician	\$8,500
Productive staff to total staff	60–65%
Technicians per service advisor	5:1
Labour sales per retail RO	\$180
Labour hours per retail RO	2.0 hours
Parts sales per retail RO	\$90
Unapplied time (% of labour COS)	5% max

Gross % Sales

Retail	80%
Warranty	65%
Internal	75%
Body Shop	20%
Sublet	15%
Other – oil, grease and miscellaneous	60%
Overall	67%

Benchmark

Parts

Sales per \$ salary	14
Monthly sales per employee	\$44,000–\$52,000
Total gross per employee	\$11,000–\$13,000

Gross % Sales

Retail	36%
Wholesale	22%
Workshop	42%
Warranty	18%
Internal	22%

New and revised benchmarks have been printed in **green**.

Asset Management Benchmarks...

Receivables/Inventory days	Range *	Benchmark
A New cars	30–40	35
B Used cars	40–55	45
C Parts	35–45	45
D Vehicle debtors (non-fleet)	–	7
E P & S debtors credit sales only (excluding warranty)	–	45
F Fleet, bonus & warranty	–	30 days
G Holdback	Depends on manufacturer payment procedure	

* Watch lot size, reconditioning policy, campaign cars, price advantage cars and other specific characteristics of dealerships.

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