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A specialist part of Perpetual

Motor dealer services | Accounting & tax
Strategy & planning | Operational performance

2020 – a new benchmark tool for a
fresh review of your dealership...



Right now the motor industry is facing numerous challenges. Having experienced a significant reduction in the F&I opportunity, we are now dealing with stricter lending conditions (i.e. higher finance fallover rates) and a nervous consumer whose expectations have never been greater.

In this environment, the 'conquest sale' offers less returns and Dealers need to focus their efforts on their existing customer base. A combination of systematic, 'segmented' data base marketing, improving our 'digital reach' with our existing (and potential) customers, whilst truly working the service driveway for sale opportunities is where higher returns will be derived.

Having generated the customer activity, we need to ensure we achieve benchmarks in every department to maximise success in this challenging environment.

We trust that you will find our updated benchmarks highly useful in this regard.

Front cover, pictured from left:
David Buckley, Frank Genobile, Adrian Palone,
Laura Rogers and Neil Cahir.

Fordham Motor Dealer Services

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.

Benchmarks

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, allowing for factors such as location, size and franchise.

Of course, Fordham Motor Dealer Services encourages all clients to contact us for an action strategy to attend to any specific issues.

Contact us

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Overall benchmarks

Contribution to gross profit (mix)

	National	Top 10	Benchmark
New vehicles	28%	24%	26%
Used vehicles	13%	12%	12%
Service	30%	32%	32%
Parts and accessories	14%	14%	14%
Finance & insurance/Aftermarket	15%	18%	16%
Total	100%	100%	100%

Gross profit by department

Percentage of sales excluding finance and insurance and other

	National	Top 10	Benchmark
New	6%	7%	6–8%
Used	11%	12%	12–14%
Service	66%	70%	68–72%
Parts: Dealer	24%	25%	24–27%
Parts: Distributor			21%

Total dealership gross profit

	National	Top 10	Benchmark
On sales	14%	17%	13–15%

Total dealership net profit

	National	Top 10	Benchmark
On sales	+/-2%	5%+	2.5–3.5%

Department benchmark performance grid

Gross profit % sales
Direct expenses % sales
Selling gross % sales

Please note New and revised benchmarks have been printed in blue. **Benchmark** represents ideal current performance. **Top 10** represents the top market leaders. We aim to give dealers a precise understanding of their own performance relative to the top market leaders. **1** Assumes 100% retail sales. **2** Reflects F&I/Aftermarket gross profit (after cost of sales).

Service gross per new vehicle sold

	National	Top 10	Benchmark
	\$2,500	\$3,000	\$3,000

Absorption of overheads by parts and service departments

	National	Top 10	Benchmark
	52%	65%	60–70%

Rent factor

	Benchmark
Metro dealer	8–10% gross
Provincial dealer	7–8% gross
Rural dealer	6–7% gross

Wages/commissions and payroll on-costs

	Benchmark
Percentage of gross	40%

Administration: Total expenses

	Benchmark
Percentage of gross	30–35%

Total gross per employee

	National	Top 10	Benchmark
	\$11,000	\$16,000	\$14,000

Rule of thumb

	Benchmark
Total sales per employee	\$1,000,000 min

	New ¹	Used	F&I/Aftermarket	Service	Parts
	8%	14%	100% ²	70%	27%
	5.5%	8.4%	30%	27%	9%
	2.5%	5.6%	70%	43%	18%

ent performance. **National** represents an Australia-wide average return on investment.

overall performance against those achieving an average return on their investment and market

New and used

New Expenses as a percentage of gross

	National	Top 10	Benchmark
Sales/Salaries/Commissions	32%	33%	20–25%
Advertising	14%	12%	10–12%
Floorplan	15%	12%	11–13%
Pre-delivery	18%	13%	10%
Free service	4%	3%	3%
Retail units per salesman/month	14	16	15 min
Gross per employee/month	\$24.5K	\$38.4K	\$30–37.5K
New vehicle retail gross per unit (including holdback)	\$1,750	\$2,400	\$2,000–2,500*
New vehicle fleet gross per unit (including holdback)			\$750–1,000*
Selling gross % gross			25–30%
Selling gross income PNUR			\$500–750
Number of sales per inquiry			1:3.5

Used Expenses as a percentage of gross

	National	Top 10	Benchmark
Sales/Salaries/Commissions	26%	23%	23–25%
Policy	3%	3%	3%
Advertising	13%	12%	10–12%
Floorplan	3%	3%	3–4%
Gross profit per unit	\$2,100	\$2,300	\$2.3–2.5K
Selling gross % gross			35–40%
Selling gross income PUUR			\$805–1,000
Units per salesman/month	15	15	15
Gross per employee/month			\$34.5–37.5K
Number of sales per internet inquiry			1:5
Gross ROI			100% min
New:Used retail ratio	Metro (1: x)		1:0.45
	Provincial		1:0.75
	Rural		1:1
Used retail: Wholesale ratio (1: x)			1:1

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Finance & insurance (F&I)

Finance: New	National	Top 10	Benchmark
Finance contracts per new vehicles retailed	35%	40%	40%
Finance income per contract	\$2,000	\$2,500	\$2–2.5K
Finance income PNUR	\$650	\$1,000	\$650–1,000
Finance: Used	National	Top 10	Benchmark
Finance contracts per used vehicles retailed	30%	35%	30–35%
Finance income per contract	\$2,000	\$2,500	\$2–2.5K
Finance income PUUR	\$600	\$875	\$600–875
Finance: New and used	National	Top 10	Benchmark
Retail deals per F&I salesperson	55	60	50–60
Insurance: New	National	Top 10	Benchmark
Insurance contract % new vehicle retailed	15%	20%	15–20%
Insurance income per contract	\$333	\$500	\$350–500
Insurance income PNUR	\$50	\$100	\$75–100
Insurance: Used	National	Top 10	Benchmark
Insurance contract % used vehicle retailed	15%	20%	15–20%
Insurance income per contract	\$660	\$750	\$660–750
Insurance income PUUR	\$100	\$150	\$125–150
Insurance penetration rate: New			Benchmark
Comprehensive Insurance PNUR			20%
Extended Warranty PNUR			10%
Extended Warranty PUUR			30%
F&I personnel expenses	National	Top 10	Benchmark
Retail deals per F&I salesperson (new & used)			50–60
F&I personnel expenses	27%	22%	20–25%
F&I income per employee/month	\$38.5K	\$58K	\$45–50K

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Overall performance against those achieving an average return on their investment and market

Service and parts

Service profitability

	National	Top 10	Benchmark
Service salaries % gross profit			30–35%
Labour sales per technician/month	\$16,000	\$19,000	\$17–19K
Labour gross per technician/month	\$12,000	\$15,000	\$13.5–15K
Productive staff to total staff %	60%	60%	60%
Technicians per service advisor			5:1
Labour sales per retail RO	\$200	\$220	\$220
Labour hours per retail RO	1.55	1.7	1.7
Parts to labour ratio			\$0.65
Parts sales per retail RO	\$90	\$110	\$110–120
Unapplied time (% of labour COS)	7.5%	5%	5%
Selling gross % gross			60%
Gross % of sales	National	Top 10	Benchmark
Retail	79%	80%	80%
Warranty	62%	66%	65%
Internal	75%	75%	75%
Body shop			20%
Sublet	13%	15%	15%
Other: Oil, grease and misc	60%	67%	67%
Overall	65%	70%	70%

Parts profitability

	National	Top 10	Benchmark
Sales per \$ salary	\$15	\$20	\$20–22
Sales per employee/month	\$70K	\$100K	\$75–100K
Total gross per employee/month	\$16K	\$25K	\$20–25K
Selling gross % gross	55%	67%	65–69%
Gross % of sales	National	Top 10	Benchmark
Retail	33%	34%	33%
Wholesale	20%	24%	22%
Workshop	38%	40%	40%
Warranty	12%	12%	12%
Internal	22%	20%	20%
Total	25%	27%	27%

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Aftermarket

New		National	Top 10	Benchmark
Penetration rate				50%
Aftermarket gross per sale				\$600–800
Aftermarket income PNUR		\$280	\$400	\$300–400
Used		Benchmark		
Penetration rate				25%
Aftermarket gross per sale				\$430–570
Aftermarket income PUUR		\$110	\$200	\$150–200
Aftermarket PNUR (penetration rate)		Benchmark		
Interior/Exterior protection packs				25%
Tint				33%
Retail deals per AM salesperson (new & used)				80–100

Asset management

Receivables/Inventory days		National	Top 10	Benchmark
A	New cars	66	50	45–50
B	Used cars	69	50	40–50
C	Parts	48	40	40
D	Vehicle debtors (non-fleet)			7
E	P&S debtors credit sales only (excluding warranty)			45
F	Fleet, bonus and warranty	30 days if possible		
G	Holdback	Depends on manufacturer payment procedure		

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Selling gross expense categories

Gross profit

Less: Variable expenses
Commissions & incentives sales
Managers
Commissions & incentives
Salespersons
New vehicle pre-delivery
New vehicle free service
Used vehicle maintenance & policy
Commission adjustments
Less: Personnel expenses
Salaries sales manager
Salaries salespersons
Salaries & wages other
Workers' compensation
Superannuation
Payroll taxes
FBT
Leave: Sick, annual & long service
Less: Semi-variable expenses
New & used vehicle interest
Floorplan
Service equipment:
Depreciation & maintenance
Service rework & goodwill
Service tools & supplies
Service & parts freight & packing
Parts policy adjustments
Advertising
Promotion
Company vehicles
Training
Other direct expenses

Equals: Selling gross

Selling gross

Less: Administration/Fixed
Less: Personnel expenses
Salaries & wages
Workers' compensation
Superannuation
Payroll taxes
Employee benefits
Company vehicle
Travel & entertainment
Fringe benefits tax
Leave: Sick, holiday & annual
Less: Total financial
Bad debts
Insurance: Buildings
Insurance: Other
Other interest & charges
Other taxes and fees
Less: Total occupancy
Interest: Mortgage
Rent & Lease
Depreciation & maint: Buildings
Amort. of leasehold improvements
Equipment: Depreciation & maint
Heat, light & power
Rates & taxes
Less: Other fixed
Printing & stationery
Telephone, fax, postage
EDP charges
Consulting fees
Dealership advertising
Training
Less: Total expenses

Equals: Net profit

The motor dealer wealth journey

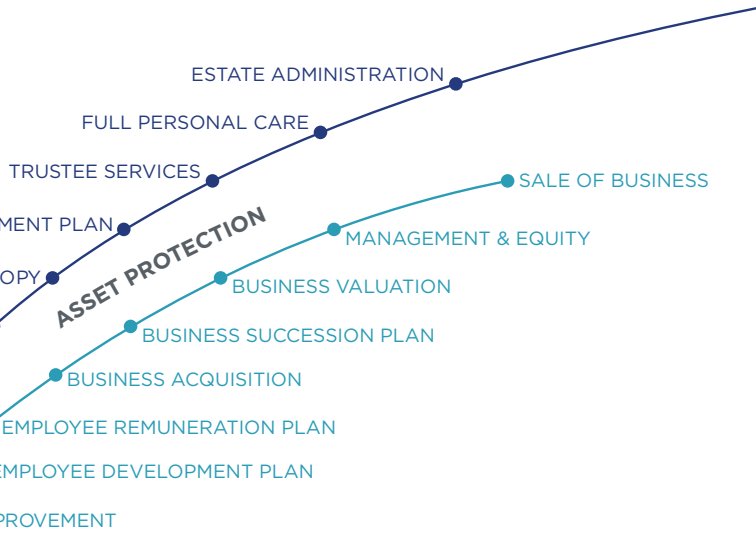
Our clients expect us to understand their business, help them with their problems, guide them in their planning, show them how to build profit and value and ultimately deal with the sale of their business.

As such, Fordham Motor Dealer Services offers a range of valuable services to assist our clients throughout their business and personal lives.



Individually these services often impact on others. To ensure the best possible outcome their delivery requires a highly integrated approach and a thorough understanding of all services in their entirety. They should not be undertaken in isolation and require significant skill, experience and knowledge to deliver.

With over thirty years of helping dealership owners through good times and bad, Fordham Motor Dealer Services has a huge body of knowledge and the skills to meet any issue.





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