



November/December 2023

THE MOTOR DEALER REPORT FROM AUSWILD & CO
PO Box 527 Kogarah NSW 1485
Chartered Accountants and Dealer Management Services

Website: www.auswild.com.au
Telephone: (02) 9588 0100
Facsimile: (02) 9588 7865

Measuring Your Dealership's Success

Dealerships and measurement do not always go hand in hand. After all, dealers have better things to do, like selling cars, than come up with ways to figure out how well they are doing. Still, this can mean that inefficiencies can fly under the radar and get embedded in the dealership processes.

There is some justifiable confusion about what Key Performance Indicators (KPIs) are. On the face of it, all KPIs are metrics, but not all metrics are KPIs. Metrics are anything that is measured – KPIs are the ones among that number that actually matter.

So let's take a look at some KPIs and finding what matters - from common KPI concerns to some of the most important KPIs your dealership might not be tracking.

Online Lead Response Time

When it comes to responding to leads, most dealerships are letting internet shoppers down. According to a recent study, over 18% of the dealerships never responded to online shopper requests.

On top of this, only 16% of dealerships responded within 15 minutes to online inquiries; and, the overall average internet lead response time was over 24 hours! If your online experience is supposed to showcase your on-the-yard experience (which it should), that is a major problem.

Can you imagine if you went to a dealership, asked about a car, and had to wait 24 hours until someone even spoke to you about it?

The same study also revealed that internet shoppers who get a response within 10 minutes are three times more likely to visit your dealership – and that is the importance of a timely lead response.

Our recommendation: Lead Response Time is a KPI you should be measuring. What is your dealership's average time? What can you do to bring it down?

Asset Management Efficiency

What is worse than a vehicle that has been sitting in the yard for weeks? Well, a vehicle that has been there for months! One of those helpful inventory specific KPIs is Vehicle Demand vs Inventory. This is a measure of what vehicles people are looking at most on your site compared to what you actually have on the yard.

For example, if your two top SUV models are getting 35% of the views on your dealership website, but they only make up 10% of your inventory, it would be a good idea to think about getting more of these on the yard.

This is one of those measures to consistently keep an eye on — trends change, and what people are browsing on your site can be a great indicator of which way the automotive wind is blowing.

Our recommendation: Begin paying close attention to Vehicle Demand vs Inventory. This KPI is a market compass that all dealerships should be using to manage inventory much more efficiently.

Sales and Service Connection

Like managing your inventory, connection between your dealership's sales and service departments should be of the utmost importance.

There are two equally important KPIs to track in this case:

- Percentage of Sales Customers That Use Your Dealership for Service
- Percentage of Service-First Customers That Bought Cars from Your Dealership

The first KPI helps track how well your dealership does at maintaining a relationship with customers after they drive away in their car. Did their experience at your dealership make them trust you to do their vehicle maintenance?

Hopefully, this percentage is high. If not, then it shows that is room for improvement and revenue generation. Start tracking this KPI today.

The second dealership success KPI helps show how well your dealership service department wins over customers. Did their experiences with service make them feel confident in this dealership?

According to one study, close to half of car shoppers reported that their experience in the service department "greatly influenced" their likelihood of buying another vehicle from the dealership. That is the sentiment this KPI focuses on, and the reason you should be tracking it.

Our recommendation: Look at the percentages of customers who formed a sales-service connection and implement sales and service initiatives to start improving those.

Repeat Customers

It is hard to argue that new car sales are the true heart of a dealership but repeat customers are the backbone of a dealership and one of the most important elements for true long-term market domination. This is therefore a key performance indicator that needs to be paid attention to.

The KPI to measure here is pretty simple: the percentage of your customers that are repeats. That should naturally be broken out by sales and service, but you can get more granular too.

Take a look at demographics, postcodes with high repeat customer rates, etc. These can help you narrow down audiences to target with marketing that encourages repeat business.

Our recommendation: Keep tabs on your repeat customer percentage — and look into what makes a customer not come back to your dealership.

Referrals Per Sale

Referrals are your dealership's best form of advertising. Referrals bring in new customers that end up having a 16% higher Lifetime Value (another very useful KPI to consider) – and who does not want more of that for their dealership?

And yet, this is rarely a KPI that dealers place importance on, and that translates into overlooking a great source of revenue. This is an area with lots of room for improvement. In fact, a recent survey found that only 15% of dealership salespeople actually ask for referrals.

According to the same survey, an impressive 83% of people are willing to refer if they receive quality service, but only 29% do. Really, all you got to do is ask.

Our recommendation: Start tracking the average number of referrals per sale and do everything you can to help your salespeople and your service advisors solicit referrals.

For additional information, please contact your
Auswild Dealer Management Services Team

Vincent Choy James Dick Lee Payne

(02) 9588 0100

Important: This is not advice. Clients should not act solely on the basis of the material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. This bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without prior approval.