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THE MOTOR DEALER REPORT FROM AUSWILD & CO  
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## RETHINK YOUR KEY PERFORMANCE INDICATORS

Times are changing in the automotive business. These days, dealers are swimming in a sea of numbers, reports and summaries from their dealer management system, the heart of every dealership. But what does it all mean? When used properly, the DMS can be a window into what's driving dealership success or failure.

However, in today's age of digital marketing and sales, ultra-savvy consumers and shrinking profits, the metrics that once provided reliable indicators of performance and success no longer tell the full story.

So says **John Griffin**, Senior Vice President of Performance Management for the Retail Solutions Group at *Cox Automotive*. In a recent article published in *Ward's Auto*, Griffin threw out a challenge to dealerships to rethink their KPIs. "Although most dealerships track numbers, many are missing the meaning of their metrics. Unless KPIs are well defined – they have a definitive measurement of success using easy-to-understand metrics – and used to drive profit, they are useless," said Griffin. "The DMS provides a treasure trove of data to help drive toward dealership goals."

Here are Griffin's five KPIs that can help dealers evaluate their businesses.

### ***Marketing Effectiveness***

While more and more of the car-shopping process is taking place online, many dealerships continue to rely on antiquated metrics to determine marketing effectiveness.

Gone are the days where the goal of advertising is to drive customers into the showroom. Now, consumers are doing the lion's share of car-shopping legwork online, before they even enter a dealership.

With most of this evaluation happening before a customer steps into the showroom, start looking at engagement as the key metric for marketing effectiveness. This means tracking how many customers are clicking on dealership cars posted in online inventory. Whether virtual or in-store, it is when a customer engages with your dealership that you've successfully created visibility and a new ROI opportunity.

### ***Sales Efficiency***

With a web browser and click of a mouse quickly becoming as valuable as a test drive, ensure that you're transacting at price points that are consistent with what you're advertising online. This is crucial for measuring sales efficiency. Unfortunately, rather than focusing on this metric, most dealerships continue to look at their lead-to-close ratio which does not necessarily measure sales efficiency.

For example, a low lead-to-close ratio could mean that you're doing poorly on marketing, not sales efficiency; perhaps you're marketing incorrect information or your pictures do not accurately represent the car. Providing credible information and being fully transparent from the start (i.e. following through with the advertised price) will ultimately help reduce transactional discounts, which torpedo sales efficiency.

## ***Employee Productivity***

One of the most important KPIs a dealership can track is personnel expense-to-gross revenue ratio.

When some dealership groups find their employee costs-to-gross revenue ratio is upside down, their kneejerk reaction is to reduce staff. Although an easy way out for ownership, cutting heads can cause problems for remaining employees, create more work per person and lower morale in the process.

If your dealership's personnel productivity KPIs seem low when compared with the industry, competitors and your own historical averages, instead of automatically cutting staff, consider the alternative approach of incorporating better training and more efficient, up-to-date technology.

Doing so will make employees more efficient (and happier) and better equipped to communicate with today's sometimes-difficult, extremely tech-savvy customers. Plus, proper training allows staff to focus on process improvements and concentrate on areas of business that produce the greatest profit.

## ***Engage Service at Point of Sale***

In this age of margin compression, traditional KPIs measuring profit as a percentage of sales and other such metrics are showing the car-sales business isn't necessarily the money-maker it used to be.

Consider setting performance goals, then track and make course corrections involving the more profitable areas of your business, including fixed operations and F&I sales. Make goals with your service and F&I teams to retain a greater number of customers through service contracts and repeat dealership visits.

According to the 2017 Cox Automotive Car Buyer Journey Study, less than half of new-car buyers and only a fourth of used-car buyers are introduced to the service department at the time of sale or lease.

Yet, those who are introduced early on in the process are more likely to return for their service needs.

The service department can't and shouldn't rely on salespeople to make the first introduction. Rather, the service department needs to be proactive and increase their engagement with the customer, moving that contact from the point of the first service appointment to the point of the purchase or lease.

## ***Asset Management***

Finally, set KPIs to evaluate and improve asset management. Today's best-performing dealerships will be those with clearly-defined inventory model plans. Inventory efficiency now is key.

Dealers currently are up against a highly competitive and visible marketplace, where inventory that does not match demand will sit. The faster you can sell through your inventory, the more profitable your business will become.

Griffin says that currently, dealers are spending a disproportionate amount of time, energy and assets on sales at the expense of other areas, such as financials, fixed ops, F&I and inventory management.

"It is time to even this out and not let other aspects of the operation fall by the wayside. Equipped with the proper technology, partners and metrics, dealers can confidently drive toward a more profitable future."

*John Griffin is Senior Vice President of Performance Management for the Retail Solutions Group at Cox Automotive. His career includes serving as general manager at Midwest dealerships. This article was published in Ward's Auto. Source URL: <http://wardsauto.com/dealer/rethink-key-performance-indicators-car-dealerships>.*

For additional information, please contact your  
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