



METRICS THAT MATTER FOR BEST DEALERSHIP PERFORMANCE

Cox Automotive studied vast amounts of data from thousands of dealers, including the highest performers, to come up with a list of Key Performance Indicators (KPIs) and best-in-class benchmarks against which dealers can measure their own performance.

USED-TO-NEW RATIO

Good 1:1 Great 1.25:1

Used retail unit volume equaling or surpassing new retail volume is a foundational correlation of highly successful used-vehicle departments, assuming the dealership is meeting new vehicle volume goals. Success in used-to-new ratio requires a combination of acquisition, reconditioning and retailing skills. In today's market, a key driving force is the resulting increase in profitability, which releases some pressure on the new-vehicle department for overall dealership profitability.

PRICE TO MARKET / MARKET DAYS SUPPLY

Top performers embrace the balance between a vehicle's desirability and its price. They use data to dictate when it is appropriate to "go for the gross" and when the window for profit is short, so they need to price aggressively from the start. The data is also a foundational element in inventory acquisition and appraisal processes.

INVENTORY TURN RATE

Good 12 Great 16

The inventory turn rate is the amount of in-stock inventory compared to monthly sales. The highest performers turn inventory every 20 days. Fast turn rates require a commitment by all dealership departments and a focus on efficiencies, including age intolerance. The reward is worth it. Fast inventory turns maximize high-gross opportunities associated with fresh inventory and drives profits in other dealership departments.

MECHANICAL AND COSMETIC RECONDITIONING TIME

3 days

Top performers solve reconditioning delays. It may require dedicated techs, staying open late and sublet. Speed is paramount.

PACKS

Good: Max 1% of vehicle value Great: \$0

High performers understand the drag that packs place on their used operations. They slow down acquisition, including reducing new car appraisals. Packs made sense prior to the internet age, but those days are long gone.

REDUCED RECONDITIONING MARKUP FOR OLDER VEHICLES

Retail reconditioning hinders vehicle acquisition, especially on older vehicles that tend to be some of the most desirable but also have the highest reconditioning costs. Top performers recognize the strain and reduce the rates for older vehicles, typically five years or older.

IMMEDIATE WHOLESALE VOLUME

Under 33%

Top used-car departments separate the measurements of immediate wholesale, that is, a vehicle never offered for retail from aged wholesale. They look for ways to keep trades. They typically have discounted recon rates for older vehicles and few to no packs.

IMMEDIATE WHOLESALE PROFIT/LOSS PER VEHICLE

+/- \$150

The goal is a small profit/loss per vehicle, an indication that appraisers are accurately assessing valuations and assumes no inventory adjustments or pack adjustments. It is closely tied to appraisal-to-trade ratio.

AGED WHOLESALE LOSS PER VEHICLE

Up to 5% of vehicle cost

Aged wholesale losses are from vehicles that were wholesaled after an attempted retail. Top performers recognize vehicles that were reconditioned and offered

for retail but did not sell are likely to lose money. They separate these vehicles from the ones that were immediately wholesaled and set a KPI for the average wholesale loss on these specific units. A benchmark of 5 percent wholesale loss allowance is common. High-performing dealers do not consider a pack adjustment to offset these losses. They want the ability to identify the losers and look for any process adjustments that might prevent future losses.

APPRAISAL-TO-TRADE RATIO

50%+

The appraisal-to-trade ratio is the ratio of all vehicles appraised to how many were traded. Ideally, the metric is tracked by individual appraiser and salesperson. It is a key indicator of the support the used-car department provides to the new-car department. Packs, excessive recon charges and aged used inventory contribute to lower ratios. Another key factor is the point at which the appraisal occurs in the sales process. Dealerships that appraise vehicles early on tend to have lower ratios as they are appraising many more trades.

GROI

Good 120%+ Great 160%+

GROI, or Gross Return on Investment, is the product of the gross as percentage of the sale multiplied by turn rate. For example, a \$10,000 vehicle generates a \$1,000 profit for a 10 percent gross as a percent of sale. Is that a good job? It depends how long it took to sell. If it took a year, the turn

rate would be one for a GROI of 10. If it sold in one month (a 12-turn equivalent), the GROI would be 120. For a vehicle to make financial sense, the goal is a minimum GROI of 120. This concept can also be applied to an entire inventory.

COST TO MARKET

The highest achievers monitor Cost to Market, which compares the retail value of a vehicle to the total investment in a vehicle, including acquisition cost, reconditioning, transportation, pack, etc. Efficient dealers minimize costs to enable aggressive acquisition of inventory and deliver maximum ROI.

BY LES ABRAMS

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The opportunities at Fox Motors are in the pre-owned departments and service. We invested in a lot of new technology in 2017 and expect this to help us gain share in these areas. Our customers are interested in working deals online and using the digital retailing tools to make their negotiation process smoother. They want a more efficient process that results in less time in the store. We see the future customer being even more focused on the ability to buy a car online. At Fox Motors, we value the customers' time and will adjust to their needs and car buying preferences. If this means investing in more technology to do so, we are on board with that. We now offer a mobile delivery service for customers who would rather have their vehicle delivered to home or work. This has been popular, but we believe it will become even more popular as time goes on. Time is valuable, and we need to respect it.

— DIANE MAHER

President and COO, Fox Motors, Grand Rapids, Mich.