Creating a Data-Driven Automotive Dealership

Best practices and top KPIs that lead to better insight for better business

July 2024

☐ TARGIT | AUTOMOTIVE

Contents

INDUSTRY OUTLOOK

Shifting Gears

Over the last several years, the automotive industry has seen significant disruption. New and used car purchases declined, and supply chain operations came to a screeching halt at the height of the pandemic.

The dealers and manufacturers working to bounce back from these tumultuous events must consider not only the business impacts of the pandemic, but also the resulting shifts in consumer preferences and market behaviours.

As the auto market recovers, new challenges and opportunities continue to surface. Several trends have strengthened or emerged in recent years that dealers must now face.

INDUSTRY TRENDS

Top 3

01

TREND 01
EV Sales Create New Risks and Opportunities for Dealers

The global electric vehicle (EV) market is projected to **reach $823.75 billion by 2030**, registering a CAGR of 18.2% from 2021 to 2030. This shift creates risks for dealers that rely on internal combustion engine (ICE) vehicle sales and revenue from routine service on those vehicles, as EVs typically require less maintenance than the average ICE vehicle. To retain market share as EV sales increase, dealers must integrate EV adoption into their business roadmap.

02

TREND 02
Used Car Purchases Are Increasing

While new car registrations steadily declined in 2022, the global used car (UC) market is forecasted to **exhibit a growth rate of 9.1% in the coming years.** Experts credit accelerated UC sales, at least in part, to supply chain delays that impacted auto manufacturers' ability to efficiently bring new inventory to market during the pandemic. Even as production gets back on track, many consumers will still turn to used cars for more options — and lower price points.

03

TREND 03
Dealers Need Near Real-Time Data to Inform Decisions

Efficiency and agility are paramount for auto dealers on the brink of post-pandemic recovery. Rather than relying on past experiences, they need near real-time insights into the market, their customers, and their operations. Dealers must be proficient at accurately measuring industry-specific key performance indicators (KPIs), then using their findings to make timely improvements and capitalise on high-value opportunities.

BETTER DECISIONS

How Can Auto Dealers Successfully Navigate the Trends?

Many auto dealers rely on manual, Excel-based reports to extract operational data and measure performance. Not only are these analyses tedious, but they are also built after the fact, using data from weeks or even months prior.

This reactive approach makes it nearly impossible for dealers to make informed decisions or enact change in real-time, which can cause costly delays or missteps in their business strategy.

Daily, multi-source data analysis is the key to better decisions. An all-encompassing business analytics strategy should touch every department of an organisation. The insights it uncovers help auto dealers:
- ✅ Streamline processes
- ✅ Improve data visibility
- ✅ Increase profitability and efficiency
- ✅ Use data to inform decisions

Data-driven decisions offer transparency, flexibility, and freedom from the complexity of dealership operations. Plus, they help dealers make impactful customer experience improvements based on reliable, timely insights.

Collecting and analysing data helps auto dealers face their most critical daily challenges, including balancing asset portfolios and cash flow, managing costs across multiple locations, improving customer service, and managing sales lifecycles.

*"A modern business cannot run on the strategy of 'that's how it's always been done'."*

The trick to harnessing the increasing flow of data is knowing which metrics to monitor most closely. To help, we have created a list of top KPIs for automotive dealerships in each department.

The importance of these KPIs will vary from business to business — and even over time within a given business. Still, this list shows the top examples we have seen during our experience with automotive dealerships.

Best KPIs for the Sales Department

01
Total Sales
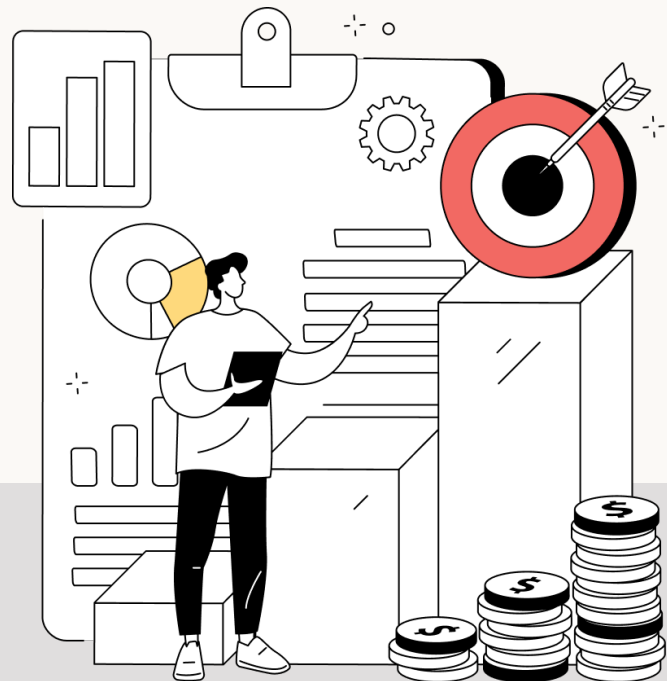
Tracking the total number of units sold is foundational to measuring your dealership's performance, especially if you manage multiple locations in multiple geographies. Your primary reports should track the total sales volume over a given period, like a week or a month. However, you can also conduct more detailed analyses to measure sales volume by location, manufacturer, pricing model, sales rep, etc.

Along with keeping track of your dealership's total sales numbers, you should measure how actual sales performance relates to pre-defined quotas and related revenue targets. You can use in-depth data insights to track your progress toward these goals and identify where your sales department is exceeding or underperforming.

02
Gross Sales Margin: Total Revenue / Total Cost

Gross Sales Margin measures the actual profit your dealership makes from each vehicle it sells after all pre- and post-sale expenses are taken into account. It is calculated by dividing the total revenue generated from the vehicle by the total cost of the vehicle to your dealership.

This metric allows you to compare how much your dealership pays for each unit to how much revenue it generates from that unit. Your total costs should account for expenses like purchasing and preparation costs, plus additional revenue like bonuses or rebates from importers and manufacturer incentive programs.

03
Hit Rate: Open Opportunities / Closed Deals

Hit Rate measures sales efficiency by comparing the number of deals your dealership actually closes to the number of open opportunities it sees in a given time period. This KPI allows leadership teams to measure the success of their sales reps beyond standard measures of sales volume.

These reports should include insights into the types of opportunities most often won and lost. For example, detailed reports can show sales managers whether reps are more likely to close deals through appointments or walk-ins, or whether reps are more likely to win back hesitant customers via email or over the phone.

04

Inventory Turnaround Time

Customers' preferences and market valuations can change in an instant. Inventory that sits on the lot too long can become dead capital in a matter of weeks. Dealers should track Inventory Turnaround Time to measure the average amount of time their inventory sits on the lot before it is sold to customers. Inventory aging reports should present sales managers with an average Inventory Turnaround Time, along with the age of all inventory on the lot at each location.

Additionally, they may provide details about inventory statuses, such as tables showing paid and unpaid inventory or a rundown of the units that have been on the lot for the longest amount of time. It is also valuable for these reports to include up-to-date model availability across dealership locations, so sales reps can sell units onsite at another location rather than ordering additional inventory unnecessarily.

"With the right information at hand, you'll be able to eliminate problematic processes and replace them with more reliable ones."

Best KPIs for the After-Sales Department

01

Service Order Efficiency: Hours Clocked vs. Hours Invoiced

Efficiency is critical in your dealership's after-sales department, especially when it comes to fulfilling customers' service orders. Service Order Efficiency measures daily service team productivity and is calculated by dividing the total time clocked on service orders by the actual time billed by your staff. Invoicing is split over external, warranty, and internal invoicing, and clocking can be assigned pro-rata when multiple technicians work together on the same order.

Your dealership should generate and review these numbers daily to track billable utilization across the team. While these numbers are extremely valuable in the short term, they also allow managers to analyze trends in staff productivity over time so they can make informed decisions about staffing, process improvements, and performance improvement plans for individual employees.

02

Invoicing Delays

Open Repair Orders refer to in-progress orders pending payment or orders for which the service is complete, but the invoice has not been created yet. Perhaps work has not been completed yet because you are waiting for a part to come in or a specific technician to become available. In cases where the work has already been completed, open repair orders are typically the result of an overload of your receptionists, a pending warranty, or an insurance claim. In all these cases, order closing delays result in significant invoicing delays that create critical cash flow and revenue concerns for your dealership.

While a certain number of open orders are inevitable, it is still critical to keep track of invoicing delays and look to minimize the number of pending orders in your after-sales department.

03

Occupany Rate of Rental Vehicles: Annualised Rental Revenue / Total Acquisition Cost

Occupancy Rate, also called Utilisation Rate, measures the revenue earned by each rental vehicle at your dealership. To calculate it, divide your annualised rental revenue by the total cost of acquiring and maintaining the rental cars you have on hand. Keep in mind that the potentially significant variances of acquisition costs between new and used vehicles will highly affect your Occupany Rate.

Benchmarking your Occupany Rate ensures your rental and loaner vehicles are paid off, and occupancy rates are high enough that these vehicles are profitable rather than generating added expenses. This number can also help you enforce the correct procedures and policies for invoicing loaner and rental vehicles.

04

Total Direct Internal Costs

Your dealership should monitor all internal costs associated with the after-sales department, including warranties on used vehicles you sold, commercial interventions, repeat repairs, lost billable hours from incorrect work, theft, and any other expenses related to service orders.

These costs directly impact your bottom line, but they also speak to the overall efficiency and accuracy of your service technicians. The best way to regulate and reduce internal after-sales costs is to monitor them closely on a daily basis and tie each expense back to its source. You can use the results of these reports to identify cost-saving opportunities related to service completion, ongoing maintenance and repairs on customer vehicles, and warranty creation for the cars you have available for purchase.

Best KPIs for the Finance Department

01
Aging Accounts Receivable

This metric refers to accounts with the longest payment times. By generating reports that track this KPI on a regular basis, you can shorten payment cycles and monitor customer payment behavior evolution over time. Keeping your dealership's number of aging accounts low helps ensure the continued growth of your business.

That is why it is critical to have a reliable invoicing solution to ensure timely payment on invoices. The payment process should be simple, with all forms of payment accepted. Look into user-friendly online portals that offer instant payment options for your customers.

Other ways to avoid a surplus of aging accounts include:

- Instituting late payment fees
- Defining strict financing terms
- Offering discounts for early payments
- Writing off bad debts

02
Aging Accounts Payable

Your dealership should track the age of accounts payable invoices, otherwise known as the dealership's open invoices with vendors or other external service providers. Tracking open AP invoices and the age of these invoices is critical for managing debts and identifying potential money-saving opportunities within vendor relationships.

Vendor Aging Reports are invaluable in financial forecasting and cash flow planning. They can be used to help finance teams determine which invoices can be paid in the short term, and which ones should be put on hold. Your dealership can also use the results of these reports to secure discounts or extended credit terms with the vendors it frequently pays before the due date.

03
Resulting Cash Flow From Open Accounts

Along with tracking open Accounts Payable and Accounts Receivable, auto dealers should routinely monitor the resulting cash flow of all payment activities to ensure incoming and outgoing payments result in a positive cash flow.

To calculate Cash Flow, measure the difference between cash inflows from customer payments and cash outflows from operating expenses and vendor payments.

0 4

YTD Profit and Loss

While your sales department measures gross revenue and specific margins related to incoming revenue, your finance department should generate year-to-date comparisons of revenue, cost, and intercompany eliminations to calculate your dealership's overall Profit and Loss for the year.

Your Profit & Loss statement should account for all revenue generated and all expenses incurred during the year to give business leaders a clear picture of financial performance and dealership profitability.

"This morning, I saw a low margin on some parts. I started to break down the numbers on parts, departments, salespeople, etc. – and in a split second, I could identify where it was going wrong – for me, that is amazing.""

- MANU NOLMANS
AFTER SALES MANAGER
GROUP MAURIN, GMS GROUP

GROUPE MAURIN

ANALYSIS EXAMPLES

Effective Dashboards for Automotive Data

The data you need in easy-to-understand dashboards.

CLOCKING YESTERDAY

Get an overview of the hours clocked by your technicians the day before. Drill down into the details to ensure technicians are reaching full productivity, receptionists are invoicing correctly, and your after-sales department is staffed to meet demand.

OPEN ORDERS WITH AGING

Track open repair orders and see exactly how long each one has been pending. Evaluate how various order and invoicing delays impact your overall cash flow.
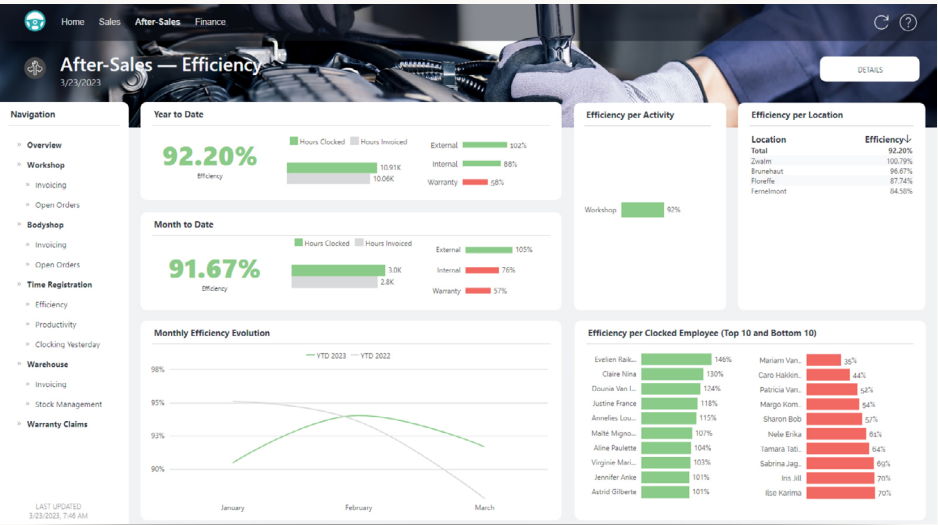
INVOICING EFFICIENCY

Measure service team productivity by comparing hours billed to hours invoiced. Assess efficiency by invoice type, whether orders tie back to internal, external, or warranty-based invoices.
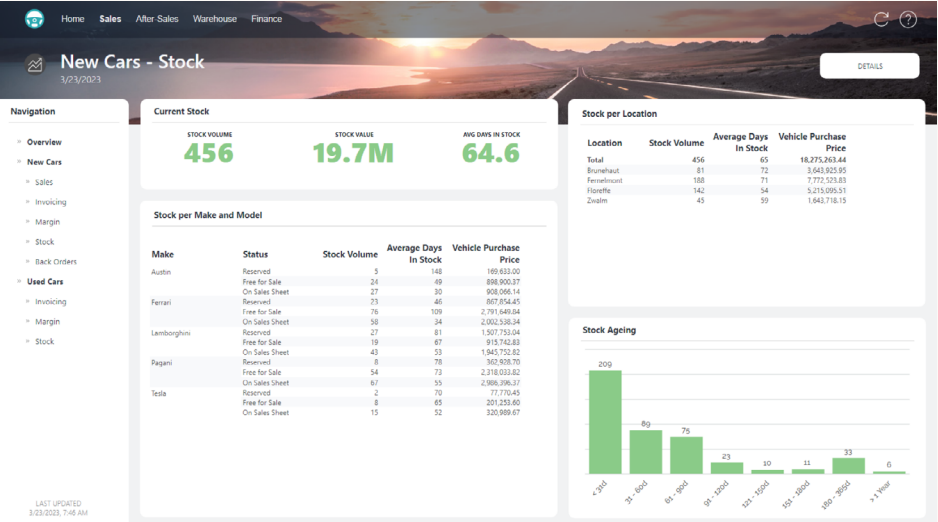
INVENTORY

Unlock instant insight into inventory status by vehicle make and model. See exactly how many units are on-hand, their current status, book value, and sales price.
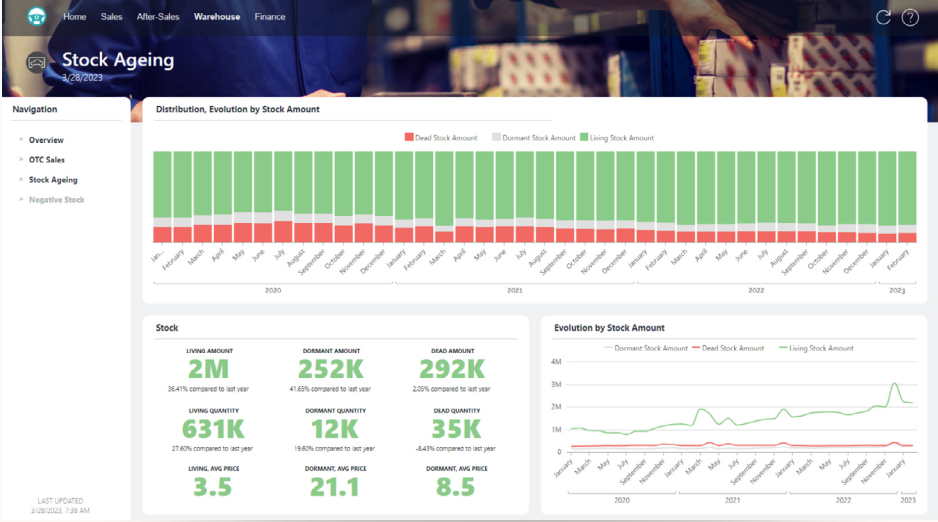
PARTS INVENTORY

Give your after-sales department full insight into how individual parts are performing. Measure inventory turnover over time along with Ending Balance of what is on hand.

RECEIVABLES BY CUSTOMER

Quickly analyze your customers by their current receivables balance and see what salesperson is responsible for that particular customer. This analysis is a great tool to review each customer's current balance and determine if additional credit is available.
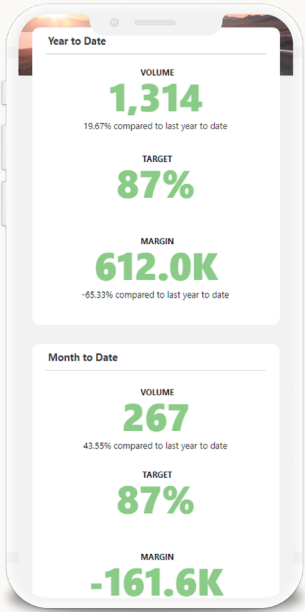
MOBILE OVERVIEW

Access powerful reports and dashboards in the palm of your hand.
Use TARGIT's mobile features to analyse data anytime, anywhere, from any device.

TARGIT's All-in-One Solution for Dealers

TARGIT's end-to-end BI platform includes pre-built dashboards and reports by department and supports the most common dealer management system (DMS) in the automotive sector. Plus, our out-of-the-box functionality integrates with many of the platforms and systems dealers use to manage their operations, including:

Save Time, Money and Resources

With TARGIT, your dealership can get up and running in days, not weeks, while supporting your end users with relevant out-of-the-box reports and dashboards that enable informed decision-making.
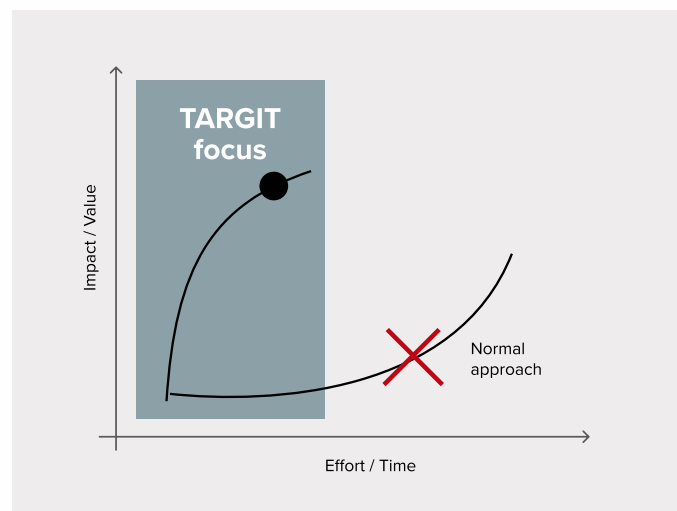
Fig. 1 TARGIT focus on industry Value Drivers

Adopt a Pre-Configured BI Solution

Deploy a reporting and dashboarding solution that is purpose-built for your dealership. TARGIT's automotive accelerator includes everything you need to manage your operations and extract value from your data right out of the box, including pre-built dashboards and reports by department and seamless integration with your DMS.

Accelerate Time to Value

Achieve immediate ROI on your BI investment. Our specialized solution for the automotive sector enables you to get up and running in a few days while ensuring your new solution supports your business and its end users with relevant reports and an intuitive interface.
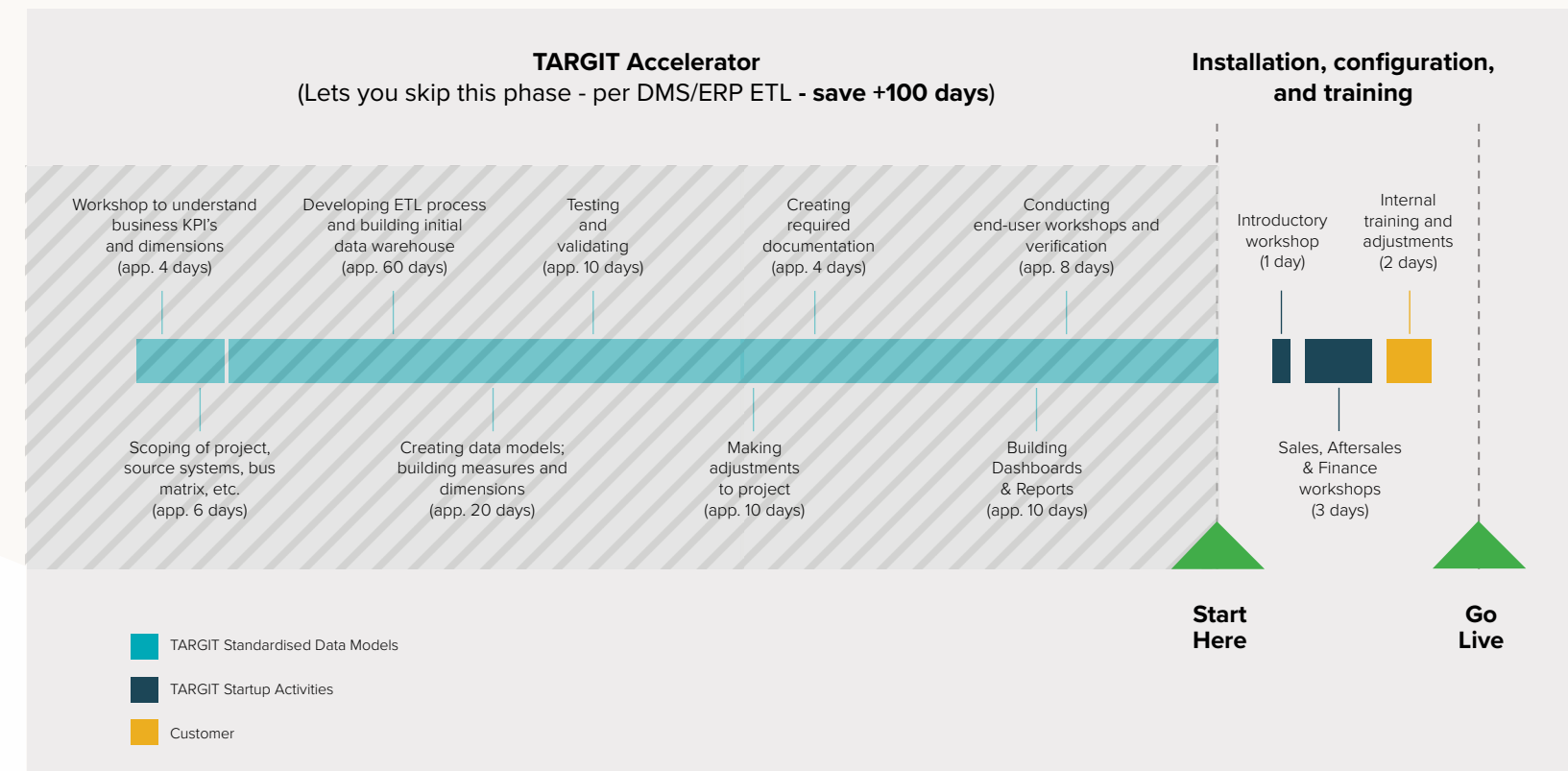
Fig. 2 Implementation Timeline - How TARGIT's automotive value driver helps you save time, money, and resources.

*"With the **predefined reports,** you can clearly see their good understanding of automotive dealerships."*

**- ANTHONY DELCOR
GROUP AFTERSALES MANAGER**

D'Ieteren
Mobility
Company

"Better insight into your company, your customers, and your potential is more accessible than you think."

In today's rapidly evolving market, it's easy to let old habits stand in the way of progress.

The digital landscape is prompting dealers to take a more strategic approach to data that gives them greater insight into their industry, customers, and performance.

Do not fall behind out of fear of new technologies or processes. Find a BI and analytics solution that delivers an easy, seamless stream of insight without hand-holding from your IT department.

BETTER DECISIONS

Ready to See What a Business Analytics Solution for Auto Dealers Can Do for You?

Track business-critical KPIs and uncover hidden opportunities for growth with our business intelligence (BI) solution for automotive dealers. TARGIT's all-in-one solution delivers powerful BI and analytics capabilities in a platform your dealership can implement in weeks, not months through:

- A complete backend BI infrastructure designed specifically for automotive dealerships
- Direct connectivity to dealer management systems (DMSs) and all other data sources
- Automated reporting and data sharing capabilities
- Interactive, drill down dashboards for sales, after-sales, stock, finance, and more

Get a complete picture of revenue, evolutions, cost items, and much more in one click, with dashboards for sales, stock, after-sales, finance, customer ageing, and more.
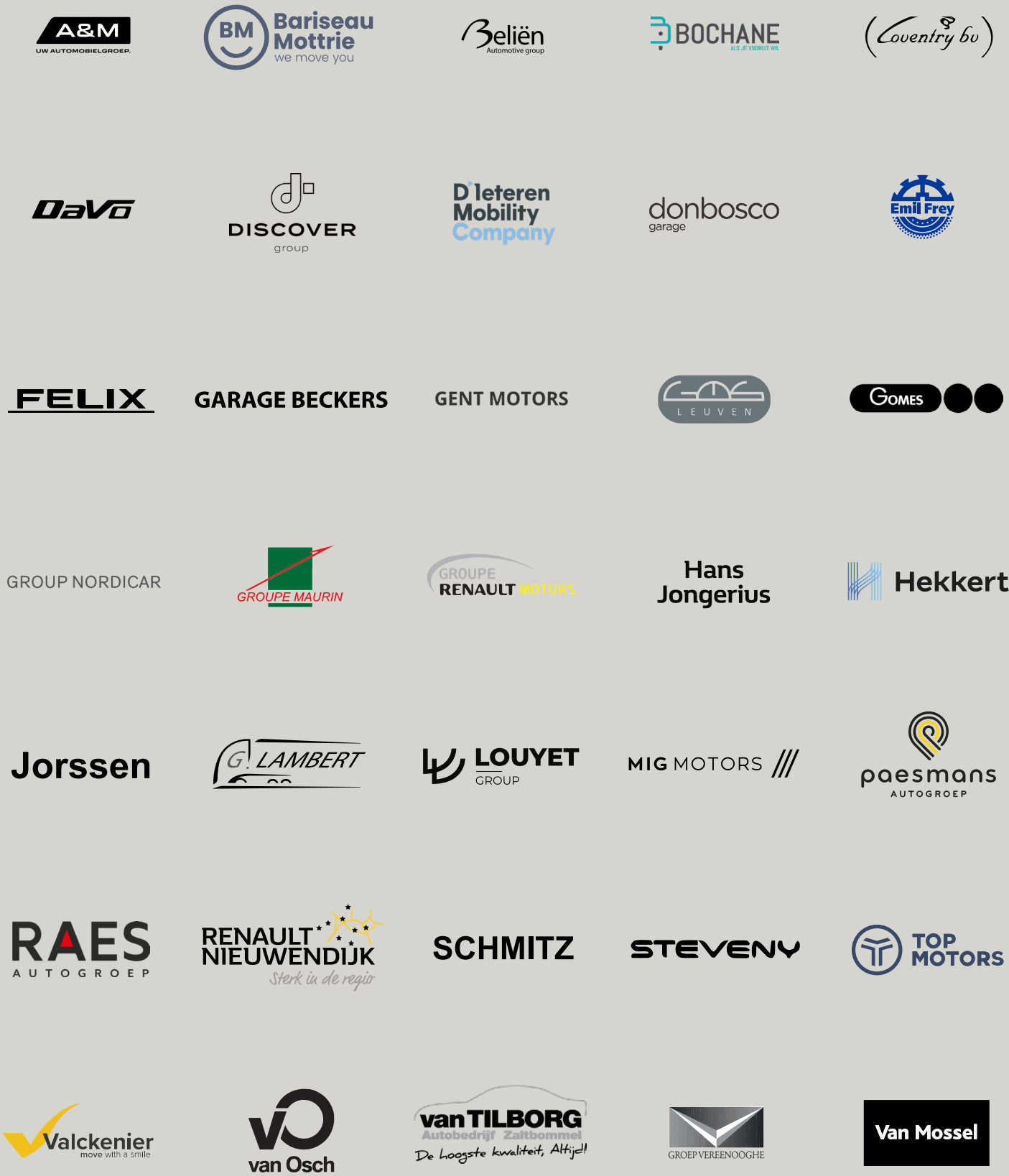
REQUEST A DEMO TODAY

A&M UW AUTOMOBIELGROEP.

BM **Bariseau Mottrie** we move you

Beliën Automotive group

BOCHANE ALS JE VOORUIT WIL.

(Coventry bv)

DaVo

DISCOVER group

D'Ieteren Mobility Company

donbosco garage

Emil Frey

FELIX

GARAGE BECKERS

GENT MOTORS

LEUVEN

Gomes ● ● ●

GROUP NORDICAR

GROUPE MAURIN

GROUPE RENAULT MOTORS

Hans Jongerius

Hekkert

Jorssen

G. LAMBERT

LOUYET GROUP

MIG MOTORS ////

paesmans AUTOGROEP

RAES AUTOGROEP

RENAULT NIEUWENDIJK Sterk in de regio

SCHMITZ

STEVENY

TOP MOTORS

Valckenier move with a smile

vO van Osch

van TILBORG Autobedrijf Zaltbommel De hoogste kwaliteit, Altijd!

GROEP VEREENOOGHE

Van Mossel

□ **TARGIT** | AUTOMOTIVE

At TARGIT Automotive, we help dealers realize the full value of their data by providing them with solutions that support their unique goals and the processes that power their daily operations.

As experts in both BI and the automotive industry, our teams know your business and speak your language.

Our Automotive Center of Excellence develops BI solutions that seamlessly integrate with your dealership operations and continually adapt to your needs, so every team member can make informed decisions that drive your business forward.

REQUEST A DEMO TODAY

CONTACT
US +1-813-933-4600 • EMEA +32 15 650 355 (BE)
info@targit.com • www.targit.com