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## Dealer Performance Measurement

Performance to target on its own was never an ideal measure of dealer new vehicle sales performance. Most car companies have realised this (particularly if their targets are out reach) and sought for a more focused approach. There are several variations of the theme but the best form of performance measurement is a concept known as 'Retail Sales Effectiveness' or 'RSE'. This is a good thing for dealers as it overcomes many of the distortions associated with other techniques and provides a fair system of judgment. It is having a profound impact in this important aspect of the automotive franchising and will continue to gain rapid momentum as a dealer management tool.

Targets are about the future, so accuracy is inherently difficult. When it comes to measuring performance, it is about the past and we can be far more sure footed. RSE is measured by taking the dealer's actual sales for a particular historical time period and dividing that number by the expected sales for the same time period. It produces a percentage where 100% is the pass mark.

Unlike target calculation, we are measuring the past, not predicting the future and have actual data to use in calculating the dealer's expected sales. To work out expected sales, you take the brand's national market share in each segment (confined to retail and small business sales types) for a period ('National Market Share'). You then look at how many sales were achieved in the dealer's territory by all brands in this same time period in each segment ('Territory Sales'). The expected is the National Market Share of the Territory Sales. For example, if a brand's National Market Share was 7% for a particular vehicle and 10,000 vehicles in that segment were sold by all the brands combined in the dealer's territory, the dealer was expected to sell 700 of these vehicles. 700 actual vehicle sales by this dealer would result in 100% RSE.

RSE will be welcome news to any dealer who has large fleet companies in their territory because only retail and small business sales are counted. Car companies are reluctant to disregard large fleet sales when calculating targets because they want these sales captured by dealers however with performance measurement, this is not an issue.

A decision will be required as to whether all of a dealer's sales in the segment will be counted in their 'actual' or certain sales will be excluded such as those to customers outside the territory and/or fleet customers. If these are counted, dealers who focus on fleet business and those who 'pump out' far and wide would potentially skew their RSE percentage.

The true beauty of RSE lies in the way it removes age old arguments such as 'this type of car doesn't sell in my area' and 'this car doesn't sell at all' as the local sales of vehicles in the segment and the national sales achievement for the vehicle in question are nicely built into the equation.

If you are a dealer and RSE or similar has not found its way into monthly, quarterly and annual performance assessment in your network, you might want to raise the question.

For advice on this or any other franchising matter, Steven Crea can be contacted on 0411 777 695 or [steven@crealegal.com.au](mailto:steven@crealegal.com.au).



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