

Teaching Notes

For

AutoMart Ltd

How to measure business performance and set benchmarks in dealership business

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Aim

This case study aims at understanding simple management accounts in the automotive dealership business. Participants shall be able to identify and interpret some automotive-specific key performance indicators (e.g. absorption rate, break even volume, productivity of the different automotive departments). They shall understand that these KPIs support the monitoring of the performance of the overall business and the contribution from the activities of each department. The case study aims at being able to use data of a typical yearly Business Management Report from a local market including performance levels and comparisons.

Area

The case study is designed to add financial management content within marketing or sales programs.

Short Summary

A car dealer faces performance problems due to sharp and continuous decline in new car sales. Participating in an automotive dealer conference organized by the supplying manufacturer with the theme: 'Surviving Pressure on Sales' the owner recognizes the need to investigate a list of KPIs to identify the areas for potential improvement. Furthermore, the dealer recognizes the need to introduce regular reports monitoring this set of KPIs and to measure progress against planned targets (Budgets).

Discussion points:

- What were the major problems of AutoMart?
- What actions were taken by Mr Daley to improve the situation?
- Which key performance indicators (KPIs) did he introduce?
- What do these KPIs measure? Explain them including operational factors which influence them.
- Which performance improvement opportunities can you identify looking at the figures provided in the BM Report? What would you therefore, suggest Mr Daley?

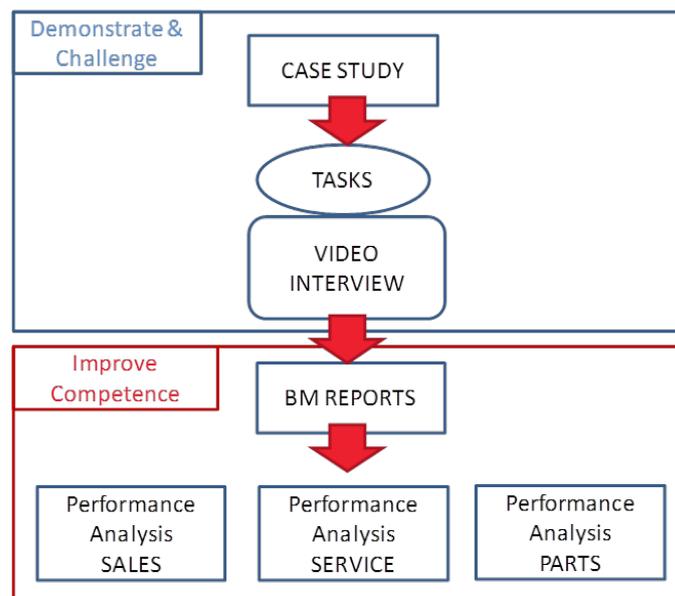
Target audience

Target audience for teaching: The case study is dedicated to course of financial management of business programs.

Target audience for training: Target audiences are dealership owners, general managers and other management staff.

Teaching outline

The case study can be used in two standard 90 minutes faculty sessions. In the introduction session the case study storyboard is followed by an analysis of the performance issues discovered at a dealer conference. Participants will be invited to watch the video interview to gain more detail on these issues. The video is designed to introduce some key principles and content of business management reports; it gives context but not full and detailed explanation. In the second session the detail of the KPIs are explained including their calculation, what they measure and what operational factors influence them. A “live BM Report” from the local market showing local performance levels facilitates the discussion. Finally, students are asked to comment or prepare a written analysis of their observations with particular reference to performance improvement opportunities.



Supporting material and literature

- 1] Bittlestone, Robert (2010): Financial management for business. Cracking the hidden code. New York: Cambridge University Press.
- [2] n.a. (2012): Automotive retail business: Dealer distress rating & risk mitigation planning, Discussion paper of Roland Berger Strategy Consultants, Munich, available on http://www.rolandberger.com/media/pdf/Roland_Berger_Automotive-Retailbusiness_20120903.pdf
- [3] Grinell, Patrick (2013): Measuring & Improving Financial Results in the Auto Industry: Interview with Mr. Dalay

Note: Contact authors for more information about case study