An inside look at the Sewells/MSXi Dealer of the Year selection process

Each year, the Sewells/MSXI Dealer of the Year Awards honour dealers who excel in generating a return on operational assets (% ROA). The awards are divided into five categories: Listed Group, Unlisted Group, Independent, Luxury, and Commercial Dealers—ensuring fair representation of different financial structures. From these categories, the overall top-performing dealer in South Africa is chosen. The Most Improved Performance Group Member award recognizes the dealer with the greatest year-over-year improvement in % ROA, considering both performance and the challenges overcome to achieve it.

The selection process explained

Dealer data quality management

Sewells/MSXI, as part of its performance consulting and business management services to dealers and manufacturers, obtain a detailed trial balance plus additional statistical information e.g. units sold, hours worked on a monthly basis, from approximately one thousand two hundred dealers. This data is loaded in the Sewells/MSXI's financial reporting system called InsightBM.

The quality of this information is validated through sixty odd data filters, which are described as quality gates. These quality gates are logical checks of combinations of data which will highlight when results uploaded are abnormal e.g. Does the dealer gross margin percentage fall within a predetermined and reasonable upper and lower limit? Yes, data is processed, No, then the Sewells /MSXI team investigates the abnormal result, working together with the dealer, to correct the abnormal result further processing.

Another example of the quality gates: If the dealership has new vehicle Rands sales, have the units retailed been recorded?

Sewells/MSXI have a further data qualify review when determining the performance key performance indicators (benchmarks etc.). These are calculated and compared to the prior period KPIs. Any anomaly in trends is investigated and corrected where required.

The Dealer of the Year selection process

Step 1 – Extraction of dealer results

The entire InsightBM database is downloaded for the commencement of the nomination process. The download takes all dealer records for the period 1 January to 31 December of each year.

Step 2 – Exclusion of dealers who have not supplied twelve consecutive data for the calendar year

A validation process to identify dealers who have twelve consecutive data upload for the calendar year is applied. Dealers are eliminated if they have fewer than twelve submissions.

Step 3 - Exclude all child dealers

InsightBM has been designed to cater for multi franchise dealership operations. In many instances dealers have two or more brands in a single trial balance. To protect the confidentiality of each brand's financial results, Sewells/MSXI introduced a setup structure where each franchise is recorded separately as a "*child*" and then consolidated into a "*parent*" dealership. This structure works well but it is difficult to separate service and parts departments between the franchises in the same dealership. To overcome this challenge, only the "*parent*" dealer qualifies for the Dealership of the year process.

Step 4 – Exclude dealers who are not trading in all four department.

A test to confirm the dealership has traded in all four departments over the period is applied. F&I is split and already allocated between new and used departments. Where a dealership fails this test it is excluded.

Step 5 – Exclude and validate dealers who have zero inventory and or zero debtors

The value attributed to the parcel of assets making up total operational assets is crucial to measuring the percentage return on operational assets. Operational assets by definition includes all assets at the disposal of the dealership team to generate a profit. Operational assets includes all assets on the balance sheet excluding land and buildings, investments and goodwill. Operational assets must include the carrying value of trade debtors and inventories. If inventories are zero or trade debtors are zero, the dealership is excluded from the nomination process.

Step 6 – Exclude and validate dealers where anyone of the three performance levers in the MRA model are out of range

A validating test to identify dealers where any one or more of the performance levers falls out of the ranges specified below, will flag the dealership for a comprehensive review to confirm the observed result and the probable cause. If, after close scrutiny, the facts and interpretation support inclusion, the nominated dealer continues to the next stage of the nomination process. If not, the facts and findings for exclusions are documented for signoff by the auditors.

Key Performance Criteria	2024	2023
% Mix	> 0 < 42%	>0 < 42%
% Retained	> 0 % < 60%	>0% < 50%
Activity	> 0 < 18 turns	> 0 < 18 turns
% ROA	> 0 < 90%	> 0 < 90%

Step 7 – Divide the dealer into one of the five award categories

All dealers are categorised when setup in InsightBM and this attribute is used to split the dealerships into the five categories.

Step 8 – Rank the dealers form the highest to lowest using the % Return on Operational Assets

Ranking the results for highest to lowest per category is mechanistic.

Step 9 – Undertake a monthly review of the Income Statements and Balance Sheets for the nominees in each category

The detailed monthly review of the income statement at a dealership level and by department is undertaken to ensure that trading is steady and consistent over twelve months. Any anomalies are investigated and where applicable will result in the dealer being excluded, and documented for the auditors attention. Anomalies are typically the reversal of excess provisions because of audit requirement and or the profit on the sale of a part of operations.

Balance Sheets can have credit values recorded under assets which has the effect of leveraging returns in the % Return on Operational Assets and Asset Turn calculations. Where identified these are investigated and documented as part of the evidence for audit review.

Step 10 – Check for "shared premises" for each nominee

A "Google Check" on nominee dealers is done to determine whether they share premises with a dealership from the same motor organisation. While both dealers with a shared premises maybe "*parent dealers*" it's often the instance, that the allocation of expenses may be disproportionate. In this scenario the performance of each dealership is evaluated and if approximately the same, the nominee is retained.

Step 11- Hand DOTY file to external auditors for verification of Nominees

The auditors receive a complete working file for 100% validation of the results and findings and issue a confirmation letter of the nominees and their rankings.

Step 12 – Advise nominees and the business owners of their nomination

Sewells/MSXI will contact each nominee and their immediate superiors or dealership owners to advise that they have been nominated.

Most Improved Performance Group nomination process

Step 1 - Extraction of Dealer Data

The complete list of performance group members for the current year is compared to the list for the prior year. Where there is a match the data for each year is downloaded for review and the measurement of the gain year on year.

Step 2 – Determine the improvement year on year

The year on year improvement is determined by measuring the percentage improvement on the percentage return on operation assets for the current period versus the previous period. These results are ranked. Only positive improvements are include for nomination

Step 3 – The facilitators qualitative assessment of performance

Each performance group facilitator is asked to nominate and motivate the selection of three nominees for the list of most improved performance group members.

Step 4 – Sewells/MSXI & facilitator adjudication

The results of the quantitative and qualitative evaluations are discussed and on the basis of consensus, three nominees are determined. Decision are minuted.

Step 5 – Audit of the nominations

The auditors received a complete working file for 100% validation of the results and findings and issue a confirmation letter of the nominees and their rankings.

Step 6 – Advise Nominees

Sewells/MSXI will contact each nominee and their immediate superiors or dealership owners to advise that they have been nominated.

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