

# Automotive Industry

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## KPI Presentation



# Objectives- Goals



Grow Sales Revenue by 30% in 3 years



Profit margin increase by 20% in 3 years



Improve Sustainability Index

# PESTEL Strategies

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- Political- Government regulations, trade policies
- Economic- Economic growth, consumer purchasing power
- Social- Demography shifts, consumer preferences
- Technological- Innovations, adopting emerging technologies
- Environmental- Sustainability, climate change
- Legal- Intellectual Property rights IPR, Compliance with International Laws



# SIX SIGMA Strategies

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- DMAIC methodology
- Define
- Measure
- Analyze
- Improve
- Control
- Reduce variation, eliminate defects and improve quality



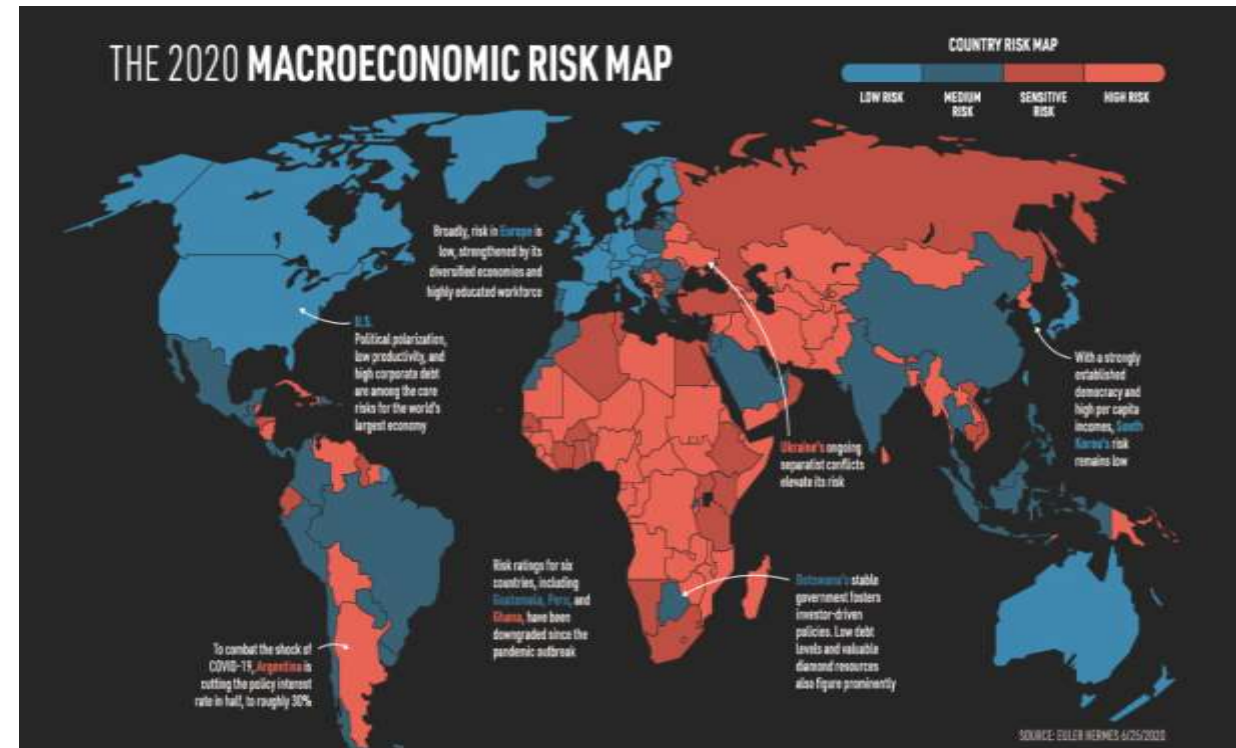
# KPI's for Automotive Industry

## Political Risk Index

- The **Political Risk Index (PRI)** is a crucial KPI for businesses in the automotive industry, especially those with global operations or a desire to enter new markets. Political risks can have significant financial and operational implications.

### KPI measured by variables

- Government instability
- Corruption levels
- International Relations- Trade Tariff Barriers
- Economic Policies- Import/ Export Taxation





# KPI's for Automotive Industry Political Risk Index

## How data can be collected

- Subscription Fees: Many PRI reports are compiled and published by third-party agencies such as the Economist Intelligence Unit (EIU), Control Risks, and others.
- Data Collection: research teams to analyse and compile political, economic, legal, and social data across countries or regions.
- Risk Assessment Consulting Fees
- Real-time Technology & Tools

## Typical targets

- Ideal PRI Target:
  - Low to Moderate Risk is ideal
  - Target PRI Score Range: Many companies set target PRI scores between 0 to 30 (on a 0-100 scale), which corresponds to stable and predictable political environments.



# KPI's for Automotive Industry

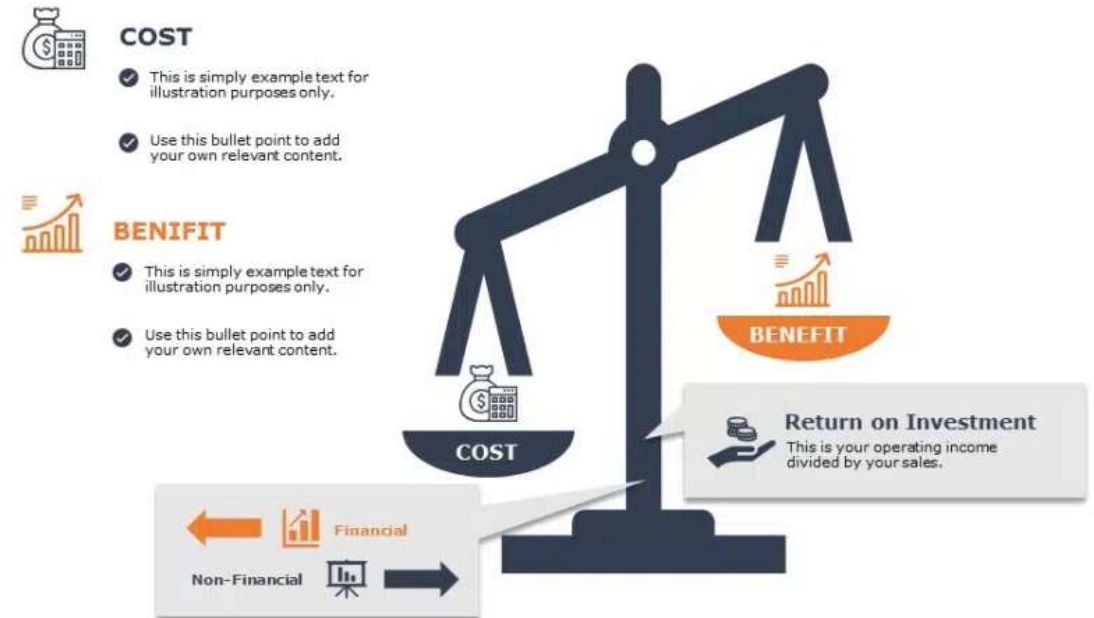
## Return on Investment

- Decision-Making Tool
- Profitability Assessment
- Risk Management
- Benchmark for Performance

### KPI Measurement

- $ROI = \frac{\text{Net Profit from Investment}}{\text{Cost of Investment}} \times 100$

### RETURN ON INVESTMENT



# KPI's for Automotive Industry Return on Investment

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## Data Collection Effort:

- Initial Investment Cost
- Tracking Revenue or Profit Impact
- Time Frame
- Attribution
- Technology/Tools : Software tools such as Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), and project management tools can help track expenses, revenue, and performance metrics, automating data collection to some extent
- Typical Targets
  - Ideal ROI: A strong ROI target is generally between 20% to 30% annually, depending on the industry and the risk involved in the investment. For mature industries with lower risks, companies might target an ROI of 5% to 10%.





# KPI's for Automotive Industry

## Sales Growth Rate

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- Why is the KPI important? It measures the company's progress toward its sales revenue goal.
- How is the KPI measured?  $((\text{Current Period Sales} - \text{Previous Period Sales}) / \text{Previous Period Sales}) \times 100$
- Cost/Effort to Collect the KPI usually available from financial statements.
- Tools and systems used for tracking sales. If a company uses an integrated enterprise resource planning (ERP) system or customer relationship management (CRM) software, the data can be pulled automatically
- Typical Targets
- Year-over-year growth: Many businesses set annual sales growth targets of 5-20%, though this can vary. For high-growth industries or startups, targets of 30%+ might be common, while more mature industries or businesses may set lower, steady growth targets.
- Quarterly growth: Companies may set more frequent targets for quarterly sales growth, such as 2-5% per quarter, depending on the company's strategic goals.



# KPI's for Automotive Industry

## Profit Margin

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### Key reasons why the profit margin KPI is important:

- Financial Health
- Operational Efficiency
- Investor Confidence
- Comparison

### KPI Measurement

Profit margin is calculated by dividing net profit (or operating profit, depending on the type of margin) by total revenue, then multiplying by 100 to get a percentage. There are several types of profit margins:

- Gross Profit Margin: Measures the percentage of revenue remaining after deducting the cost of goods sold (COGS).
- Gross Profit Margin =  $\frac{\text{Revenue} - \text{COGS}}{\text{Revenue}} \times 100$


$$\text{Profit Margin Formula} = \frac{\text{Net Income}}{\text{Net Sales}} \times 100$$

# KPI's for Automotive Industry Profit Margin

## KPI Data Collection

- Automated Financial Systems: If the company uses integrated enterprise resource planning (ERP) or accounting software, the data can be automatically extracted from the company's financial reports. tools and systems used for tracking sales. If a company uses an integrated enterprise resource planning (ERP) system or customer relationship management (CRM) software, the data can be pulled automatically

## Typical Targets

- Gross Profit Margin: Typically ranges between 20% and 40%, depending on the industry.



# KPI's for Automotive Industry

## Customer Acquisition cost

- Customer Acquisition Cost (CAC) is a key performance indicator that measures the cost a company incurs to acquire a new customer.
- A CRM or ERP system, the data on sales and marketing expenditures can be automatically captured, and the number of new customers can be tracked via customer relationship or sales management tools.
- Target CAC depends on several factors, including the business model, industry, and customer lifetime value (CLV). The key to interpreting CAC is comparing it against CLV, as companies want to ensure that they are spending less on customer acquisition than the revenue those customers will bring over time.



# KPI's for Automotive Industry Energy Efficiency

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- Cost Reduction
- Environmental Impact- Sustainability
- Regulatory Compliance
- Operational Effectiveness

## KPI Measurement

Energy Efficiency is typically measured by comparing the amount of energy used with the output produced or services delivered.

- $\text{Energy Efficiency} = \frac{\text{Output (e.g., units produced, revenue, etc.)}}{\text{Energy Consumption (e.g., kWh, BTU)}}$



# KPI's for Automotive Industry Energy Efficiency

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## Data Collection points

- Automated Systems: energy management systems (EMS) or smart meters, data collection can be automated, and the cost will be limited to software and installation costs.
- Switching to innovative technology
- Consulting and Audits: identify energy inefficiencies and optimize energy usage, which can add costs

## Targets

- Improving Energy Use per Unit of Output
- Energy Intensity
- ISO 50001 Certification: management system to continually improve energy performance.
- Carbon Footprint Reduction





# KPI's for Automotive Industry Process Improvement Rate

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- Operational Efficiency
- Cost Reduction
- Quality Improvement
- Continuous Improvement
- Accountability and Transparency

$$\text{DPMO} = \left( \frac{\text{Total Opportunities}}{\text{Number of Defects}} \right) \times 1,000,000$$

## KPI measurement

- Defects per Million Opportunities (DPMO): Commonly used in Six Sigma methodologies, DPMO tracks the number of defects in a process per one million opportunities for a defect to occur.



# KPI's for Automotive Industry Process Improvement Rate

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The cost and effort involved in collecting data depend on the systems

- Automated Systems
- Manual Tracking
- Inventory Management Software

## Targets

- Cycle Time Reduction: A target might be to reduce cycle time by 10-20% over the next quarter or year.
- First Pass Yield: The industry standard for FPY is typically 90% or higher, with best-in-class companies aiming for 95% or more.
- DPMO: In Six Sigma methodologies, achieving a DPMO of fewer than 3.4 defects per million opportunities is considered "Six Sigma quality."
- Cost Savings: Targets may include a specific dollar amount saved, such as a 5-10% reduction in costs due to process improvements.



# KPI's for Automotive Industry


## Inventory Turnover ratio

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- Operational Efficiency
- Cost Control
- Cash Flow Management
- Sales Performance


### KPI Measurement

- $\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold (COGS)}}{\text{Average Inventory}}$
- COGS is the total cost of goods sold during the period (often from financial reports).
- $\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$



Inventory Turnover  
Ratio  
Formula


=



Cost of Goods Sold

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Average Inventory



# KPI's for Automotive Industry

## Inventory Turnover ratio

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The cost and effort involved in collecting Inventory Turnover data depend on the systems in place for tracking inventory and sales:

- Automated Systems
- Manual Tracking
- Inventory Management Software

### Typical Targets

- Manufacturing: Manufacturers may target an inventory turnover ratio of 2 to 4 times annually, depending on the production cycle and industry.
- The right target for any business will depend on its industry, supply chain structure, product types, and sales cycle.



# Teamwork-Group 3

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- Khushi- Design, objective and strategies
- Jaspreet- KPI's concept
- Priyanshu - KPI's concept
- Ray- KPI's concept



# **Any Questions**

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**Developing the skill to provide constructive feedback is essential, and it's a distinct ability that needs nurturing. Participate actively in group discussions and provide valuable feedback on the presentations. Remember to assess your own performance in comparison to other groups at the end.**

<b>Your group:</b>	G-3	<b>Date:</b>	16 January 2025
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**Presentation title: Case study- KPI's Presentation**

Criteria: Beginning [0-3]; Developing [4-6]; Accomplished [7-9]; Excellent [10]							
Group Number	Content clarity and organization [0-10]	Engagement [0-10]	Delivery skills [0-10]	Visuals and design [0-10]	Response to questions and feedback.	Total Score [50]	Your written constructive feedback on the presenting group
G-1	9	8	8	9	8	42	E-commerce fashion retail- Overall impressive presentation with a graphical representation of variables, current, and desirable targets were well-plotted.
G-2	8	8	8	8	7	39	E-learning- Skillbridge- balanced scorecard- Customer-oriented strategy, revenue growth. Overall good and confident presentation
G-3							
G-4	8	7	7	9	6	37	Walmart- Kpi's customer satisfaction & revenue growth- balanced scorecard strategy selected- Good dynamic presentation with dynamic slides. More focus on customer retention, loyalty programs, employee performance
G-5	8	8	7	8	8	39	Joey's Restaurant- Balanced Scorecard strategy- Profit margin, revenue growth- good presentation with detailed formula and analysis
G-6	8	7	8	8	7	38	Ikea- Customer Satisfaction & Profit- Agile & Balance scorecard- good strategies- Consumer retention- marketing ROI- good presentation
G-7							