

Network Analysis – tailored for motor brands in South Africa



Why analyze your network?

From time to time it's necessary to review whether the size of your network and locations of your dealerships are still a good fit for your current needs and the current market environment. Expanding motor brands need to ensure that any new dealerships are placed in the right location to maximize sales; mature motor brands need to check that their footprint still best serves their client base; and all motor brands should routinely check performance against market potential, and adjust the network when market conditions change – ***be that in tough or generous economic environments.***

Our approach is suitable for all those conditions.



What questions can Lightstone Explore answer?

- Ideal number of dealerships in each region, & where they should be located
- Identification of any problem dealerships and recommendations on what to do with them (from a location perspective)
- Where new areas of growth are likely to be and future dealership locations should be
- What the profile of your customers is
- How each dealership is performing vs the specific potential presented by its area
- What the level of cannibalization is between dealerships
- Considering the dynamics of each dealership, what their specific sales target should be
- How your DARs should be laid out



Why is Lightstone Explore best positioned to help you?

1. Our extensive and rich datasets

Across the Lightstone companies (Property, Auto, Consumer, Business and Explore) we have several datasets that we actively maintain. Those used in Network Analysis studies include a detailed demographic dataset; the Property Deeds landscape that allows us to broaden our geolocation abilities; the automotive dealership landscape throughout South Africa; the Business landscape identifying business density; NAAMSA data on the car parc throughout SA, and others. We evaluate our clients' data against the backdrop of these datasets to derive our conclusions.

2. Our highly qualified and experienced team of statisticians & analysts

Not only is our team very experienced in this type of study, they are also highly qualified and experts at pulling the story out of the data.

3. Our geospatial abilities

We have built a world class geospatial platform on which we frequently deliver results (if clients choose this option). Our team also has decades of experience working in spatial environments, and have a thorough knowledge of the landscape of South Africa. Our other work, focused on the retail industry, helps to keep this knowledge current through continuous work evaluating location feasibilities for retailers.



What will you get from a study?

Our detailed report will be tailored to deliver the insights specifically relevant to your brand, its situation and the particular market environment. Typically, some or all of the below are covered:

An understanding of the performance of each dealership relative to the potential its area offers:

Using our various datasets, we identify where the potential actually lies, how the current dealer footprint performs against this potential and what changes to this footprint could assist in optimizing the serving of the potential.

Identification of optimal network size and locations:

As above – the evaluation comes with recommendations on optimal network layout for maximizing potential under current market environments. This is built off of our modelling of the market size

An understanding of loyalty & dependency of the dealerships:

Customers will have varying degrees of “loyalty” towards their closest dealership and dealerships will have varying degrees of “dependency” on customers living in their trade areas. Combining these two factors gives a sense of the (likely) success of any given dealership – those that are very dependent on their trade areas but don’t have high loyalty from those areas are most at risk, whereas those that have low dependency on their areas but have high loyalty are most successful.

This matrix also gives an indication of possible cannibalization between dealerships. We can use the matrix to give a view on the anticipated loss to one dealership when a new dealership opens in the same proximity based on the behaviour of the existing customer base

Sales targets per dealership

Once we’ve done an analysis of your network, we’re able to take into account the market potential around each dealership, its loyalty and dependency scores and the loss/gain matrix with surrounding dealers to develop specific new vehicle sales target for each dealer to use as a guideline. In many cases motor brands use biased method: a top-line national growth target is set, and then just split up amongst dealers based on prior performance, which could perpetuate performance issues and overload well-performing dealers. Our method can help to identify where the true potential is and set targets more fairly.

Updated DARs

With a suggested change to the network, may come a necessary realignment of Dealer Areas of Responsibility. Our analytical method allocates to each dealer the residents of the area that have easiest / quickest access to that dealer than any other, and so creates fair new DARs if they are required.



How much does a study cost?

There is no one-price-fits-all – costs of the studies depend on various factors such as what your specific questions are, whether you have customer data available, what size your network is etc.

Undoubtedly though, the cost of a study is invariably less than the costs of making the wrong decisions regarding your network. Investing in a site in the wrong location for your customer base can cost millions in lease tie-ins and lost revenue. Continuing to maintain an overly heavy dealership network in a market of diminishing sales can cost millions. Ensuring network size and location is best fit can help to maximize profits.



Who are we, and how do you get hold of us?

Lightstone Explore is an intelligent solutions company with strong, industry-specific expertise and core capabilities in predictive modelling, GIS (geographic information systems), and analytics. Our core strength lies in producing spatially focused business performance analysis, such as revenue potential models. We are broadly recognized for strategic, analytic and technical excellence and strive to build innovative knowledge solutions that transform the way our clients do business.

Our team has been doing dealer location studies in the automotive sector for over 10 years (sometimes under prior company names of Strategis Consulting and other Lightstone divisions). During that time, we have served companies such as:

