



DEALERSHIP STAFFING STUDY

Meeting the Challenges of a Changing Workforce



USED RETAIL GROSS MARGIN HAS **STEADILY DECLINED** FROM ITS 2009 PEAK AT 11.5% TO APPROXIMATELY 9% BY 2015.¹ COMPARED TO PREVIOUS YEARS, DEALERS NOW:

- Invest more in the vehicles they sell,
- Spend more to operate their stores, and
- Make less profit per unit.²

Margin compression continues and operating costs are increasing, and dealer profitability is being tied up in comprehensive operational inefficiencies. **Notably, employee recruitment, retention and development (staffing) is one of the biggest sources of operational opportunity that dealers face today.**

WHAT WILL THE MOST SUCCESSFUL DEALERS DO?

- Have a Solid Staffing Strategy
- Make the Most of the Millennial Workforce



HAVE A SOLID STAFFING STRATEGY

More than half of dealership gross profit margin goes to payroll³ and the impact that your employees can have on your customers and on your culture can be significant. With an average cost of \$10K per new hire⁴ and an annual turnover rate as high as 67% for sales positions,⁵ a dealership with 100 salespeople can lose \$670,000 a year... not to mention the knowledge and customer relationships that walk out the door with that employee.

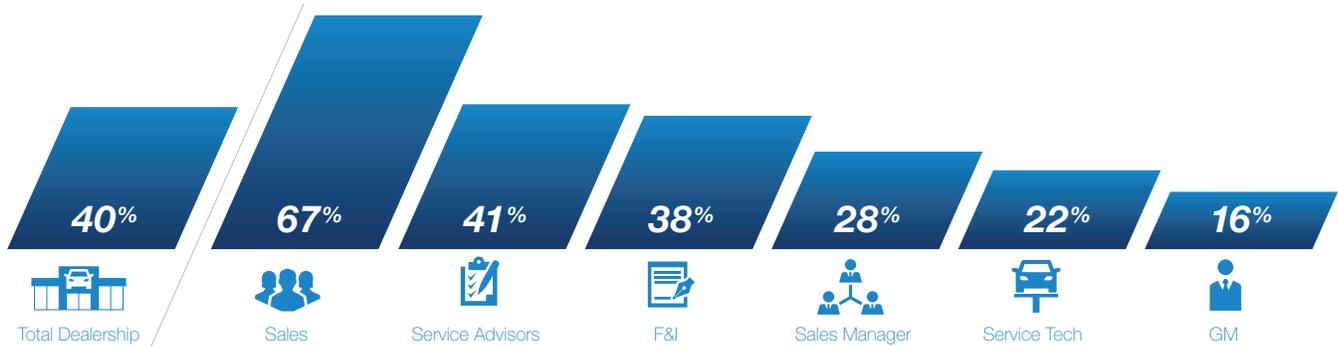
WHAT DOES A SOLID STAFFING STRATEGY GET YOU?

- *High-quality, long-term employees are critical to dealer profitability, longevity and growth*
- *Having the right people in the right roles, properly trained, and operating in ways that reflect your desired customer experience are key differentiators for your business*

GETTING THE RIGHT PEOPLE IN THE RIGHT ROLES IS A FUNCTION OF:

- *Attracting desired talent to your organization*
- *Assessing the talent properly for both skills and organizational fit*
- *Onboarding them in ways that set them up for success and deeply engage them in your organization*

ANNUAL TURNOVER BY POSITION



Source: NADA 2016 Dealership Workforce Study

In spite of increases in technology, car buying is still a “people business.” Returning customers often do so because of positive interactions with dealership personnel. According to Autotrader’s 2015 Sourcing Study, 42% of new car buyers returned to buy from a dealership solely because of their prior good experience with that dealer.⁶ And the impact of quality dealership employees is not limited to sales: Fixed ops accounts for 46% of dealership gross⁷ on average, and knowledgeable, certified/highly qualified staff members are among the top reasons why customers go to the dealer for service.⁸

The struggle to hire and keep the right employees can have broad operational consequences. For example, hiring relatively inexperienced sales and service advisors because they seem to be a good personality fit can result in bad hires, high turnover and associated expenses. Offering only cursory training/orientation (e.g., on OEM products) can lead to lack of job satisfaction and poor employee performance. Failure to offer and/or discuss career development results in short-term employment and difficulty recruiting the highest-quality candidates.

67% annual turnover rate for sales positions⁵



2 IN 3 DEALERS HAVE NO STAFFING STRATEGY

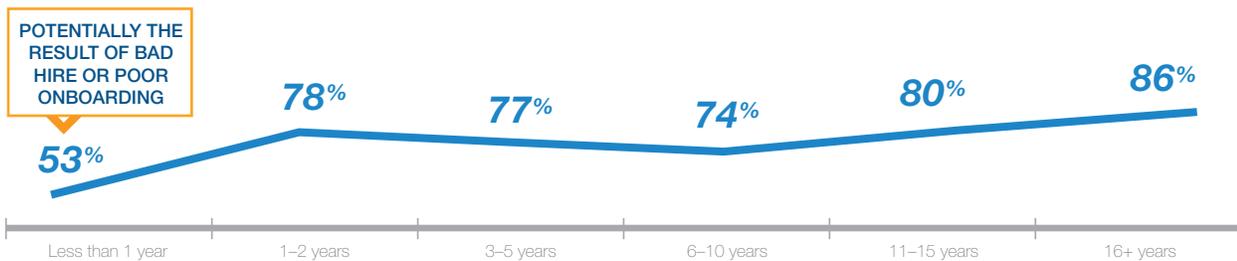
Despite the importance of hiring and retaining quality salespeople, 2 in 3 dealers have no staffing strategy⁹ even though the automotive retail staffing marketplace suffers from challenges like **high turnover and hiring costs**. In fact:

- *The average cost of hiring a new dealership employee is \$10K.*⁴
- *Annual turn over is as high as 67% among dealership salespeople and is increasing overall, with an average tenure of only 2.7 years.*⁵
- *60% of dealership hires are millennials and more than half of them turn over annually.*⁵
- *9 out of 10 female hires turn over annually.*⁵
- *28% of terminations occur in the first 90 days of employment.*⁵

With a solid staffing strategy, you can hire better, accelerate productivity, foster better relationships and culture, and improve employee satisfaction, resulting in improved retention and performance.

EMPLOYEE SATISFACTION

% Who Gave an 8–10 Rating on a Scale of 1–10



Source: Dealership Staffing Study





WHEN DEALERSHIPS...

Don't have a strategic plan for hiring, staffing, and training employees

Don't track turnover

Don't actively recruit and only hire as needed

Provide little formal training outside of OEM product training

Avoid discussions about career growth and development unless prompted by employees or candidates

IT CAN RESULT IN...

Inconsistent in-store experiences, service/parts operations running at less than capacity, managers too focused on doing HR tasks themselves

Inability to address problem areas (e.g., ineffective sales management, broken or no service tech onboarding process)

Lost productivity when positions are open for too long and additional personnel expenses due to bad hiring decisions

Lost revenue due to lack of skills (e.g., no/bad CRM entry) and inconsistent customer experiences between customer visits

Disengaged employees with lower productivity and the loss of good employees

Source: 2016 Dealership Staffing OBBFG provided by KS&R



MAKE THE MOST OF THE MILLENNIAL WORKFORCE

Gen X and baby boomers make up 2/3 of the dealership workforce, but this demographic balance is changing: Gen X and boomer turnover is growing as they age or retire, so dealers will come to rely more heavily on millennials for staffing. **While millennials make up 42% of the dealership workforce, they account for 60% of new hires.**⁵ Attracting and managing this important group of talent will require most dealers to think differently about their culture, their processes and their beliefs about the value millennials add to the organization.

HOW DEALERSHIPS VIEW MILLENNIALS

PERCEIVED STRENGTHS

- Can sell to peers
- Tech-savvy
- Place higher value on different things, prefer time over money
- Enjoy the challenge of staying up to date
- Can work for less money, more time off
- Willing to change

PERCEIVED WEAKNESSES

- Need immediate recognition
- Little drive and are not self-motivated
- Want time off
- Lack of work ethic
- Entitled
- Technology-dependent

At least 2 in 3 millennials in the labor force are actively looking for a job¹⁰ and despite the common perception that dealership employment is basically a high-pressure sales job with demanding hours, more than 1 in 3 millennials are interested in working at a dealership.¹¹ However, while dealerships are increasingly growing to depend on them, dealers often perceive that millennials do not fit dealership culture.

Consequently, many dealerships are not interested in changing their environment to accommodate these younger workers. However, some dealers are experimenting with different pay plans and schedules in an effort to attract and retain the best of this major workforce demographic.

While millennial interest in dealership jobs is driven largely by pay, interest in cars and flexible work hours,¹⁰ dealers should also be aware that compared to millennial employees in the general workforce, millennial dealership employees are more likely to feel as though they aren't receiving fair consideration for advancement or adequate recognition

for accomplishments.¹⁰ Dealers can help attract and retain millennial employees by instilling pride in their work and recognizing the value they bring to the dealership. Have managers acknowledge individual accomplishments in front of the team. Employee awards and rewards programs (e.g., "Salesperson of the Month" and gift certificates) can recognize the value employees bring to the dealership.

Millennials' tech-savvy nature can be leveraged to maximize the use of tools and technology while boosting recruitment and retention. **78% of millennials were strongly influenced by how innovative a company was when deciding if they wanted to work there.**¹² Emphasize your investment in advanced technology that millennials can use to develop skills and excel in their work, and train them to use the latest technology (CRM, Inventory Management, Digital Retailing and Desking tools) to increase sales, enhance customer satisfaction and create process efficiencies, thereby promoting career advancement and boosting employee satisfaction.



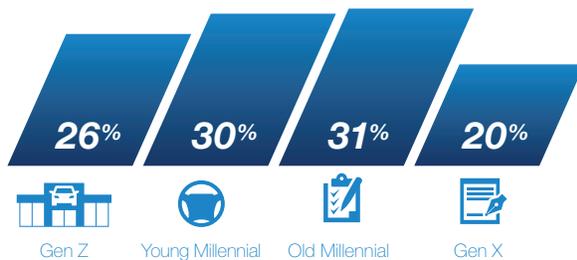
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HELP PROSPECTIVE EMPLOYEES UNDERSTAND THE VARIETY OF DEALERSHIP CAREERS

No matter which prospective employee demographic is being targeted, dealers should be aware that **many potential employees are discouraged by the perception that dealership opportunities primarily consist of sales positions.** Therefore, educating prospects about opportunities beyond sales is key to stimulating interest in a dealership career. The research indicates that potential employees have significantly increased interest in dealership employment once they have been educated about roles beyond sales¹⁰ in areas such as:

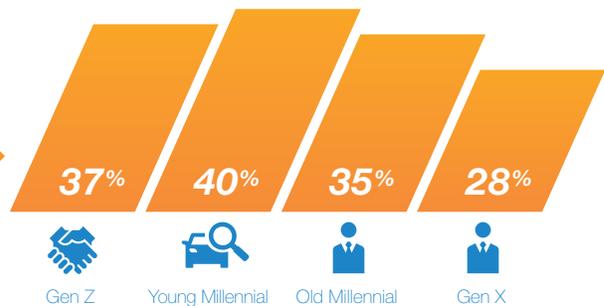
- Management
- Administration
- Marketing/Advertising
- Finance and Insurance
- Service Department
- Parts Department

Consumers Likely to Consider Working at a Dealership



% Extremely / Very Likely

When Roles Beyond Sales are Presented to Them



Source: NADA 2016 Dealership Staffing provided by KS&R



43%

of short-term employees will look for a new job within 6 months of getting hired¹⁰

UNDERSTAND AND ADDRESS DRIVERS OF SHORT TENURE

Look at your culture and pay plans, and make changes where necessary. 43% of short-term employees will look for a new job within 6 months of getting hired.¹⁰ Their top likes are co-workers and working with customers, and their top dislikes are poor work culture/treatment, amount of pay and management. Employees who leave within one year have significantly lower job satisfaction than longer-term employees.¹⁰

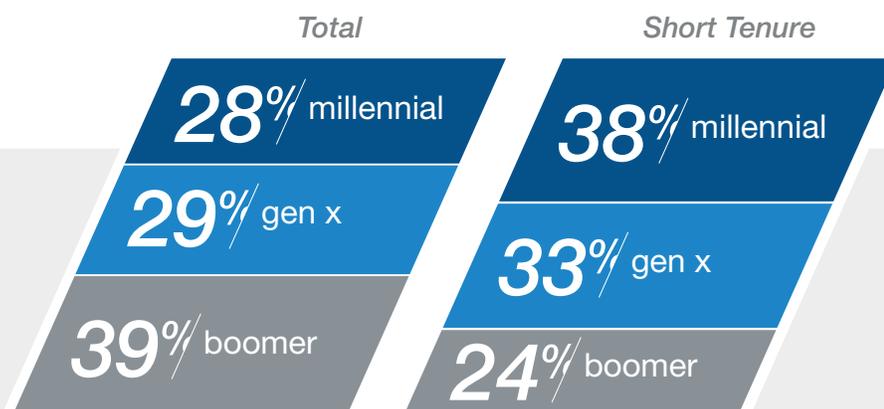
Review your hiring process to properly assess talent, accelerate early relationships with managers and peers, and share information about career opportunities in your organization. Most short-tenure hires only interview with 1-2 dealership employees,¹⁰ highlighting the need for a more rigorous interviewing and vetting process involving more input from more dealership personnel in order to minimize bad hires. Only 43% of short-term employees recall discussing career opportunities in the interview,¹⁰ indicating that a clear path of career advancement should be communicated in the interview and reinforced by management as a part of the onboarding process.

Employees should be encouraged by the knowledge that their continued hard work and accumulation of new skills will reap greater rewards the longer they remain committed to the dealership.

Make sure your development plans support performance expectations. Providing a career path is only effective as a retention technique if employees are given the training that will allow them to excel at their jobs so as to ensure advancement. Only 54% of employees hired for customer-facing positions said they received enough training to do their jobs effectively.¹⁰ Dealerships must train employees starting the day they are hired – and throughout their tenure – through methods such as online training, mentoring, job-shadowing and cross-training in new areas of the dealership.

Most short-term hires are millennials and Gen Xers.¹⁰ Because these younger generations are becoming the largest workforce demographic, dealers must strive to understand their preferences and motivations in an effort to attract and retain these employees on which they will increasingly depend.

SHORT-TENURE EMPLOYEES ARE MOST OFTEN MILLENNIALS AND GEN X



TYPES OF PROSPECTIVE EMPLOYEES AND HOW TO FIND THEM

Approximately 4 million job seekers in today's market would consider working at a dealership,¹⁰ including:

- Students – Recruit from colleges and trade schools by emphasizing growing technology-related dealership opportunities
- Consumers who purchased a car in the past 6 months – Look for potential employees among your customer base and reach out to them through onsite conversations, email or social media
- Hispanic job-seekers – Diversify job posting sources to include those that target Hispanic communities
- Prospects already accustomed to working nights and weekends – Stress the value of “customer-facing” skills to encourage consideration from this group who will be amenable to typical dealership scheduling

Implement a Holistic Staffing Strategy

A staffing strategy designed for long-term dealership growth and profitability has four critical components:

1/ Recruit

2/ Train

3/ Communicate

4/ Recognize



HOLISTIC STAFFING STRATEGY

1/ RECRUIT

1. Market all opportunities at the dealership to increase interest and demonstrate the variety of roles and careers available (marketing outlets can include recruiting websites, colleges/trade schools, job fairs, social media, local publications, job postings at the brick-and-mortar dealership and on dealer websites, etc.)
2. Treat dealership jobs as careers by providing a long-term path to advancement
3. Be clear when experience or specific skills are required
4. Focus on strong social skills and compatibility with dealership values
5. Communicate the benefits of pay plans and scheduling
6. Actively recruit talent on an ongoing basis
7. Include a variety of levels and personalities in the recruiting process (managers, peers, direct reports, executives) to give candidates an opportunity to meet others, understand the culture, and develop early relationships

3/ COMMUNICATE

1. Managers should regularly encourage career development with all of their direct reports by regularly reviewing, discussing and evaluating employee goals, responsibilities and progress
2. Provide a positive work environment by encouraging honest, open and direct communication and fostering respect between all employees, and by creating a comfortable and welcoming workspace
3. Reinforce dealership values by clearly communicating the goals of the organization (e.g., through a mission statement) and then setting an example of how those values are embodied (e.g., community involvement, sales process transparency, giving to charity, customer satisfaction); recognize employees who embody those values

2/ TRAIN

1. Invest in training employees, particularly during their first year, through:
 - Mentoring programs
 - Senior staff sharing best practices
 - Online training
 - Job shadowing
2. Set clear goals for 30, 60 and 90 days (e.g., learn sales process and CRM system, advance from doing recon and basic maintenance to diagnosing and performing minor repairs, sell X number of vehicles, etc.) and provide feedback on progress
3. Offer cross-training that will enable employees to pursue positions in new areas of the dealership
4. Make sure millennials are prepared for customer-facing positions
5. Provide ongoing training to keep employees engaged

4/ RECOGNIZE

Use awards programs (e.g., “Best Customer Service of the Month”) and incentives (bonuses, time off, gifts cards, employee events) to:

1. Praise accomplishments on an ongoing basis
2. Show appreciation for hours/schedule employees work
3. Instill pride in the dealership and acknowledge the value employees bring to customers, the business and the community

ABOUT THIS STUDY

The **2017 Cox Automotive Dealership Staffing research** was conducted on behalf of Cox Automotive by KS&R with consultation from Hireology. The study was fielded among a random representative sample of 50 dealer owners, principals and GMs (online discussion) about their current dealership staffing practices and challenges; 343 dealership employees (online quantitative survey) about their experience as a dealership employee; and 834 U.S. general population (online quantitative survey) about their opinions about working at a dealership.

ABOUT COX AUTOMOTIVE

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For more information about Cox Automotive, visit www.coxautoinc.com.

¹ Manheim 2017 Used Car Market Report

² Manheim Analysis of 2015 Company Filings of Publicly Traded Dealer Groups — Sales weighted average for ABG, AN, GPI, KMX, LAD, PAG and SAH

³ Company Filings, DrivingSales 2015

⁴ Hireology White Paper: *The True Cost of Employee Onboarding at Dealerships and How to Reduce It*, 2016

⁵ NADA 2016 Dealership Workforce Study

⁶ Autotrader 2015 Sourcing Study

⁷ 2015 NADA Data Guide

⁸ Cox Automotive 2016 Maintenance & Repair Study

⁹ 2016 Dealership Staffing OBBFG provided by KS&R

¹⁰ Cox Automotive: 2016 Dealership Staffing Study

¹¹ 2016 Dealership Staffing provided by KS&R

¹² The Deloitte Millennial Survey, 2014



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