OPTIMIZING YOUR GREATEST ASSET

2019 DEALERSHIP STAFFING STUDY
COMPETITION FOR TOP NOTCH EMPLOYEES HEATS UP

What makes employees jump ship and what makes them stay? Approximately 1,200 people weighed in on the 2019 Dealership Staffing Study — some already working at dealerships, some in other industries, and others actively looking for work — regarding their employment-related challenges, priorities, and expectations.

First and foremost: Dealerships aren’t just competing with each other for talent; they’re competing with other companies and industries in a tight labor market. To even be considered as an employer of choice, dealers must offer at least comparable benefits and employee experiences. Otherwise, you may find it challenging to first attract top talent and then keep that talent.
THE HIGH COST OF EMPLOYEE TURNOVER

Dealership turnover reached a new high of 46% last year,\(^1\) which means that most dealers can expect breakups with nearly half of their employees in the next year. Compare this number to the overall U.S. employee turnover of 19.3%\(^2\) and it becomes even more evident the dire state of dealership staffing today.

The numbers are more dismal for sales staff. Sales team turnover has steadily increased over the past three years, soaring to approximately 80% in 2018.\(^1\)

Turnover sets dealerships back in more ways than one. Alongside the crippling costs to find, hire and train an employee, it hinders your ability to serve customers. The argument can be made that the old mantra the customer comes first is incorrect and that, instead, employees should come first.

The real cost of losing an employee includes:

- Cost of hiring a replacement, including advertising, interviewing, screening, and hiring.
- Time and effort to onboard a new person, including training and management time. It’s no secret that onboarding a new entrant to the industry is even harder.
- Lost productivity – It can take a new employee, especially one that comes from outside the car business, awhile to reach the productivity of an existing team member.

Perhaps the only thing more crushing than your top talent walking away is learning you could have done something to avoid it.
NEW KIDS ON THE BLOCK

A new generation is entering the workforce. By 2020, Gen Z will make up 20% of the workforce. With their high-touch and high-tech upbringing, Gen Z and Young Millennials have their own behaviors, expectations, and preferences for the workplace. According to the study, a whopping 32% of Gen Z and 36% of Young Millennials are interested in working for a dealership. That figure is even higher when including roles outside of sales. This surge in interest in working at a dealership surpasses previous generations by leaps and bounds.

A NEW GENERATION IS INTERESTED IN WORKING AT A DEALERSHIP

<table>
<thead>
<tr>
<th>Generation</th>
<th>Interest Rate</th>
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<tbody>
<tr>
<td>Gen Z</td>
<td>32%</td>
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<tr>
<td>(Born in 1997 or later)</td>
<td></td>
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<tr>
<td>Young Millennials</td>
<td>36%</td>
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<td>(Born in 1991–96)</td>
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<tr>
<td>Older Millennials</td>
<td>21%</td>
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<tr>
<td>Gen X</td>
<td>19%</td>
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WHAT MAKES THE NEXT GENERATION TICK?

When it comes to building a great team, a guessing game isn’t an effective strategy. In order to successfully attract this tech-savvy group and develop them as loyal producers and future leaders, dealers need to understand their wants and needs.

1. Take small steps toward a more flexible culture.
2. Create an environment where your employees feel valued through career planning discussions and professional development opportunities.
3. Evaluate your tools and technology.
4. Walk the talk when it comes to diversity and inclusion.
5. Review your pay structure and benefits plan to ensure they are competitive and meet the needs of your workforce.
1/ Take Small Steps Toward a More Flexible Culture

Helping workers strike the appropriate balance between work and life is critical to retention. After all, burnt-out employees are more likely to call in sick and are more likely to quit.³

While Gen Z and Young Millennials may not have as many family responsibilities (kids, grandkids, aging parents, a mortgage, etc.), they have similar desires to find harmony between work and their lives outside the workplace. And it won’t be long before this age group accumulates more and more of these commitments like their older counterparts, who also highly value jobs that allow them to balance their professional and personal obligations.

<table>
<thead>
<tr>
<th>“EXTREMELY IMPORTANT” JOB ATTRIBUTES</th>
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<tbody>
<tr>
<td>Flexible work schedule</td>
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<tr>
<td>Free weekends</td>
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<tr>
<td>Free nights</td>
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<td>More vacation time</td>
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Schedule Flexibility
While you may not be able to change the inherent job duties, even small steps toward a more flexible dealership culture can pay off big-time.

While a lot of this isn’t possible, especially for salespeople — after all, a dealership is a retail business open nights and weekends — there are other impactful ways to meet those needs.

For instance, offering employees two consecutive days off, like a Monday and a Tuesday, gives them the continuity of a weekend. Even if consecutive nights off aren’t realistic, strike a balance with some nights off.

Scheduling salespeople for 40 hours per week, unless they indicate they want more hours, also helps employees strike a work/life balance.

Accommodating employees’ schedule requests to the best of your ability for family or personal functions without making them use their vacation days conveys respect and compassion toward them, the value of which should never be underestimated.
Promote Breaks
For younger employees, Snapchat is the new smoke break. Build in time when workers are encouraged to take rejuvenation breaks from work. Taking breaks has been shown to increase productivity levels.\(^4\)

Evaluate Paid Time Off (PTO) Policy
Encourage employees to take advantage of their vacation days and consider expanding the number of vacation days offered. Dealerships lag behind private employers in other industries in the number of PTO days they offer employees.

For example, dealerships typically offer 1- to 3-year employees 7 days of paid time off annually,\(^1\) compared to the national average of 10 days for employees with the same number of years under their belt.\(^5\) The gap doesn’t close even when incremental days are factored in for service longevity.

These are some of the considerations that dealers need to scrutinize about their employee operations in order to effectively compete for and retain talent.

Create an Environment Where Your Employees Feel Valued Through Career Planning Discussions and Professional Development Opportunities

When asked why they are looking for jobs at new companies, study participants said they were unhappy with their career prospects at their current company or that they want to be challenged more.

62\(^6\)% of dealership employees say career growth potential is an extremely important job attribute. 39\(^6\)% of current dealership employees are considering leaving because they don’t feel there is opportunity for advancement.

Charting Career Paths
Employees want to know a job has growth potential — that’s the difference between “just a job” and a career. Once they’ve mastered their current role, they want opportunities to be challenged in new ways with new responsibilities. For employees, that doesn’t always mean immediate upward mobility, either. Options to move into lateral positions where they can learn new functional areas of the dealership while growing their skills helps prepare their readiness to move into supervisory and management roles down the road if that’s their career trajectory.
Dealers should be proactive about having career-planning discussions. It’s never too soon to start those discussions, because they can make the difference between whether top talent stays with your organization or will even consider joining you in the first place.

In fact, a key component of attracting talent starts with including the potential career path for the role in the job description. For example, help a salesperson or sales recruit see that they could grow into a product specialist, BDC rep, digital retailing concierge, sales manager or F&I manager. Remember, professional growth doesn’t always translate into career ladders; it can also mean career jungle gyms.

Detailed job descriptions increase the likelihood of candidates finding a job desirable by 23%. Essential elements of an effective job description include:

- Defining the type of work the position entails
- Describing the company culture and management style of the manager
- Explaining the potential career path for the role, and
- Detailing characteristics of someone who would be successful in the role.

Seeing a transparent path for career progression is critical, and this includes offering employees a stab at promotion opportunities before approaching the external market. Dealerships need to set honest expectations for workers so they know if they stick around, they will be rewarded with the opportunity to grow.

**Developing Skills**

A job becomes stagnant once professional development plateaus. Employees care about what they’re learning in addition to what they’re earning. The best employees are the most engaged and motivated ones, but that requires ongoing dealer support, mentorship, and advocacy. So it’s crucial that dealers create opportunities for professional development beyond just OEM training.

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Only 50% of current dealership employees say their manager meets with them regularly to set goals/objectives.

1 in 3 dealers agree training employees is a top challenge yet they aren’t investing in training opportunities for employees beyond what the OEM provides.
Technology for Gen Z and Young Millennials is not only a digital experience, it’s a human experience. It is a part of who they are, how they work, how they play, how they communicate — everything. Instant access, social media, and digital technology have always been part of their world, and virtual connections are the norm. This generation expects dealerships to provide the tools to enable them to work smarter and more efficiently.

Dealers can help improve retention and job satisfaction by taking a hard look at the tools employees use. While investments in technology are seen as a way to improve the customer experience and reduce transactional costs, it also serves as a key factor when it comes to employee satisfaction. In fact, access to the right tools is a common feature for the dealerships that are perennial winners in Automotive News’ “Best Dealerships to Work For.”

Evaluate your current employee-facing technology based on the following criteria:

**Efficiency:** How many open windows does it take to handle a typical transaction? Efficient systems keep steps on as few separate screens as possible. An efficient system also uses mobile technology, making access convenient from anywhere in the dealership.

**Simplicity:** How easy is it to learn? No one likes to be trained on a complicated system. Worse yet, dealing with confusing, non-intuitive steps every day is a sure recipe for employee frustration. Software that features a user experience similar to the mobile devices that employees are accustomed to makes tasks easier to accomplish and creates a more comfortable working environment.

**Integration:** Does it integrate with other systems and solutions, reducing needless work, errors, and missed connections? From appraisal to credit pulls, desking and app submission, the ability to connect each step is possible with the right technology approach. Systems like DMS and CRMs and digital retailing tools all work together, eliminating employee duplication of steps – and headaches.

### Employee Sentiment

- **61%** Don’t believe their dealership is using the latest technology
- **12%** Think their dealership is way behind the times
- **25%** Are considering leaving because they don’t believe their dealership is headed in the right direction
Walk the Talk When it Comes to Diversity and Inclusion

Gen Z is the most diverse generation to date,\(^8\) so it’s no surprise that this younger generation thinks working with people from diverse backgrounds is an important element of a team. In fact, for some, a company’s level of diversity has a big impact on their decision to work there.\(^9\) Even better, diverse teams, with their unique perspectives, skill sets, and capabilities, can come together to create something greater than the sum of their parts.\(^10\)

But it’s not just the workforce that’s becoming more diverse – it’s your Gen Z and Young Millennial customer base, too. As your customers become more diverse, your staff should reflect your clientele, and not just when it comes to race and ethnicity.

![Graph showing demographic distribution across different age groups.]

Currently, women are not well represented in dealership staffs despite increasingly being key decision makers in the car-buying process and making 42% of vehicle purchases today.\(^11\)
Review Your Pay Structure and Benefits Plan to Ensure They Are Competitive and Meet the Needs of Your Workforce

While money isn’t the only priority, at the end of the day, we all know that compensation — be it pay, benefits, or a combination of the two — is often the determining factor in choosing one job over another.

Gen Z and Young Millennials came of age during difficult economic times that culminated in 2009. After growing up in the Great Recession, they’re pragmatic. So financial stability is very important to them.12

Reconsider Your Pay Structure

Yes, it’s the commission. A third of current dealership sales employees are thinking about leaving over the commission pay structure. And, 41% of employees in other industries wouldn’t even consider a job paid on commission, substantially shrinking your potential talent pool.

Many dealers have successfully begun evolving their compensation models to create more income stability for employees while still rewarding highly motivated staff with more earning potential. This shift is a common theme for the dealerships that are perennial winners in Automotive News “Best Dealerships to Work For.” 77% of the dealerships included in the 2018 winners circle said they use nontraditional plans.13

And employees who work at these dealerships seem happy about that: 95% of employees at the winning stores gave positive responses to questions around pay and benefits versus 81% for those at stores that didn’t make the list.13

32% of current dealership sales employees are considering leaving due to pay structure

41% from other industries would NOT consider a roll that was paid on commission
Benefits Are the New Normal
In this hyper-competitive labor market, dealers are moving from offering benefits as an add-on. Instead, they’ve turned to benefit packages to attract employees.

Do your dealership benefits make the grade? To compete for top talent, great health benefits, flexibility when children are ill/out of school, paid family leave, and childcare assistance are big draws.

“EXTREMELY IMPORTANT” BENEFITS TO EMPLOYEES

- **Great health benefits**: 61%
- **Flexibility when children are sick/out of school**: 36%
- **Maternity/paternity leave**: 33%
- **Child care benefits**: 32%

Don’t make dealership employees choose between caring for their families and advancing their careers. It’s possible to support employees juggling children, aging parents or ailing spouses — all while being productive and keeping their careers on track.

Contrary to popular belief, paid family leave may not be a burden on businesses and can positively impact employee morale, productivity, profitability, and employee retention. In the long run, this saves on the expense of onboarding new employees. Paid family leave can be a win-win for employees — as well as dealerships.