



BDO Driving Profits
NEWSLETTER

INSIGHTS FROM THE BDO AUTO DEALERSHIPS PRACTICE

THE WAR FOR TALENT: DO DEALERSHIPS STAND A CHANCE?

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According to the [2021 Cox Automotive Dealership Research & Market Intelligence Staffing Study](#), sixty four percent of the 400 individuals working for companies outside the auto industry stated they did **NOT** want to work in an automobile dealership. That is an alarming statistic. In this time of the 'great resignation' and chronic shortages of qualified employees for all sorts of positions, 2/3's of potential employees would not even consider a position in a dealership... which is actually down from 75% in the 2019 study!

The same survey cited the 5 most prominent reasons given for not wanting to work in a dealership:



The situation is all the more dire when you compare this outlook with that of dealerships, which stands at odds with potential employee sentiment. According to the same Cox staffing study, 65% of dealers are planning on growing their staff in the coming year. The challenge of bringing new talent into the business will be formidable to say the least.

The NADA's [2021 Dealer Workforce Study](#) contains some statistics that may shed some light on the general public's concerns about employment with a dealership. Dealerships have an overall employee turnover rate of 46% annually and a median tenure for employees of just over 3 years. That is about double the national average for most industries, except for retail merchandisers at 60%+.

Digging in more deeply to the auto dealer's statistic, we see the Sales Consultant position most significantly contributes to the dealership turnover average. The turnover rate for this position is 67% annually (down from 80% in the 2019 study),

followed by the Service Writer position with the second highest annual turnover at 45%. Turnover rates for women under 24 years of age are also significantly higher than the overall average for both dealerships and national averages. These statistics compound the workforce difficulties facing dealers, who are struggling to keep the people they have.

Studies of employee turnover cite a variety of reasons behind the loss of employees. Many conclude the primary reason is hiring the wrong individual in the first place. While there are exceptions to the rule, many dealers are most likely still relying on the same hiring and compensation techniques that have been used for ages. The Sales Manager looks for those 'proven qualities' of a successful salesperson... 'good personality', 'energetic', 'referred by a friend', etc. Sadly, the NADA study shows the results of this method are about the same as those produced by a coin toss. On average 2 Sales Consultants are hired to get 1, with thirty-two percent of those hired being terminated within 90 days.



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In addition, compensation is often administered using tried and true approaches (e.g., highly commissioned plan for the sales consultant) or the 'barter and bargain' approach at the time of employment or promotion. Future changes come about because of counteroffers to employees with an offer from another employer.

The perfect storm of employee turnover and retention problems occurs when these two approaches are combined, as demonstrated in the dealership position with the highest turnover, the Sales Consultant. We have already established chance alone is almost as successful at selecting sales personnel as whatever hiring techniques are being used. Why? Simply put... many people hired do not have adequate sales skills. They lack one or more critical factors such as product knowledge, sales technique, or personality dynamics. These individuals (who cannot sell) are then motivated with a highly incentivized, performance-based compensation plan, based on sales. The flawed pairing of the non-salesperson and commission-based reward model produces floundering that ultimately ends with a short-lived career in auto sales.

The Sales Consultant position is not the only one in the dealership where the improper alignment of job role, workforce skills set, and proper compensation plan may produce lackluster results. The afore mentioned Service Writer is another high-visibility, customer-facing position in the dealership that plays an important role in selling the dealership to customers. Ironically, these two positions, who are most likely to greet a customer, are the least likely to be the same person at the time of the customer's next visit.

Many smaller dealerships, which have less than 100 employees under the roof, feel the size of their business does not support a more formalized approach to managing their workforce. But the reality is, even the smaller dealerships can't afford not to.

The hard costs associated with workforce turnover such as employment advertising, recruitment fees, onboarding, and training, range from 25% to 50% or more of the position's annual compensation. Add to that the soft costs of missed opportunities or lost sales, and the impact on employee morale across the dealership.

Market conditions over the past 12 to 18 months have resulted in extraordinary profitability due to greater profit

margins, lower head count and lower operating expenses as a percentage of sales/gross profit. Now is the time to take a hard look at your dealership's standings with respect to a few basic metrics. First, do a quick analysis of turnover rates for all dealership positions... particularly the Sales Consultant and Service Writer. Second, compare your dealership's compensation against local competitive rates for similar positions. Third, look at your dealership profitability and productivity analysis versus industry benchmarks.

A few tips to keep in mind as you evaluate your dealership's workforce management program:

- 1** Keep an ongoing tally of turnover and retention for each department manager.
- 2** Examine methods and levels of compensation for any positions with high turnover for any mismatch between the job role, employee skill set and pay plan.
For example, selling positions might benefit from a salary plus bonus approach for new hires as they go through training and begin to develop sales skills. As time passes and the sales skills become stronger, a transition to more performance-based compensation can be made.
- 3** Evaluate your dealership's managers on their abilities to successfully manage human capital. Offer training on management and coaching methods, and regularly speak with them about successes and challenges in the ongoing efforts to create a high-performing team.

If this human capital inventory highlights any position(s) that fall short of acceptable benchmark levels, consider the types of assistance that may be needed to address them. Outside firms offering resources to better define job roles and describe the personal qualities and qualifications best suited to them. These firms often offer interviewing and candidate evaluation services that can significantly increase the likelihood of hiring the person most likely to succeed.

HOW BDO CAN HELP

Time spent on improving and implementing recruitment and compensation practices will help every dealership in the increasingly competitive marketplace for talent. BDO has a wealth of experience in strategically partnering with Dealerships and Automotive Retailers like yourself. Whether it be competitive assessments, turnover analyses, guidance in developing job specifications or recruitment resources, we can help. Please reach out to the authors or one of our Auto Dealerships team members today.

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