



Hireology

NADA 2017 Workforce Study

Immediate Takeaways

for Dealers and HR Leaders

2017 NADA Dealership Workforce Study

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As the leading expert in retail automotive human capital management, we'd like to highlight actionable takeaways from this year's NADA Dealership Workforce Study. Like previous years, the study is packed with a wealth of information on key trends and activities surrounding the dealership workforce.

Highlighting shifting demographics and challenges with HR processes and hiring efficiency, the 2017 study shows continued disjointedness in the retail automotive industry for sourcing and retaining talent, and the impact these efforts have on profitability and employee satisfaction.

In this summary, we'll focus on four findings specific to hiring and talent management, and immediate actions you can take to stay ahead of the curve and build your best retail automotive team.

#1

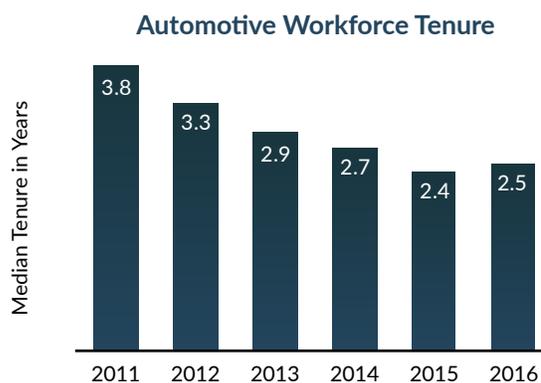
The Dealership Workforce Snapshot

Tenure Stabilizes, Still Falls Below Maximum Productivity

Looking at workforce activity throughout 2016, a few key trends emerged. Dealership tenure, which has been on the decline since the inaugural study in 2012, appears to have leveled off. Back in 2011, the average dealership employee tenure was 3.8 years. This fell to just 2.4 years in 2015, and ticked up slightly to 2.5 years according to the 2016 data.

While this is welcome stability to a worrying overarching trend, NADA's research has also shown employees require an average of 3 full years to reach full productivity. The study itself flagged this as a concern, highlighting that:

"This alarming combination represents a major drain on talent and cumulative work experience in dealerships. The result is reduced productivity, reduced median and average earnings, and reduced dealership profitability."



Three-year retention remained at 45% for retail automotive – just 35% for sales consultants, compared to 65% for the U.S. non-farm sector overall. Between one-third and one-half of all dealership hires reach their peak productivity during their tenure, representing underperformance impacting dealership profitability.



As tenure appears to have flattened over the past few years to below the peak productivity amount, dealers can take action by focusing on finding the most qualified applicants looking for long-term careers during the hiring process. While companies will always experience some turnover, proactively sourcing quality applicants will improve retention rates for both the short- and long-term.

Dealership Turnover Increases 3 Points

While overall tenure stabilized, short-term turnover continues to challenge the retail automotive industry. Dealership data from 2016 shows that turnover increased 3 full points to 43% – a new high for the industry. Broken down, there’s a noticeable difference between non-luxury (45%) and luxury (35%) as well as regions, with mountain dealerships the highest (53%) and New England the lowest (31%).

Note: The NADA Workforce Study calculates turnover as the annualized turnover rate, found by dividing the total number of terminations reported for the 2016 calendar year by the total active head count reported as of December 31, 2016.

Overall sales turnover reached 74%, a 7 point increase from last year alone – topping 80% for non-luxury sales roles.

Like with previous years, turnover skewed specifically high for sales roles. NADA shows turnover reached 74%, a 7 point increase from last year alone. Non-luxury sales consultants experienced the highest dealership turnover: 80% of employees in this category turned over. Luxury sales consultants fared better at 53%, but still represent a 5 point increase from 2015 data. Overall, turnover increased year over year in seven of nine key dealership roles. Still, some parts of the dealership saw some stability: both parts managers and parts consultants had their turnover rates relatively flat compared to 2015 results.

Short-Term Turnover Problematic

Across the board, short-term turnover continues to increase. NADA reports that 28% of all dealership terminations now happen in the first 90 days of employment, a 1 point increase from 2015. For sales consultants, the 90-day termination rate is 39%. These trends highlight a striking inefficiency in productivity immediately after the hire is made, making many dealership roles into revolving doors as recent hires leave within the first few weeks on the job.



A Profitability Hit

Across-the-board increases in dealership turnover, matched with the need for employees to remain in their departments for 3 years to reach their full potential, create an inefficient cycle of lost profits and wages. With many dealerships still using traditional, commission-based pay plans, employee income is tied directly to their output. This may seem like a risk-free approach for the dealership, but this compensation approach may actually drive talent away from retail automotive in favor of other industries offering more consistent and stable pay.



TAKE ACTION:

Reviewing the Symptoms of Dealership Turnover

The current atmosphere is creating a revolving door of retail automotive talent. With positions like non-luxury sales consultants turning over at upwards of 80% and other roles between 40% and 50%, dealers must take an objective look at their business structure, compensation plans, and overall culture or risk further losing talent to other dealerships or outside industries. This year has seen incredible economic growth as employment, the stock market, and vehicle sales have all experienced record highs.

Dealerships can proactively built retention through a number of internal efforts to focus on qualified candidates during the recruitment stage.

Decreasing short-term turnover can be solved through several tactics, each representing one of the key disconnects resulting in an early-stage termination:

- Setting realistic role expectations in the job description
- Leveraging skills tests to properly vet candidates before making a hiring decision
- Providing sufficient training and support before, during, and after the start date
- Establishing employee goals during the first week
- Conducting regular manager check-ins to track progress and feedback

By clearly outlining expectations, providing resources and training so the new hire can learn and improve their tactics, and allowing employees a forum to ask questions and track progress, new hires will be more likely to succeed on the job and grow with the dealership.

Challenges with retention are symptoms of larger issues that can be overcome by proactive planning:

- Developing a hiring process to focus on quality, not quantity of applicants
- Building and maintaining an employment brand
- Holding hiring managers accountable to a prescribed hiring process
- Outlining a clear career path with growth opportunities and meaningful compensation

By combatting turnover using the steps outlined above, dealers can help source higher quality candidates, objectively select those most likely to succeed, and ensure new hires have the tools, training and development track needed to be most successful on the job.

#2

Shifting Dealership Demographics

Millennials Increasing in Numbers, Decreasing Retention Rates

Younger employees falling into the millennial category continue to be a dominant force in the retail automotive workplace. In 2017, their share of the workforce increased 1 point to 43% of all dealership positions. This is likely going to accelerate in the coming years as millennials comprised 61% of new hires in 2016. The roles with the most millennial concentration were sales consultants and service technicians.

43%

Dealership roles held by millennials today

61%

Percent of millennial new hires in 2016

Yet as millennials make up a larger percentage of the dealership workforce, they are also turning over at a disproportionately higher rate compared to older generations. Compared to 2015 results, millennial turnover increased a full 5 points to 57%. This rate was much higher than turnover among Gen X (35%) and the Baby Boomers (26%) which was also relatively stable year over year.



TAKE ACTION:

Tactics to Retain Millennials

Elements included in last year's study, along with [broader millennial trends](#) add context to this accelerating trend of millennial retention at dealerships continuing to diminish. Departing with the expectations and needs of previous generations, millennials represent a key shift in retail automotive employment.

Dealerships have had trouble keeping up with the following demands millennial employees expect, adding friction to their transition to the workforce:

- Flexible work hours for a meaningful work/life balance
- Consistent and stable pay plans
- Collaborative work environments
- Technological tools to make work more efficient
- Continued growth opportunities and a clear career path
- Company-supported opportunities to give back to the community
- Perks and benefits comparable to other non-automotive industries

Many dealerships are beginning to integrate some of the above benefits into their company structures and compensation plans, but the transition may not be happening quickly enough to retain a majority of millennials – especially if other career opportunities can provide these benefits immediately.

Retail Automotive Continues to Struggle with Female Professionals

Standing at just 19.4%, female dealership talent continues to lag behind, increasing just 0.8% year over year. Similarly, women were hired for only 22% of new retail automotive roles in 2016. Women in dealership roles are also leaving retail automotive at a disproportionate rate: the 46% of female turnover last year was a full 5 points more than their male counterparts, and represented a 3 point increase compared to 2015 data.

Finally, there's ample opportunity to create a welcoming environment on the sales side for women to continue their careers. Turnover among female sales consultants was a full 25 points higher than male sales consultants: an incredible 96% of female sales consultants leave their role within a year.

Dealers know customers like buying cars from salespeople that are relatable, and with 85% of car sales influenced by women, it should be a top priority to bring in more female talent to the retail automotive industry. Like millennials, systemic challenges may be harming the perception of dealership roles to a majority of women, decreasing the talent pool to over half of today's engaged workforce.

22%

Percent of women
hired for dealer roles

96%

Female sales annual
turnover rate



TAKE ACTION:

Position Your Dealership as A Female-Friendly Career Opportunity

Dealers can work to fix the downward trend and get women to take another look at dealership career opportunities:

- Update job descriptions to make them gender-inclusive
- Offer schedule flexibility and work/life balance
- Partner with women-led professional networks
- Build a welcoming and inclusive culture
- Encourage sales collaboration between team members
- Work with community colleges and universities
- Host or attend local career fairs

As women comprise less than 20% of today's dealership workforce, there's ample opportunity to attract women to roles today's dealers are desperate to fill with engaged and talented hires. Building the amount of female professionals across dealership roles will benefit retail automotive twofold: it'll open up your talent pool to thousands of new and engaged candidates while also helping your sellers better relate to a vast majority of new vehicle sales.

#3

Hiring Challenges

Beyond the challenges of retention and engagement with millennials and women in the dealership, the 2017 NADA Workforce Study showed ample opportunity to improve key elements of the industry's approach to hiring talent. As the study highlights, *"Hiring managers across the industry still struggle with candidate screening processes and finding employees who are the right fit for the right job. In general, recruiting and hiring processes have shown little improvement year-over-year."*

Hiring Efficiency: Relatively Unchanged Since 2011

While this summary already explored the challenges related to turnover, both short- and long-term, another element to explore is the industry's overall hiring efficiency. NADA considers hiring efficiency as the number of open jobs divided by the number of new employees hired to fill the job(s). If 3 hires are needed before one "good" fit is found, the hiring efficiency is 1 out of 3 (or 33 percent).

The industry hiring efficiency has been relatively flat since 2012, fluctuating between 64% and 65%. Across all of retail automotive, this accounts for approximately 3 hires needing to be made for every 2 open roles. Another way of looking at this metric is seeing 1 out of every 3 retail automotive hires will fail within a year.

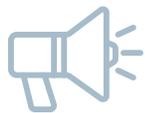
For sales consultants, hiring efficiency drops to 51% - requiring 2 hires to be made for 1 "good" fit. With NADA estimating the cost of new employee onboarding to be around \$10,000, this represents a substantial inefficiency in operations, and a huge opportunity for dealerships to get serious about developing a hiring process to drive better efficiency and reduce their hiring, training, and onboarding costs.

51%

Auto sales
hiring efficiency

2

Auto hires for 1
successful employee



TAKE ACTION:

Eliminate the Guesswork From Your Hiring Process

Whether you're looking to hire a lot porter, general manager or other dealership roles, Hireology recommends 9 critical steps to ensure you're focused on only the best fits for your team.

Find out how which these steps are in our eBook: [The 9 Elements of a Well-Oiled Hiring Process.](#)

Job Basics: Hours, Schedules, Benefits

This year's NADA Workforce Study also highlighted the need to provide employees with more flexible hours without the risk of being short staffed during peak customer shopping periods. Across roles, the average dealership employee was scheduled 44 hours a week in 2016. For a quarter of dealerships, sales consultants were on the clock for 50+ weekly hours, and 32% of service advisors clocked 50+ weekly hours in 2016.

Virtually all dealerships were open for business on Saturdays, and though unchanged from last year, nearly 38% of dealerships offer Sunday sales hours. Just 8% of dealerships had service departments working on Sundays for an average of 8 hours. Expect this amount to increase in the coming years as vehicle recalls, proactive servicing, and dealership incentives to increase revenue drive more consumer vehicles into a

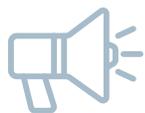
The average dealership employee waits 6 months before becoming eligible for any paid time off

fixed amount of repair bays.

To stay competitive in the market, dealerships can also look toward other industries to remain competitive in benefits offerings. One of the key opportunities to improve is paid time off. NADA reports that dealerships have an average of 6 months before an employee is eligible for any paid time off.

Beyond this, the median PTO time for employees at a dealership for 1-3 years is just 7 days. This increases to 10 days for up to 5 years, and 15 days of vacation after the 5-year mark. Consider following the lead of tech companies that are beginning to let full-time employees manage their schedules with unlimited PTO (within reason) to allow team members more control of their schedules.

Vacation Time By Employee Tenure



TAKE ACTION:

Transforming Your Compensation Packages & Benefits into a Competitive Advantage

Companies across all industries are looking for creative new ways to attract top talent, and retail automotive shouldn't be any different. Unlimited PTO, generous retirement planning, certification reimbursement, tools allowances for techs, and weekend lunch are all tactics dealers have implemented in an effort to differentiate their dealerships as top benefits providers to better attract top talent.

#4

Running a Dealership of the Future

Hireology regularly spotlights [top trends and tactics dealers and OEMs](#) use to incorporate technology and enhance dealership operations and the customer experience. Looking at the challenges highlighted in this year's NADA Workforce Study, there are actionable items every dealer can take to have an immediate impact on building an employment brand, sourcing quality applicants, running an effective hiring process, and understanding the results in a centralized and transparent way.

While many in retail automotive may look for quick and easy fixes to combat turnover, build retention and improve the customer experience, we see these elements as a benefit that comes after addressing critical elements of sourcing, hiring, and onboarding.

Rethinking Dealership Roles

From the previous *Job Basics* section, retail automotive hours, schedules and benefits are disconnected from the expectations of today's top candidates, especially those in the younger end of the employment spectrum. Beyond this, Section #1 touched on the turnover challenges impacting all of retail automotive, but disproportionately impacting millennial talent. Millennials will only further their lead as a proportion of the workforce, and the best dealerships will see this as an opportunity to update their entire human capital playbook – including base plus bonus compensation plans, flexible hours, and competitive benefits to help engaged millennials see retail automotive as a compelling industry to begin their careers.

The dealerships of the future must start embracing these changes today, or they risk losing engaged talent to other industries already making these workforce transitions.

Employment Brand

Today, top dealerships are investing significantly into their employment brand – the perception of their dealership to top job candidates. By investing back into their own brand as an employer, these dealers know that the best job applicants – both inside and outside of retail automotive – will be more likely to seek their group out as an employment destination. These dealers are thinking differently on their sourcing and branding strategy to top career recruits. Instead of seeing other local dealerships as the competition for talent, they take a bigger picture look, wanting to appear along the likes of Apple, Google, Netflix, and other top-tier companies, famous for their company culture and employee satisfaction.

Engaged dealerships invest back into their employment brand in a number of ways:

- They have an easy-to-navigate career site that's prominently linked from their consumer homepage
- Their career site lists open positions, company history, a look at the culture, benefits and perks,

team photos, and other exciting elements

- They make the applicant process as great as the consumer buying experience
- They know that top applicants are everywhere, so they recruit from a variety of local and national sources
- They partner with local schools to get top of mind with students before other companies
- They focus on culture above all else, and showcase this prominently across the dealership and ads

Kicking off plans **to build and maintain a strong employment brand** doesn't have to be overwhelming: focus on what you can do to showcase your great culture and career opportunities with your current open roles as you look to add additional details to your website and incorporate your core values across your recruiting materials.

A Streamlined Hiring Process

While many focus on automotive technology only impacting the consumer side of the business, top dealerships will look for ways to make the entire business run more efficiently and improve each team's abilities to do their jobs. One of the biggest opportunities for technology to have a meaningful business impact is on the people side of the retail automotive industry. In [joint research](#) between Hireology and Cox Automotive, we learned that upwards of 67% of today's dealerships have no staffing strategy or formalized hiring process.

67% of today's dealerships have no staffing strategy or formalized hiring process in place for managers to follow

This shows the incredible opportunity to leverage technology to speed up broken manual processes that are costly, time-consuming and may be turning away top candidates in a time the economy nears full employment, giving today's applicants plenty of career opportunities.

Here are a few ways technology can help improve the hiring and HR process, so your team can free up time from tedious administrative work to focus on your team:

- Transition to an all-digital hiring process to centralize and organize all hiring activity
- Offer a pre-screen survey to applicants to instantly weed out poor fits
- Centralize applicant data into an applicant tracking system (ATS) to centralize communication and comments from your team
- Leverage interview guides to keep your hiring managers focused on asking legally compliant, valuable questions

- Integrate background and reference checks directly into your ATS to verify employees quickly and efficiently
- Conduct new hire onboarding digitally, processing forms and training materials before the employee's first day on the job
- Connect all data from the hiring process to your payroll and talent management system to streamline your HR platform

Transparency

There's no question that investing in developing an employment brand and implementing a structured hiring process will add incredible value to your dealership, but doing so will take time and money to make it effective. How do you know if the investment is paying off? By using technology to ensure the process is centralized, trackable and transparent.

Regardless of your dealership size, brand, and hiring needs, there are a few common KPIs you should be tracking to gain better visibility into your results:

- Hiring Velocity: How long does it take to complete the entire hiring process?
- Hiring Process Adherence: Are your managers following each step of the process to fully vet candidates?
- Sourcing Quality: Fully understand which sources deliver the most quality candidates – not just number of applicants.
- Sourcing ROI: What's the overall return on your job board investments as it relates to the number of hires each delivers?

Get a better understanding of the advantages each of the above KPIs offers, and how to begin tracking them with our related post on [the importance of hiring insights for your dealership](#). By establishing goals and holding employees accountable to following your hiring process, you'll be able to see the exact business results your new talent management platform delivers while proactively managing any opportunities for improvement. This will result in a positive investment and complete transparency on the exact performance your hiring process is producing.

A Unified Look at Retail Automotive Hiring

The past 12 months have shown incredible excitement as well as challenges for retail automotive. From a blockbuster economic forecast leading to all-time high vehicle sales to devastating hurricanes and storms leading to losses for parts of our country, retail automotive has kept up the persistence. Yet the challenges our workforce has experienced for the past few years has only increased, leading to high turnover, difficulties exciting millennial and female talent, and operational inefficiencies that cost the industry billions of dollars.

But as we shared in Hireology's summary of the 2017 NADA Workforce Study, the top dealerships who take their brand seriously will see this as an opportunity. As the industry continues to be challenged with workforce struggles, leading dealerships will begin to understand that there's a better way to approach the

people side of the business. Turnover and low engagement are symptoms of much larger problems. Dealerships will begin to take an objective look at their staff challenges, job descriptions and company culture to see what can be improved. And how a structured hiring process rolled out across the dealership won't be an exhaustive exercise, but could actually lead to faster, better hires.

We see 2018 as the year to implement these improvements and present retail automotive as a great career destination.

Let's start improving your dealership's workforce today.

See why 1 in 10 new car dealerships across the country rely on Hireology to make better hires.

CLICK TO GET A ONE-ON-ONE DEMO

...or visit hireology.com/demo

Special thanks to...

NADA and ESI Trends for the hard work in pulling together this year's workforce results.
Interested parties [can download the full report here.](#)



About Us

Hireology's integrated hiring and talent management platform empowers multi-location, owner-operated, and independently owned businesses to build their best teams with confidence. The company equips teams with the skills and technology needed to manage the full employee lifecycle – from hire to retire – in one seamless platform. With focused expertise across several industries – including automotive, fitness & wellness, education, healthcare, and professional services – more than 4,500 businesses today trust Hireology to help build great teams, lift customer service and drive profitability.