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THE BIG STORY / SEPTEMBER 2016

## *Car Dealers Stuck Paying Staff* **‘TURNOVER TAX’**

*The employee-retention percentages are striking when it comes to dealership salespeople leaving their jobs.*

BY STEVE FINLAY

**S**ome car dealers executed a brutal personnel policy in the post-World War II years when automobile production resumed and consumers flocked to dealerships to buy vehicles again.

Back then, at dealerships such as those on Livernois Ave., once a west-side Detroit auto row, any salesman (it was an all-male sales force back then) who posted the

**Turnover for female sales consultants 90%, NADA says.**



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lowest monthly deliveries – even if it were a fairly respectable number – was fired.

If the dealership had 10 salesmen, and the tenth staffer on the board sold one fewer car than the ninth guy, No.10 got axed. The dealership hired someone to replace him. It was a monthly fire-and-hire ritual based on survival of the fittest.

Although that practice was long ago abandoned, revolving-door employment still is a part of auto retailing. But it's flipped. Sure, really lousy performers still are shown to the door. But many more times than not, when dealership employees leave today, it is of their own volition. Typically they resign to get a job at another dealership or in a different line of work. And each year, hundreds of thousands of them do that.

It's a costly situation for dealers who must routinely replace the departed. There's the expense of hiring and training replacements.

And there are revenue losses associated with a steady stream of rookies who work the sales floor without fully knowing what they are doing; the art of selling

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**U.S. DEALERSHIPS EMPLOY ABOUT 1 MILLION PEOPLE.**

**DEALERSHIP EMPLOYEE TURNOVER IN GENERAL IS ABOUT 40%.**

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cars isn't learned on the first day on the job.

U.S. dealerships employ about 1 million people. Dealership employee turnover in general is about 40%, according to the National Automobile Dealers Assn.'s most recent Dealership Workforce Study.

The numbers are striking when

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**Millennials don't want to work in a pure commission-based environment, Hamilton says.**

it comes specifically to salespeople bolting. Dealership sales turnover is 72%, says NADA. It is 80% at non-luxury stores, 48% at luxury dealerships. Female sales consultant turnover was 90%.

“Is there a problem? Oh yeah,” says Wes Lutz, owner of Extreme Chrysler Dodge Jeep Ram in Jackson, MI, who has taken strides to make his dealership an enjoyable place to work and has high employee retention rates to prove it.

When the auto-retailing industry turnover rate is applied to a dealership with 10 salespeople,

it costs \$250,000 to \$400,000 a year, says Jared Hamilton, head of DrivingSales and co-owner of a Honda dealership in Washington State.

“Internally, it’s called ‘the turnover tax,’” Hamilton says at the DrivingSales Presidents Club conference.

Employee retention is “a huge issue” in auto retailing, says Mike Waterman, national sales director at DealerSocket, a dealership customer-relationship management software company.

“Not only do you have the employee-replacement issue, but there are the lost opportunities” involving one newbie after another on the sales floor, he says. “Multiply that over 12 months and you are talking about serious money.”

### **AUTOMAKERS AWARE OF PROBLEM**

It’s an issue that has not escaped the attention of automakers. They have become more sensitive to – and more involved in – dealership representation of their brands.



“The challenge is high dealership turnover,” says Jon Finkel, global director-client experience and training for Nissan’s luxury brand Infiniti. “Someone with little experience is representing your brand. That’s something we need to overcome.”

NADA Chief Economist Steven Szakaly attributes the stunning turnover rate of sales consultants to two factors.

One, many entry-level workers try sales, then realize it’s not for them. “Second, automotive retailing is going through major industry changes, which is putting pressure on sales staff earnings,” he says referring to squeezed new-car profit margins of recent years.

Attracting top talent and keeping it is a reason Fiat Chrysler cites for launching its industry-first program of offering a free college education to dealership employees.

Dealer-council meetings often touch on how to attract better people and build retention, says John Fox, the automaker’s head of dealer training. High employee turnover affects not only deal-

erships and the brands but “also the customer experience,” he tells *WardsAuto* in a recent interview.

## WHY IS THE TURNOVER RATE SO HIGH?

There are many reasons dealerships struggle to retain employees. A big one is hiring the wrong person in the first place.

“Experience preferred” is an employer catch term. But it may be a red flag if a job candidate’s resume lists several dealers as past employers. To a prospective employer, it can mean 1) You’re next. 2) This person can’t hold down a job or 3) Here’s a chronic problem employee.

“The average cost of a bad hire is \$16,000,” says Adam Robinson,

### ROADBLOCKS TO RETAINING EMPLOYEES

- Hiring the wrong person
- Poor training
- Off-putting workplace environment
- Not offering competitive wages and benefits



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Steve Finlay



Steve Finlay has covered the dealer world for nearly 30 years.

**Tap into his insights.**



cofounder and CEO of Hireology, whose “mission” is to help dealers make better hiring decisions.

Dealerships with good reputations have an advantage in attracting talent, he says. “Your employment brand is the best asset to recruit people.

“When you put the time and effort into creating a well-rounded hiring experience, you tend to attract the best candidates for the job.”

Also important is a career website that is mobile friendly and makes it easy for applicants to send resumes online. It should explain workplace advantages, Robinson says. “Your career page is a place where you want to highlight what’s best about your company and employees.”

Poor training is considered another turnover culprit. Sometimes it becomes a vicious cycle because dealers, looking at the retention statistic, may balk at training people whom odds indicate might not be in it for the long haul.

Trainer Bob Kamm recalls a dealer asking him, “What if I train



**“The average cost of a bad hire is \$16,000,” says Hireology’s Robinson.**

someone, and he leaves?” Kamm responded, “What if you don’t train him and he stays?”

Hamilton goes down the list of why many dealership workforces are full of new faces. Sometimes it’s an off-putting work environment, especially if a dealer allows a grinder manager to set the mood.

Millennials now represent about half of all dealership new hires. They currently make up more than 30% of the total dealership workforce. Turnover among them is 54%, according to NADA.

Many 20- and 30-somethings do not like commission-driven dealership pay plans. “Millennials don’t want to work in a pure



# TIPS ON Creating Effective Career Site

Hireology CEO Adam Robinson offers these tips for maintaining an effective career website link or microsite that attracts quality job candidates:

- **Keep it up to date.** It should not offer jobs that already are filled. “Don’t let an outdated or poorly designed career page prevent the best employees available from finding you. The number of dealerships I’ve seen that continue to use outdated career sites is astounding, as well as a little concerning.”
- **Make it eye-catching.** “First impressions matter – for both the candidate and the employer. If the first thing prospective employees see is a poorly designed website, they are going to be impressed.”
- **Make it easy to navigate.** Each section should flow logically to the next. It should let candidates leave and pick up from where they left off. “The bigger the effort a job seeker has to make just to find opportunities at your company, the less likely they are to take the next steps.”
- **Include a thanks-for-applying auto-response that also asks users to fill out a survey.** “Fifty percent don’t,” Robinson says. “You’ve weeded out the non-serious types.”

Career webpages attract a higher quality of new hires than do job boards, he says. “If I’m a high-potential person, I have choices. You have to make it easy and interesting for those people to apply.”

commission-based environment,” Hamilton says.

Moreover, many of Gen Y members are not interested in becoming money-fixated workaholics, says Lisa Copeland, dealer princi-

pal at Fiat of Austin. She employs several women and Millennials, a mix that reflects the demographics of her store’s customer base.

Hamilton says dealers must offer competitive wages and benefits.



Those that don't are going to pay a high-bracket turnover tax.

"You work people to death, and you wonder why people don't want to work for you," he says,

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adding, "Incentivized compensation should not go away; that wouldn't be good, but it shouldn't be the sole basis for paying someone."

Stores that have above-average employee retention rates pay a base salary plus commission, offer career path and avoid work weeks that go beyond 45 hours, says Robinson.

"A lot of Generation Y'ers have student debts," he says. "If you go from variable to base pay, you

will see a dramatic shift (in retention and quality hires)."

About 60% of dealers now schedule their sales staffs to work 45 hours per week or less, as they try to offer appealing work conditions to job seekers, particularly Millennials, according to the NADA study.

## WORTHY CAUSE

Another Millennial magnet is a place of employment that is involved in worthy causes, says Roy Bavaro, a former marketing director for the DCH Auto Group and now director of the National Foundation for Teen Safe Driving.

"Employees like to work for a company that is socially responsible," he says at a recent Thought Leadership Summit automotive conference.

Sometimes it's the little things. Lutz says he tries to demonstrate to employees that he cares about them.

Scott Simons, a Honda, Nissan and Subaru dealer in Staunton, VA, says that when he's hiring, "I look for people who care. If they do, I can work with them." **WA**



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## Dealer Bucks Trend of **High Employee Turnover**

*Caring about employees and letting them know you do goes a long way, says dealer Wes Lutz*

BY STEVE FINLAY

**W**es Lutz owns Extreme Chrysler Dodge Jeep Ram in Jackson, MI, and is Regulatory Affairs chairman for the National Automobile Dealers Assn.

He speaks with *WardsAuto* about his efforts to buck a trend of low employee-retention rates in auto retailing.

**“I can’t be successful unless all my people are successful,” Lutz says.**

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**WardsAuto:** What's your secret? How do you keep your employees as long as you do?

**Lutz:** I hire people with no skills who are unemployable anywhere else and have no other options.

**WardsAuto:** What?

**Lutz:** I'm kidding. My average employee has been with us 13 years. We have virtually no turn-over. I really value my employees. It's a big family atmosphere.

I'm interested in and care about our employees, because I personally believe I can't be successful unless all my people are successful. So it's just as important for them, as it is for me, that they succeed, make money and progress in career paths.

**WardsAuto:** So it's like a company policy to care about employees?

**Lutz:** In my heart I believe it and approach it that way with every employee. I also do a lot of little things for employees that are important for them, even though it's not a big deal to me and doesn't cost anything.

**WardsAuto:** What's an example of that?

**Lutz:** I had a new salesman who'd been with us about a year. He had a Chevy truck and wanted to buy a Dodge truck. He had a buyer for the Chevy truck, but

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had a lien on it. He owed \$10,000; it was worth about \$15,000. The credit union said he needed a clear title (on the Chevy before it would finance the Dodge truck).

I said, “I'll pay off the truck, and when you get your check from the credit union, you can just pay me. He said, “You'd do that for me?” I said, “Of course, you're important to us.”



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**WardsAuto:** So he felt appreciated.

**Lutz:** He appreciated what I had done. It really didn't cost us anything, just tied up some money for a couple of days, which happens regularly at dealerships. But it made it possible for him to sell his vehicle.

I look for those little things to do. My policy is that if you have a death in the family, you can take as much time off as you want. Everybody takes about three days or so. But I just tell them, "You can have as much time as you want." I'm sincere about that. So there are just a lot of little things you do all the time to retain employees.

**WardsAuto:** There are different pay plans, and some are arguably more employee-retentive than others.

**Lutz:** I actually think you shouldn't change pay plans. We rarely make a change like that.

Everyone is on commission at Extreme Dodge. They all get paid on bottom line, and they share. We take our customer relations very seriously.

**WardsAuto:** You won an award for that, didn't you?



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**Lutz:** We just received Chrysler's Customer First award. Only 124 dealers out of 2,700 won that this year. We were one of the first ones. (Fiat Chrysler doesn't) pay you monetarily to hit those numbers. It's just a matter of pride. When hiring, you look for people who have the same level of pride.

**WardsAuto:** Some people in the industry say a pay plan can make or break whether an employee stays or not. They say some plans are onerous and cause high turnover rates.

**Lutz:** I definitely would say pay is one of the top reasons for someone leaving a dealership. I don't know if it is the top reason. I have people in my organization who could be shopping for a job today and could be hired anywhere. But they like our dealership's atmosphere.



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**WardsAuto:** Besides what you mentioned, what else do you do to foster that?

**Lutz:** I let people make decisions. I let them have control. I don't micromanage. I'm not going to look over your shoulder. I have this theory that if I am going to hire you, I need to trust you and think you are confident, or I shouldn't have hired you.

**WardsAuto:** A lot of employee retention has to do with having a process by which you hire the right people in the first place.

**Lutz:** It's huge. If you are considering hiring someone who'd you like to have as a neighbor, that's a pretty good indication.

I also run a credit check on every employee I hire, with their knowledge. People with good credit scores take care of my business like they take care of their personal business. That's a good indicator. I don't want people with garnishments. I don't want to hire someone creditors are chasing down.

I want people who are financially secure.

**WardsAuto:** What's your dealership's vacation plan?

**Lutz:** Three weeks vacation. And it's mandatory. You can't work through your vacation. We just have a lot of little things that incrementally keep people engaged.

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**WardsAuto:** How many people work for you?

**Lutz:** Right now 52. We're just now ramping up our used-car business, because I think the new-car business might be peaking. So we're going to push our used-car market a little stronger. I've hired a couple of additional people for that. **WA**