

Study: The Impact of Turnover on Dealer Operations

Dealer Executives Underestimate Cost of Staff Turnover by \$97,000 Despite Investments to Improve Employee Retention

The Impact of Turnover on Dealer Operations

Dealer Executives Are Underestimating the Impact of Turnover in their Stores by \$97,000

A study from DrivingSales, in partnership with Hireology, found that dealer executives underestimate their turnover by 20% for their entire dealership and 27% among their sales team. This indicates a major disconnect in the dealership that is coming at a potentially significant cost to dealership profitability. Adding to the issue is the fact that dealers are not effectively addressing the problem: according to the survey most dealerships are potential incorrectly devoting resources to reversing this costly trend.

On average the overall dealership turnover rate reported by Dealer Principals, General Managers and Owners was 22% compared to the 42% the [2016 NADA Workforce Study](#) identified. The discrepancy for the sales team was even larger with dealer executives reporting an average 40% sales teams turnover rate versus the 67% reported by NADA.

Your Turnover is costing you:

**\$45,000/
employee**



**\$439,000/
year**



Based on research performed by DrivingSales each sales person that leaves a dealership can cost the bottom line \$45,000 (other sources estimate this number higher) and the total turnover cost per dealership averages nearly \$439,000 annually. This means, based on the underestimation in sales turnover, that dealer executives are underestimating the cost staff turnover of their dealership by \$97,000, assuming they are even aware of the bottom line loss.

Fueling Excellence

www.drivingsales.com

8871 S Sandy Parkway, Ste 250

Sandy, UT 84070

866 943 8371



What are Dealers Doing to Address the Issue?

The survey further revealed that most dealers are unaware of the financial impact turnover has within their dealerships and, with a lack of transparency into this impact. The majority (over 80%) of dealerships report that they do not have a dedicated person/team focused on hiring, training or retraining their staff. These responsibilities overwhelmingly are assigned to individual department managers. Not only does the lack of focused attention indicate why dealer executives are unaware of their true turnover rate and the costs associated with it, but it reveals a core issue underlying the problem of staff turnover.

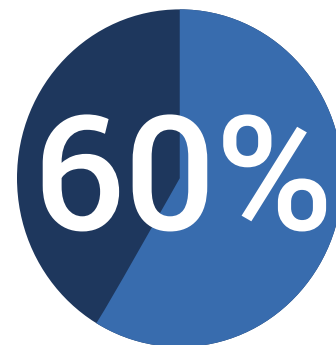
Dealers Are Addressing Turnover, but is it working?

Although dealer executives underestimate their turnover rate, they do not ignore the issue of turnover completely. More than 60% of executives reported that turnover had a major impact to their operations in all departments except their Internet/BDC department (49%). The majority of executives felt that the sales department was impacted the most by turnover.

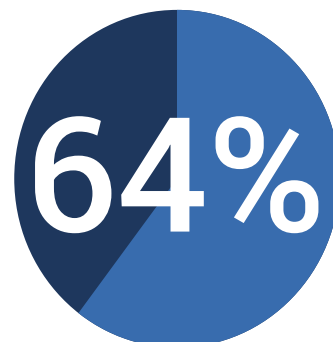
64% of dealers report that they have taken some sort of changes to their policies to address the issue of sales turnover. The two most frequent changes to policies were:

1. Changing Commission vs. Base Pay Structure
2. Increasing Entering Compensation.

Had a major impact on operations



They had to make changes to policy



Fueling Excellence

www.drivingsales.com

8871 S Sandy Parkway, Ste 250

Sandy, UT 84070

866 943 8371

What are Dealers Doing to Address the Issue?

Action Taken	Respondents
Changing commission vs. base pay structure	38%
Increasing entering compensation	37%
Increasing employment outreach effort and/or advertising budget	26%
Changing policy on days worked	25%
Promoting career development opportunities on website or advertising	15%
Improving vacation policy	15%
None of above	36%

The majority of dealers focused their Human Resources changes on activities to attract candidates, such as improving income pay structures and increasing

employment outreach, instead of making investments in post-hire experience (days worked, vacation policy and career opportunities).

Is This Motivating Employees?

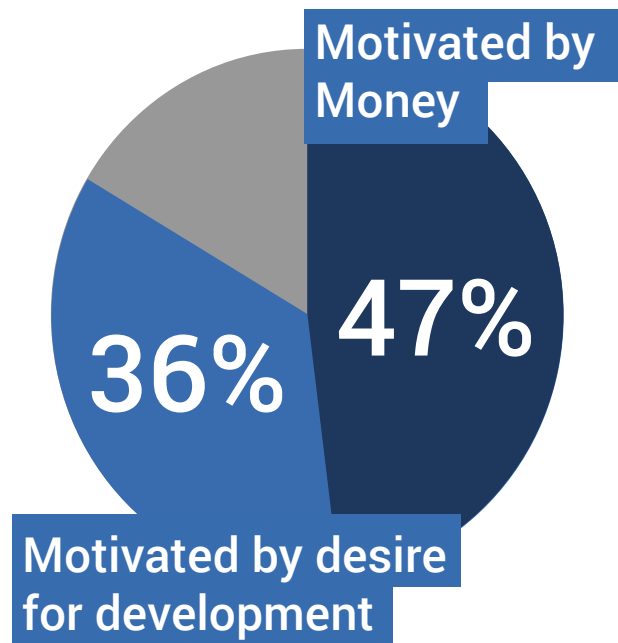
Is This Motivating Employees?

The investments that dealers have made in salaries and compensation structure shows that dealers feel their best tool to attract and retain candidates is through financial incentives. [But studies outside the automotive industry](#) indicate that dollars are not as impactful on retention as other incentives, such as on-the-job career development and flexible schedules. Initial research from DrivingSales indicates that while less than half as many dealerships invested in career development for their employees as those that focused on cash incentives, these alternative incentives are significant (and less costly) retention and recruitment motivators.

In a study, to be fully released in 2017, DrivingSales surveyed more than 1,000 dealer professionals to identify their motivations at work. 47% of sales people surveyed said their top motivator was money, as expected. However, 36% stated that their largest motivations were personal development and career progress.

Although the majority of salespeople are motivated financially, it is important to point out that by not investing in post-hire development many dealers are

missing an additional point of motivation. Balancing financial incentives with career development can result in increased retention of their total sales teams.



Is This Motivating Employees?

The results of both this study and the 2016 NADA Workforce Study indicate that turnover is impacting dealer operations -- and the bottom line.

Although most dealers are underestimating the impact it is making in their business, they are aware of the issue and are trying to make adjustments to decrease turnover. But are they the right adjustments?

Sources:

Chertok, Z. (October 7, 2016). Optimizing Rewards & Recognition With Configurable Technology. Aberdeen Group. Retrieved from <http://www.aberdeen.com/research/14031/14031-RR-maximize-return-rewards-management.aspx/content.aspx>

Szakaly, S. (2016). NADA Dealership Workforce Study. NADA. Retrieved from <https://www.nada.org/workforcestudy/>

Fueling Excellence

www.drivingsales.com

8871 S Sandy Parkway, Ste 250

Sandy, UT 84070

866 943 8371