

FEATURE

# Changing lanes on talent in the auto retail sector

Evolving from customer to human experience

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Automotive dealerships are facing a talent crisis. Vehicle buyers are looking for better customer experience and engagement. Unless dealers change the way they hire and engage with their frontline talent, they may risk losing sales.

**A**DVANCED TECHNOLOGIES ARE causing an unprecedented level of change across industries. The automotive industry is not immune to it—implications of the technology disruption reverberate up and down the automotive value chain and vehicle retailers are having to critically evaluate every aspect of their businesses in order to adapt to the new realities of an evolving world.

One of the areas of greatest concern for automotive dealers is talent, specifically attracting the right talent. The stereotypical showrooms of the past, full of transitory sales staff circling unwary customers in search of their next commission is becoming increasingly untenable in a world where consumer expectations are focused on maximizing efficiency, relevancy, and transparency. If dealers are going to remain relevant to a consumer base that is already used to buying just about everything else online, they should devise new ways to access, curate, and engage quality retail professionals. As such, Deloitte has embarked on a research initiative to explore critical issues surrounding human capital in the auto retail space. The goal of this research is to uncover the key insights and leading practices that can further the industry dialogue on this important topic.

“It all starts and ends with our people.”

— Garth Blumenthal, general manager,  
Mercedes-Benz of Temecula

## Address long-standing customer concerns by improving the human experience

At the intersection of customers, the retail workforce, and their extended brand partners (e.g., manufacturers, finance providers) sits the **human experience**. Getting all of these “human” elements to come together with shared values can be critical to remaining viable in today’s marketplace. For example, a satisfied and empowered employee is more likely to deliver a rewarding and engaging customer experience. However, the reality is many consumers simply do not enjoy the car-buying experience—they find the overall purchase experience difficult, time-consuming, and confusing. The *Deloitte Global Automotive Consumer Study* results reveal that the top three most disliked aspects of customers’ dealer experience are:

- Too much paperwork (57 percent)
- A purchase process that takes far too long to complete (42 percent)
- Price haggling (40 percent)

Add to that the commonly held perception that many dealers are disingenuous. For example, results from the 2018 Car Buyer Journey Study conducted by Cox Automotive indicates that only 61 percent of US car buyers believe their selling dealer gave them the best price.<sup>1</sup> Remarkably, our research indicates that many dealers are aware of these viewpoints. It is, therefore, easy to see why *many dealers* tell us one of the most important

things they can do to spur traffic and sales is to change the way customers—*humans*—are treated at the dealership.

“In a perfect world, our guests would feel 100 percent comfortable referring all of their friends, family, and coworkers back to our store to experience the same level of comfort and professionalism that they experienced.”

— Joe DeSantis, general manager,  
Niello Porsche

Many dealers are waking up to the fact that their customers are bringing a multitude of expectations from other, nonautomotive brand interactions. Most of these new expectations, including transparency and relevancy, have been forged in sectors that have already experienced massive disruption and transformation, such as telecommunications, retail, and financial services.

Establishing a human-centric experience can be challenging in an auto retail environment. One way to achieve it is to set and enforce the tone from the top down through all parts of the dealership from sales to service. Hence, the question becomes *what customer centricity looks like*. Most dealers interviewed for this research agreed that positive experiences were the fastest way to generate loyalty and advocacy for the dealership and the brand it represents, and that the goal was to have customers feel as though they were being *advised* as opposed to being *sold*.

“Today’s showroom environment needs to be an extension of your website where customers can experience what they want, when they want and not feel like they are being sold something.”

— Robert Armstrong, executive vice president,  
TRICOR Automotive Group

## Improving the human experience starts with the dealership staff

Data from the Bureau of Labor Statistics indicates that the “motor vehicles and parts dealers” industry will likely add around 165,000 jobs by 2026, making it one of the top 20 industries with the largest employment gain.<sup>2</sup> In our interviews with dealers, they revealed facing little difficulty in hiring sales and service people for their operations. But that’s only one half of the story, the other half being they struggle with hiring the *right kind of talent*—people with the drive, passion, and skills to make automobile sales and service a career rather than just a job. In fact, several dealers we interviewed feel salespeople that bounce from dealer to dealer have “too many bad habits that are too difficult to change.” As a result, some dealers have taken the extraordinary step of avoiding candidates with dealership sales experience in favor of people with the drive, passion, and skills that are better aligned with changing customer expectations.

“Hiring the right people is one of the most critical decisions I make. When reviewing potential candidates, I weight a person’s qualities and behaviors as far more important than sales experience.”

— Beau Smith, president,  
Long-Lewis Ford

Some progressive dealers are even leveraging a more training-based approach whereby they hire people as product specialists or “geniuses” before advancing them to other, higher-order sales positions. However, even this hiring strategy engenders some cause for concern as the pool from which talent is drawn can quickly dry up. Several dealer executives we interviewed also said young people are being increasingly dismissive of the automotive sector as a viable career option. So, if talented young people are passing up careers at dealerships,

it is upon dealer managements to figure out why it is so and, more importantly, how they can turn the tide.

## Recruiting, assessing, training and retaining the *right* people

While many dealerships still take an “old school” approach by posting open positions on job boards and relying on employee referrals, some are looking at new approaches to finding talent that can do more than just sell—talent that can create a valuable overall purchase experience. Some dealers may even be starting to align themselves to a broader shift in talent engagement across industries that focuses on the following framework:<sup>3</sup>

- **Access:** Organizations are starting to think about an open talent model where not only core skills but also adjacent skills are valued and developed.
- **Curation:** Many progressive organizations are realizing that actively curating employee experiences can have a significant impact on the end consumer experience.
- **Engagement:** Organizations with a consumer-engagement strategy are considering engaging with employees in a similar manner. This becomes especially important in an “open talent economy” where word of mouth about employee experience can help bring in the right talent.

“You can never undervalue the importance of your people and expect to be successful. Training and developing the people in our organization is the most important investment we make.”

— Garth Blumenthal, general manager,  
Mercedes-Benz of Temecula

With the emphasis increasingly shifting to the importance of providing clients with a more personalized and comfortable customer experience, many dealership managers are beginning to look beyond the traditional avenues for finding talent. Instead, they are looking to recruit more talent either straight out of school or from other industries where customer service is a priority.

There’s more to talent engagement than just hiring—career development is important too. Considering the time and effort that many dealerships put into finding the “right” talent to work in their sales and service departments, it is somewhat alarming that many dealers say that there is little, if any, structured career development for new hires after initial rounds of 30/60/90-day assessments. Dealers fall back on regular performance reviews around standard key performance indicators (KPIs), such as sales figures and summary results of postsales surveys sent to customers by the manufacturer. Many dealers rarely include documented, proactive feedback on dimensions such as leadership, teamwork, and mentorship. Because so few dealerships engage in any sort of advanced employee assessment, most of the feedback that employees receive is done informally and on an ad hoc basis without formalized review sheets.

In our interviews with certain progressive dealers, we discovered that they have already identified the main lacuna in the traditional feedback-sharing mechanism, which is that performance reviews happen at a preplanned frequency. Leaving too much time between performance reviews can allow issues to persist until it is often too late to correct them. One dealer, for example, approaches the issue very differently. It provides regular feedback, thereby significantly reducing the need to have long and difficult conversations with underperforming employees. Many others have taken on a more training-centric posture, incorporating more reviews on a less arbitrarily cyclical basis.

But what causes this *nearly ubiquitous* talent crisis? Dealers interviewed for this research indicate it often comes down to hiring for the immediate positions they need rather than implementing a strategic talent search based on a longer-term needs assessment of the critical skill sets required to run the business.

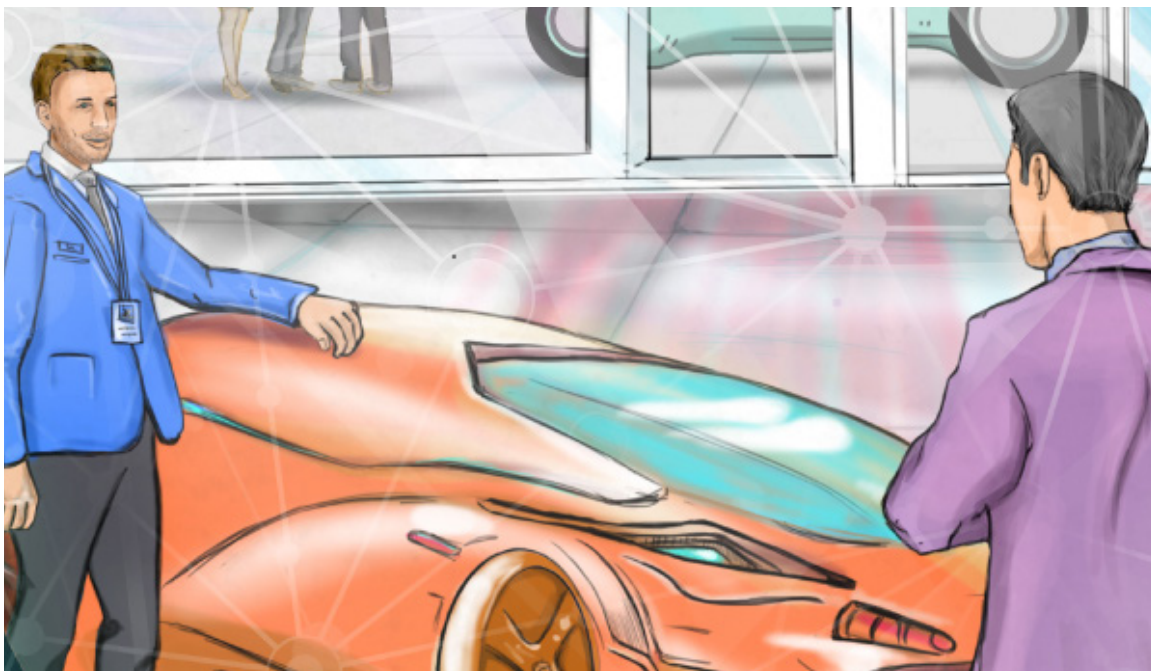
“If there is turnover at the management level, they will look to promote someone they think is capable, but there is no real planning that goes on.”

— Executive interviewee

Sales, in general, has always been something of a fickle game, with sales staff often regularly moving from job to job in search of better products to push and bigger commissions to put in their pockets. Our recent executive interviews reveal that it is not uncommon for dealers selling the biggest volume brands to see annual turnover rates of 50 percent to 60 percent for their salespeople, and 40 percent to 50 percent for their service staff. Management turnover is also relatively high in this group, with respondents reporting an approximate annual churn of 20 percent. According to our research,

churn at luxury brand dealers, although still significant, is generally about 10 percentage points lower across all categories of the business.

With so much turnover, one of the key questions that should be answered is: Would better training help to improve employee retention? The response to this question is decidedly mixed. In fact, a number of respondents said they do not currently provide any training other than what is required by the manufacturer and local state regulator. Encouragingly, however, a few respondents (mostly at higher-end luxury brands) say they see the current requirements as the baseline for what their employees need to know. These dealerships are working to make sure all associates project the *same brand experience* when it comes to dealing with customers. In an effort to have a *more consistent brand experience*, they have placed a heavy focus on training sales staff to coalesce around one standardized sales process. Additionally, many respondents say that while they have no explicit plans to expand their overall training programs, they are open to considering new initiatives to address specific issues or areas where they see a need for improvement. Certainly, achieving a



better balance between product knowledge and a clear assessment of customer needs could serve to reduce potential friction in the sales process.

“Advisers don’t know nearly as much as they should when it comes to the products they’re selling, and the customers to whom they are selling.”

— Executive interviewee

## Traditional compensation models need a relook, but dealers are struggling in an “eat what you kill” environment

The annual mean wage for employees in sales and related occupations at an automobile dealership is US\$47,080—significantly higher than other retail sales jobs (US\$29,440).<sup>5</sup> Many dealerships follow a fairly standard compensation plan where salespeople are paid either a flat fee per unit sold or a percentage of the gross profit, and they earn additional bonuses if volume thresholds are met. However, recent court cases<sup>6</sup> establishing minimum wage requirements for most commission-based sales positions have completely changed the landscape for compensation. In response, a number of dealerships have begun testing new compensation models that can help to smooth out the highs and lows associated with the business of sales. Surely, a more predictable salary can make automotive retail more attractive to a more diverse group of potential salespeople. Having said that, these experiments also risk the near-term morale of dealership employees by subjecting them to multiple changes to their pay plans.

At one dealer we interviewed, all employees, with the exception of technicians, are paid a base salary

that accounts for 70 percent of their compensation. The remaining 30 percent is paid out quarterly, based on the staff’s performance across 10 different KPIs that are calculated *at the dealership level*. While changes in labor laws can help to ensure that more salespeople are able to take home a living wage each month, some dealers still report that the best-performing sales associates prefer to earn a lower base salary and higher commissions. In fact, dealerships may prefer the commission-based arrangement as retail gross profitability for both new and used vehicles is under intense pressure (figure 2).

“At the end of the day, this is a sales position, but it’s not about selling aggressively and at any cost. They must live up to the company’s expectation of providing luxury customer experiences at all times.”

— Executive interviewee

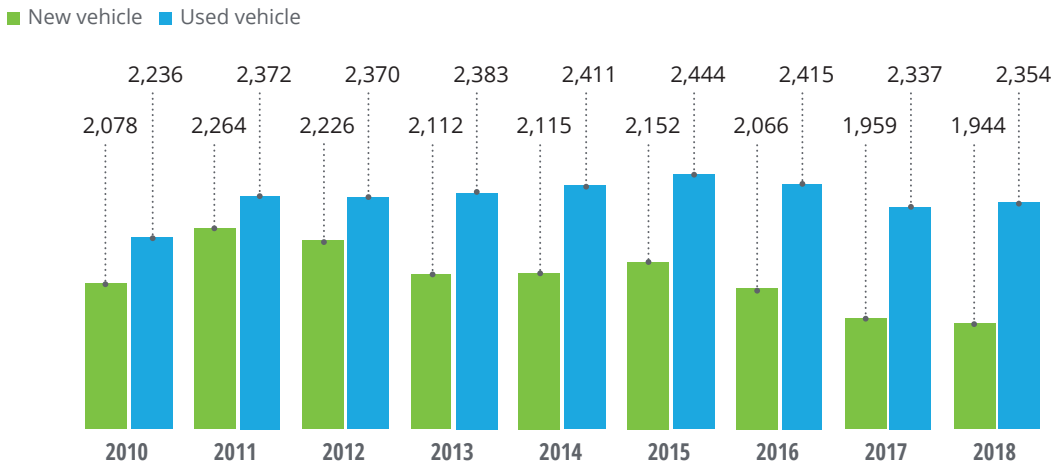
## Conclusion: Consumers seek the best experience, be it in a store or online

The dealership talent crisis takes a dreadful turn when we see where the consumers want to go—they are headed online! Results from the *2019 Deloitte Global Automotive Consumer Study* reveal that **59 percent** of US consumers are either somewhat or very interested in bypassing the dealer for their next vehicle purchase in favor of an online transaction with the manufacturer. Clearly, a significant number of consumers are looking for a more rewarding experience than the one to which they have become accustomed.

To keep dealers relevant, finding the right talent that can deliver on the brand promise and provide customers with an engaging and rewarding experience is paramount. Here are some key

FIGURE 2

### Retail gross profit per new and used vehicle retailed is under pressure (US dollar)



Source: National Automotive Dealers Association.

considerations that dealers could do well to keep in mind while making their talent framework.

- Many of today’s workforce are motivated by more than just money. Hiring, developing, and rewarding the staff to reflect a definite and consistent customer experience can be critical. Dealers’ rewards and recognition strategy should aim at long-term career development of individuals and good employee engagement scores, not just at good customer satisfaction survey scores.
- Dealers should evaluate and embrace alternative labor models. Many of today’s workforce are not excited to spend 70 hours a week working in a high-stress environment with no guaranteed income. Forward-looking employment models should involve more flexible work or open talent arrangements in order to attract new talent into the dealership.
- Dealers should think about feedback, career development, and accountability differently than they have traditionally. For example, the

amount of a paycheck may no longer constitute “feedback” for long-term success; hiring the top sales associate as the next sales manager with no management training should no longer be acceptable, as the managers of tomorrow should be formally trained as managers. In fact, with increasing price transparency, the need to manage sales transactions is becoming far less valuable than managing the people that provide a compelling customer experience.

- The talent market is evolving and the need to offer careers over jobs is important. Actively marketing *career* opportunities in today’s job market can be essential for capturing candidates with the highest potential.

Talent can be a key differentiator for automotive dealers. After all, the *human connection* can turn the tide at dealerships. Focusing on the *human experience*, engagement, compensation options, and alternative career models are challenges facing the industry today, and solutions may be distinct and palpable—organizations that can capture them can provide a compelling experience to consumers. The human connection is what can turn the tide.

## Endnotes

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