



2018 MAXDIGITAL DEALERSHIP PROCESS
AND SALESPERSON TURNOVER SURVEY

DEALER INSIGHTS

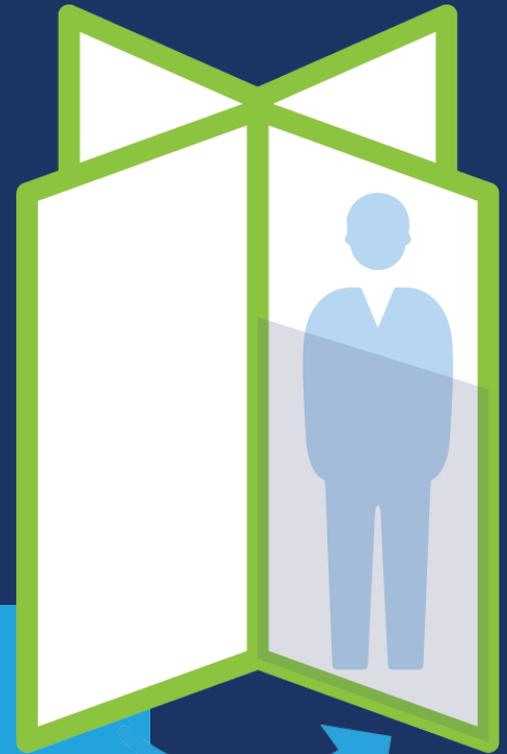
SALESPERSON TURNOVER CAUSING DEALERS TO RETHINK SALES STRATEGY

contact us at **888-841-0884** or visit www.maxdigital.com

Recruit. Hire. Train. Repeat.

For automotive dealers, salesperson turnover is a vicious cycle. The latest industry research indicates it's not getting better with salesperson turnover at 74 percent, up 7 percent from last year.¹ The impact is significant, causing decreased sales and profits, and diminished customer loyalty.

What's driving so much salesperson turnover? What changes are dealers going to make? MAXDigital took the initiative to find out.



MAXDigital, in conjunction with Erickson Research, surveyed automotive dealers across the United States in order to:

- Understand the impact salesperson turnover has on dealerships.
- Explore possible reasons for salesperson turnover.
- Measure interest in sales-enabling technology to improve results.
- Understand what, if any, changes to the sales process are being considered.

74%

KEY TAKEAWAY

Adopting a new sales process can reduce turnover and more.

If your sales approach isn't working, salespeople can't be successful in their jobs. Many dealers are considering adopting new sales processes to solve turnover issues, as well as to increase sales and profits, and to improve customer satisfaction.

PARTICIPANTS

Nearly **400 dealers** completed the online survey in January 2018.

Six, 30-minute phone interviews were conducted in February 2018.



PROFILE

USED CAR SALES PER MONTH



DEALERSHIP TYPE



RESPONDENT JOB TITLES



Salesperson turnover is a problem for dealers.

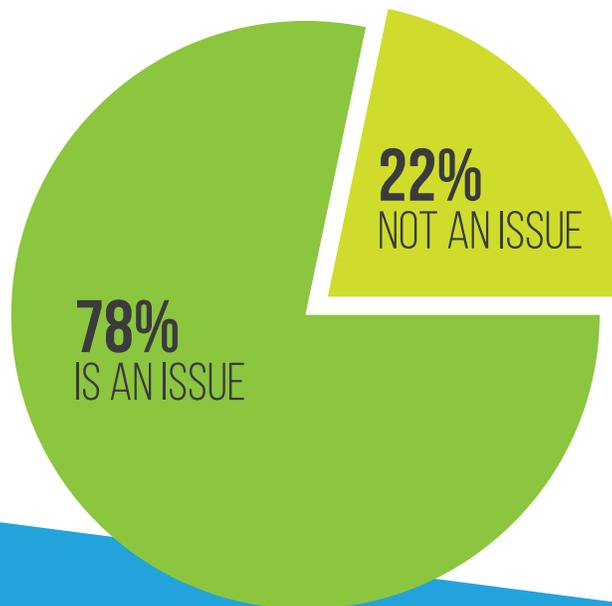
Nearly 80 percent of dealers in our study said turnover is an issue affecting their business, with 23 percent saying it's a major issue. While some employee turnover is good and to be expected, chronic retention problems can impact the success of your business. Not to mention, it's expensive. According to a recent study, the average cost of recruiting, training, and lost productivity for each salesperson is \$45,000.² That's money that could be going toward other business initiatives—or the bottom line.

NEARLY 80% OF DEALERS SAY TURNOVER IS AN ISSUE.

The cost of turnover adds up.³

- Creating and placing recruitment ads
- Screening, testing, interviewing
- Scheduling multiple rounds of interviews
- Paying someone else to do job until new person hired
- Completing verifications
- Orientation and training of new hire

IS STAFFING TURNOVER AN ISSUE FOR YOUR DEALERSHIP?



Poor training and hiring processes lead to turnover.

According to dealers in our survey, inadequate or lack of training, and ineffective hiring processes were the biggest factors leading to turnover. In fact, seven in ten dealers said their salespeople have told them they don't have enough training or information.

Make training a priority.

Understandably, dealers focus more on hitting monthly sales targets. But if your staff is not adequately prepared, how can they sell? Investing in employee training gives salespeople the skills to be successful. That leads to more sales and less salesperson turnover. In addition, preparing salespeople for success will put them on a path for growth, increasing their loyalty and retention.

Embrace effective training methods.

It's a different market today. Customers don't make purchase decisions the way they used to. In fact, the average consumer spends 14 hours researching online before buying a used car.⁴ When they walk into a dealership, they're expecting to speak with someone as knowledgeable as they are. With the right training and tools, your salespeople will be informed about the vehicles they're selling. And in turn, they'll be more confident with customers and better able to point out important key features that build value in the car—the technology package, keyless start, how your price compares in the market—and move customers toward a purchase. Plus, customers who interact with knowledgeable salespeople are likely to become repeat customers.

7 IN 10 DEALERS SAY THEIR SALESPEOPLE HAVE TOLD THEM THEY DON'T HAVE ENOUGH TRAINING OR INFORMATION.

“YOU CAN LOSE QUALITY SALESPEOPLE IF THEY'RE SCARED AND DON'T KNOW WHAT TO SAY WHEN TALKING TO CUSTOMERS. THE RIGHT TRAINING AND TOOLS GIVE THEM MORE OF A CHANCE TO SUCCEED AT SALES, SO THEY'RE MORE LIKELY TO STAY AROUND.”

– Used Car Sales Manager



What salespeople should know:

Thanks to the internet, customers are more knowledgeable than ever. Dealers need to make sure salespeople have product information about every vehicle on the lot, including:

- ✓ **Packages** – what they are and their specific value
- ✓ **Options** – for every vehicle in your inventory
- ✓ **Certified** – why it's important and what it means
- ✓ **Price proof points** – how your price compares with the market or third-party sources

WHEN YOU KNOW MORE ABOUT WHAT YOU'RE SELLING, YOU'LL SELL MORE AT THE ASKING PRICE.

Hiring (good) salespeople is hard.

Everyone wants talented, motivated people who also have a lot of experience. Unfortunately, that's a tall order for dealers. In fact, 9 out of 10 in our survey said hiring good salespeople is difficult. There are many obstacles. For example, millennials make up the largest part of the workforce today, but millennials ranked car dealer as the third least desirable profession.⁵ Dealers need to look for ways to attract this demographic, like leveraging technology. More than 90 percent of millennials said when thinking about their ideal job, having access to technology is important. Dealers who embrace technology will have a better chance bringing in the talent they want.

Dealers hire people with no experience.

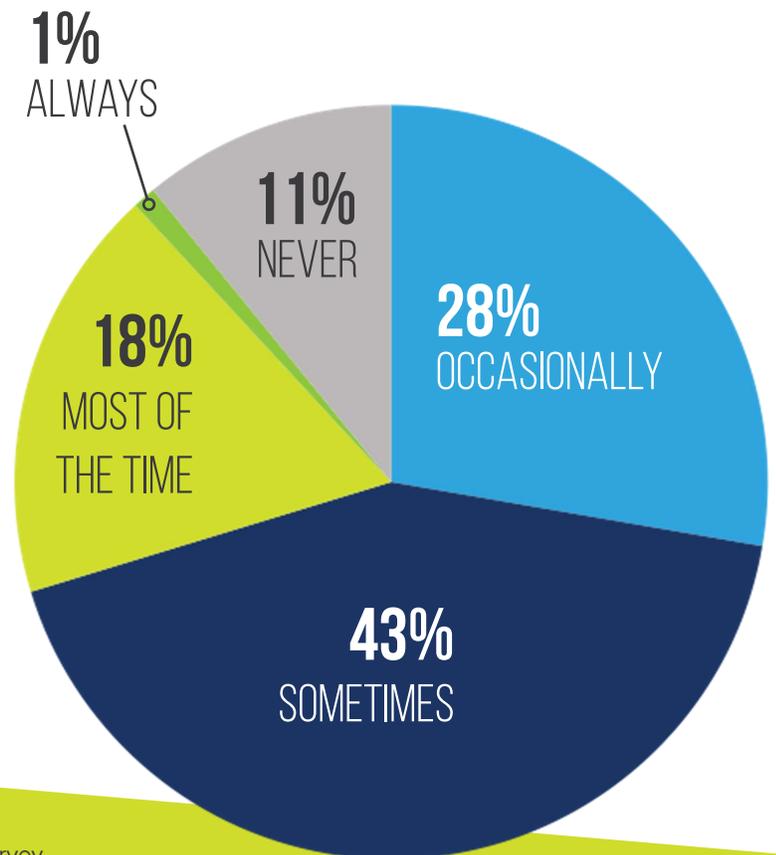
In order to fill needed positions, many dealers have to go outside the industry and even sacrifice sales experience. In our survey, 76 percent of dealers said they've hired people without automotive experience. And, 62 percent said they've hired people without sales experience of any kind. This underscores the need for adequate training methods and tools that can support novice salespeople. When salespeople are trained and equipped with product information, they're more confident and able to do their job well. They'll feel good and be more likely to stay long term.

"CUSTOMERS COME IN AND HAVE ALREADY DONE A LOT OF RESEARCH, SO THEY KNOW A LOT ABOUT THE CARS. SALESPEOPLE NEED TO KNOW AS MUCH OR MORE THAN THEY DO."

—Dealership General Manager

62 PERCENT OF DEALERS SAID THEY'VE HIRED PEOPLE WITHOUT ANY SALES EXPERIENCE.

DO YOU HIRE SALESPEOPLE WITHOUT ANY PREVIOUS SALES EXPERIENCE?



Most dealers use commission-based pay.

Commission is still commonplace in the auto industry. In our survey, 90 percent of dealers use high commission compensation, with 42 percent offering no fixed salary at all. That means sales consultants are under a lot of pressure to sell. Overtime, this pressure can lead to stress, burnout and turnover. While dealerships are known for this type of compensation, there may be a strong case to change. Millennials said they would reconsider accepting a job at a dealership if it offered more salary and less commission-based compensation.⁵ Customers feel that high-pressure too, which is likely one of the reasons they keep dealers at arm's length until they're ready to buy.⁶

HOW DO YOU COMPENSATE YOUR STAFF?



Dealers are looking to change their sales process.

Four in ten dealers in our survey said they're considering changes to their sales process. **Why now?** For years, the "road to the sale" has been a tried and true sales method. But, consumer purchasing behavior has changed and evolved. And now, dealers are realizing they must adapt too.



A consultative sales approach.

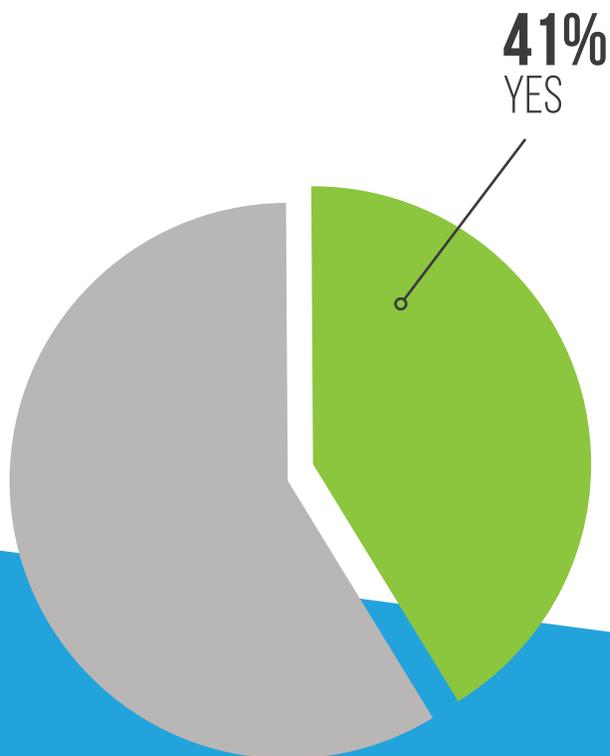
Most dealers said they're considering a more consultative sales process. This will appeal to consumers, as research shows, customers aren't buying cars based on price alone. They want quality at a fair price. A consultative sales approach creates a two-way dialogue enabling dealers to build quality and value in the vehicle.

Adding technology to enable sales.

The other top change dealers are looking to make is adding or updating technology. Seventy percent of dealers in our study believe technology gives salespeople the ability to build more trust and confidence with customers, and ultimately be more successful. However, many dealers don't use technology to support the sales process. Our study found 30-40 percent aren't using tech-based tools to educate themselves or their buyers on vehicle features.



ARE YOU CONSIDERING CHANGES TO YOUR SALES PROCESS?





Sell the way consumers want to buy.

Customers today are savvier, more informed and expect shopping to be faster and more convenient. Here's how dealers can adapt their sales process to meet customer expectations:

- 1 Infuse trust and confidence at every point of the process.
- 2 Put customers front and center; listen to what they need and set an expedited agenda.
- 3 Explain what makes your dealership different, e.g. no-haggling policy.
- 4 Establish a fair price and have data to back it up.
- 5 Build value in the car by explaining key features, e.g. cold weather package.
- 6 Embrace total transparency; if it's a trade-in, include customer in the assessment.
- 7 Close the deal without dropping the price.

The change dealers want from a new sales process.

The top drivers for adopting a new sales process are higher close rates and increased customer satisfaction index (CSI) scores. Employee turnover is also a driving factor with more than 50 percent saying a change in sales process would help retain staff.

Today, customer satisfaction index scores do more than provide insight into the customer experience. They can determine a dealership's future inventory. The better the score, the more likely a dealership will get in-demand inventory.⁷ Dealers who revamp their sales process to align with the way customers want to buy have a better chance to get those higher scores.

Low/no-haggle pricing strategy.

To haggle or not to haggle? When asked, 4 out of 10 dealers said they're looking to adopt a low/no-haggle pricing strategy. For dealers looking to improve customer experience, this may be a step in the right direction. Low/no-haggle pricing is a sales approach many dealers have considered to improve customer experience. "I have no doubt that CarMax's no-haggle consumer offer has contributed to our growth and popularity with customers," says Cliff Wood, EVP, COO of CarMax. And ecommerce disruptors, Carvana and Vroom, have followed suit.

To adopt a low/no-haggle policy, dealers need to embrace transparency and market-based pricing. Then, salespeople must be prepared to back up the price by showing the quality and quantitative value of options and the package for each car. When it's time to talk price, show customers how the price compares with the market or other third-party sources like NADA or Edmunds. When customers understand why it's a fair price, they're less likely to haggle.

40% OF DEALERS SAID THEY'RE LOOKING TO ADOPT A LOW/NO-HAGGLE PRICING STRATEGY.

LOW HAGGLE + FAIR-VALUE PRICING WORKS.

Dealers who adopt a low haggle/fair-value pricing model are able to keep discounts to a minimum. One auto group who uses this strategy saw only a **\$104 average discount across all used vehicles sold in one year.**

Conclusion

Research shows that the chronic turnover auto dealers face is a symptom of a larger problem. To address it, dealers must take a step back and reexamine their processes, beginning with sales. As dealers in our study noted, technology will enable salespeople to be more successful and more dealers are seeking to embrace it. With online tools and support, training can be turnkey and more effective. Technology also gives salespeople the information they need to be experts on every car they sell. They'll be able to speak confidently about quality and value, which is what customers want. And, dealers can keep the asking price and selling price closely aligned. Everyone's happier: salespeople with their jobs, customers with their buying experience and dealers with their bottom line.



About MAXDigital

MAXDigital provides cloud-based software and mobile applications to the automotive industry. As the industry's premium end-to-end software solution for automotive dealers, MAXDigital empowers thousands of dealerships across the U.S. to manage inventory, increase gross profits and sell more cars through digital retailing. Founded in 2001 with the FIRSTLOOK inventory management product, the MAXDigital suite of products includes the innovative MAX Ad[®], a content generation and distribution system, MAX for Website[®], a vehicle value and content creator for dealer websites, MAX Digital Showroom[®], a real-time inventory and pricing tool for desktop and mobile that builds trust and transparency with customers, and MAX Path to Purchase, an innovative software that removes hassle for customers and provides a streamlined car shopping process.

Resources:

- ¹ 2017 NADA Dealership Workforce Study
- ² Driving Sales Human Capital Management Whitepaper, 2016. Study: The Impact of Turnover on Dealer Operations.
- ³ Dealerstrong: What Does Turnover Really Cost?
- ⁴ 2016 Auto Trader Study
- ⁵ 2017 Roadster Study
- ⁶ 2015 DrivingSales Customer Experience Study
- ⁷ Edmunds: Why Car Salespeople Beg for Top Customer Survey Scores

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