2017 DEALERSHIP WORKFORCE STUDY

Automotive Retail:

NATIONAL & REGIONAL TRENDS IN COMPENSATION, BENEFITS & RETENTION

HOURS OF OPERATION

BENEFITS

COMPENSATION

RETENTION & TURNOVER

WORK SCHEDULES

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II. 2017 Executive Summary

Automotive Retail: National & Regional Trends in Compensation, Benefits & Retention is the annual talent management profile of new-car and -truck dealerships. In 2016, America's new-car dealerships created new jobs and provided median weekly earnings that exceeded the U.S. non-farm private-sector median weekly earnings by 24 percent.

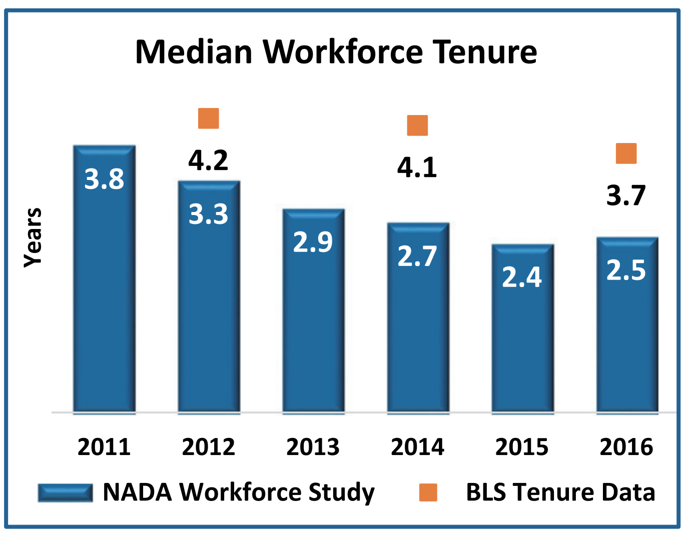
This year's report highlights key industry trends related to compensation, benefits, retention, demographics and workforce management. We focus particularly on nine key positions—general manager/operator, sales manager, F&I manager, service manager, parts manager, sales consultant, service advisor/writer, service technician (B tech), and parts consultant. We make both same-store and all-participant comparisons in our analysis of car dealership (only) compensation. The same-stores analysis uses data submitted by those stores that participated in this Study in both 2015 and 2016. The same-stores group represents 41 percent of all 2016 participants.

To expand on this year's trends analysis, we identified employees for whom we had compensation data in both of the years ending December 31, 2015 and 2016. Twenty-six percent of 2016 W-2 records came from employees who were also included in in the 2015 W-2 records. With this "same-employees" information, we are able to calculate earnings growth for incumbents working in key dealership positions.

Key Workforce Trends in Car Dealerships

To understand trends in compensation and earnings growth, we need to start by looking at trends in employee retention and median tenure. Employee median tenure increased slightly from 2015 to 2016, while retention stayed the same. The median tenure of the active dealership workforce fell from 3.8 years in December 2011 to 2.4 years in 2015, and was 2.5 years in 2016.

- Three-year employee retention remained unchanged at 45 percent compared to 65 percent retention in the U.S. non-farm private sector.
- As the median employee tenure in dealerships remained virtually the same, the median tenure of U.S. non-farm private-sector employees decreased to 3.7 years.



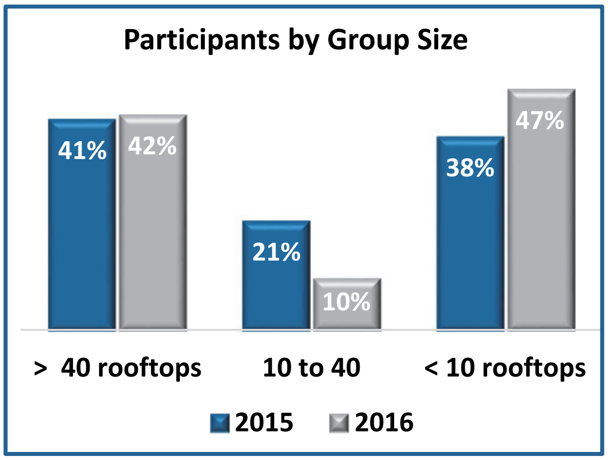
This alarming combination represents a major drain on talent and cumulative work experience in dealerships. The result: reduced productivity, reduced median and average earnings, and reduced dealership profitability.

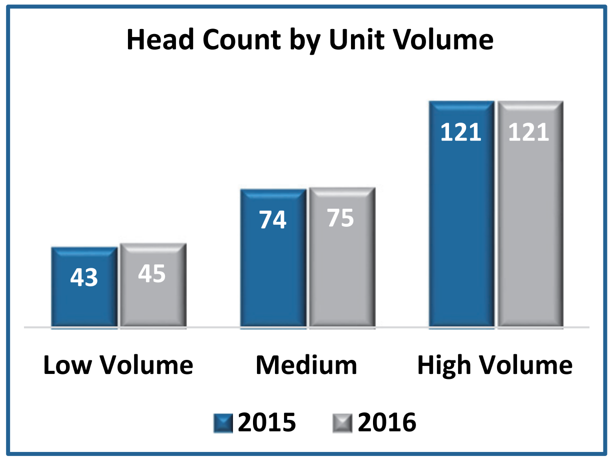
III. General Findings and Conclusions

Car and Light-Truck Dealerships

Size of Participating Dealerships

Although our Study continues to have a large-dealer-group bias, successful efforts to attract single-point dealerships and smaller dealer groups have increased our small group rooftop count from 38 percent of all participating rooftops in 2015 to 47 percent of all participants in 2016.





NADA Data 2016 reported that total new-car dealership employment increased 3.0 percent to an average head count of 69 employees. This Study indicates employment growth is driven by low- to medium- volume stores. As the number of smaller stores – as defined by lower unit volume – participating in our Study increased, small store average head count increased from 43 employees in 2015 to 45 employees in 2016. Employee head count in dealerships that participated in both the 2015 and 2016 DWS (same stores) decreased 1.2 percent to an average of 84 active employees.

To keep the data relevant for all dealers, we are reporting workforce statistics broken down by group size and annual new-car unit sales.

Compensation Trends

The analysis and compensation trends in this section discuss both all-participant data and same-stores data (identifying each data set), since 41 percent of 2017 Study participants also participated in 2016.

For the second year in a row, earnings growth in new-car dealerships did not keep pace with earnings growth in the U.S. non-farm private sector. Average weekly earnings growth was flat, yet the median

REGION 2

MID-ATLANTIC

New Jersey, New York and Pennsylvania

Compensation statistics of interest:

- The Mid-Atlantic region's all-dealerships, all-positions average compensation, ranked ninth of the nine regions. With 12.3 percent difference ($8,161) between the lowest regional compensation average and the highest, this region's average was five percent below the national average compensation.
- The Mid-Atlantic region's all-dealerships, all-positions average income growth rate decreased by 5 percent, and only one of the key dealership positions earned income above its national average (Figure 1).
- Five out of nine key positions in non-luxury dealerships had income growth ranging from 1 to 6 percent; general manager compensation fell by 32 percent (Figure 2).
- Five out of nine key positions in luxury dealerships had income growth ranging from 1 to 6 percent; four of the key positions saw income decline by 1 to 10 percent (Figure 3).

REGION 2: MID-ATLANTIC – CARS – ALL DEALERSHIPS (FIGURE 1)

Position	Overall Region Average	Year Over Year Change	Average as % of National	Low Volume	Medium Volume	High Volume	National All-Dealer Average
All Positions	**$66,368**	**↓ -5%**	**95%**	**$59,847**	**$66,029**	**$70,103**	**$69,788**
General Manager/Operator	$209,906	↓ -22%	66%	$149,211	$219,955	$285,527	$318,172
Sales Manager	$115,497	↓ -9%	89%	$96,507	$112,757	$129,032	$130,342
F&I Manager	$118,281	↓ -5%	86%	$91,727	$109,836	$134,735	$138,209
Service Manager	$103,395	↓ -2%	90%	$82,520	$103,449	$127,233	$115,082
Parts Manager	$83,116	0%	85%	$65,482	$81,607	$107,555	$97,637
Sales Consultant	$67,467	↑ 1%	98%	$61,063	$68,138	$69,757	$68,902
Service Advisor/Writer	$63,342	↑ 5%	96%	$56,669	$63,954	$66,146	$65,744
Service Technician	$59,543	↑ 3%	100%	$53,390	$59,502	$63,391	$59,409
Parts Consultant	$48,621	↑ 3%	95%	$41,115	$46,652	$55,005	$51,434

REGION 2: MID-ATLANTIC – CARS – NON-LUXURY DEALERSHIPS (FIGURE 2)

Position	Overall Region Average	Year Over Year Change	Average as % of National	Low Volume	Medium Volume	High Volume	National Non-Luxury Average
All Positions	**$64,813**	**↓ -7%**	**95%**	**$56,393**	**$62,805**	**$69,579**	**$67,902**
General Manager/Operator	$199,509	↓ -32%	65%	$136,278	$204,457	$271,051	$306,527
Sales Manager	$112,660	↓ -11%	88%	$90,128	$105,310	$128,265	$127,812
F&I Manager	$117,582	↓ -5%	87%	$86,510	$112,066	$131,804	$135,893
Service Manager	$100,151	↑ 1%	91%	$75,373	$96,897	$127,677	$110,627
Parts Manager	$81,882	↑ 2%	86%	$62,609	$78,654	$106,359	$95,067
Sales Consultant	$63,784	↓ -1%	98%	$55,845	$61,656	$67,782	$64,830
Service Advisor/Writer	$60,682	↑ 5%	99%	$52,867	$57,512	$65,361	$61,346
Service Technician	$57,654	↑ 3%	102%	$49,495	$54,885	$63,441	$56,423
Parts Consultant	$48,013	↑ 6%	96%	$39,225	$44,528	$54,815	$50,048

Low volume: < 636 units (new) **Medium: 636 to 1,276 units** **High volume: > 1,276 units**

REGION 2: MID-ATLANTIC – CARS – LUXURY DEALERSHIPS (FIGURE 3)

Position	Overall Region Average	Year Over Year Change	Average as % of National	Low Volume	High Volume	National Luxury Average
All Positions	**$72,036**	**0%**	**95%**	**$69,178**	**$73,253**	**$75,926**
General Manager/Operator	$242,530	↑ 3%	69%	$186,837	$276,565	$353,982
Sales Manager	$128,770	↑ 1%	91%	$116,651	$134,970	$140,827
F&I Manager	$122,713	↓ -1%	82%	$117,084	$125,437	$149,201
Service Manager	$113,264	↓ -10%	88%	$106,871	$116,460	$129,183
Parts Manager	$88,556	↓ -6%	83%	$75,713	$98,341	$107,073
Sales Consultant	$83,947	↑ 6%	101%	$74,676	$87,838	$83,240
Service Advisor/Writer	$72,144	↑ 4%	92%	$65,423	$74,890	$78,174
Service Technician	$64,767	↑ 1%	98%	$66,078	$64,376	$66,004
Parts Consultant	$50,935	↓ -9%	92%	$47,224	$52,512	$55,625

Low volume: < 661 units (new) **High volume: > 661 units**

REGION 2
MID-ATLANTIC

New Jersey, New York and Pennsylvania

Retention and turnover statistics of interest:

- The Mid-Atlantic all-positions, all-dealerships turnover rate was second lowest of the nine regions, eight points lower than the national all-dealerships rate of 43 percent, and 11 points lower than the non-farm private-sector rate of 46 percent (Figure 1).
- Moreover, three-year retention at 49 percent was four points higher than the national dealership average and second highest of all the regions in this important metric. Mid-Atlantic had the second-highest median tenure at 2.9 years (Figure 1).
- In non-luxury dealerships, turnover worsened or was flat in all but two key positions, with parts manager and service manager posting declines in turnover rates. In luxury dealerships turnover decreased in three of nine key positions (Figures 2 and 3).
- Non-luxury dealership turnover increased five points to 37 percent, still 8 points better than the national non-luxury rate of 45 percent; three-year retention and median tenure were significantly higher than the national non-luxury averages. (Figure 2).
- Luxury dealership turnover increased six points to 30 percent, 5 points lower than the national luxury rate of 35 percent; three-year retention and median tenure were higher than the national luxury averages (Figure 3).

REGION 2: MID-ATLANTIC – CARS – ALL DEALERSHIPS (FIGURE 1)

Position	Annualized Turnover	Year Over Year Change	One Year Retention	Three Year Retention	Median Tenure
All Positions	**35%**	**↑ 4%**	**75%**	**49%**	**2.9**
General Manager/Operator	25%	↑ 16%	91%	82%	11.6
Sales Manager	26%	↑ 8%	80%	60%	4.2
F&I Manager	45%	↑ 16%	76%	48%	2.9
Service Manager	23%	↓ -4%	84%	64%	6.8
Parts Manager	9%	↓ -1%	95%	85%	12.9
Sales Consultant	56%	↑ 11%	68%	42%	2.1
Service Advisor/Writer	34%	↓ -1%	75%	46%	2.6
Service Technician	24%	↑ 2%	86%	60%	4.7
Parts Consultant	18%	0%	85%	64%	5.2

(↓) Represent year-over-year decreases or *favorable* changes; (↑) represent unfavorable changes

REGION 2: MID-ATLANTIC – CARS – NON-LUXURY DEALERSHIPS (FIGURE 2)					
Position	Annualized Turnover	Year Over Year Change	One Year Retention	Three Year Retention	Median Tenure
All Positions	**37%**	**↑ 5%**	**74%**	**48%**	**2.8**
General Manager/Operator	27%	↑ 18%	90%	83%	12.1
Sales Manager	28%	↑ 10%	79%	58%	4.1
F&I Manager	44%	↑ 14%	75%	48%	2.8
Service Manager	25%	↓ -7%	81%	63%	6.8
Parts Manager	7%	↓ -2%	95%	86%	13.6
Sales Consultant	58%	↑ 10%	66%	40%	1.9
Service Advisor/Writer	36%	0%	74%	46%	2.5
Service Technician	27%	↑ 3%	86%	61%	4.8
Parts Consultant	19%	0%	84%	66%	5.3

(↓) Represent year-over-year decreases or *favorable* changes; (↑) represent unfavorable changes

REGION 2: MID-ATLANTIC – CARS – LUXURY DEALERSHIPS (FIGURE 3)					
Position	Annualized Turnover	Year Over Year Change	One Year Retention	Three Year Retention	Median Tenure
All Positions	**30%**	**↑ 6%**	**79%**	**52%**	**3.3**
General Manager/Operator	18%	↑ 7%	92%	79%	8.5
Sales Manager	17%	↓ -1%	84%	67%	4.6
F&I Manager	53%	↑ 26%	78%	48%	2.9
Service Manager	14%	↑ 7%	91%	70%	6.8
Parts Manager	16%	↑ 3%	95%	84%	11.7
Sales Consultant	46%	↑ 17%	75%	47%	2.7
Service Advisor/Writer	27%	↓ -3%	80%	48%	2.7
Service Technician	17%	↑ 4%	85%	59%	3.9
Parts Consultant	13%	↓ -1%	88%	59%	5.0

(↓) Represent year-over-year decreases or *favorable* changes; (↑) represent unfavorable changes

VI. Hours of Operation & Work Schedules: Cars

The following charts break down key dealership operations and work schedule metrics by category and by region for 2016 using mean data.

Sales Hours and Work Schedules

AVERAGE HOURS OF OPERATION – SALES

	% Open on Saturday	Saturday Hours (if open)	% Open on Sunday	Sunday Hours (if open)
Region 1: New England	100%	8.7	58%	5.0
Region 2: Mid-Atlantic	98%	8.3	5%	6.0
Region 3: East North Central	98%	7.9	14%	5.5
Region 4: West North Central	100%	8.6	4%	7.0
Region 5: South Atlantic	100%	10.0	58%	6.1
Region 6: East South Central	98%	9.9	26%	4.6
Region 7: West South Central	100%	10.4	1%	*
Region 8: Mountain	99%	11.1	27%	7.9
Region 9: Pacific	100%	11.0	94%	8.9

* Data minimums not met to produce valid statistic.

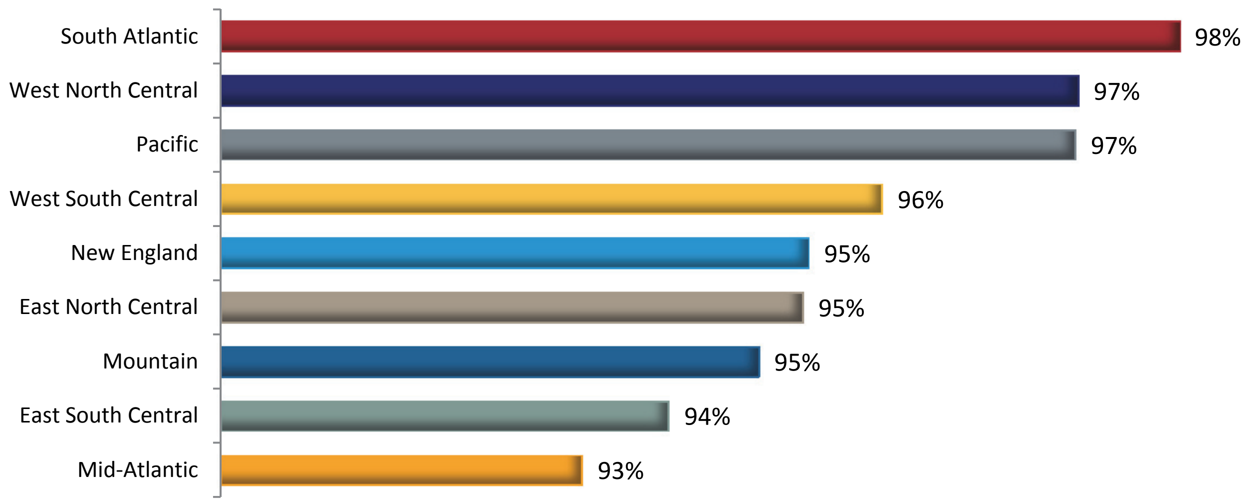
WORK SCHEDULE AVERAGES – SALES CONSULTANT

	Days/Week	Hours/Week	Weekend Days/Month
Region 1: New England	5.2	46.2	4.9
Region 2: Mid-Atlantic	5.1	44.6	3.8
Region 3: East North Central	5.1	45.7	3.9
Region 4: West North Central	5.1	45.5	3.9
Region 5: South Atlantic	5.2	45.6	4.9
Region 6: East South Central	4.9	44.3	4.3
Region 7: West South Central	5.0	44.2	3.9
Region 8: Mountain	5.0	43.6	4.7
Region 9: Pacific	4.8	40.3	6.6

VII. Dealership Employee Benefits: Cars

Health Insurance Offered to Employee Plus Family

Percent of dealerships



Average Health Insurance Waiting Period

(months)