

Automotive Retailing in 2016: The Dealer Perspective

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Franchised new light vehicle dealers

- \$862 Billion

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- 1,110,700 people

Franchised new light vehicle dealers

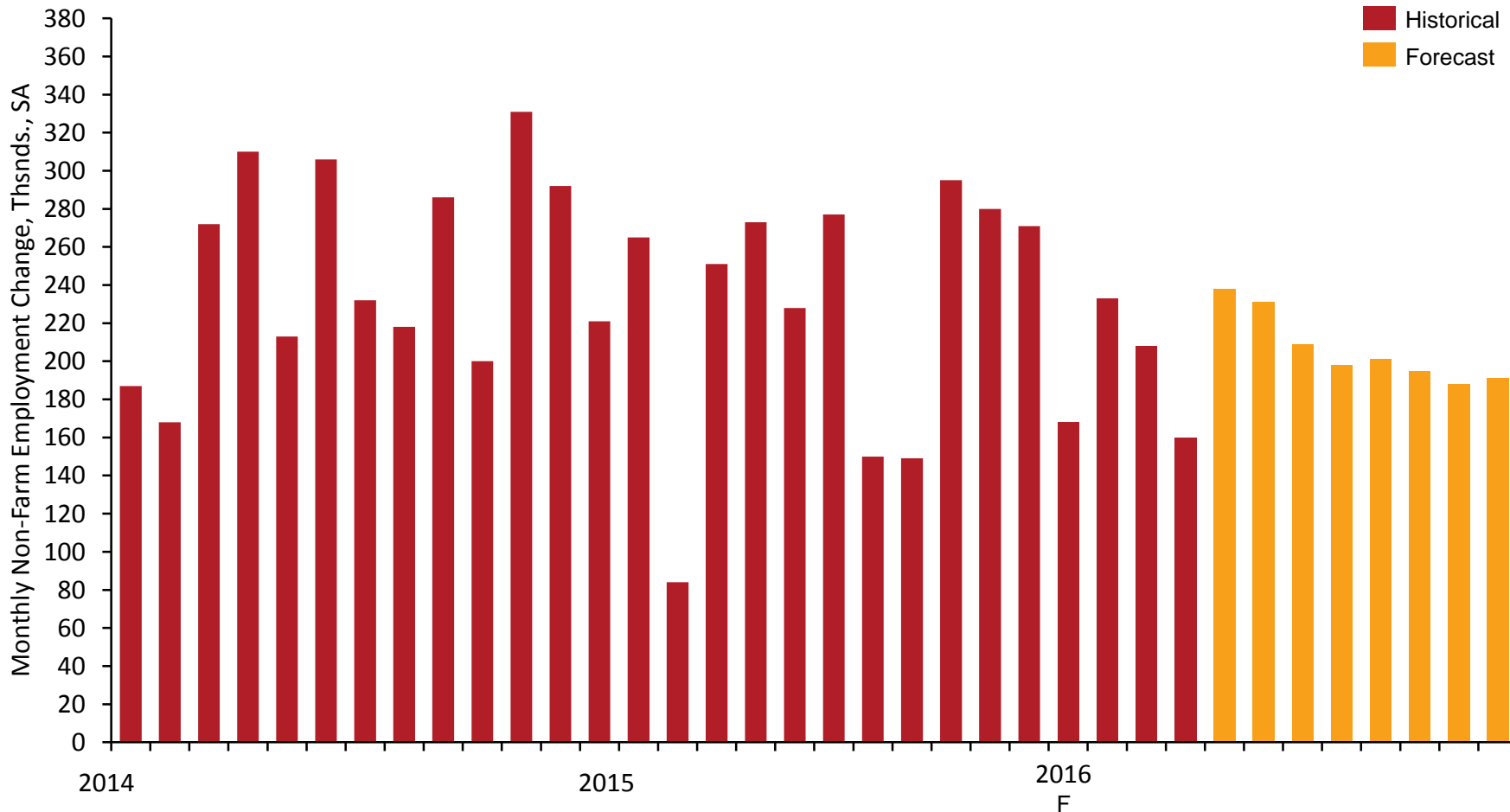
- \$862 billion
- 1,110,700 people
- **17.7 million**

Franchised new light vehicle dealers

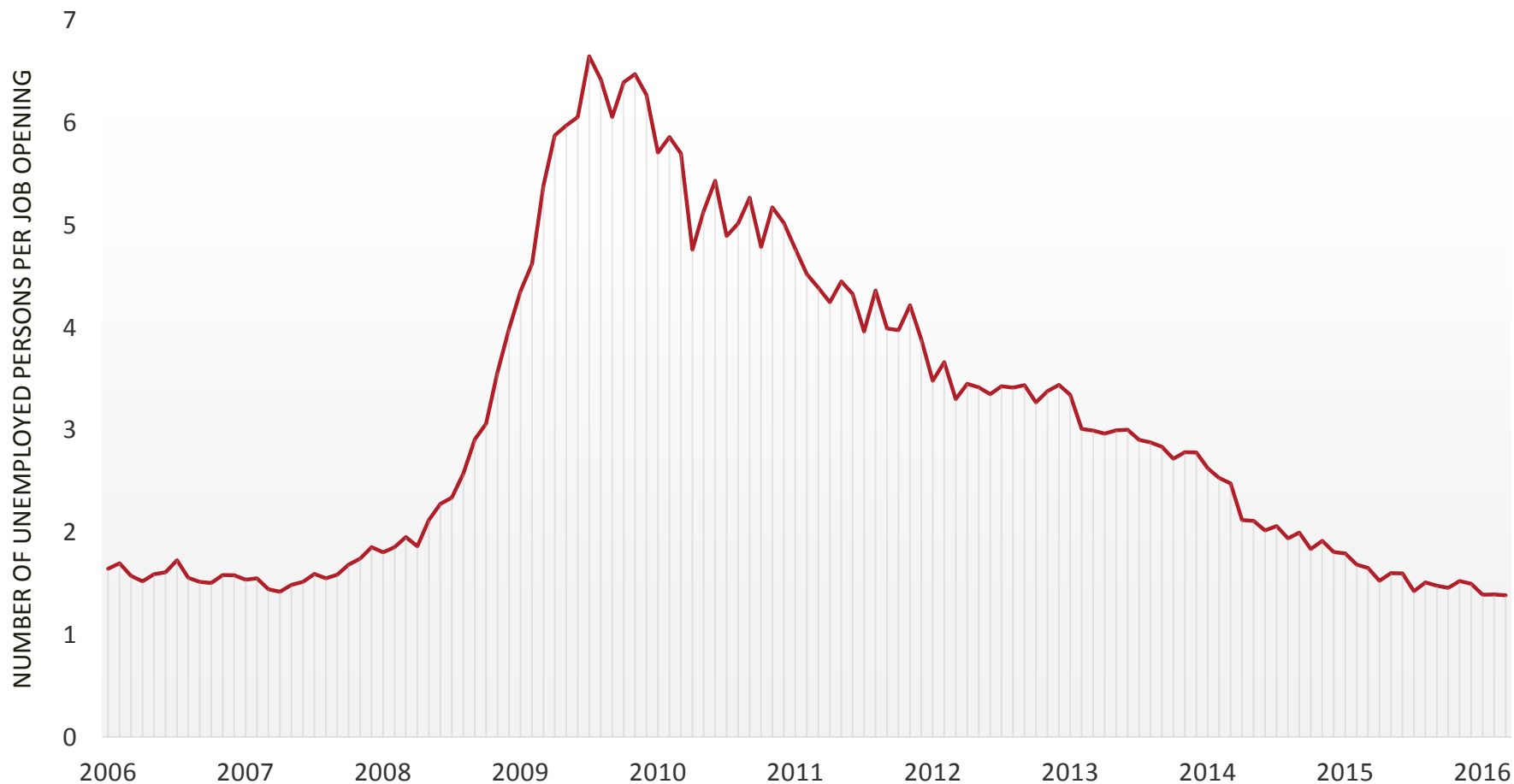
- \$862 billion
- 1,110,700 people
- 17.7 million
- **April SAAR 17.32 million**

Employment

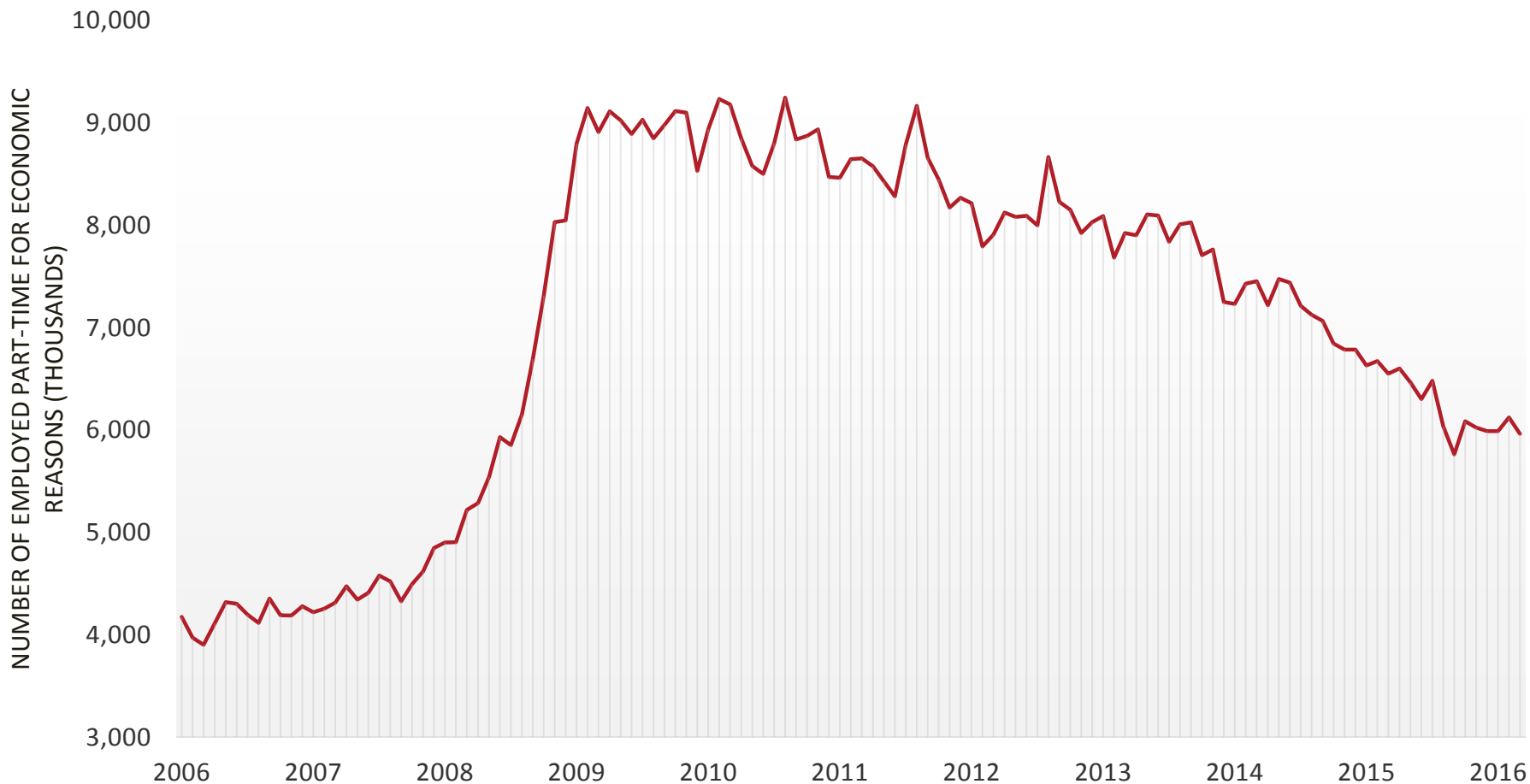
(Monthly non-farm employment change, in thousands, SA)



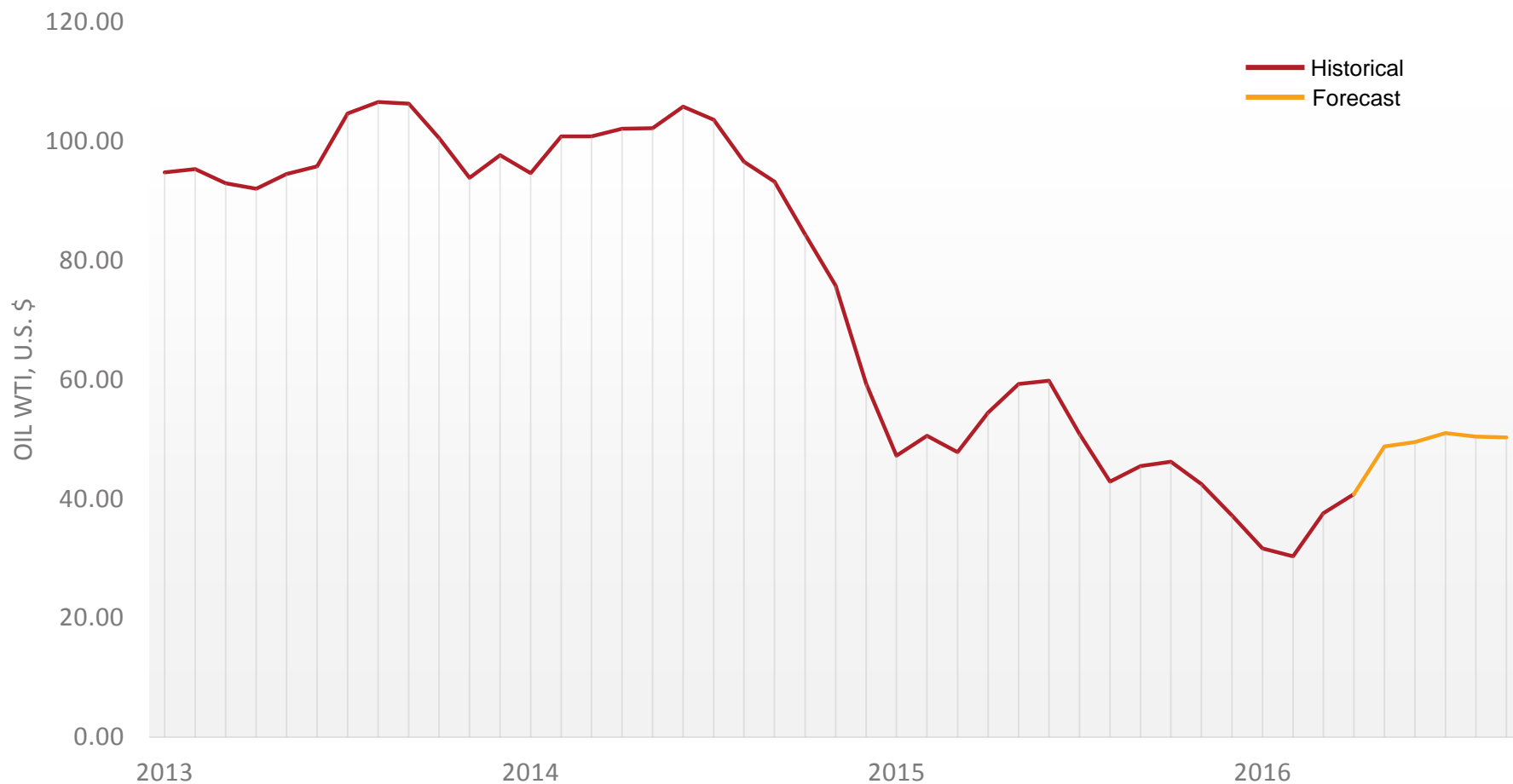
We need more workers



We need more work



Oil markets

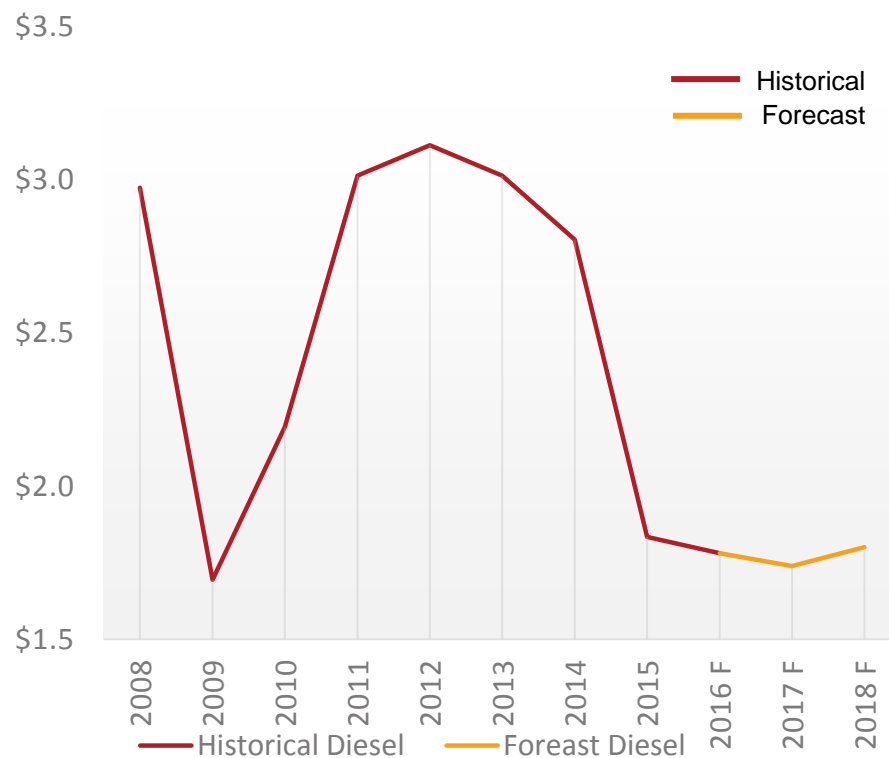


Gasoline & Diesel

Gasoline Price per Gallon, in U.S. \$, FOB New York Harbor

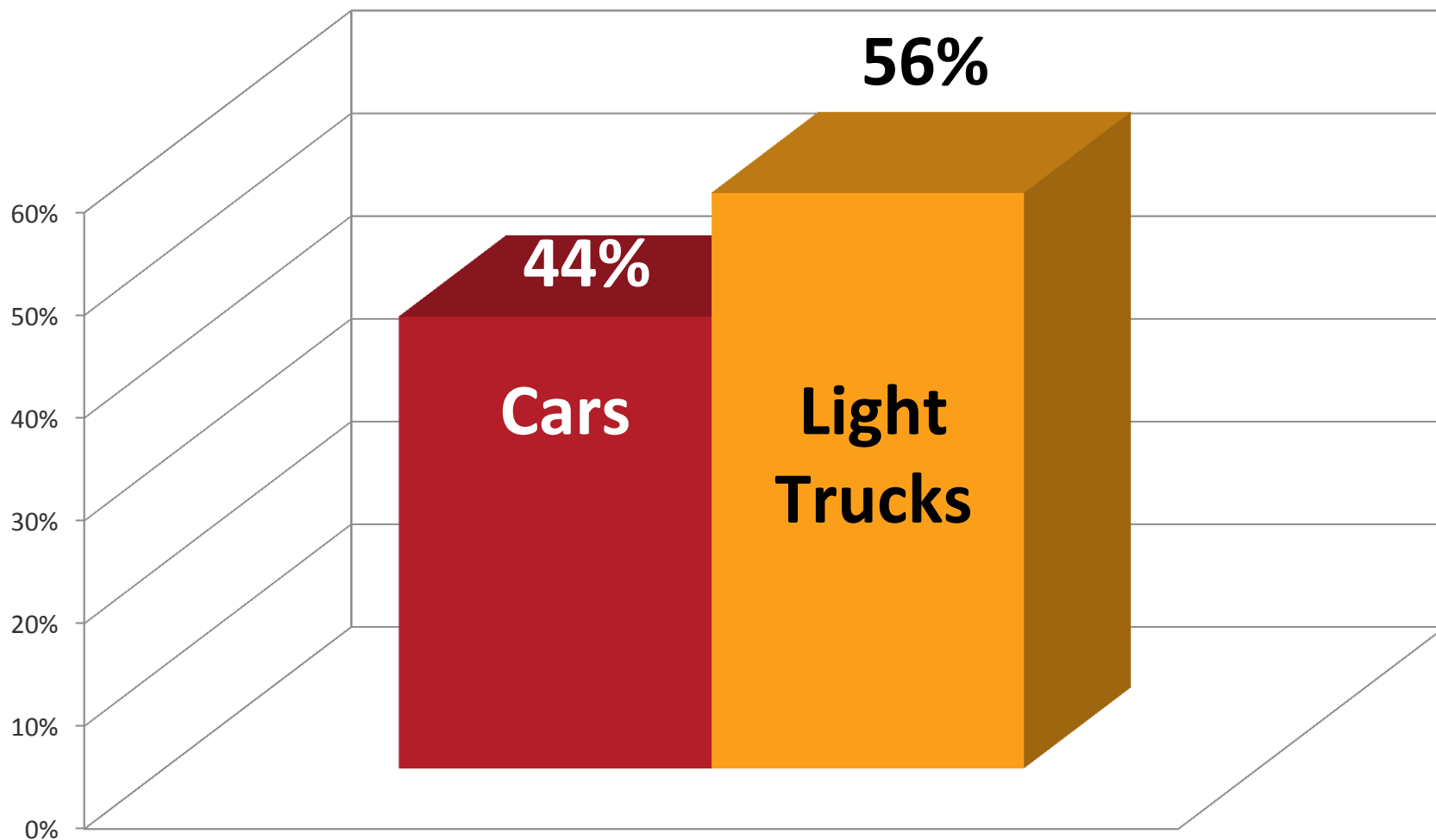


ULS No. 2 Diesel Price per Gallon, in U.S. \$, FOB New York Harbor



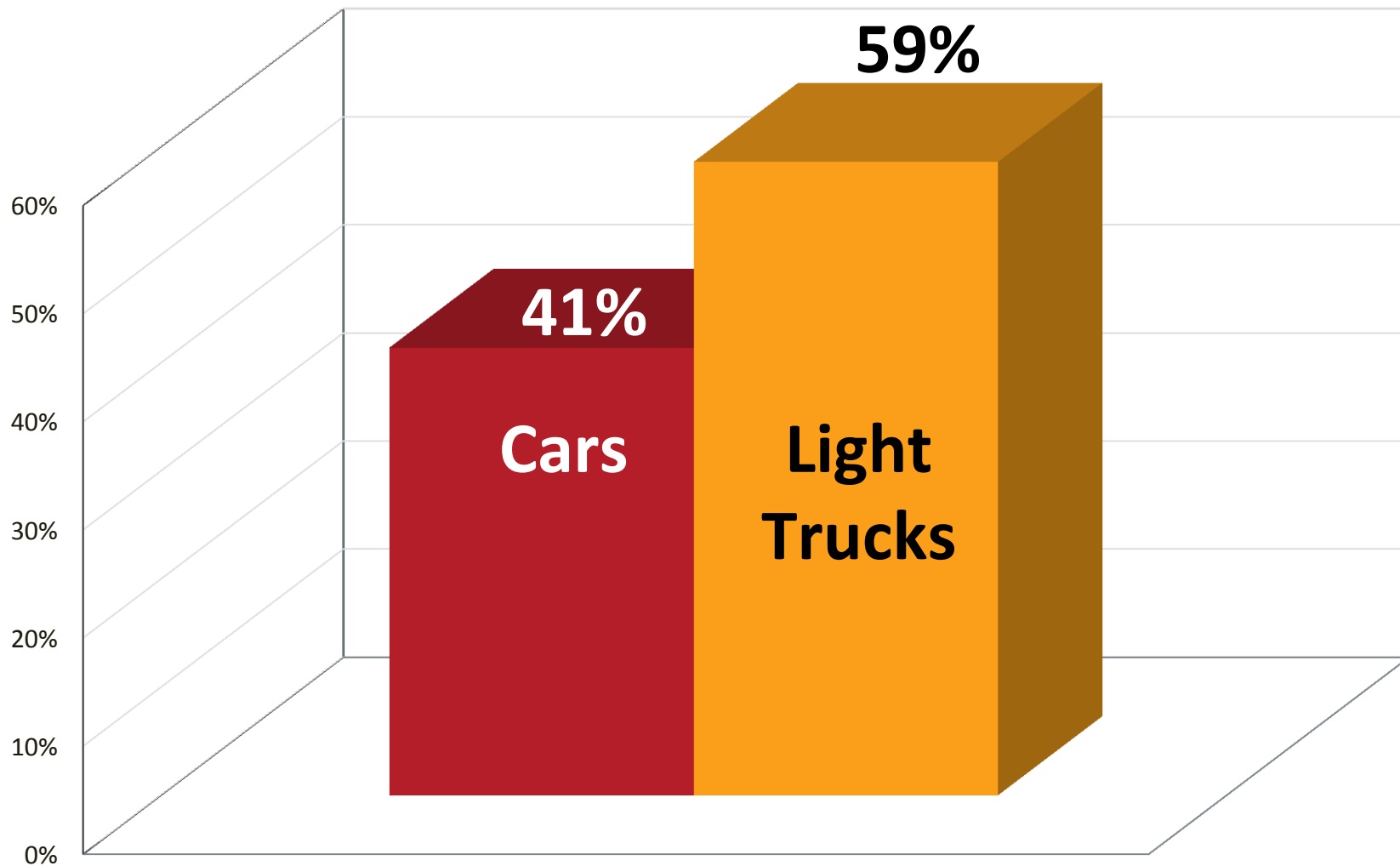
2015 Cars Vs. Light Trucks

(% of Total Light Vehicle Sales)

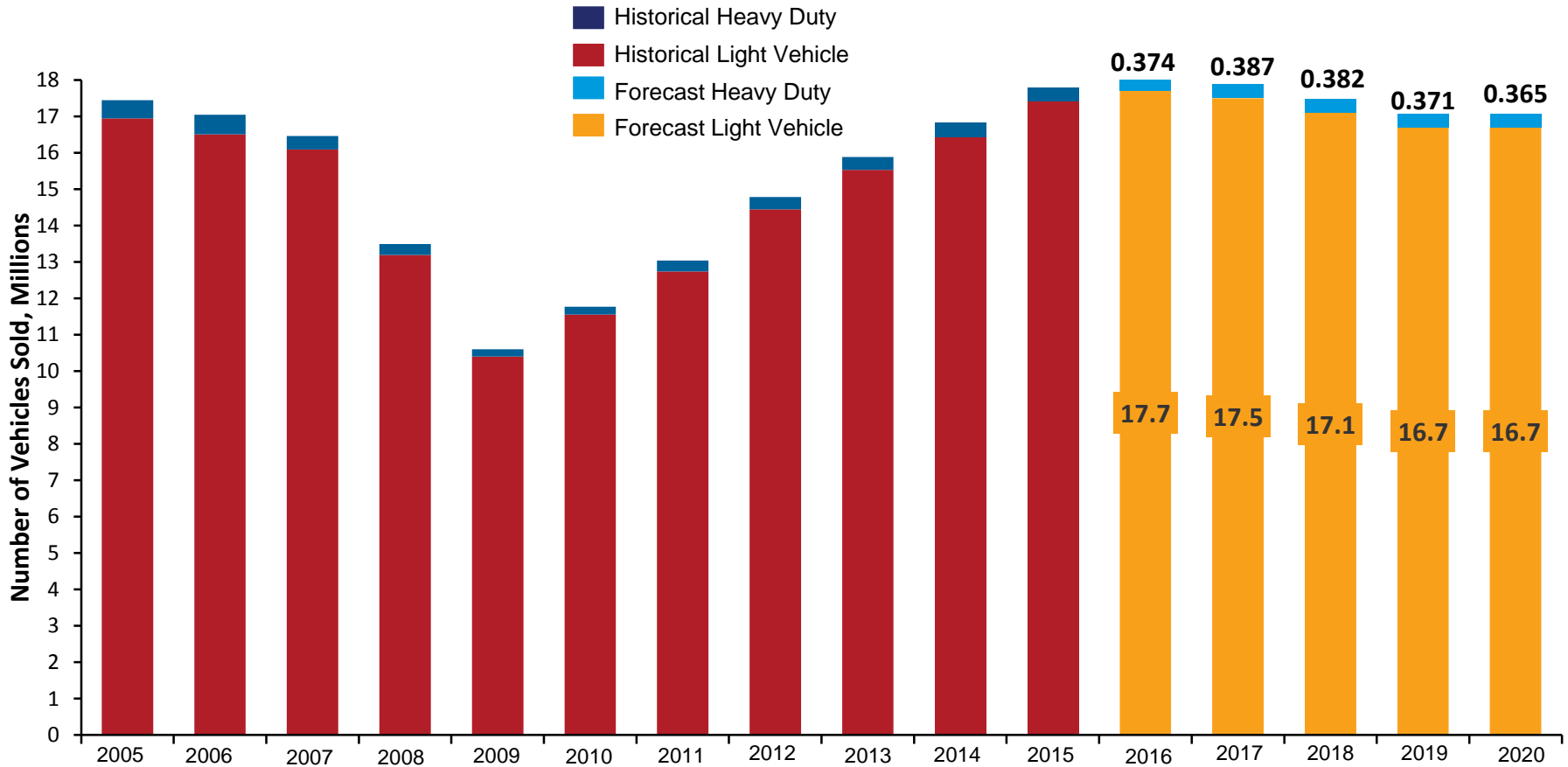


2016 YTD Cars Vs. Light Trucks

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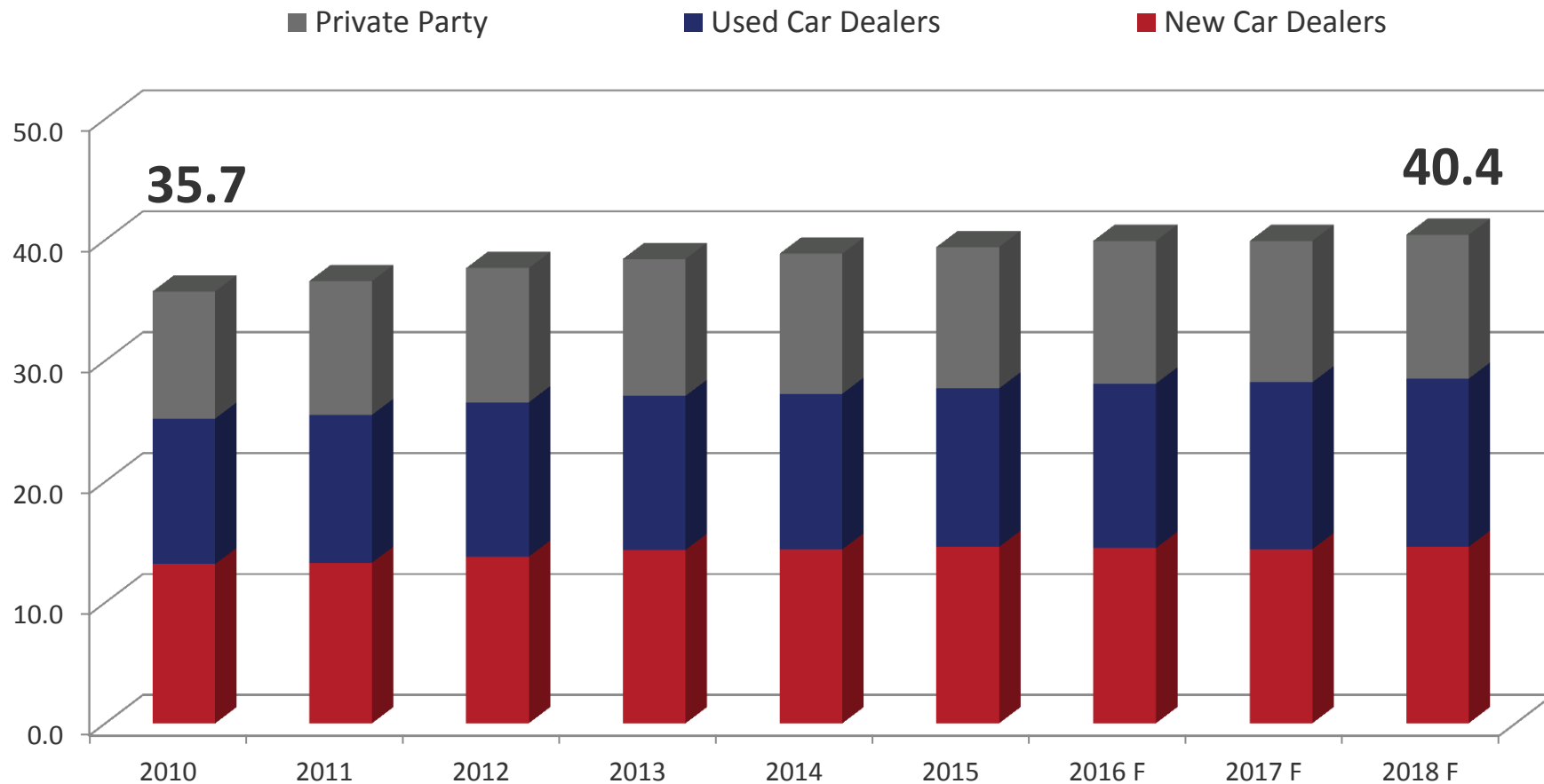


New vehicle forecast



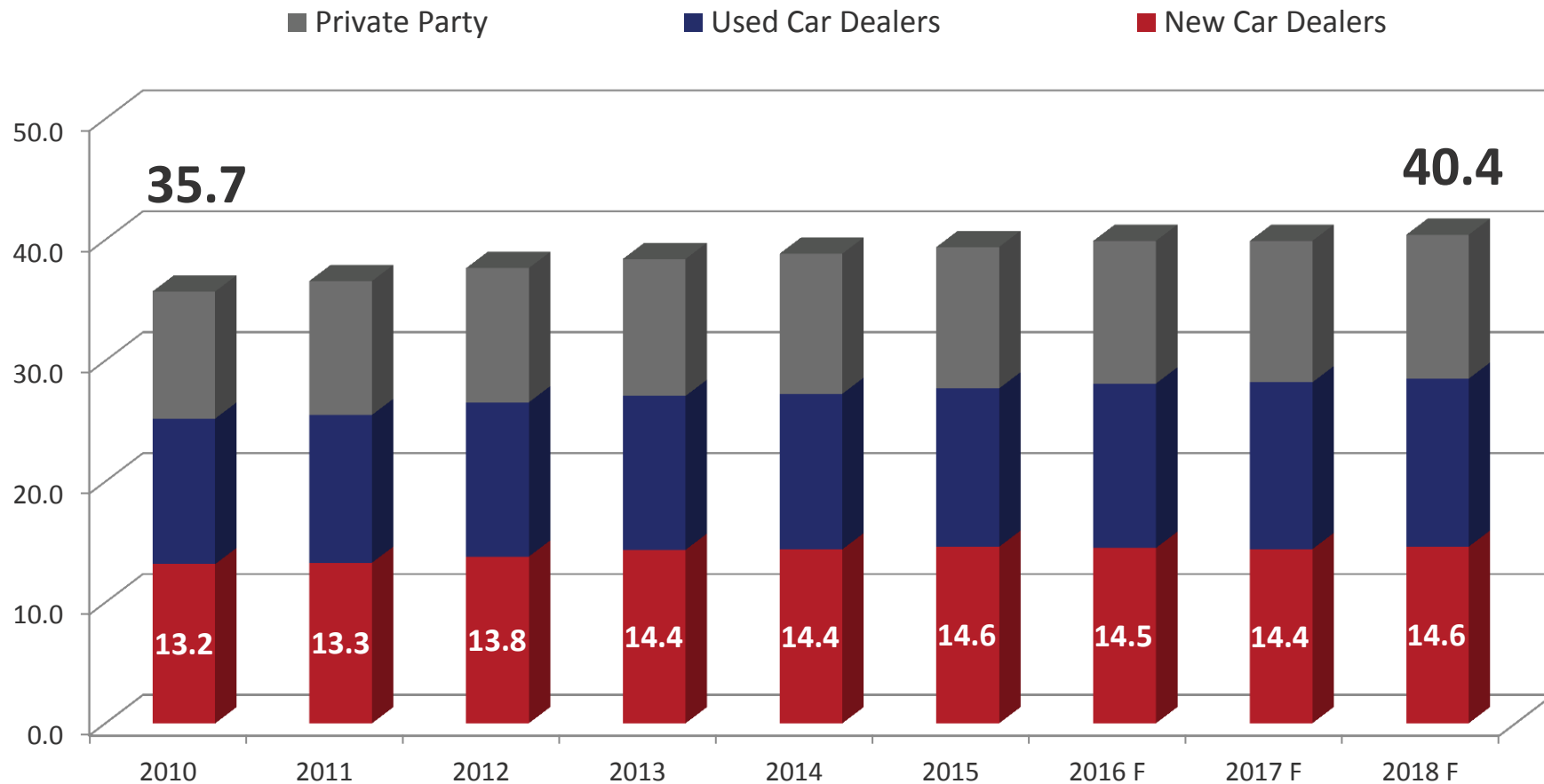
Used vehicle sales forecast

(Number of motor vehicles sold, in millions)



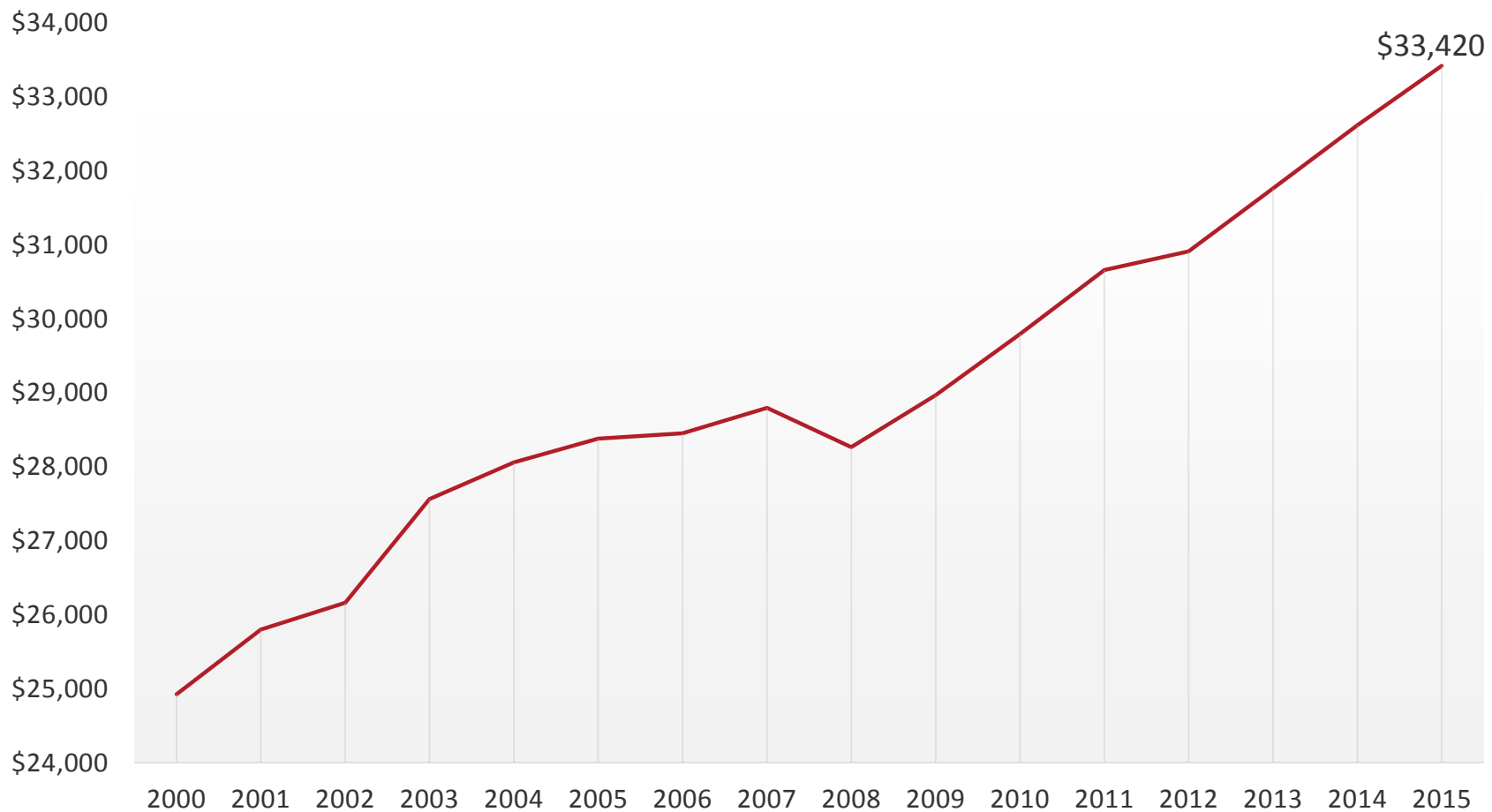
Used vehicle sales forecast

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Vehicle Prices

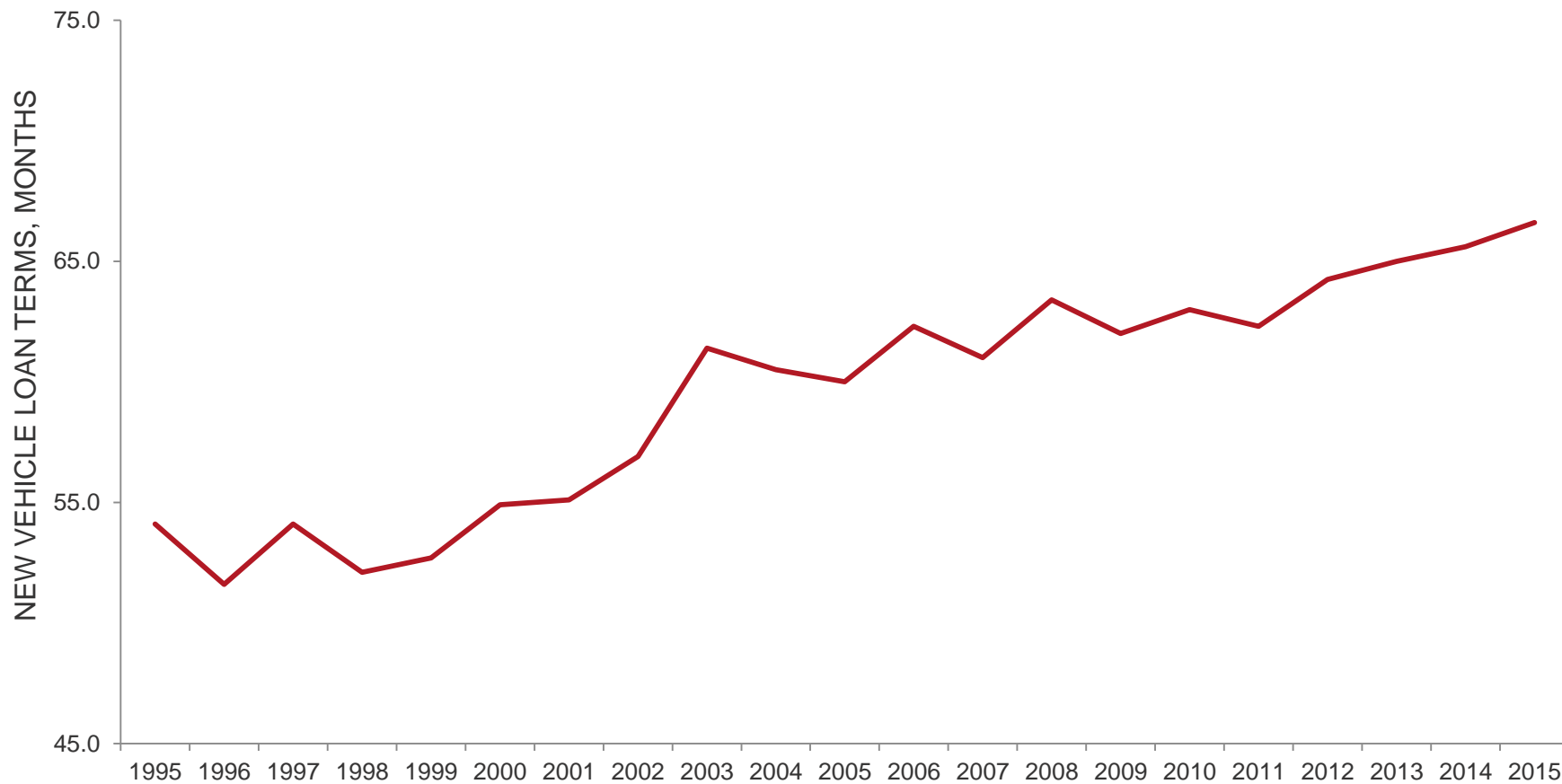
Average transaction price



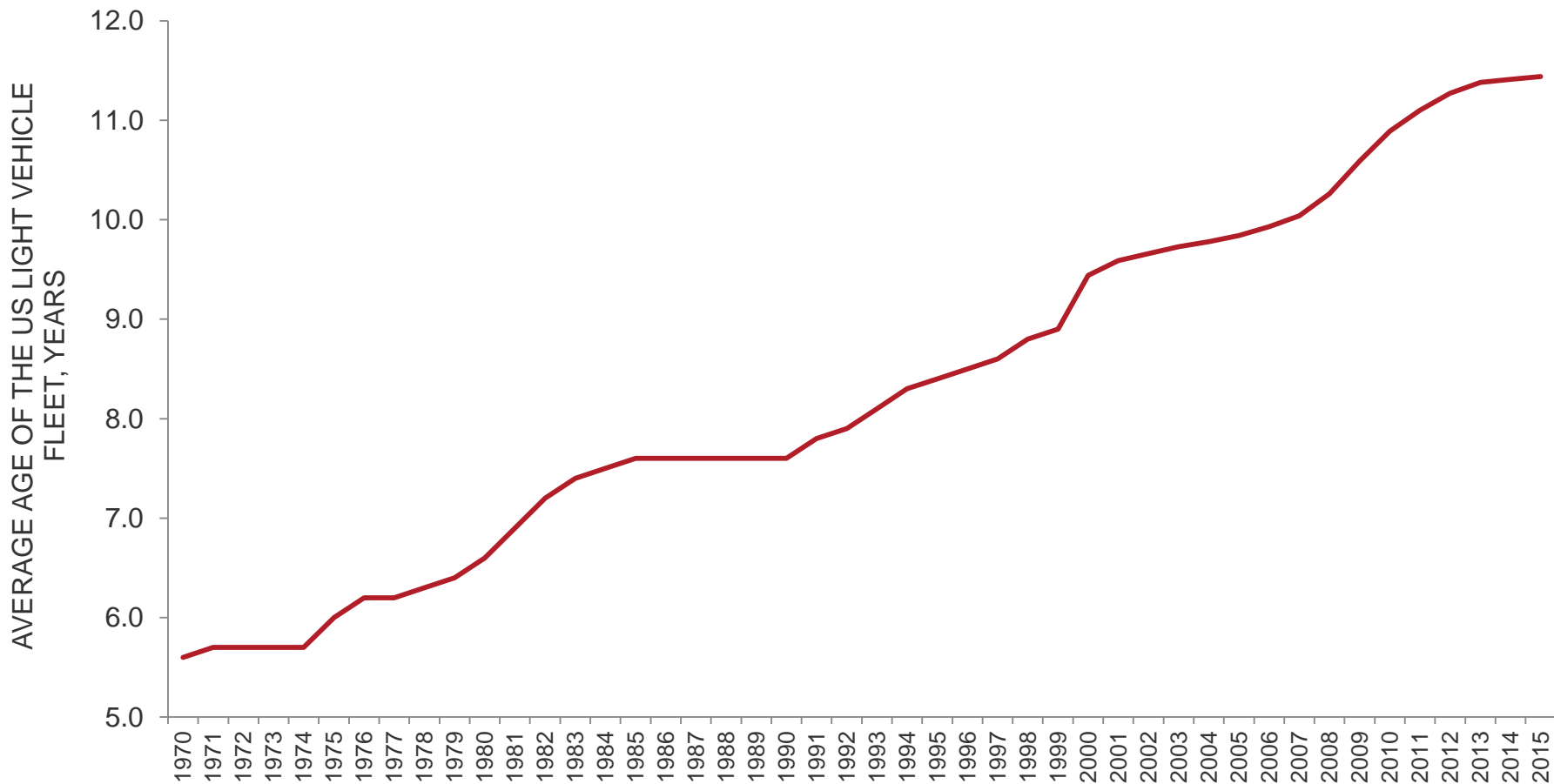
Prices outpace wages

	Wages	Light Vehicles
2012	1.9%	0.8%
2013	2.1%	2.8%
2014	2.0%	2.7%
2015	1.9%	3.1%

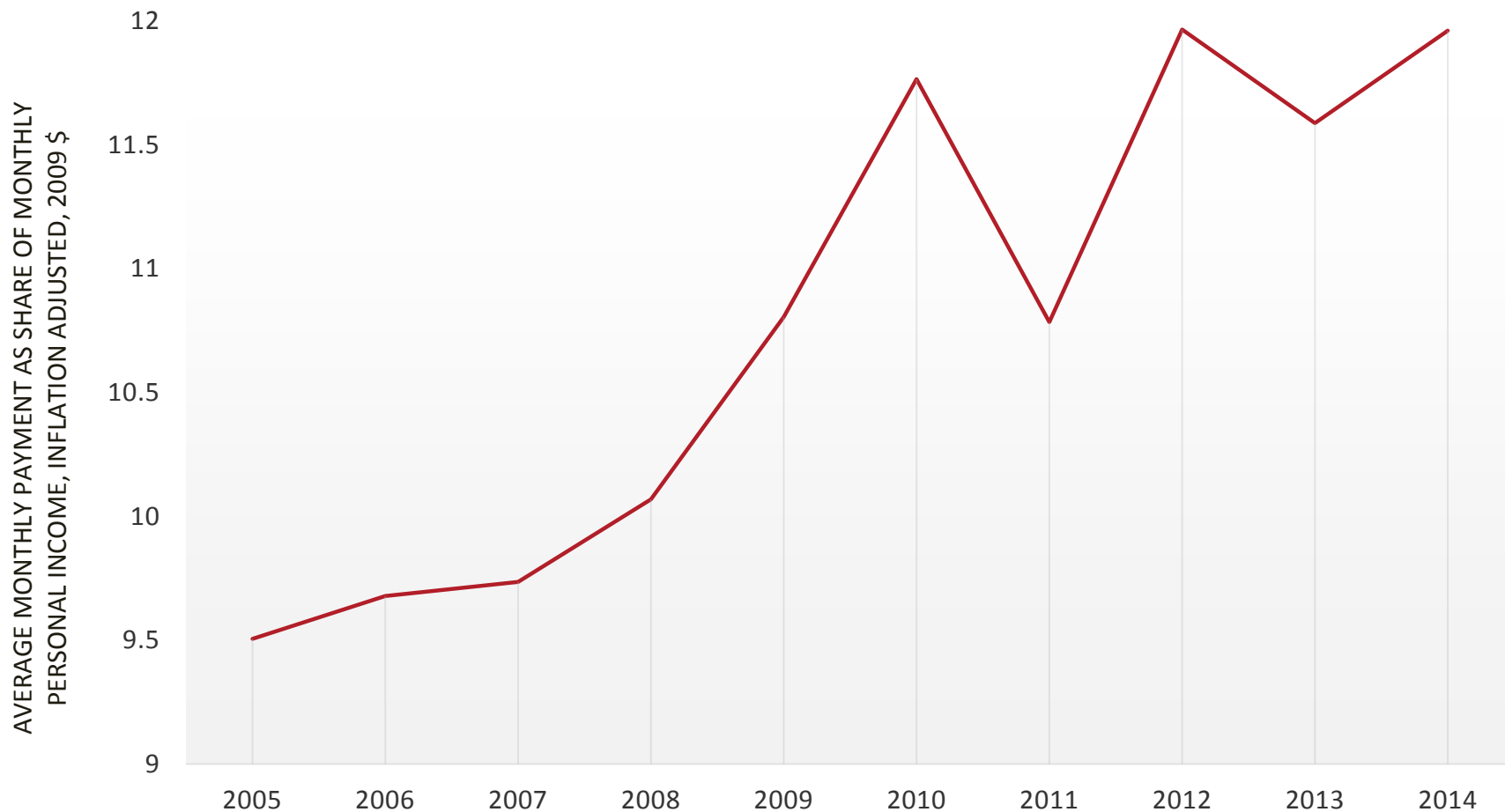
Loan terms



Continuous improvement



A bigger chunk



Net equity position in 2005

31

Months

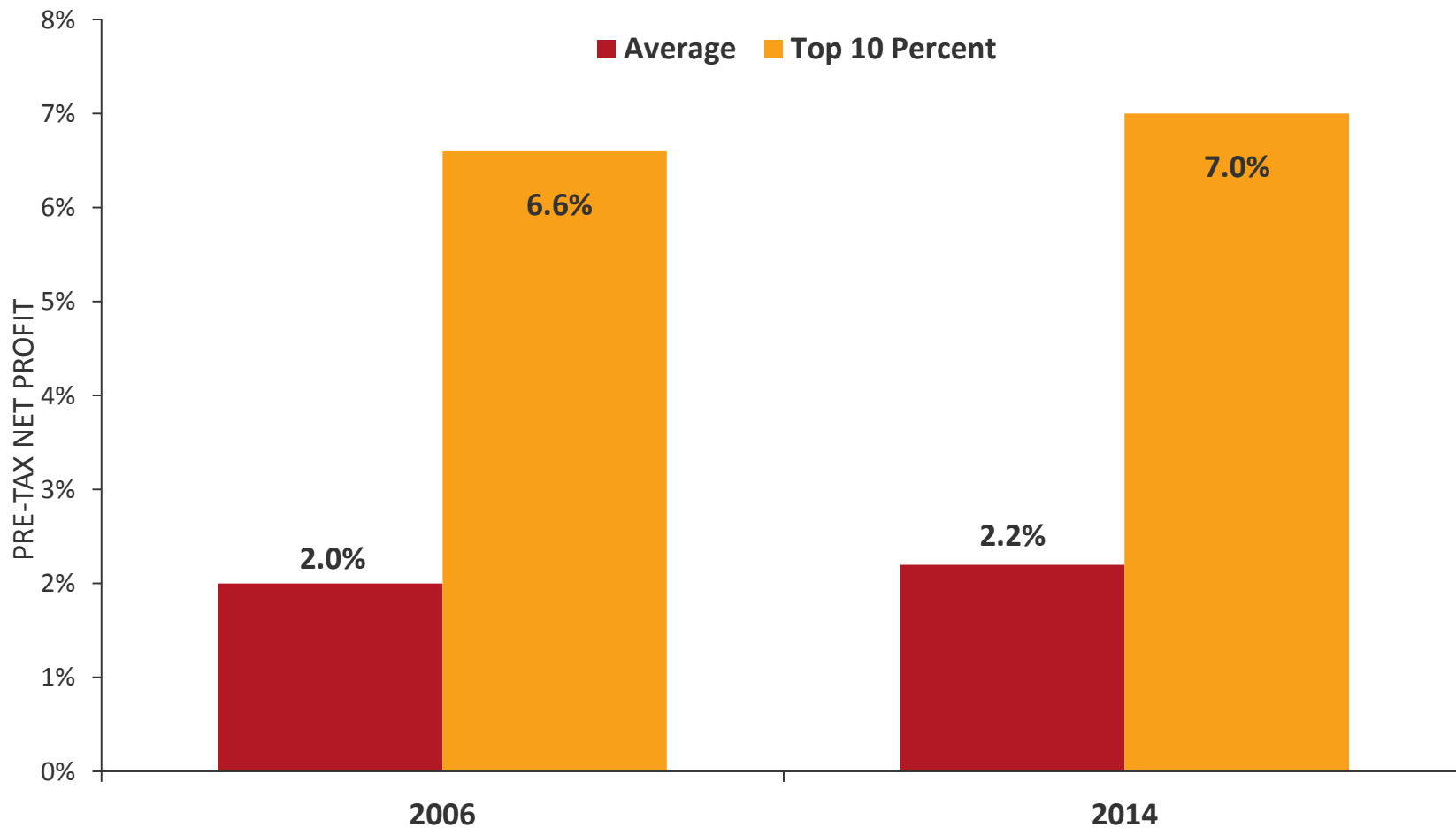
Net equity position in 2015

42

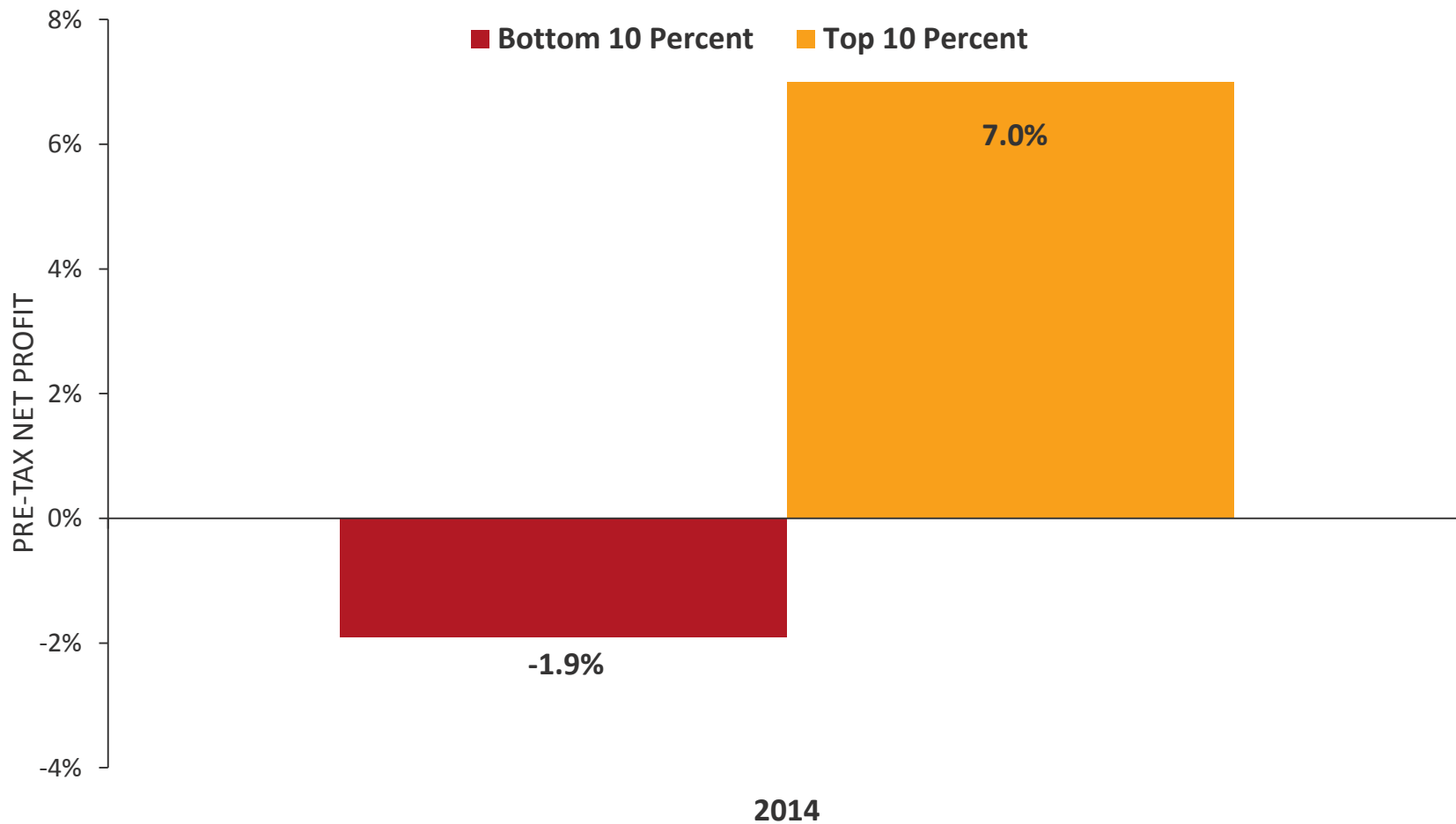
Months

Profitability

Profitability – then and now



Profitability



Efficient operations are key

- Customer Relationship Management

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- Inventory

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- Inventory
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- Human Capital

Human Capital

- \$3.8 million average annual dealer payroll

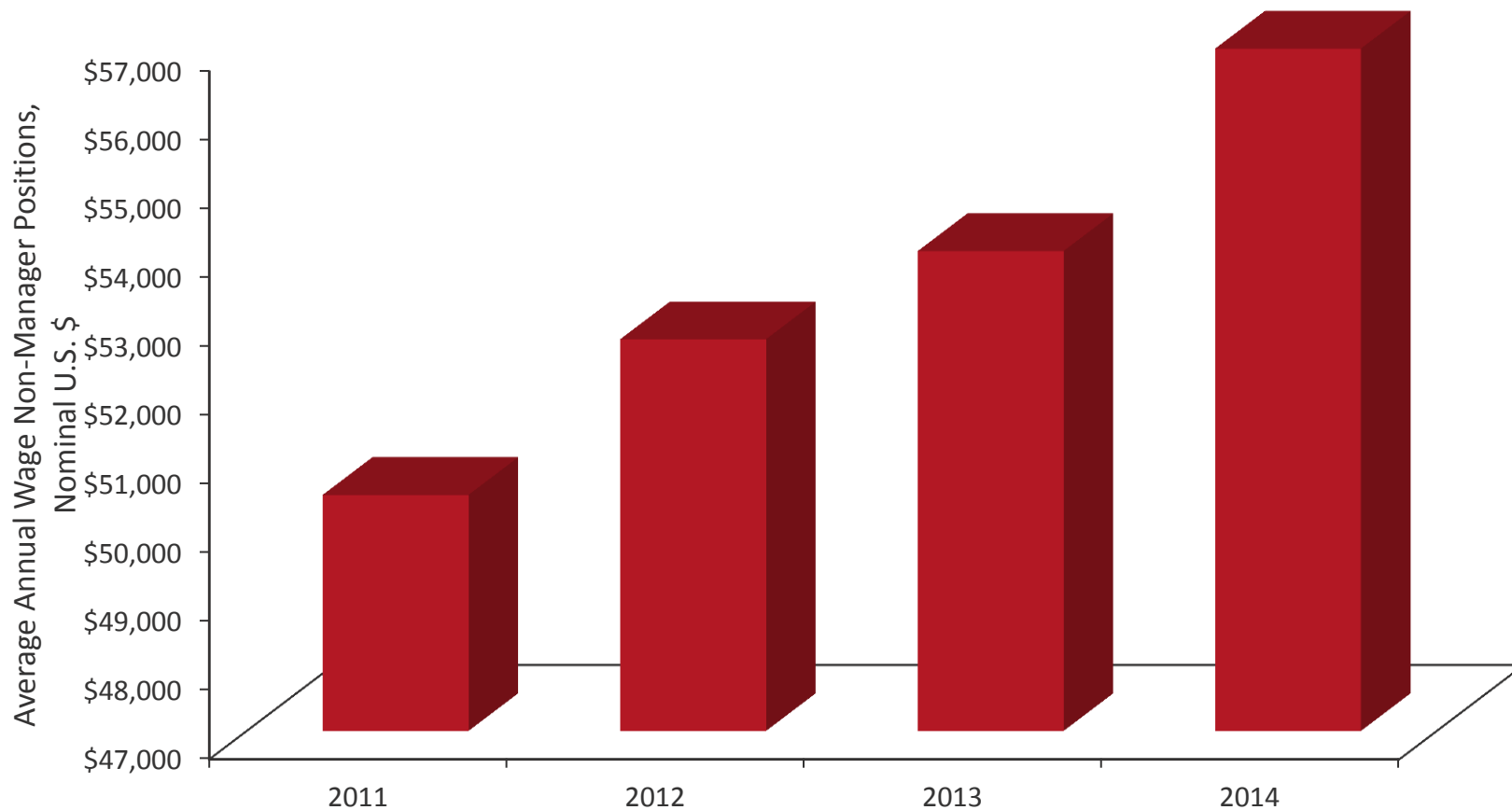
Human Capital

- \$3.8 million average annual dealer payroll
- Human capital has returns, just like financial capital

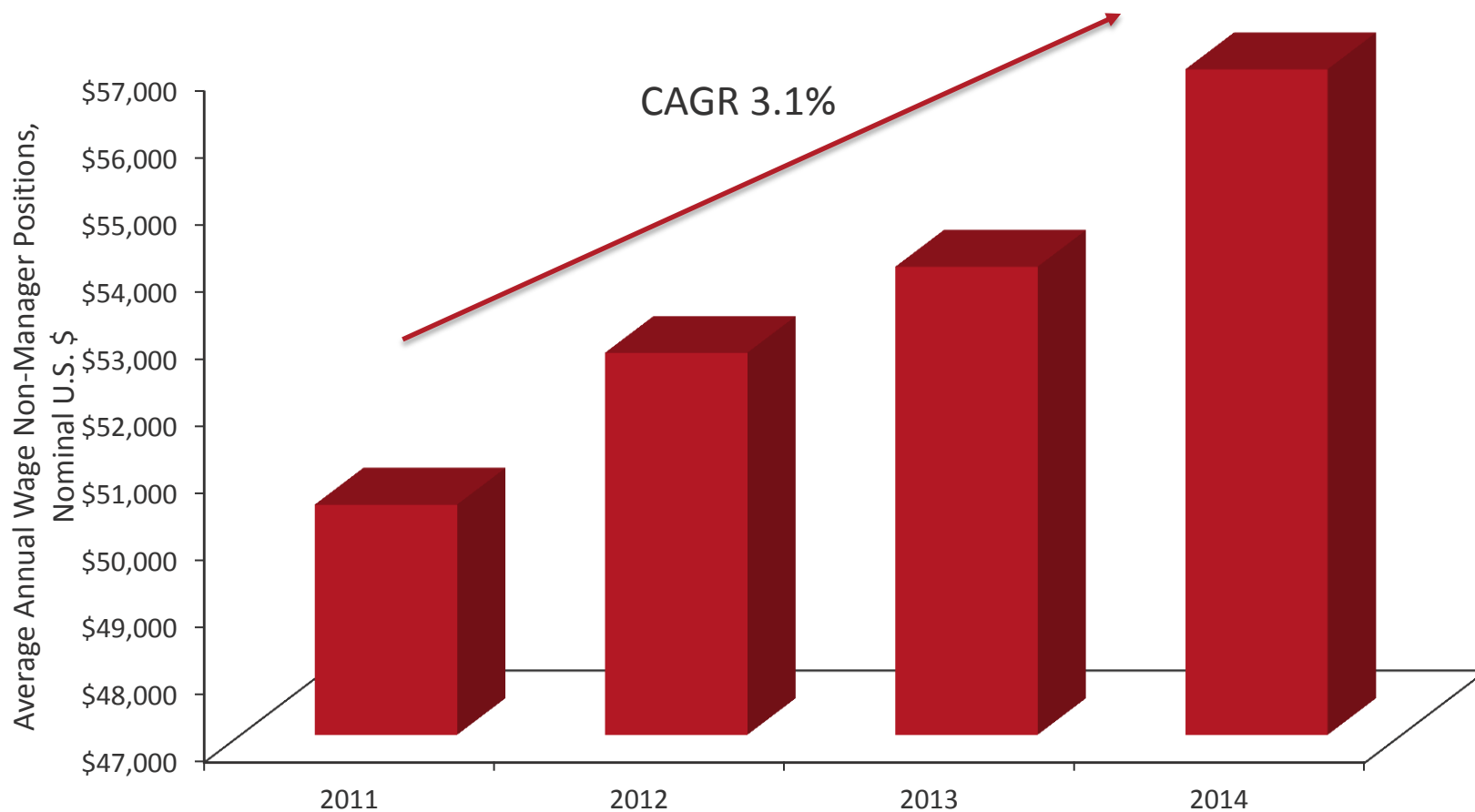
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- Unlike financial capital humans have increasing returns to scale

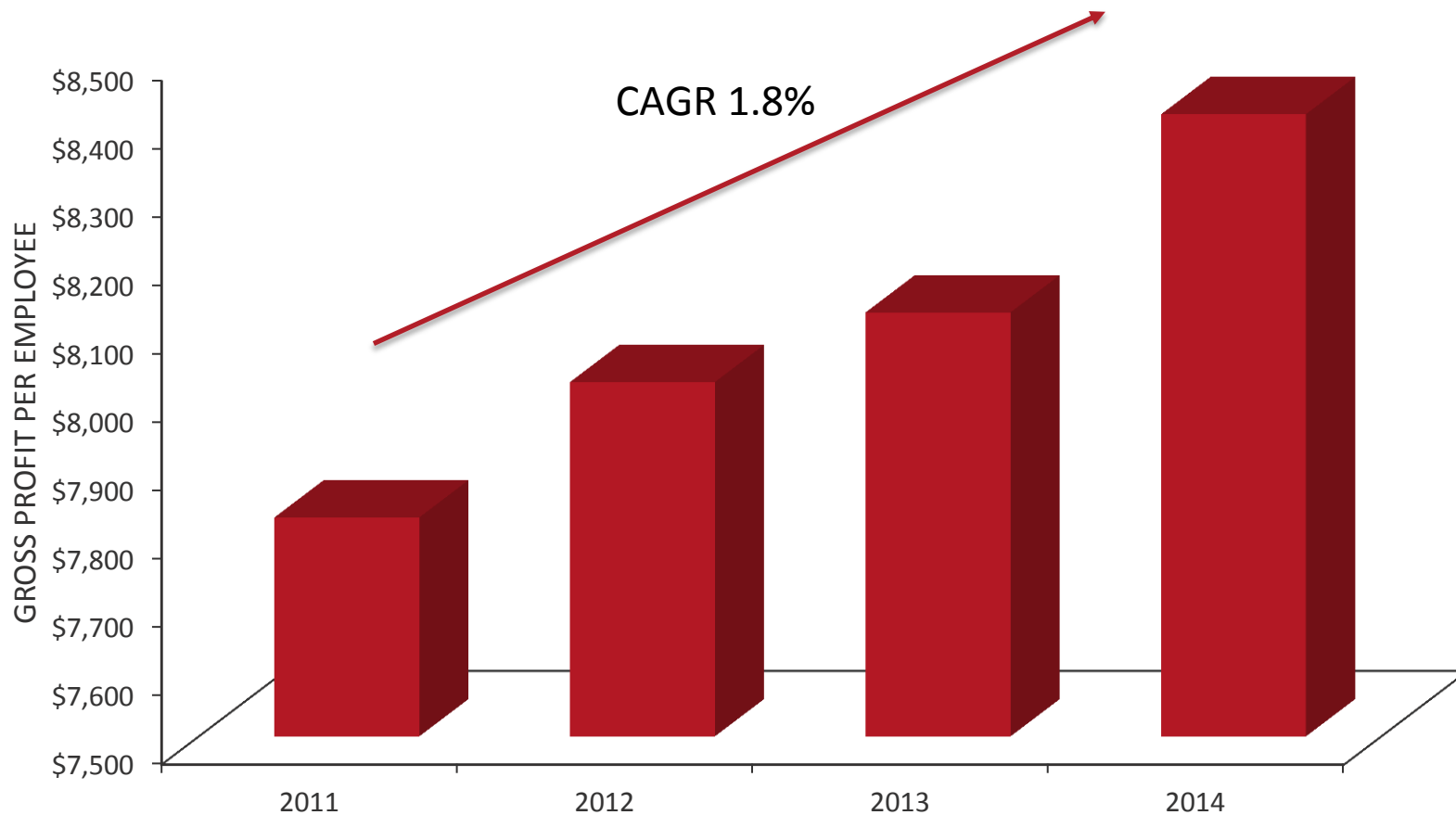
Returns on human capital



Returns on human capital



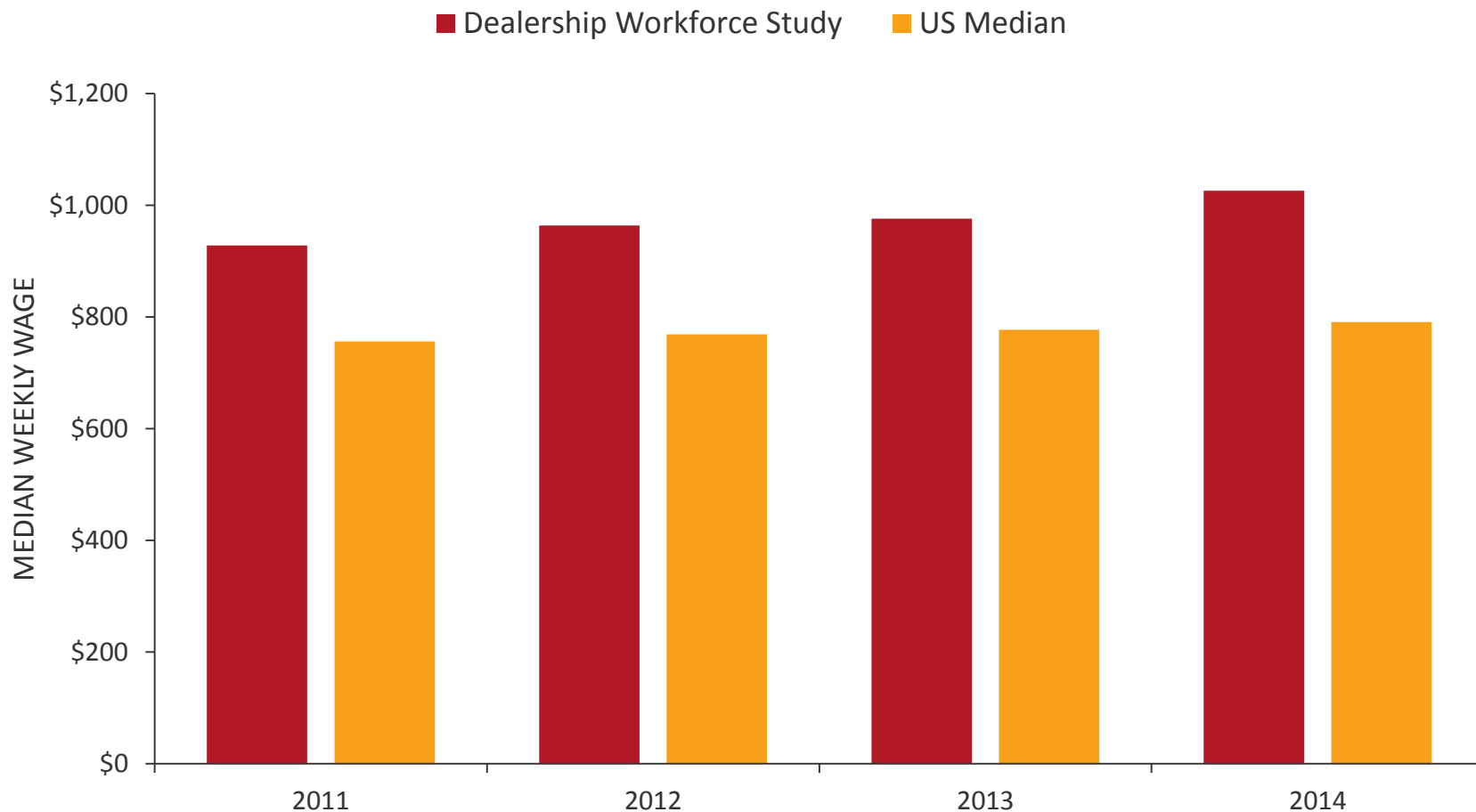
Dealership employee productivity



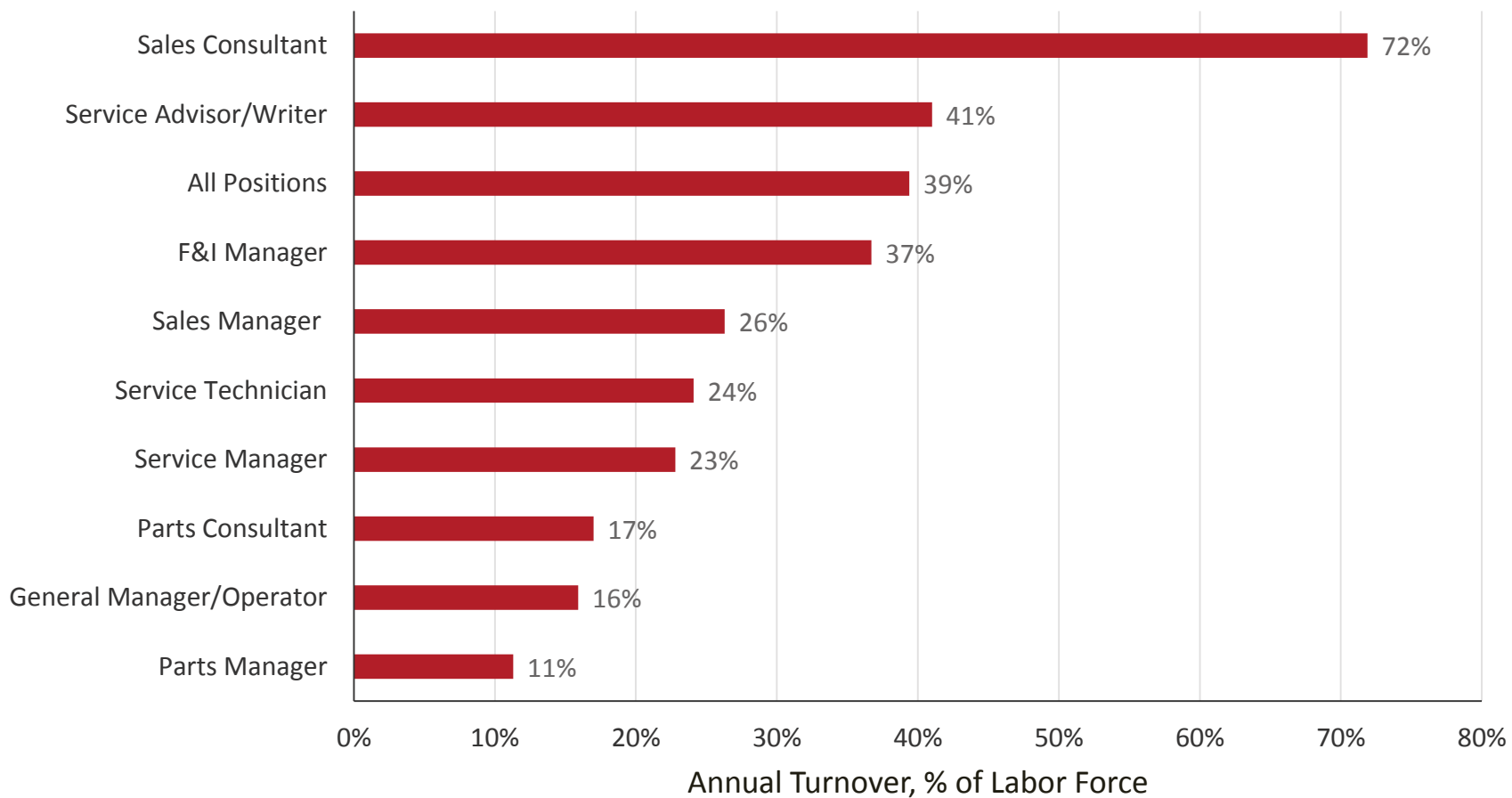
Returns on human capital

- Employees have a return on human capital that is almost twice as high as employers

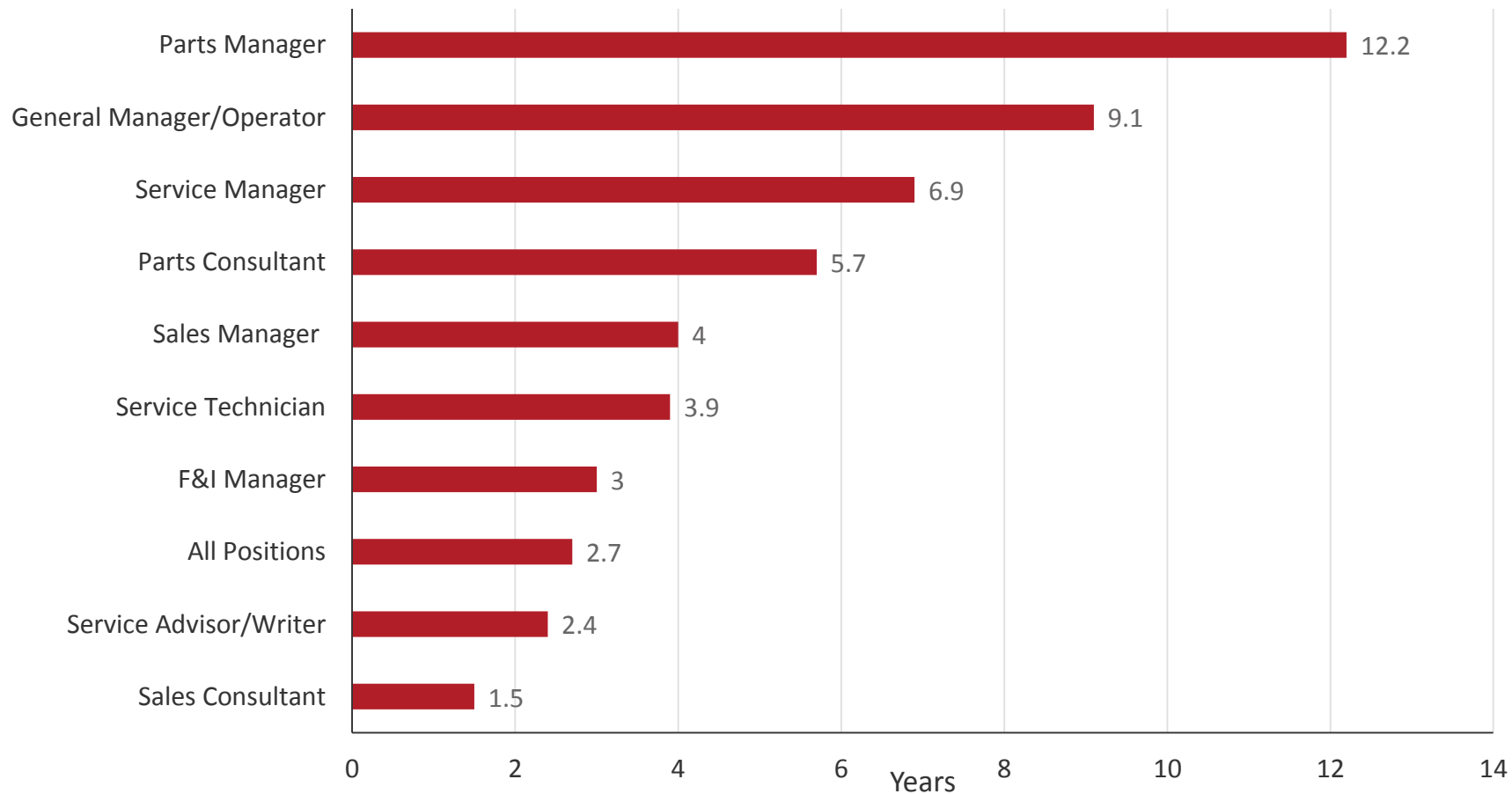
Dealers pay more than the rest



Annual employee turnover



Median employee tenure



Wage Growth

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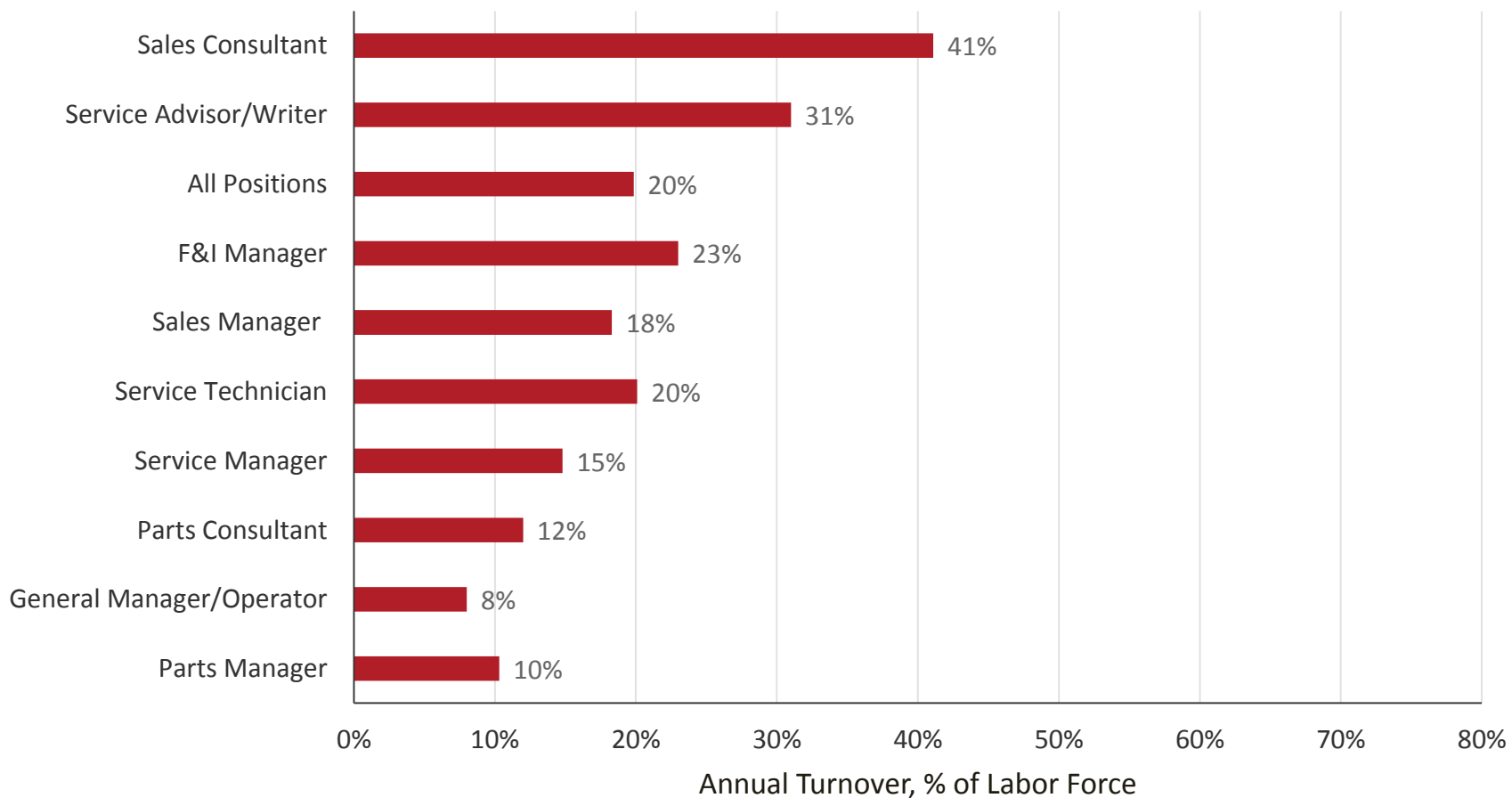
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- Tenure is less than $\frac{1}{4}$ the national average

Turnover of a top performer



Generational differences

- Millennials - 31% of employment 2014, up 4%

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- Turnover higher among millennials

What do millennials want?

- Jobs that pay salaries

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- They don't want to work on commission



NATIONAL
AUTOMOBILE
DEALERS
ASSOCIATION