



Upcoming DealersEdge webinars

The Chicago Automobile Trade Association has established a partnership with DealersEdge to provide high-quality training and informational webinars that offer the content to CATA member dealers at a significantly discounted rate.

The rate for CATA members for the weekly presentations is \$149, half what is charged to users who do not subscribe to DealersEdge. Webinars premiere on a near-weekly basis.

Even for dealers who hold an annual membership with DealersEdge, the new relationship with the CATA represents a savings because DealersEdge offers its Webinars to its own members for \$198. Regular annual membership fees are \$397, and normal webinar fees are \$298 for non-DealersEdge members.

Once purchased, DealersEdge webinars and accompanying PDF files can be downloaded and viewed later—and repeatedly. No matter how many people watch at your location, each connection costs a CATA member just \$149. A telephone connection is not needed; and the fee includes both PowerPoint slides and audio.

To register for any of the DealersEdge webinars, go to www.cata.info. On the tan bar across the top of the screen, click on Education/Careers and follow the drop-down menu to CATA-DealersEdge webinars.

Coming topics:

Thursday, April 5 at 12 p.m. CDT

“Advanced Google Analytics for Auto Dealerships” A presentation for those with a basic understanding of Google Analytics, but looking for even more details and deeper applications. More precise data = More Sales! Speaker Brian Pasch will lead an advanced look into

SEE **WEBINARS**, PAGE 2

March continues strong sales pace

New-vehicle retail sales were on track to end the first quarter of 2012 particularly strong, with performance in March continuing the trend from the past several months, according to a new monthly sales forecast developed by the industry.

J.D. Power and Associates and LMC Automotive projected March new-vehicle retail sales to come in at 1,085,800 units—the highest monthly volume in more than 30 months and equal to a seasonally adjusted annualized rate of 11.6 million

units. Retail transactions are the most accurate measurement of true underlying consumer demand for new vehicles.

“Each month of strong sales brings with it increased optimism that the pace of growth represents a true recovery for the sector,” said John Humphrey of J.D. Power.

“Barring any future shock related to geopolitical issues in the Gulf region and further upward pressure on the price of oil, we believe sales

SEE **SALES**, PAGE 4

FTC settles with 5 dealers whose ads promised trade-in payoffs

Five car dealers around the country have agreed to Federal Trade Commission settlement orders that require them to stop running ads in which they promise to pay off a consumer’s trade-in no matter how much the consumer owes on the vehicle.

The FTC charged that the ads, which ran on the dealers’

websites and on sites such as YouTube.com, deceived consumers into thinking they would no longer be responsible for paying off the loan balance on their trade-ins, even if the balance exceeded a trade-in’s value.

Instead, the dealers rolled the negative equity into the

SEE **ADS**, PAGE 3

New technology challenges dealers, buyers

Specialists teach how to activate all the new bells, whistles

New cars are growing so complex — and owners manuals so voluminous — that automakers are encouraging dealers to add staff geeks or go high-tech to explain features.

Lexus in late March announced that it is creating two new positions at each of its 230 dealerships around the country: a “vehicle delivery specialist” to show buyers how the cars work during purchase; and a “vehicle technology specialist” to troubleshoot snafus after the sale.

The learning gap underscores how automakers have become engaged in a tech war, seeing it as a key way to distinguish their brands.

Lexus’s rivals in luxury cars, which typically have the most complex tech systems, are coming up with their own approaches to walking customers through the nuances of infotainment, navigation and communication systems, not to mention how to set the air conditioning:

- Cadillac has developed an iPad app that explains how to use its new CUE infotainment systems, coming



Alex Oger, a tech specialist at a dealership in Dallas, Texas, explains technology.

first on the XTS sedan. The app is for dealer use now, but customers will be able to get it, too, at the Apple App Store.

- Infiniti salespeople use iPads to show customers technology features and coach them in their use.

- BMW uses a website to tell clients whether their smartphones can be paired with their cars but relies on the old-fashioned approach for the rest, making sure salespeople are fully versed in the models’ innards.

Sure, there are owners’ manuals. But nowadays they can run to more than 800 pages.

“We’re finding customers won’t take the time to read through that,” says Vince Salisbury, a Lexus dealer training manager.

“They’ve paid for the features on their car, and they should

be educated on how they work.”

Lexus took the action after seeing how successful some dealers have been in hiring technology specialists so that customers don’t have to rely on salespeople or service advisers for those issues.

One dealership, Sewell Lexus in Dallas, Texas, recruited its tech specialist, Alex Oger, from a local Apple Store.

Oger’s mission: “How to take this car that has so many capabilities” and explain features “so it’s something the customer wants.”

Oger says many customers have a “eureka moment” when they figure out a task.

Webinars

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Google Analytics and what dealership Internet managers can do with this remarkable set of tools. Learn how to set up, read and employ all those Google Analytics dials. You will learn to:

- create custom data tags
- create goals for conversion and traffic measurement
- set up Google multichannel sales funnels
- create custom rules to track assisted conversion reports
- integrate Google Webmaster Tools Data

Thursday, April 12 at 12 p.m. CDT

“How to Eliminate Overcharges in 5 Key Supplier Categories” Doug Austin, the super sleuth of Spend Management, will demonstrate how five dealership supplier categories routinely overcharge you and what to do about eliminating thousands of dollars in excess expense.

In his role helping dealerships to control and reduce unnecessary spending and expense, Doug has seen it all, and he will share some of his secrets in this webinar. He will identify five dealership supplier categories, each of which typically overcharges in one way or another for their goods and services.

Doug will demonstrate how to audit each of these supplier categories and then create in-dealership strategies to prevent price-creep and supplier non-compliance. Your dealership will save thousands by applying these audit and control techniques! You will learn:

- where to find the overcharges - Five Key Expense Categories
- identify other savings opportunities
- audit process and timing
- how to get these expenses and suppliers under your continued control

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Review past editions dating to 1998 or search by subject at www.cata.info.

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Ads

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consumer's new vehicle loan or, in the case of one dealer, required consumers to pay it out of pocket.

The proposed settlements, reached with the dealers in four states as part of the FTC's ongoing efforts to protect consumers in financial distress, bar all of the dealers from making similar deceptive representations in the future.

The cases are the first of their kind brought by the FTC, which also issued a new consumer education publication, "Negative Equity Ads and Auto Trade-ins," to help consumers understand these types of ads.

"Buying a new car or truck is a major financial commitment, and the last thing consumers need is to be tricked into thinking that a dealer will 'pay off' what they owe on their current vehicle, when they really won't," said David Vladeck, director of the FTC's Bureau of Consumer Protection. "The Federal Trade Commission is constantly on the lookout for potentially deceptive ads, and brings actions to stop them when appropriate."

The dealers named in the FTC's complaints are: Billion Auto, Inc., in Sioux Falls, S.D.; Frank Myers AutoMaxx, LLC, in Winston-Salem, N.C.; Key Hyundai of Manchester, LLC and Hyundai of Milford LLC, in Vernon and Milford, Conn., respectively, and which advertise jointly; and Ramey Motors, Inc., in Princeton, W. Va.

The FTC's complaints allege that despite the dealers' claims, consumers still end up being responsible for paying the difference between the trade-in loan balance and the vehicle's value. The complaints charge that the dealers' representations that they will "pay off" what the consumers owe are false and misleading, and violate the FTC Act.

Examples of the allegedly deceptive advertisements include:

- "Credit upside down? Need a new car? Go to Billionpayoff.com. We want

to pay off your car." The advertisement depicts a car moving, inverts the video to depict it upside down, and then turns it right-side up again. (Billion Auto)

- "Uncle Frank wants to pay [your trade] off in full, no matter how much you owe." (Frank Myers AutoMaxx)

- "I want your trade no matter how much you owe or what you're driving. In fact I'll pay off your trade when you upgrade to a nicer, newer vehicle." (Key Hyundai and Hyundai of Milford)

- "Ramey will pay off your trade no matter what you owe . . . even if you're upside down, Ramey will pay off your trade." (Ramey Motors)

The complaints in three of the cases also allege violations of the Truth in Lending Act and its implementing Regulation Z for failing to disclose certain credit-related terms. The complaints in two of the cases also allege violations of the Consumer Leasing Act and its implementing Regulation M for failing to disclose certain lease-related terms.

The proposed orders settling the FTC's charges are designed to prevent them from engaging in similar deceptive advertising practices in the future. First, each order prohibits the dealership from misrepresenting that it will pay the remaining loan balance on a consumer's trade-in, so the consumer will have no further obligation for any amount of that loan. It also prohibits the dealer from misrepresenting any other facts related to leasing or financing a vehicle.

The proposed orders against Billion Auto, Key Hyundai, Hyundai of Milford, and Ramey Motors require them to comply with TILA and Regulation Z, and to make clear and conspicuous disclosures when advertising certain terms related to issuing consumer credit. The orders also require that if any finance charge is advertised, the rate must be stated as an annual percentage rate or as the APR.

In addition, the proposed orders against Billion Auto, Key Hyundai, and Hyundai of Milford require those deal-

ers to clearly and conspicuously make all lease-related disclosures required by the CLA and Regulation M, including the monthly lease payment.

The proposed orders also require each of the dealers to keep copies of relevant advertisements and materials substantiating claims made in their advertisements, and to provide copies of the order to certain employees. Finally, the dealers are required to file compliance reports with the FTC to show they are meeting the terms of the orders, which will expire in 20 years.

The misrepresentation alleged in the cases was one of the topics raised at the FTC's 2011 public roundtables regarding consumer protection issues that may arise in the sale, financing or lease of motor vehicles. For many consumers, buying or leasing a car is their most expensive financial transaction aside from owning a home. As the nation's consumer protection agency, the FTC is committed to protecting consumers in connection with these financial transactions.

The Commission vote to issue the administrative complaints and accept the consent agreement packages containing the proposed consent orders for public comment was 4-0. The FTC will publish a description of the consent agreement packages in the Federal Register. The agreements will be subject to public comment through April 16, after which the Commission will decide whether to make the proposed consent orders final.

The FTC issues an administrative complaint when it has "reason to believe" that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. The complaint is not a finding or ruling that the respondent has actually violated the law. A consent agreement is for settlement purposes only and does not constitute an admission by the respondent that the law has been violated. Violation of such an order can result in a civil penalty of up to \$16,000.

Sales

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will continue on a solid pace for the balance of the year.”

Through the first half of March, subcompact and compact cars accounted for about 23 percent of retail sales in the United States, the highest level since the “cash for clunkers” program was implemented in 2009. As a result, subcompact and compact cars are quickly moving off dealer lots.

Combined, subcompact and compact cars were on dealer lots an average 42 days before being sold, compared to the 48-day industry average, and registering turn rates substantially lower than in 2011—17 fewer days for subcompact cars and 46 fewer days for compact cars.

Conversely, full-size pickup trucks are sitting on dealer lots an average 68 days, 11 days longer than they were a year ago.

Total light-vehicle sales in March were expected to come in at 1,372,400 units, a 6 percent increase from March 2011. In addition to the strong retail performance, fleet mix has been higher than normal for the first two months of the quarter, with January and February averaging 24 percent. March was expected to finish slightly lower at 21 percent of total sales.

Sales outlook

The 2012 outlook for vehicle sales remains positive, as the first quarter selling rate was expected to come in at 11.6 million units for retail and 14.4 million units for total light vehicles. This sales tempo is ahead of the forecast for the full year of 11.4 million units for retail light-vehicles and 14.1 million units for total light vehicles.

“The first quarter selling rate has outperformed the annual forecast for sales for the first time since 2008, when the automotive market started to decline,” said Jeff Schuster, senior vice president of forecasting at LMC Automotive. “The vigorous start to 2012 suggests

that there is further upside potential if the current pace continues through the summer months.”

Continuing the current trend, small-car sales (subcompact and compact segments) are expected to remain strong throughout 2012, with combined segment share at nearly 20 percent of total light vehicles.

“Small-car mix is benefiting from higher gas prices and new models entering the segment, with 41 small car models in the market in 2012 compared with just 30 back in 2007,” said Schuster. “Overall share of small cars in 2012 is expected to climb to its highest level ever, at nearly 20 percent of total light-vehicle sales.”

North American production

North American light-vehicle production through February is up nearly 23 percent compared to the same period in 2011. BMW leads the European manufacturers in year-to-date production volume increases, up 42 percent due to higher production of the X3. The Japanese OEM production volume continues in recovery mode, with volume up 26 percent YTD February from YTD February 2011. The Detroit 3 had about a 20 percent year-over-year increase in production volume.

Production levels are expected to remain at a higher level in the first quarter of 2012, with volume forecasted at 3.8 million units, up almost 15 percent from the first quarter of 2011.

Looking ahead to second quarter production, an increase of 18 percent from last year is expected, with nearly 3.7 million units to be built (last year’s second quarter was affected by the Japan earthquake supply disruptions).

Vehicle inventory declined to a 57-day supply at the beginning of March, compared with a 66-day supply at the beginning of February. Car inventory is at below-normal levels with a 48-day supply in March, down from 60 days in February, while truck inventory levels fell to a 66-day supply (previously at 72 days).

Identity fraud alert

A man who listed a California address tried to buy a car at a west suburban dealership, but the dealership stopped the sale upon finding he didn’t live there.

The man, Donald David, declared his address as 14 Songbird, Aliso Viejo, Calif. On a hunch, the used-car manager tracked the home’s details online and called the residence.

The man who lives there said he has been receiving mail there for David, but he doesn’t know David.

2012 insurance cost booklet now available

The 2012 edition of the National Highway Traffic Safety Administration booklet containing the Highway Loss Data Institute’s annual insurance collision report was mailed recently to all dealerships.

By no later than March 30 each year, copies must be made available for prospective purchasers. New-vehicle sales staff should be instructed to give a copy of the booklet to any prospective purchaser who asks for one.

Note: There is no mandate to display or to stockpile copies of the booklet, only to make one available upon request. Copies can be downloaded from the NHTSA website.

Requests for the booklet tend to be relatively few and far between.

Save the date!

The annual CATA golf outing has been reinstated and will be June 11 at Cog Hill Golf & Country Club in Lemont.

More details in a coming edition of this newsletter.

