Spots integrate sales, service, DriveChicago

Humorous CATA media campaign helping to bolster dealers

The unique media campaign in support of vehicle service and used-vehicle sales at new-vehicle dealerships continues, under the direction of the Media Strategy Committee of the CATA board of directors.

Using a broad base of top rated radio stations, the campaign features “light comedy” to break through the clutter with spots produced by The Famous Radio Ranch in California.

“Business conditions and marketing attacks from competitors,” said Media Strategy Committee Chairman John Guido, “dictate that we must support our dealers’ used-car departments and service and accessory operations.

“We want the public to think first about buying their pre-owned vehicles from a new-car store. And we really want the public to continue to service their cars and buy replacement parts and accessories, including tires and batteries, from us.”

According to second quarter 2007 statistics in Chicago Auto Outlook, a quarterly publication commissioned by the CATA, new-vehicle dealerships’ share of the area’s used-car market has trended higher over the past two and one-half years, coinciding with the CATA’s latest media campaign. More than 54 percent of used-vehicle sales from January to July this year occurred at Chicagoland new-car dealerships, showing steady growth over the time period.

The campaign’s strength is in both the media plan and the creative approach. Chicago radio stations that have partnered with the CATA understand the importance of the automotive category in their own client base, and they deliver strong value-based schedules for the CATA.

“We are on the air during all critical sales and service time periods,” said Guido. Five 60-second commercials rotate throughout the current campaign. Three are dedicated to used-vehicle sales and two carry messages about service and accessories.

Using humor to break through the enormous media clutter has long been a successful approach. The Famous Radio Ranch works on a market-exclusive basis for the CATA and has established itself as the expert in producing spots that people actually want to listen to.

In a spot titled “Carpool,” one new participant of a neighborhood carpool keeps deferring his turn to drive the others. It finally comes out that he doesn't even own a car. But rather than allow him to quit the carpool, his fellow passengers convince him that he must go to a new-car store and buy a dependable pre-owned car right away.

The service spots focus heavily on the advantages of having factory-trained professionals installing factory-certified parts. The humor allows the serious side of the messages to come through while holding the listener's attention.

All spots close with the CATA’s longtime signature music jingle: “When you buy a used car from a new car store, you get a great deal and a great deal more!” And, all spots direct consumers to DriveChicago.com for a listing of CATA member dealers.

“The CATA media campaign helps drive traffic to our Web site,” Guido said, “and the campaign will help bring new users to the new DriveChicago.com.”

The Web site re-launches later this year with more tools to help people find their next car and arrange for service.
NADA offers tips for dealers to retain vehicle lease customers

Leasing can be a boon for dealers, and the single biggest benefit is customer retention. Lease customers keep returning to the dealership. They replace their vehicles sooner than buyers because leases generally have shorter trade cycles.

And, since the lease-end date is known in advance, the dealership can be proactive in helping customers complete their current leases and select new vehicles.

Customer retention, new-vehicle department

The shorter lease trade cycles can help boost profits. Though sales might be more profitable on a per-transaction basis, the increased volume from leasing can more than offset the per-transaction difference. A vehicle sale, for example, may generate a $3,000 profit, whereas leasing the same vehicle may generate a $2,000 profit.

On a per-transaction basis, you would prefer to sell it. Over time, though, your lease customer returns every two or three years, roughly twice as often as purchase customers. Generating a $2,000 profit twice in six years is more profitable than generating a $3,000 profit once.

Another way to boost profitability is to sell maintenance packages along with the lease. These packages can include basic services such as oil changes and tire rotation, and the package cost can be rolled into the lease agreement. Encouraging customers to return for regular maintenance boosts service productivity and ensures dealers will have access to more valuable, higher-quality vehicles at lease-end.

Customer retention, used-vehicle department

With today’s more accurate leasing residuals and the rising average cost of used vehicles, selling off-lease vehicles can be profitable. Off-lease vehicles are useful in building used-vehicle inventory, complementing regular trade-ins and auction purchases. And, since the dealership serviced the vehicles, you can trust the care and condition.

Have a knowledgeable leasing person work with your used-vehicle manager to select off-lease vehicles for used-vehicle inventory. Used-vehicle managers and sales personnel should communicate regularly about customer demand for vehicles that may be coming off-lease.

If dealerships track when lease customers are to return their vehicles, salespeople (or your business development center) can be proactive in contacting customers with in-demand vehicles. They may be able to help those customers terminate existing leases early and lease new vehicles, and the dealership can sell the off-lease vehicles to the customers who requested them.

This article is excerpted from “A Dealer Guide to Leasing as a Finance Alternative,” an NADA guide that can be ordered at www.nada.org/mecatalog or 800-252-NADA, ext. 2.

Emission test intervals changing

A vehicle’s emission testing interval will correspond with the vehicle’s registration date, in an Illinois Environmental Protection Agency change that begins in January 2008.

The change also removes emissions test-failure punishment against the driver’s license of the vehicle owner. Beginning next year, vehicles must pass the test before a registration can be renewed. Currently, the program is enforced through suspension of driver’s licenses and registrations.

Vehicles generally will continue to face emissions tests every two years. The Illinois EPA will send one emissions test notice to the vehicle’s owner four months before the registration expires, providing sufficient time for testing and any necessary repairs. Once a vehicle passes a test or is issued a waiver, the secretary of state’s office is automatically notified that the vehicle has complied, thereby allowing a renewal sticker to be obtained from a secretary of state facility or authorized dealer.

Illinois dealers who participate in the state’s Electronic Vehicle Registration system can charge customers up to $5.50 to renew a registration. That represents $2.75 cost and $2.75 profit to the dealer.

Factoid:

93% of all new-car buyers, and 89% of minorities, are satisfied with the dealership where they most recently purchased/leased a new vehicle.

—Automotive Retailing Today
NADA town hall meetings help open dialogue with dealers

By Ray Scarpelli Sr.
Metro Chicago NADA Director

The NADA recently held a town hall-style meeting in each of its four regions, to give members greater exposure to the association’s programs and services and to get feedback from the attendees. Dale Willey, the NADA chairman, wanted to increase dealer involvement in the association when he came up with the idea for the meetings, which were held recently in Chicago, Washington, D.C., Los Angeles and Atlanta. “I believe that most of our nearly 20,000 members don’t fully understand all that the NADA does for them,” Willey said.

Senior staff members conducted the meetings, where they noted “all the good things being done for dealers,” said Willey. “And all it costs is their dues, which is not an expense, but an investment in their dealership.”

NADA vice president and general counsel Andy Koblenz, who oversaw the town hall initiative, said the meetings not only gave dealers greater exposure to the NADA, but also opened communication in the other direction. Attendees voiced concerns on certain vehicle manufacturer programs and expressed appreciation for the NADA’s work in the environmental debate.

The association was represented by at least two senior staff members at each of the four meetings, including the vice presidents of NADA Legislative Affairs, Regulatory Affairs, Industry Affairs, and Dealership Services. The elected dealer regional vice chairman from each area hosted the meetings.

Koblenz said the NADA’s “desire and commitment to reach out” to its members continues, but there are no immediate plans for more town hall meetings. “We’re still digesting lessons we learned from this,” he said. Willey said he thinks the meetings “got the ball moving. The overriding response from most attendees was, ‘Gosh, I had no idea NADA did so much for me.’”

In other NADA news . . .

• The NADA Board of Directors elected Annette Sykora of Texas as its 2008 chairman and John McEleney of Iowa as vice chairman. The dealers assume office at the NADA annual convention, Feb. 9-12 in San Francisco.

• In a speech to the Automotive Press Association on Oct. 9, NADA Chairman Dale Willey said auto dealers can overcome market challenges with help from car manufacturers and elected officials. He said the Detroit 3 should focus on designing and building more fuel-efficient automobiles, and elected officials need to pass responsible emissions laws. The NADA supports the Hill-Terry CAFE bill, which would raise combined corporate average fuel economy standards for cars and light trucks to 32 to 35 miles per gallon by 2022. A competing Senate bill would increase CAFE standards to a minimum 35 mpg average by 2020. Willey said the Senate bill “would pose a significant threat to vehicle choice, safety and affordability.”

• The NADA 2008 Convention & Expo, Feb. 9-12 in San Francisco, will have 600 exhibiting companies spanning nearly 400,000 net square feet. The new Moscone West will house registration, exhibits, franchise meetings, and workshops, as well as a German Hoffbrau and a wine tasting area. Confirmed speakers include GM Chairman and CEO Rick Wagoner; comedian and “Tonight Show” host Jay Leno; ABC News anchor and reporter Bob Woodruff; longtime NBC newsmen and author Tom Brokaw; and author Jeffrey Gitomer. For convention registration and more details, visit www.nada.org/convention.

In legislative and regulatory news . . .

• The U.S. Department of Energy and the U.S. Environmental Protection Agency will distribute the 2008 model year Fuel Economy Guide to dealers this month so they can provide their customers with information about fuel economy and the benefits of using more fuel-efficient vehicles. EPA requires dealers to prominently display the booklet and make it available free to the public. This year’s guide contains fuel economy estimates based on updated EPA calculation methods. The EPA and the DOE will electronically distribute the guide, which must be printed from the e-mailed file or from the government Web site, www.fueleconomy.gov. Or printed paper versions of the guide can be ordered until Nov. 30 at 877-337-3463.

• Rep. John Dingell (D-Mich.), chairman of the House Energy and Commerce Committee, recently proposed an additional 50 cents per gallon tax on gasoline as part of his effort to reduce the effects of global climate change. In a statement, Dingell suggested that the gas tax hike and other proposals—such as a cap-and-trade program, a fee on carbon emissions, and a phaseout of the mortgage interest deduction on large homes—can effectively “curb emission and to make alternatives economically viable.” While a stimulated energy debate is important, the NADA intends to demonstrate to congressional leadership that there is bipartisan support for the Hill-Terry CAFE alternative (H.R. 2927). Dealers should focus on urging their representatives to support the Hill-Terry bill and encouraging them to become bill cosponsors if they have not yet done so. More information can be found at: www.nada.org/cafe.
65% will steal if situation’s right; take preventative steps: CATA speaker

“Nobody in his right mind steals from his employer. I thought I was nuts,” said Barry Webne, who stole $1.25 million from his employer.

Webne, convicted of bank fraud and sentenced to six months in federal prison, spoke at a CATA seminar in October about how dealers can detect and prevent employee theft.

“Almost one in three U.S. businesses has been or will be victimized by this type of fraud,” he said. “Worse, only 41 percent of these business executives will ever know they are victimized. And worse still, prosecution is a viable alternative in only 21 percent of these cases.”

And, said Webne, when the money is gone, it rarely can be recovered.

He said: “I had nothing to show for it. I spent it as fast as I got it. My kids had more stuffed animals than the Disney Store. They didn’t need that; they needed me, physically and mentally. So they got cheated.”

Webne worked in Cleveland, Ohio, as controller of a holding group of 10 small manufacturing companies. When the company downsized, the first positions eliminated were in departments that were not revenue-producers, like his, which created a breach to internal controls that could have prevented his crime.

Webne oversaw payroll and boosted his salary from $2,000 a month in 1991 to $50,000 a month in 1995, when he and his boss were fired. His crime was uncovered shortly thereafter.

“I didn’t drink or do drugs or gamble, but this (stealing) became an addiction,” he said. “My wife knew nothing about it, and that is typical of this crime.”

When the FBI appeared at his home, Webne said, “Part of me felt relief that I didn’t have to look over my shoulder anymore.” Now he trains financial professionals on behavioral traits and tendencies that might indicate larceny.

Occupational fraud is nearly 10 times more likely to occur in businesses with fewer than 100 employees because fewer internal controls usually exist. “The person who accepts the cash shouldn’t be the person who makes the bank deposit,” said Webne.

He said all three aspects of a “fraud triangle” must exist and be in the perpetrator’s favor for occupational fraud to occur: Opportunity—gaps in internal business controls—Rationalization—“They owe me,” or “It’s just borrowing and I’ll pay it back”—and Financial Pressure/Incentive—addiction or “keeping up with the neighbors.”

Criminal behaviors can be hard to detect because, viewed in a different light, they are behaviors shared by honest workers. Impulsive behavior, said Webne, is the most important indicator.

“By acting impulsively, meeting all deadlines, completing projects and reports in a timely manner,” he said, “the perpetrator achieves his goal of calling attention away from himself at all costs.

“I ask for an inventory analysis and say I need it in a week, and the report is delivered two hours later. They want to address your every need immediately. But most people are procrastinators. The perfect employee doesn’t exist anymore.

“Let’s face it, we’ve downsized this country to the point we’re overworked and underpaid. It’s possible to do a report that quickly, but not probable. You should look at it.”

Other traits and tendencies Webne cited:

Superficial. Perpetrator couldn’t care less about his words; his only intent is manipulation.

Egocentric. Expensive home or vacation used as a silent form of bragging.

Need for Excitement. Always looking for change, out of place in normal activities.

Lack of Responsibility. Erratic job efficiency: responsible about items involving and I’ll pay it back”—and Financial Pressure/Incentive—addiction or “keeping up with the neighbors.”

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