



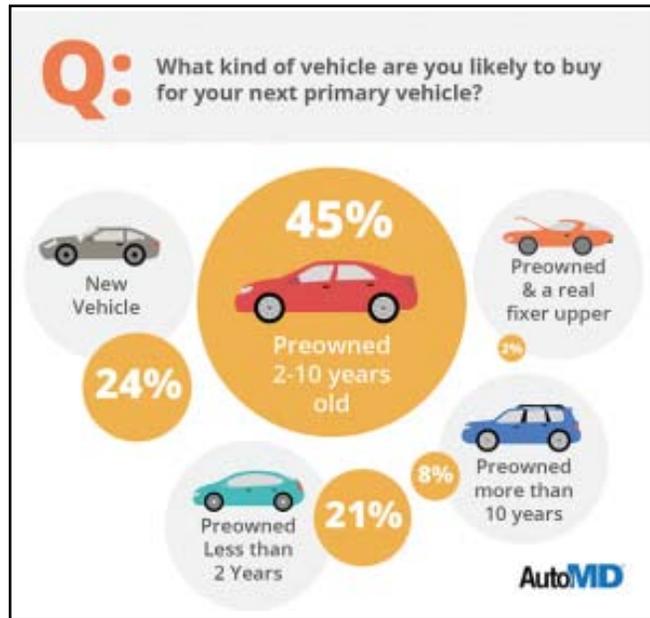
## Pitch value of service contract to used buyers

Three-quarters of respondents to a recent online survey of vehicle purchasing said the next vehicle they buy won't be new, but about one-third of them said it won't be more than 2 years old.

And while price trumped every other purchase decision factor, knowing a vehicle will last 10 years was the second most important influencer, according to the survey by AutoMD, an online automotive repair resource designed to empower car owners with the best way to repair their vehicles.

The online survey of more than 1,000 vehicle owners noted that 59 percent of respondents plan to buy their next car within six months.

Of the respondents who said the cost of replacement parts would not be a factor in their vehicle purchase decision, more than half said that was because it did not occur to them or because they did not know where to look for the rel-



evant information.

Consumers are open to learning about the value of a service contract, which gives dealers an opportunity to educate them.

Tim Meenan, executive director of the Service Contract Industry Council, suggests dealers say: "Rather than worry about the cost of replacement parts, consider an extended warranty," adding that a service contract brings

relief if the car breaks down and that it's included in the monthly payment.

A January Bankrate.com report found that two-thirds of consumers do not have enough savings for a \$500 car repair.

That statistic, plus knowing that most consumers are interested in at least learning more about service contracts, gives dealers and F&I managers an advantage.

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## Record complaints, recalls threaten trust in auto technology

Consumer complaints about vehicle software have been growing steadily over the past several years, and 2016 is on pace with the record-setting level of 2015, according to data collected by J.D. Power through its SafetyIQ program and released May 24.

Consumers this year have filed 202 formal complaints with the National Highway Traffic Safety Administration about software that controls the technology prevalent in vehicles, compared to 204 software-related complaints during the same time a year ago.

A total of 615 complaints were logged in 2015, surpassing the previous annual record of 505 set in 2014. During the past five years, consumers have registered 2,011 complaints related to automotive software with the NHTSA.

"Consumer complaints are the canaries in the coalmine for automobile manufacturers when it comes to anticipating future recalls and longer-term customer

SEE COMPLAINTS, PAGE 4

## Once shoppers visit dealership, most don't change their minds

More often than not, when a consumer first sets out to start the car-shopping process, he or she has an open mind.

New. Used. All kinds of different makes and models. It's all fair game at the beginning, and dealers have a chance to influence that shopper.

But you had better do it before he or she sets foot on a dealership lot.

According to the inaugural Car Buyer Journey

study commissioned by AutoTrader and conducted by IHS Automotive, six out of every 10 car buyers are open to various makes and models when they first begin looking for a car.

What's more, 36 percent of consumers who ended up buying new actually considered new cars and used cars. Likewise, 55 percent of used-car buyers were open to both new and used cars.

But here's the rub: Once they step on a lot, it's prob-

ably too late to change their minds.

According to AutoTrader, 71 percent of consumers said they bought the car they initially planned on purchasing once they visited a store.

"The study findings reinforce why it is so important for dealers to communicate on experience in addition to product and price," Cox Automotive Media president Jared Rowe said in a news release with the study.

"Dealers have less than a 30 percent chance of changing a purchase decision once a customer is on the lot. Today, car shopping is all about matchmaking — uniting sellers and buyers online," he said.

"To create a perfect match, dealers should communicate a differentiator that represents their unique value so that consumers can easily identify dealers that offer the specific car shopping experience they desire."

## Vote for CATA board till June 10

Voting for the Chicago Automobile Trade Association board of directors continues until 12 p.m. Friday, when completed ballots must be received by Crowe Horwath LLP, the accounting firm that is tabulating the election results.

Six candidates, including three incumbents, have been nominated to fill five openings on the CATA board, which totals 15 directors. Each board term lasts three years.

All CATA dealer members whose association dues are up-to-date were sent election ballots on May 27. Results will be announced at the June 14 golf outing at Cog Hill Golf & Country Club in Lemont.

All three incumbents on the ballot, **Tony Guido** (Ar-

lington Heights Ford), **John Hennessy** (Hennessy's River View Ford, Oswego), and **Ray Scarpelli Jr.** (Ray Chevrolet, Fox Lake) are seeking their third and final terms on the board. A director can serve a maximum of three, three-year terms.

Additional nominees include **Anthony Marino** (Marino Chrysler-Jeep-Dodge, Chicago), Buick-GMC franchisee **Dan Marquardt** (Marquardt of Barrington), and **Kelly Webb Roberts** (Webb Chevrolet, Oak Lawn; Webb Chevrolet of Plainfield; Webb Hyundai, Highland, Ind.; and Webb Hyundai-Mitsubishi, Merrillville, Ind.).

A committee of current and former CATA board officers nominated the candidates.

**Fore!** Join fellow CATA members at Cog Hill and Country Club in Lemont on June 14 for a day of camaraderie and golf. Full details at [www.CATA.info](http://www.CATA.info).



## June 1 greets Hazcom deadline

June 1 passed as the last in a series of deadlines set out in the Occupational Safety and Health Administration's revised Hazard Communication Standard. Chemical manufacturers, distributors and importers now must provide Safety Data Sheets (SDS, formerly known as Material Safety Data Sheets or MSDS) to the users of their chemical products.

Dealers must make SDS readily available and must use them when communicating hazard information to their employees. The Hazcom standard also requires chemical products to be properly labelled and potentially exposed employees to be properly trained. A revised version of a National Automobile Dealers Association publication, "A Dealer Guide to the OSHA Hazard Communication Standard," will be issued soon.

For more information on the new standard, please visit OSHA's Hazcom page or contact NADA Regulatory Affairs at [regulatoryaffairs@nada.org](mailto:regulatoryaffairs@nada.org) or (703) 821-7040.

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Review past editions dating to 1998 or search by subject at [www.cata.info/publication/bulletins](http://www.cata.info/publication/bulletins).

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## Driverless cars could bring surge in traffic congestion

Self-driving cars are expected to usher in a new era of mobility, safety and convenience. The problem, say transportation researchers, is that people will use them too much.

Experts foresee robot cars chauffeuring children to school, dance class and baseball practice. The disabled and elderly will have new mobility. Commuters will be able to work, sleep, eat or watch movies on the way to the office. People may stay home more because they can send their cars to do things like pick up groceries they've ordered online.

Researchers believe the number of miles driven will skyrocket. It's less certain whether that will mean a corresponding surge in traffic congestion, but it's a clear possibility.

Gary Silberg, an auto industry expert at accounting firm KPMG, compares it to the introduction of smartphones. "It will be indispensable to your life," he said. "It will be all sorts of things we can't even think of today."

Cars that can drive themselves under limited conditions are expected to be available within five to 10 years. Versions able to navigate under most conditions may take 10 to 20 years.

Based on focus groups in Chicago, Atlanta and Denver, KPMG predicts autonomous "mobility-on-demand" services — think Uber and Lyft without a driver — will result in double-digit increases in travel by people in two age groups: those over 65, and those 16 to 24.

Vehicles traveled a record 3.1 trillion miles in the U.S. last year. Increased trips in autonomous cars by those two age groups would boost miles traveled by an additional 2 trillion miles annually by 2050, KPMG calculated. If self-driving cars without passengers start running errands,

the increase could be double that.

And if people in their middle years, when driving is at its peak, also increase their travel, that yearly total could reach 8 trillion miles. "This could be massive," Silberg said.

Driverless cars are expected to make travel both safer and cheaper. With human error responsible for 90 percent of traffic accidents, they're expected to sharply reduce accidents, driving down the cost of insurance and repairs.

But the biggest cost of car travel is drivers' time, said Don MacKenzie, a University of Washington transportation researcher. That cost comes down dramatically when people can use their travel time productively on other tasks.

A study by MacKenzie and other researchers published in the journal *Transportation Research: Part A* estimates that the vehicles can cut the cost of travel by as much as 80 percent. That in turn drives up miles traveled by 60 percent.

"You are talking about a technology that promises to make travel safer, cheaper, more convenient. And when you do that, you'd better expect people are going to do more of it," MacKenzie said.

There's a fork ahead in this driverless road, says a report by Lauren Isaac, manager of sustainable transportation at WSP/Parsons Brinckerhoff, that envisions either utopia or a nightmare.

In the best case, congestion is reduced because driverless cars and trucks are safer and can travel faster with reduced space between them. Highway lanes can be narrower because vehicles won't need as much margin for error. There will be fewer accidents to tie up traffic. But those advantages will be limited as long as driverless cars share roads with conventional cars, likely for decades.

But that scenario depends on a societal shift from private vehicle

ownership to commercial fleets of driverless cars that can be quickly summoned with a phone app. Driverless fleets would have to become super-efficient carpools, picking up and dropping off multiple passengers traveling in the same direction.

The congestion nightmare would result if a large share of people can't be persuaded to effectively share robot cars with strangers and to continue using mass transit, Isaac said.

A study last year by the International Transport Forum, a transportation policy think tank, simulated the impact on traffic in Lisbon, Portugal, if conventional cars were replaced with driverless cars that take either a single passenger at a time or several passengers together.

It found that as long as half of travel is still carried out by conventional cars, total vehicle miles traveled will increase from 30 to 90 percent, suggesting that even widespread sharing of driverless cars would mean greater congestion for a long time.

Airlines also may face new competition as people choose to travel by car at speeds well over 100 mph between cities a few hundred miles apart instead of flying. Transit agencies will need to rethink their services in order to stay competitive, especially because the elimination of a driver would make car-sharing services cheaper.

To make the shared-vehicle model work, government would have to impose congestion pricing on highways, restrict parking in urban centers, add more high-occupancy vehicle lanes and take other measures to discourage people from traveling alone in their self-driving cars.

Land-use policies may need to be adjusted to prevent sprawl, or people will move beyond the fringes of metropolitan areas for low-cost housing.

## Complaints

CONTINUED FROM PAGE 1

satisfaction,” said Renee Stephens, a J.D. Power vice president. “Software-related problems have become much more prevalent and, if not addressed, could begin to erode consumer trust in new automotive technology.”

Using SafetyIQ, an online application developed by J.D. Power that integrates NHTSA data with J.D. Power automotive data, investigators can see a connection between the complaints lodged and recall decisions. For example, the number of recalls is on the rise as well, up 45 percent from 2014 to 2015. To date, 189 separate software recalls have been issued in the past five years, impacting more than 13 million vehicles.

According to analysis by manufacturers, 141 of the recalls presented a risk of crashing and 44 had a potential consequence of injury. Powertrain, electrical systems, engine cooling and vehicle control systems are the top areas for software complaints and recalls.

“Using this information from owner complaints, automakers can quickly identify whether the problem crosses

model lines, components or even other companies with similar components/suppliers, and can begin to address the breadth of the concerns,” Stephens said. “Not every complaint registered by consumers becomes a recall, but they are all very important to manufacturers.”

Once complaints become a recall, by definition they involve a potential safety concern. At this point, only half of the vehicles affected by a software recall have been remedied; the other half may still be on the road.

### TSBs on the Rise

Technical Service Bulletin trends are a further indication of the increasing concerns raised about automotive software. TSBs represent communication from the auto manufacturers to their dealer bodies on the recommended repair procedure for a consumer issue raised. Manufacturers typically only use this form of communication if they’ve received many complaints, particularly if these complaints do not seem to be addressed through regular warranty repairs.

SafetyIQ shows that TSBs pertaining to software issues increased from an average of 58 a year between 2006 and

2010 to an average of 160 a year from 2011 through 2015.

Still, software upgrades aren’t infallible. For example, the J.D. Power 2016 Vehicle Dependability Study found that one-third of owners reporting a navigation system problem had a software upgrade within the past six months; however, 55 percent of those consumers said the upgrade did not fix the problem at all.

“Even though there is an increasing potential to correct issues using software upgrades, consumer experiences have been mixed,” said Stephens. “Some owners are either not aware of the upgrades available or have reported limited success.”

With the amount of electrical componentry continuing to increase in vehicles, particularly as the industry is on its way to fully autonomous capability, the trend of rising complaints, recalls and TSBs is both expected and worrisome.

Understanding and addressing the complaints quickly is paramount, particularly as more vehicle functions are controlled by software. Having the right tools to see and react to these trends can help ensure a safer environment as these vehicle capabilities increase.

## Service

CONTINUED FROM PAGE 1

If F&I managers asked consumers what they would do if their car broke down, based on that data, Meenan said a wise consumer would opt for a service contract.

Forty-three percent of new-vehicle buyers purchased a service contract in 2015, according to the National Automobile Dealers Association.

The majority of respondents to the AutoMD survey said they would shop for

a vehicle that is about the same, or less than, the price of their current vehicle, although more than one-third were willing to pay more. And they would seek a “good deal,” which they considered to be at or below invoice pricing.

Nearly half the respondents said their next vehicle likely would carry the same nameplate as their current car, while 29 percent said they would choose a different brand. Only 11 percent were interested in a hybrid or electric vehicle.

