



## Open seat ahead for local NADA director

Nominating ballots will mail May 17 to dealers in National Automobile Dealers Association districts whose representatives' terms on the NADA board of directors expire next winter. Mark Scarpelli, who was first elected in 2010 to be the NADA's Metro Chicago director, is not seeking re-election.

The NADA categorizes Metro Chicago as Cook, Lake (Illinois), and DuPage counties. Dealerships in the state's other 99 counties are represented by Jamie Auffenberg Jr., president of St. Clair Auto Mall in downstate O'Fallon, Ill. Auffenberg's current term expires in 2021.

Nominating ballots must be returned to the NADA by June 7. If one candidate appears on at least 10 percent of the ballots, that dealer will be declared winner. If more than one dealer appears on 10 percent of the ballots — or if none does — a second nominating round would be held this summer.

Scarpelli, principal of Raymond Chevrolet and Kia in Antioch, was the NADA board chairman in 2017, that association's centennial year. He also was the 2008-2009 chairman of the CATA board.



## New Dealer Strategy Summit is May 14

Area dealerships will be grilling again this summer (Kiss the Cook aprons optional) in support of the USO of Illinois, at the 7th Barbecue for the Troops fundraiser on July 13. All proceeds raised will support local troops and their families.

Dealers who sign up by May 6 to participate can collect promotional signage and other materials May 14 at the Dealer Strategy Summit, at the CATA office in Oakbrook Terrace. An early sign-up also guarantees the dealership will be included in market-wide advertising, public relations and

social media efforts coordinated by the CATA.

Dealers who have not hosted a fundraiser can get ideas of ways to raise funds, such as via car washes and food concessions; an on-demand DJ, with donations made for song requests; and social media donations to the dealership's Facebook, Twitter, LinkedIn and



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## Employment, payroll up at new-car dealerships in 2018: NADA report

Employment and payroll at U.S. new-car dealerships continued to rise in 2018, according to the latest report released in April by the National Automobile Dealers Association.

In 2018, the nation's 16,753 franchised new-car dealerships employed 1,136,600 workers, up 0.5 percent from the previous year, according to NADA Data 2018.

"Direct employment at new-

car dealerships once again topped 1.1 million employees at the end of 2018," said NADA Senior Economist Patrick Manzi. "In addition to direct employment provided by new-car dealerships, hundreds of thousands of other jobs in local communities are dependent on dealerships."

Nationwide payroll at new-car dealerships topped \$66.5 billion

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## Smartphones now replacing key fobs

The time is coming to say goodbye to car keys and fobs, as they are made redundant by new technology. And two brands, Lincoln and Hyundai, are leading the charge to modernize the business of opening and operating a car.

At the recent New York auto show, both Lincoln and Hyundai revealed new models — respectively, the Corsair crossover and the Sonata sedan. Both are remarkable for their striking designs and profusion of driver aids and safety systems. But they also stand out for being the first production cars to allow owners to use their smartphones to access and operate their vehicles and leave their keys and fobs at home.

Lincoln dubs its system “phone-as-a-key technology” and uses an app that lets Corsair owners use their smartphones to lock and unlock their car doors, open the lift gate, and start and drive the vehicle. The phone app echoes the key fob in other respects, too; it can be linked to a personal driver profile that can automatically adjust up to 80 features to an owner’s preference, including seat, mirror and pedal positions.

Lincoln claims it has considered all the ways the smartphone key system could go wrong. For instance, if the owner’s phone battery dies, the Corsair’s standard number pad can give access to the cabin. And the center touchscreen can be used to start and drive the vehicle. If the owner’s phone is lost or

stolen, then the app can be deleted.

Though the Corsair shares its platform with Ford’s new Escape, the Lincoln’s highly sculpted sheet metal and its interior design are quite different. And Lincoln says the phone-as-a-key system will not be shared with the Escape or other Ford products.

The 2020 Corsair hits showrooms this fall.

In Hyundai’s case, the 2020 Sonata is a mid-size sedan that also goes on sale this fall. It does not have a Lincoln-style touch pad in case of phone problems, but it does come with a card embedded with near field communication (NFC) technology as a backup to the phone app. The NFC card is designed to be useful when using a valet service or visiting a dealership. Beyond that, the Sonata system permits owners to share the ‘digital key’ with friends and family using their own phones.

The level of access to different vehicle functions can be tailored to each shared key user for a defined period. The vehicle owner can preset the duration of vehicle use or limit the use to only certain features when loaning the vehicle, and keys can be revoked remotely.

The prospect of smartphone access to a vehicle might sound risky to consumers, but Hyundai’s director of digital business planning, Manish Mehrotra, said he feels confident that the system is secure.

## Tales from the front line of auto retail buy/sells

By RYAN KERRIGAN  
KERRIGAN ADVISORS

An oft-repeated phrase we hear regularly from dealers considering selling their stores is “I already have identified a buyer.” Well and good, but “having a buyer” and getting a transaction closed are very different, and often not all that correlated. For dealers who are serious about selling their dealerships, do not confuse identifying a possible buyer with a successful sale process.

Frankly, one of the unique aspects of auto retail buy/sells is how infrequently transactions close. I’d be

hard pressed to find another industry in which the conversion rate of “deals” to executed transactions is so low. And, there are some basic reasons this is the case. I’d point to three specific issues that largely explain why our industry struggles with this issue.

First, it’s a common habit of dealers to respond to calls from prospective buyers. Buyers reach out to auto dealers in myriad ways, ranging from the direct dealer-to-dealer conversations at 20 Group meetings, hiring bird-dogs to scout specific

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### Congratulations!

John Crane, principal of **Hawk Volkswagen of Joliet**, was named a member of the Wolfsburg Crest Club for meeting Volkswagen’s highest standards in service and sales.

J.D. Power bestowed its Customer First Award for Excellence upon 10 area dealerships: **Bosak Motors of Merrillville (Ind.)**, **Fields CJDR (Glenview)**, **Heller Motors (Pontiac)**, **Liberty CDJR (Libertyville)**, **Marino CJDR (Chicago)**, **Pearl CJDR (Peotone)**, **Prescott Brothers (Mendota)**, **River Front CJDR (North Aurora)**, **South Oak DCJR (Matteson)**, and **Wickstrom CJDR (Barrington)**.

**Planet Honda**, in Matteson, and **Valley Honda**, in Aurora, are members of the 2018 Honda Masters Circle for sales.

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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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## How lenders can use technology to strengthen dealer relations

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Restrained auto sales growth, millennial reluctance regarding vehicle ownership, and ridesharing are changing demand and increasing competition. Savvy lenders are adapting to these trends with technology while establishing and solidifying dealer relationships to generate lending opportunities.

Two types of technology are especially important for solid dealer relations: No. 1 is integration with dealer management systems, and No. 2 is auto structuring for quick decisioning. Both are available in cloud-based loan origination systems, combining frictionless loan application submission and rapid app responses.

### Integrating with DMS to expand lending opportunities

Dealer management systems such as CreditLane from CoreLane Technologies, CU Direct, Dealer-track, and RouteOne connect thousands of dealers with lenders. They're the fast track to increasing application volume. When an LOS is pre-integrated with one or more of these systems, lenders quickly establish connections with thou-

sands of dealers who can bring tens of thousands of lending opportunities.

### Accelerating all steps of the loan origination process

When dealer management systems capture applicant information digitally, they eliminate paperwork that slows the transaction. With a digital transaction, lenders receive quality information to accelerate applicant evaluation and underwriting. Some dealer systems also filter application attributes, matching apps with the lender's credit policies.

As new dealers implement a DMS, their information can be incorporated into the lender's LOS automatically, further expanding lending opportunity with little effort. Tight integration between the dealer's system and the lender's LOS enables real-time updates and streamlines all steps in loan origination.

### Auto-structuring for rapid decisioning

Automated structuring uses decision rules and workflow to replace manual application review and deal structuring typically performed by underwriters. Auto-structuring applies rules automatically, evaluating applications that failed credit policies and systematically modifying terms.

The result is a deal structure acceptable to both applicant and lender. Through automation and decision rules, lenders evaluate loan applications quickly and consistently — frequently within seconds of receiving them from the DMS.

Lenders who use auto-decisioning deliver nearly instantaneous responses to applications from dealers. For dealers, a quick response increases the probability of vehicle sales. Auto-structuring also lets lenders offer multiple deal structures, creating additional incentives for vehicle sales and loan opportunities. The ability to offer deal options is a true differentiator compared with lenders who offer no options.

Easy integration with dealer management systems, combined with the ability to rapidly respond to loan applications, helps establish, solidify, and even expand dealer relationships. Dealers benefit from rapid responses and the ability to offer multiple deal options. Lenders get access to thousands of dealers and automation that optimizes loan origination. Technology works to their mutual benefit, helping both succeed in a competitive economic climate.

## Buy/sells

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regions, and even dedicating young, full-time staff to “dial for dollars.”

Case in point: A southern California dealer thought he was being approached by a large public two years ago. The dealer was excited, as he was seeking the chance to grow his platform and possibly “team up” with a much larger company. He eagerly engaged with the individual who called him, signed an

NDA, shared financial information and discussed the prospect of selling. As it turned out, his discussions were with a free agent, or a bird dog, working on behalf of a publicly traded auto retailer, who later informed the dealer that the public was not interested in buying his business. The dealer was crestfallen and disappointed that he'd invested months in going down this unproductive path.

The recent entrance of

private equity and outside capital has further upped the game. Professional investors allocate significant resources to business development, which in this case is defined as “the process of identifying as many deals as possible, to create a large pipeline of possible investments.” Business development efforts are usually staffed by junior investment professionals or can take the form of outsourced call centers that simply represent investment groups.

Similarly, there are companies called “buyside firms”, which are a more sophisticated version of outsourcing services to identify deals. In any case, all of these efforts represent the very top of the investment funnel. Calls, extensive conversations and even data sharing with these individuals is the equivalent of a first date. These individuals are no more authorized to buy your dealership than your newest car salesman is to sell it.

## Cars need better protection for backseat passengers: study

Automakers need to develop better safety-restraints for backseat passengers, according to a study of real-world crashes conducted by the Insurance Institute for Highway Safety.

The IIHS, which represents the insurance industry, looked at 117 crashes in which belted rear-seat occupants age 6 or older were killed or seriously injured in front-end crashes. It found one-third of those passengers suffered chest injuries. Nine of the injured passengers and 18 of those who were killed suffered head injuries, the organization noted.

The institute said that in crashes involving front-seat passengers, seat belts typically tighten around the occupants due to embedded devices called crash tensioners. It said rear seat belts generally lack crash tensioners and force limiters.

Most cars also have front air bags that deploy quickly in front seats. Rear-seat passengers are usually protected in side crashes by side air bags, but there are no front airbags.

The IIHS said it plans to develop a new crash test that will evaluate occupant protection in the rear as well as the front.

“Manufacturers have put a lot of work into improving protection for drivers and front-seat passengers,” IIHS President David Harkey said in a statement. A big reason for that, he said, was due to stringent crash-testing looking at drivers and front-seat passengers.

“We hope a new evaluation will spur similar progress in the back seat,” Harkey said.

The IIHS said most of the fatal crashes it studied involving passengers who suffered chest injuries were considered survivable, meaning there was sufficient space in the vehicle for the passenger after the crash. By comparison, most of the crashes involving fatal head injuries occurred were considered not survivable.

“Child restraints are so effective that when young children in properly used restraints die, it’s usually because the crash was so severe that improving the restraints wouldn’t have made a difference,” said IIHS Senior Research Engineer Jessica Jermakian, the lead author of the new paper. “The fact that our sample had mostly survivable crashes tells us that we need to do a better job restraining adults and older children in the back seat.”

The IIHS is not yet recommending any particular solutions for reducing the likelihood of injuries or fatalities for backseat passengers.

## Summit

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similar accounts. All attendees can enjoy lunch prepared by Real Urban Barbecue.

Also at the free Dealer Strategy Summit, a keynote breakfast by Facebook will examine effective advertising solutions for the retail auto industry. The breakfast will be followed by two breakout sessions:

- Digital & Social Media Marketing Strategies: Increase Your Sales Velocity with Social Marketing & Ef-

fective Digital Video Tips

- Solutions for Overcoming Current Business Challenges: Enhance Your Digital Sales Process in the BDC.

The event hours are 8:45 a.m.-1 p.m. To register to attend, contact the CATA’s Jennifer Morand, [jmorand@drivechicago.com](mailto:jmorand@drivechicago.com). To sign up to host a fundraiser, contact the CATA’s Jim OBrill, [jobrill@drivechicago.com](mailto:jobrill@drivechicago.com).

During the first six Barbecue for the Troops, a combined 486 fundraisers were held throughout the Chicago area, raising nearly \$750,000.

## Data

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in 2018, up 1.9 percent from the previous year. On average, dealership employees earned \$1,134 a week, up 1.8 percent from 2017.

“For the past several years, dealership employees have seen steady increases in their incomes as well as their total compensation,” Manzi said. “Dealership jobs offer compensation that is significantly higher than other retail sectors, and dealers continue to boast one of the highest average salaries of all industries.”

Other highlights from NADA Data 2018 include:

- For the second consecutive year, total sales which includes new- and used-car sales, service, parts, F&I and more topped \$1 trillion.

- At the end of 2018, the average selling price of a new and used vehicle sold at franchised new-car dealerships was \$35,608 and \$20,586, respectively.

- Net pre-tax profit per dealership as a percentage of total sales (new- and used-vehicle sales, service, parts, F&I and body shop) continued to decline: 2016, 2.5 percent; 2017, 2.3 percent; and 2018, 2.2 percent.

- Since 2009, service and parts sales on average per dealership increased by 5.5 percent per year on an annualized basis.

NADA Data 2018 also includes a section focusing on the new- and used-vehicle consumer, with in-depth data from Experian. The stats include average monthly payment, average loan term, leasing and more.

*Tune in ...*

... to “Drive Chicago,” the CATA’s automotive radio show, 8-9 a.m. Saturdays on WLS-AM 890.

