



# CATA Bulletin



a biweekly newsletter

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## Nov. 7 is election day

Employers, remember: All workers who want to vote must give advance notice, then be granted up to two unpaid hours off. Proof of voting can be requested.



## Guide helps used-vehicle sales fire on all cylinders

Used-vehicle sales contribute significantly to the operating profit of a dealership, particularly during times of economic turmoil when sales of new vehicles slump. The NADA identifies ways for dealers to strengthen their used-vehicle operation in a new publication, "A Dealer Guide to Used-Vehicle Strategies and Solutions."

Used-vehicle experts generally agree that any successful operation will include four critical elements, all which dealers can control:

- A knowledgeable, dedicated used-

vehicle manager

- An effective, motivated sales staff
- A well-planned inventory
- A creative, effective marketing plan

Total used-vehicle sales for 2005, including both franchised and independent dealers, as well as person-to-person sales, reached 40 million units. Franchised new-car dealers accounted for about half of those sales, retailing 11.8 million vehicles and wholesaling another 7.9 million vehicles.

SEE USED VEHICLES, PAGE 3

## Owned by CATA dealers, DriveChicago.com operates for benefit of dealers

For CATA dealers, it is free to list new- and used-vehicle inventories on DriveChicago.com. Compare that to the costs to list on competitors like Cars.com, AutoTrader.com and Autobytel.

DriveChicago.com is owned by the Chicago Automobile Trade Association and has a goal of cultivating car shoppers, guiding them through the selection process and delivering them to CATA member dealers. Note that **NO PART** of that mission statement contains the phrase "make money." That's what sets DriveChicago.com apart from other dealer inventory portals.

Because DriveChicago.com is focused solely on delivering customers to CATA dealers, it doesn't confront consumers with additional offers designed to generate revenue and it doesn't charge dealers to list inventories. DriveChicago.com simply puts the dealer's inventory first.

For example, when a consumer requests a quote for a car through Cars.com, the customer receives a follow-up e-mail that includes opportunities to obtain financing and insurance. While that might benefit the consumer, it certainly

doesn't benefit the dealer, who, in essence, is paying for that quote and offering similar services.

On AutoTrader.com, inventory display pages offer direct links to financing and assorted dealer advertisements—features that compete with services offered by dealers who, again, are paying to have inventory displayed on the portal.

DriveChicago.com is designed to help shoppers quickly find vehicles in the Chicago area and then contact dealers for more information. DriveChicago.com isn't designed to present the consumer with a dizzying array of additional services intended to generate revenue.

"Banner ads for express oil change centers and the like are a distraction for viewers, and such businesses are our competitors. We'll never go down that road," said Arthur Kelly, chairman of the CATA board's DriveChicago committee.

Also unlike its counterparts, DriveChicago.com doesn't permit private sellers to list vehicles nor does it allow used-car dealers to list inventory. That makes CATA member in-

SEE DRIVECHICAGO, PAGE 4

## Changing marketplace demands taking long view: NADA chairman

Auto industry analysts should “take the long view” and not overemphasize current events, said the chairman of the National Automobile Dealers Association.

“The carmaker that’s up today can be down tomorrow,” William Bradshaw said in an October speech to the Automotive Press Association in Detroit. “The same applies to dealers.”

In response to news reports of a dealer surplus, Bradshaw said: “No one knows what the right number of dealers is. It’s a moving target that’s determined by the marketplace.”

The NADA chairman said dealers know their local markets better than anyone. “Their business is all about adjusting to changing market conditions,” he said.

“Individual dealers should decide when they are not making a fair return on their investment. This is not something that should be dictated by auto manufacturers.”

Bradshaw said intense competition has prompted many dealers to be more creative and innovative in attracting customers to their showrooms. He cited amenities such as Starbucks coffee shops, on-site restaurants, Internet work stations, large play areas for children, interactive Web sites and putting greens.

“Dealers are stepping up their emphasis on customer ser-

vice,” he said. “This is paying off. Customer satisfaction with the car-buying experience is high.”

“Almost every dealer in the country has an interactive Web site,” he added. “And it’s proven to be not only an effective information resource for consumers, but also an excellent dealer marketing tool.”

Bradshaw also highlighted the new steps that the NADA is taking to help dealers succeed in a tough market, including a toll-free consulting hotline where dealers can get in-depth analysis and advice to improve dealership operations for no charge.

The free NADA Lifeline Consulting Hotline operates 8 a.m. to 7 p.m. Central time at 888-672-5140. Callers are connected to 20 Group consultants or Dealer Academy instructors, each with 25 or more years’ experience in the retail auto industry.

“(The) NADA’s role is to do all we can to help dealers survive and thrive in good times and in difficult times,” said Bradshaw.

He noted that there is cause for optimism. Both domestic and international automakers are coming out with new vehicles that will help to stimulate growth.

“Dealers and the auto franchise system,” Bradshaw said, “have a promising future.”



**William Bradshaw**

## Restaurant founder gets last Taurus

The last Ford Taurus to roll off the assembly line on Oct. 27, when production of the model ended, went to the founder of an Atlanta-based restaurant chain.

Chick-fil-A founder Truett Cathy, 85, has a longtime relationship with the Atlanta-area plant that makes the sedan. Cathy has credited the success of his first restaurant to business from Ford workers across the street.

The Taurus purchase price was unclear because the car was sold to Cathy by an Atlanta dealership instead of directly from the company.

Cathy planned to display the last Taurus with many of his other collectible cars at his Atlanta headquarters and at his restaurants.

Ford announced in January that Taurus production would end after 21 years and sales of nearly 7 million vehicles.

Cathy opened his first restaurant, the Dwarf Grill, in 1946 with his brother. In 1961, he developed Chick-fil-A’s trademark chicken sandwich and asked diners from the Ford plant in Hapeville to try it. He opened his first Chick-fil-A restaurant in 1967 in Atlanta.

## Kansas dealer to lead NADA in '07

Dale Willey, the current NADA vice chairman of the board, ascends to board chairman for 2007.

The incumbent, a dealer since 1970 and principal of Dale Willey Automotive, in Lawrence, Kan., has served on the NADA board since 1998. The NADA’s 2007 vice chairwoman is Annette Sykora, a Texas dealer. All 2007 officers take office at the NADA convention in Las Vegas, Feb. 3-6.

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Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full résumé to the Editor.

Review past editions dating to 1998 or search by subject at <http://cata.drivechicago.com/>

**Jerry H. Cizek III** President, Publisher  
**Erik K. Higgins** Editor, Director of Dealer Affairs

## Most dealers wait 90 days to wholesale vehicles, survey says

Three months is the most popular cutoff point for dealerships to wholesale used vehicles, a period slightly longer than the national average, according to an informal Web survey in October.

New-car dealers typically focus on late-model used cars and quickly wholesale trade-ins that are older, the wrong brand or in poor condition, the National Automobile Dealers Association said.

Most franchised dealers also employ strict inventory guidelines that demand used units be wholesaled if unsold after a set period of time on the retail lot—usually 45 or 60 days. But 38 percent of respondents to the recent poll said they wait 90 days. The next largest group, 35 percent, wholesale used vehicles after 60 days, more in line with the NADA's statistics.

The average franchised dealer will wholesale four used vehicles for every six that are retailed. The majority of those sales are made directly to other dealers or through wholesalers, the NADA's 2006 annual dealer survey found.

A majority of respondents—59 percent—say they sell that inventory at auction, followed by 29 percent who sell

### When do you wholesale used vehicles?

|                |            |
|----------------|------------|
| <b>45 days</b> | <b>11%</b> |
| <b>60 days</b> | <b>35%</b> |
| <b>75 days</b> | <b>16%</b> |
| <b>90 days</b> | <b>38%</b> |

### How do you sell that inventory?

|                               |            |
|-------------------------------|------------|
| <b>At auction</b>             | <b>59%</b> |
| <b>Directly to wholesaler</b> | <b>29%</b> |
| <b>Other dealers</b>          | <b>13%</b> |

*Published by Dealer Communications*

directly to wholesalers and 13 percent who typically sell to other dealers.

Dealers remarketed 4.75 million vehicles through auctions in 2005, said the NADA, which added that dealers choose to sell cars through an auction or directly to a wholesaler or other dealer depending on many factors, including the value and desirability of the vehicle, distance to the nearest auction, the number of cars to be sold, and where the dealer thinks the best selling price can be found.

## Used vehicles

CONTINUED FROM PAGE 1

In dollars, 2005 used-vehicle sales represented 28.1 percent of total sales for franchised new-car dealers, a figure that is consistent over the last several years. The current used-vehicle market, according to the NADA, is a remarkably stable part of the overall dealership operation.

What has changed dramatically, though, is the average price per used vehicle retailed. In 1995, the average used vehicle retailed for \$11,050. By 2005, that average price had increased to \$14,925. The 35 percent increase over the decade roughly matches the nearly 39 percent increase in the average new-vehicle retail price over the same period.

The supply of used vehicles is increasing. With improvements in overall vehicle quality, more than 80 percent of vehicles manufactured since 2000 are expected to still be on the road in 2015. That glut should depress prices

and force dealers to compete more for consumer attention and dollars.

The changing nature of today's market also makes it important to look closely at the area of financing. As economic conditions become more and more challenging, used-vehicle buyers have a greater need for financial assistance. Dealers with more financing options have more flexibility to meet customer needs and more likelihood to close sales.

### Personnel

In developing a used-vehicle operation, a dealer must consider several positions. Individual circumstances dictate how those jobs are filled, but all personnel must be capable and reliable in their roles. An appendix to the NADA publication offers sample job descriptions for various positions.

Salary and compensation structures are important motivational tools for employees. They also are important—and controllable—expenses that affect a dealer's net profit. There is no one best way to compensate employees, but

salaries and any incentive plans should still allow for an acceptable profit for the dealership. Other NADA publications—"Paying to Motivate Update '05" and "A Dealer Guide to Using Pay Plans to Motivate Your Sales Force"—offer guides.

### Marketing Strategies

Certified pre-owned (CPO) programs have more than doubled since 2001, but they still represent a small portion of the overall used-vehicle sales picture. Of the roughly 19.7 million used vehicles retailed or wholesaled in 2005, Mannheim Auto Auctions reports that 1.6 million, about 8 percent, were certified used vehicles.

The NADA guide about used-vehicle strategies also offers tips on Internet marketing and guides readers through three calculations—inventory turns per year, gross return on investment and net return on investment—that should be performed regularly.

The guide costs \$25 for NADA members, \$50 for nonmembers. Call 800-252-6232 ext. 2 to order.

## Jury awards driver \$314,300 over car's bad case of BO

Some stories are odd, and some are even odder for resembling a 1993 episode of "Seinfeld" in which the lead character's car developed a case of BBO—beyond body odor.

August "Gus" Doppes always wanted to own a Bentley, but something about the one he bought four years ago didn't smell right. And if there's one thing Doppes knows it's smell. His company, California Scents, makes car air fresheners.

Bentley Motors Inc. and its local dealer could not satisfactorily eliminate the stench of burning oil whenever Doppes warmed up his 2001 Bentley Arnage. But after four years of legal wrangling, Doppes is enjoying the sweet smell of victory.

An Orange County (Calif.) Superior Court jury agreed this month that Doppes was right about the odor, and he won a verdict of \$214,300 for the car and \$100,000 for damages.

"I'm happy about the award, but I wish they'd taken the car back four years ago," said Doppes, who has driven the car only 3,000 miles. "It's been a monumental pain in the (rear)."

Doppes' attorney said his client stands to recover an additional \$650,000 in fees from the manufacturer and dealer to cover the cost of the case, bringing the total award to nearly \$1 million.

Doppes said he recalls the big grin on his face when he bought the Arnage. But the smile disappeared after he started sniffing "an oily, greasy, chemical smell" before he even reached his Newport Coast home. "You couldn't open the window or the sunroof," he said, "because it would smell worse."

Doppes learned during court proceedings that Bentley itself referred to an "obnoxious odour" in its four-door cars and advised its dealers about a repair kit in 2001, months before Doppes bought his car.

The problem occurred after BMW sold Bentley to Volkswagen, leading Bentley to use a different rust inhibitor, also called "wax oil," to coat the body. Doppes' attorney said Bentley failed to bake the gelatinous oil to the body properly.

Despite his troubles, Doppes has not lost his love for Bentley. "I'd consider going back and buying another Bentley," he said. "It's a great car."

## Model year '07 fuel economy guides online

Paper copies of the Environmental Protection Agency/Department of Energy's annual fuel economy guide no longer are mailed automatically. The model year 2007 edition is available online beginning this month.

Dealers must make copies of the guide available, free of charge, to customers who request them, so salespeople should know how to download copies as needed at [www.fueleconomy.gov](http://www.fueleconomy.gov).

Dealers can send their e-mail address to [fueleconomy@ornl.gov](mailto:fueleconomy@ornl.gov) to get an updated electronic copy of the guide each year.

Paper copies also are at [www.eere.energy.gov/afdc/altfuel/feg\\_orderform.html](http://www.eere.energy.gov/afdc/altfuel/feg_orderform.html) or call the DOE's Energy Efficiency and Renewable Energy Information Center at 877-337-3463 from 8 a.m. to 6 p.m. Central time.

## DriveChicago

CONTINUED FROM PAGE 1  
Inventory exclusive and not clouded by "blue-light specials" designed to draw consumers away from legitimate vehicles. It also levels the playing field because consumers know that by searching on DriveChicago, they're going to get services only new-car dealers offer.

Listing inventory on DriveChicago.com is as simple as calling 630-424-6080. There's no set-up fee, no monthly charges and no limit to leads. The portal features more than 520 local dealerships and more than

110,000 new and used vehicles.

Questions about DriveChicago can be directed to

Mark Bilek at 630-424-6082. To check inventory status on the portal, call Matt Hohman at 630-424-6084.

## Marketplace

**Parts Manager** 30 years parts department experience, 25 years as supervisor. Create, oversee \$150K parts department with 48 percent shop gross, 28 percent wholesale gross. Inventory turns three times a month. Five-time Master Certified Parts Manager, six-time Lincoln-Mercury Medallion Parts Manager. Certified in ADP, UCS systems. Paul Degrassi, 630-301-4712.

**Office Manager** 26 years' dealership experience. Supervise all operations of accounting office, including monthly financial statement preparation, schedule reconciliation, dealer reserve and bank statements. License & title, accounts payable/receivable, ADP system administrator. Renee Paradise, 847-774-3315.

**Warranty Administrator** 19 years' dealership experience, specializing in Ford, Lincoln-Mercury warranty work. Strong background with warranty accounts receivable schedules, booking, ticket invoicing. ADP, Reynolds and Reynolds. Dean Michals, 847-299-5464.

Résumés of all candidates on file at the CATA.