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Student automotive education program a beneficiary of CATA largesse

Through its Chicagoland Dealers Care initiative, the Chicago Automobile Trade Association this spring donated $1,500 to a program focused on teaching critical skills needed to preserve and restore collector vehicles.

CATA President Dave Sloan (from left) and Vice Chairman John Hennessy present a Chicago Dealers Care check to Continental AutoSports owner and President John Weinberger and Hagerty Education Program National Director Diane Fitzgerald. Also pictured: Alexandra DeCicco, Continental AutoSports marketing and event manager.

The Hagerty Education Program also is supported locally by Continental AutoSports President John Weinberger, who said: "My wife Lisa and I are thrilled to support an organization like this and to continue to foster excitement for the automotive industry in general.

"One of the reasons Lisa and I started our private foundation was to support automotive education. We both race, rally and collect historic cars and are well aware that specialty cars need knowledgeable stewards — for example, mechanics, auctioneers, etc. — so the cars can be enjoyed by many future generations."

Weinberger rallied the Hinsdale community to raise $6,000 for the Hagerty Education Program and the dealership matched that amount. Chicagoland Dealers Care supports the charitable initiatives of CATA dealer members by providing additional financial support and advocacy to those in need.

"There is a great need for talented, skilled workers, and we're filling the gap between formal education and shop-readiness," said Diane Fitzgerald, the Hagerty Education Program's national director. "We are going to make a big difference in educational opportunities for young people interested in careers in automotive restoration and preservation."

Since its inception in 2008, Chicagoland Dealers Care has donated more than $96,000 to local chari-

See **CDC**, Page 2

NADA Used-Car Guide analysis: Are 'green' cars on the way out?

Although hybrids, electrics and other "green" cars have been widely available for years, those vehicles have carved out a mere fraction of the market as the vast majority of car buyers remain hesitant or unwilling to forego the familiarity of gas and diesel vehicles for nontraditional powertrains, analysts say.

Market share for alternative powertrains decreased from 3.8 percent in 2013 to just 2.8 percent in 2015, with sales last year falling below 500,000 units despite the industry selling nearly 17.4 million new vehicles, said Jonathon Banks, executive analyst of the NADA Used-Car Guide.

The latest edition of the bimonthly NADA publication also pits the retention values of traditionally powered (gasoline or diesel) vehicles against more eco-friendly alternatives in the marketplace. The report delivers insight into how both types of vehicles have performed sales-wise in the new market as well as how they've fared from a used-vehicle value retention standpoint.

While it may seem logical to assume alternative powertrains have gained significant traction among today's consumers, that is not what sales data tell NADA Used-Car Guide analysts.

"Looking at the past three calendar years, a whopping 47.7 million gasoline and diesel-powered vehicles were sold in the U.S., representing 96.6 percent of total sales over that period," Banks said.

The NADA publication notes that hybrids are by far the most prevalent non-gasoline or non-diesel vehicle type with 1.32 million deliveries over the last three years. They account for 79.8 percent of the alternative powertrain market over the trio of years. However, hybrids as a percent of all alternative powertrain sales have decreased from 83.2 percent of the market in 2013 to 76.7 percent in 2015, as demand steadily waned.

The next most significant powertrain type is electric, which in combination with hybrids has firmly maintained just over 90 percent of the alternative powertrain marketplace over the past few years (natural gas and fuel cell share has been negligible). When analyzing the sales distribution over time, NADA Used-Car Guide analysts report that electric vehicle deliveries have risen by close to 50 percent between 2013 and 2015, while hybrid deliveries fell by just under 23 percent. Electric vehicles accounted for 14.4 percent of all alternative powertrain sales in the last year, which was a 6.3 percent increase over 2013.

Greens competing against one another?

With the total market for hybrids and EVs basically unchanged in the past few years, the shift in alternative vehicle sales suggests electric vehicles are not necessarily helping green technologies attain a greater presence in the market. Instead, EVs appear to be growing at the expense of hybrids and are somewhat cannibalizing sales of their green vehicle counterparts.

After sourcing J.D. Power's Power Information Network data, analysts dug deep into an analysis of vehicle disposal, also known as consumer conquest. What they present in the report reveals the true dynamics of the alternative powertrain marketplace and tells more about what's going on regarding new versus replacement sales. Looking at electric vehicles, the percentage of disposals across powertrain types has been remarkably static over the past few years, with a marginal increase of diesel disposals exhibited in 2015.

However, after analysis of sales data, it is clear that electrics have gained a greater share of the green vehicle market in recent years, which indicates the uptick in EV purchases reflect an increase in all-new sales as opposed to higher loyalty or conquest from other powertrain types. Among hybrids, the percentage of traditional gas-powered vehicles being traded in for hybrids has decreased over the past few years while hybrid loyalty has increased. This suggests a combination of lower gasoline conquests and all-new hybrid sales has contributed to the shrinking of the hybrid market in favor of electric vehicles.

The report concludes that more plug-in hybrid and electric vehicle drivers are beginning to turn in their vehicles for newer plug-in hybrids or EVs, especially in 2015.

CDC

Continued from Page 1

table organizations supported by new-car dealers.

"This," said CATA Vice Chairman John Hennessy, "is a prime example of the role in which Chicago-area dealers play to help support those in need right in their backyards while rallying support from the community."

Additionally, since 1992, the CATA has helped raise more than $44.7 million for area nonprofits through First Look for Charity, the black-tie benefit event that precedes the annual Chicago Auto Show.

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Change or risk extinction, Hyundai executive warns dealers

U.S. auto dealers should switch to a one-price selling model, abolish many other long-held but outmoded sales practices and restructure their business models in the face of a rapidly evolving new-vehicle buyer base, Hyundai's top U.S. executive said recently.

"The same-old, same-old approach isn't going to cut it," Hyundai Motor America President and CEO David Zuchowski said at the recent J.D. Power Automotive Summit in Las Vegas.

Lean, less capital-intensive upstarts are looking to take your business, Zuchowski warned new-vehicle retailers. Dealers have advantages over the new-technology startups, but he said dealers have to move quickly.

"You need to innovate and take calculated risks again. You have to fight back. Leverage your brick-and-mortar investments, don't apologize for it," he said.

Zuchowski points to several emerging trends that are changing the way U.S. buyers purchase goods and services, including the generational shift to more tech-savvy consumers, the rise in "instant-gratification" on-demand retailers and the hyper-urbanization movement that will see 84 percent of Americans residing in urban areas by 2020.

All those trends mean which vehicles people will buy, how they will buy them and how many they will purchase is changing.

Noting the growing influence of service companies such as Uber for ride sharing and Zipcar and others for short-term vehicle rental, he told the dealer audience that it is time for them to "wake up" and react to these market shifts.

"If we don't respond urgently ... entrepreneurs will step into the void. This is actually you're turf," Zuchowski said, calling dealers "the original" entrepreneurs.

"It's time to seize back that space," he said.

Transparent, one-price pricing is one tactic that must change, he said.

"We need to go to marketplace pricing," the Hyundai executive said, noting consumers already come to showrooms armed with a wealth of data on vehicle pricing from third-party Internet sites such as TrueCar or Kelly Blue Book. "Inventory should be repriced daily just as every other retail industry does it. It's what the customer is looking for.

"The traditional sales funnel doesn't exist anymore."

Making the switch to transparent pricing means dealers could streamline sales and financing processes and flatten their organization charts, allowing them to focus more on what today's customers are looking for: a less painful purchase process, off-site test drives, home delivery and service technicians who make house calls.

With those tactics, dealers would have "a much higher likelihood of attracting a new breed of salesperson who is more in line with your buyers," Zuchowski said, noting Hyundai dealers tend to have sales staffs that skew too much toward middle-class white males.

"Most shoppers are going to be a diverse mix (in the near future)," he said, "and they don't like the processes we have now. We have to get ready for it. It's difficult. A lot of dealers made investments in (selling tools) that it's time to walk away from."

The Hyundai exec said this more-differentiated service approach is a key part of the automaker's strategy for its new Genesis brand, which will sell a half-dozen luxury models alongside more budget-minded Hyundai-brand cars in the same showrooms.

"If we embrace new technology, (offer) valet and concierge service, pick-up and delivery, we can get around sharing a showroom (with Hyundai)," he said. "The answer isn't spending on new brick and mortar. (New-tech competitors) hope we continue to spend money on existing practices. That's (always) what we've done before."

Zuchowski admits Hyundai dealers aren't any more prepared to take on emerging new competitors than other brands. He said in making similar pitches for change to his retailers, half were intrigued and half "wanted to stone me to death."

Hyundai dealers have seen declining profits the last two years, a slip Zuchowski blames on the brand's car-heavy lineup in a market that is leaning heavily toward CUVs.

"We're 20 percent trucks in our mix and the industry is at 60 percent," he said.

That disparity is expected to be fixed over time as the automaker expands its CUV lineup from two offerings to seven and completes announced capacity moves to increase the supply of the Tucson and Santa Fe models in the U.S. market.

"We're going to continue with investments in new products," he said. "Ultimately we need to change our truck mix to closer to the industry's 60 percent."

Zuchowski said there's little time to waste in transitioning to new business models on the retail side.

"There's too much at stake," he told the dealers, "to procrastinate any longer. Change is coming; either embrace it or be paralyzed by it."

Apple car unlikely to see showroom floors

Apple Inc. will never introduce a branded, self-driving car because it would never be as profitable as the company's gadgets now are, said an analyst for Edison Investment Research.

Richard Windsor said that selling automobiles would be "catastrophic" for Apple's valuation, as the margins are nowhere near the 40 percent gross profit margins Apple earns on its iPhones, iPads and other products. Since carmakers sometimes make no money on the vehicles they sell, earning profits instead from the financing they provide to customers, Windsor said that such margins on a car, even one with an Apple badge, look hopelessly unobtainable.

"How can you make 40 percent gross margins on pressed steel, wheels, brake pads and seats when the others who are buying all these things in much greater volume can't do it?" Windsor posited in an interview. "It's just not feasible."

As a result, Windsor said an Apple car would never enter commercial production. Apple did not respond to a request to comment on Windsor's remarks. Apple has never confirmed that it is indeed building a car, though it has been putting together a team — including recruiting engineers and experts in battery and robotics technology — to work on the project. An online publication, Electrek, reported in April that Apple had hired a former engineer from Tesla Motors to work on "special projects" related to its electric car initiative.

Windsor said that while he has no doubt Apple is trying to build cars, including a self-driving model, he believes it's doing so primarily as a way to learn about the evolving auto industry and how its existing suite of "infotainment" products — and the valuable data they gather about users — can be integrated into cars.

Congratulations!

Continental Honda, in Countryside, is a Silver Award recipient of Honda's Green Dealer Program for reducing its energy consumption by 10 percent.

The Porsche Exchange, in Highland Park, is among 28 U.S. dealerships named a 2016 Porsche Premier Dealer.

Mike Anderson Chevrolet of Merrillville (Ind.) and **Phillips Chevrolet** (Frankfort) are among 55 U.S. dealerships named winners of the 2015 Chevrolet Dealer of the Year award.

Circle Buick (Highland, Ind.), **Schepel Buick** (Merrillville, Ind.), and **Woody Buick-GMC** (Naperville) are among 22 winners of the 2015 Buick Dealer of the Year award. **Woody Buick-GMC** likewise won the 2015 GMC Dealer of the Year award, as did **D'Arcy GMC** (Joliet).

Heritage Cadillac (Lombard) and **Patrick Cadillac** (Schaumburg) were winners of the 2015 Cadillac Dealer of the Year Award.

Mercedes-Benz of Orland Park is a winner of the 2015 Mercedes-Benz Best of the Best Dealer Recognition Award.

The 2015 Acura Dealership of Distinction Award was given to four area dealerships: **Muller's Woodfield Acura** (Hoffman Estates), **Acura of Libertyville**, and **McGrath Acura of Westmont**, all 14-year award recipients; and **Arlington Acura in Palatine**, a 5-year recipient.

Seven area Lexus dealerships were named 2015 Elite of Lexus Dealers: **Bredemann Lexus**, Glenview; **Lexus of Merrillville** (Ind.); **Lexus of Naperville**; **Lexus of Orland**, Orland Park; **McGrath Lexus of Chicago**; **McGrath Lexus of Westmont**; and **Woodfield Lexus**, Schaumburg.

Sedgwick deflects Q1 2016 jobless claims

One hundred twenty-two CATA dealer members reported a combined 511 unemployment claims during the first quarter of 2016 to Sedgwick Claims Management Services, Inc., which has been serving CATA dealers under various names since 1979. The company's efforts saved those dealers a total of $991,316 in benefit charges by contesting the claims.

Sedgwick CMS monitors any unemployment claims against its clients and contests all unwarranted claims and charges. The company counts about 235 CATA dealers among its clients.

Claims that can be protested and subsequently denied help minimize an employer's unemployment tax rate. The rate can vary between 0.55 percent and 7.75 percent of each employee's first $12,960 in earnings.

The 2016 average unemployment tax rate & new employer rate for Illinois employers is 3.55 percent, or about $460 annually per employee ($486 in 2015). The rate continues to inch down from 2007, as the Illinois economy continues to improve.

"The unemployment tax is really the only controllable tax, in that it's experience-driven," said Paul Schardt of Sedgwick. An ex-employee's claim affects the employer's tax rate for three years.

For new enrollees, client fees amount to $2.85 per employee, per fiscal quarter. For the fee, Sedgwick monitors all unemployment claims; files any appeals; prepares employer witnesses for hearings, as necessary; represents the client at any hearings; verifies the benefit charge statements; and confirms the client's unemployment tax rate.

To discuss retaining the company, call Schardt at (773) 824-4325 or Bruce Kijewski at (773) 824-4322.