Upcoming DealersEdge webinars

The Chicago Automobile Trade Association has established a partnership with DealersEdge to provide high-quality training and informational webinars that offer the content to CATA member dealers at a significantly discounted rate.

The rate for CATA members for the weekly presentations is $149, half what is charged to users who do not subscribe to DealersEdge. Webinars premiere on a near-weekly basis.

Even for dealers who hold an annual membership with DealersEdge, the new relationship with the CATA represents a savings because DealersEdge offers its Webinars to its own members for $198. Regular annual membership fees are $397, and normal webinar fees are $298 for non-DealersEdge members.

Once purchased, DealersEdge webinars and accompanying PDF files can be downloaded and viewed later—and repeatedly. No matter how many people watch at your location, each connection costs a CATA member just $149. A telephone connection is not needed; and the fee includes both PowerPoint slides and audio.

To register for any of the DealersEdge webinars, go to www.cata.info. On the tan bar across the top of the screen, click on Education/Careers and follow the drop-down menu to CATA-DealersEdge webinars.

Coming topics:
Premiering Thursday, Oct. 16 at 12 p.m. CDT
“Update on the Dealership Buy/Sell Marketplace: What is Driving Blue Sky Values?” As vehicle sales are again reaching for record levels, more and more dealers are wondering if this is the time to sell. Or maybe the time to buy? It’s time to find out!

BBB/CATA ad review program tightened to lessen violations

A series of changes to the BBB/CATA advertising review program have been approved by the Chicago Automobile Trade Association’s board of directors, to combat concerns that some dealerships have been playing the system to commit repeated program infractions without penalty.

The changes reduce the time dealerships have to correct violations in their ads, and tighten the standards under which a violating dealer is referred to the Illinois attorney general’s office for discipline.

Previously, when BBB reviewers spotted a dealer ad that was not compliant with the Illinois Motor Vehicle Advertising Regulations, they would send notice to the offending dealer, who was given five days to respond. If the dealer did not respond, the process was repeated, meaning a noncompliant ad could be circulated up to 10 days before the attorney general’s office was notified.

Those timelines have been reduced to four days following the first notice and three days after the follow-up notice, or seven days total until the matter is referred to the AG.

In addition, dealers had been able to violate the same rule twice in a 12-month period without the attorney general’s knowledge. Only upon the third such violation was the AG notified. A dealer theoretically could violate every rule twice a year without the AG becoming involved, giving dealers substantial opportunities to fail to correct themselves, and leading to unfair competition with respect to dealers who abide by the regulations.

Now, a dealer with any two rule violations, not just the same rule, within a 12-month period will be referred to the attorney general. Also, a third violation of any rule in a 24-month period may result in the dealer’s office being referred to the Illinois attorney general’s office.

In addition, a dealer that appears to have committed three rule violations in 24 months is referred to the Illinois attorney general’s office.

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Study: Women more comfortable with negotiating than men

For most car shoppers, negotiation probably stands as the least desirable element of the car-buying process. But it seems a large portion of the population is growing more comfortable with haggling: Women.

According to the survey results from a survey from Swapalease.com, women are “warming” up to the negotiation process — more so than men.

According to the online survey, which was presented to more than 1,000 drivers across the country, one-third of the female respondents said negotiation “makes it (car buying) a fun process”, compared to 25 percent of men respondents.

Also, 23 percent of men say they “have learned to do it, but really don’t like it” compared with 18 percent of women.

The Swapalease.com findings come on the heels of another study by Women-Driver.com that found the most important factor for car-buying women is to feel a sense of respect from their salesperson.

The Swapalease.com study also took a look at men and women’s negotiating strategies and how they differ. Though both men (61 percent) and women (54 percent) said they prefer to gather lots of information before negotiating, women tend to focus first on the monthly payment as a means to make a car deal more attractive.

According to the survey, 22 percent of women said they first try to focus on the monthly payment when negotiating, while only 9 percent of men cited that strategy.

And although women are becoming more comfortable with the haggling process, they still negotiate better. According to the survey, 32 percent of men said they’d like to negotiate $2,000 or more off the price of a vehicle, compared to 64 percent of women.

Showing slightly lower haggling expectations, 24 percent of men said they would negotiate $2,000 or more off of their price, compared to 41 percent of women.

Overall, even though shoppers may be relatively comfortable with the idea of negotiating, it still is considered an arduous task. Some shoppers said they feel the cards are stacked against them, while others were not exactly sure what a fair price looks like.

The study showed that 32 percent of men “feel like the dealer will always win,” and 37 percent of women gave a similar response. That said, an equal number of women also said they’re “not sure what a good/fair price should be.”

Despite driver resistance, more cars getting stop-start systems

Gas-saving stop-start systems, which turn off the engine when the vehicle isn’t moving and restart it when the brake pedal is released, will be standard on more cars and trucks than ever before — whether drivers like it or not.

According to automotive industry analysts, the technology improves fuel economy an average of 3.5 percent — and as much as 10-15 percent in cities and heavy stop-and-go traffic.

It’s been popular in Europe for years, partly because of customer demand driven by high gas prices. But it has not been a hit in the United States.

Detractors say the feature is annoying and makes them think their cars have stalled when the engine shuts off at a light or stop sign. Michigan-based forecasting firm IHS Automotive says 7 percent of vehicles sold today in the U.S. have stop-start, compared to 60-70 percent in Europe.

But strict federal fuel economy mandates have forced automakers to add stop-start to more vehicles, said Devin Lindsay, senior analyst of North American powertrain forecasting for IHS. He predicts 57 percent of vehicles sold here in 2020 will have the gas-saving technology.

“It’s just a matter of time before the technology gets featured on more vehicles,” Lindsay said in an interview. “But from some of the stories I’ve been told, it’s kind of a slightly weird transition, especially if the customer isn’t aware.

“In our experiences, the people who are not fans of auto stop-start are the people who have never had it.”
Urge Congress to rescind flawed CFPB ‘guidance’ on auto finance

BY MARK SCARPELLI
CHICAGO METRO NADA DIRECTOR

A new bipartisan bill which would nullify the Consumer Financial Protection Bureau’s flawed ‘guidance’ on indirect auto lending has gained a lot of support in Congress from both sides of the aisle over a short period of time.

Since its introduction on Sept. 8, nearly 100 Democrats and Republicans in the U.S. House of Representatives have signed on as supporters of House Resolution 5403, a bill sponsored by Reps. Marlin Stutzman (R-Ind.) and Ed Perlmutter (D-Colo.).

H.R. 5403, which, appropriately, is titled the Reforming CFPB Indirect Auto Financing Guidance Act, requires the CFPB to provide a public comment period before reissuing any guidance on auto finance. The bill also requires transparency and accountability from the agency by making public any studies, data and analyses used to determine future guidance on auto finance.

Dealer-assisted financing provides great value and competitive advantages, which saves car buyers billions of dollars each year. And the proof is in the numbers. Compared to other lending sources, a large majority of car buyers choose to finance their vehicles through new-car dealerships, which is always optional.

Despite this fact, the CFPB is taking actions that will ultimately harm car buyers by reducing competition in the auto-lending marketplace.

This controversy with the CFPB has been ongoing since March 2013, when the agency issued its “guidance,” which took the wrong direction by attempting to eliminate the flexibility of new-car dealers to discount financing rates offered to their customers. Since then, the industry — from dealers to lenders — and members of Congress have worked to bring greater transparency and accountability to the CFPB.

Make no mistake, this issue is complex. But what the NADA wants from the CFPB is quite simple, and our message to the CFPB is this: Make sure you fully understand the industry you’re attempting to regulate before issuing guidance, by allowing for feedback and public participation. Be aware that your actions can harm consumers rather than protect them. And car buyers should not be forced by a government agency to lose their ability to negotiate discounted auto loan rates in dealer showrooms.

Dealers should contact their House representatives and urge them to support H.R. 5403, the Stutzman-Perlmutter bill. For more information, visit www.nada.org/cfpb.

In NADA news ...

• The third annual Dealership Workforce Study drew significant dealer participation, with more than 2,000 dealerships enrolled in the examination of car and truck dealership compensation, retention and turnover, hours of operation, work schedules and employee benefits.

Participants will soon receive a complimentary Basic Report that compares their individual dealership(s) to the regional and national industry, and a complimentary Industry Report providing an overall economic analysis and trends with data for all nine regions of the U.S.

Participants can purchase specialty reports, including the Enhanced Report, which provides state and brand comparisons. Also available is the Compensation and Tenure Search Tool, offered as a bundle with the Enhanced Report for participants. With the Search Tool, users can find answers to ad hoc queries, including queries specific to their store or group. Users can search the entire Dealership Workforce Study database, which includes data from 930,000 payroll records and nearly 7,000 rooftops.

The Search Tool and the Industry Report are offered as standalone products for non-participants.

• The NADA-ATD Academy expands its curriculum in 2015. The Dealer Candidate Academy includes a mock 20 Group session for students to experience the benefits of the financial composite used in a non-competing peer setting.

In the General Dealer Management program, a 20 Group consultant takes students through a dealership visit, demonstrating the benefits of in-dealership consulting. All classes — DCA, GDM and ATD — visit NADA’s Capitol Hill office for a legislative briefing.

Finally, NADA University Online is integrated into the six-week Academy program, with completion of online courses, Driven guides and webinars requisite to graduation.

Webinars
CONTINUED FROM PAGE 1

From the depths of the 2008 financial crisis to near record sales in 2014, much has changed! If you are thinking of selling or buying, is this the right market climate for you? In this special presentation, Erin Kerrigan will discuss the 2014 Buy/Sell market for auto dealerships, providing critical perspective and understanding of what is driving today’s buy/sell market for dealerships.

Erin is the founder and managing director of Kerri-gan Advisors a national buy/sell advisory. Previously Erin headed Presideo Automotive and has represented many dealer clients in buy/sell transactions.

Premiering Thursday, Oct. 23 at 12 p.m. CDT

“The 5 Key Habits of Superstar Controllers & Office Managers” Get past being a “bean counter” and control the Top 3 Issues: Cash, Time and Profit. Plus, get four more “habits” of Superstar Controllers and Office Managers.
Advertising

CONTINUED FROM PAGE 1

sult in a referral.

Further, multiple franchises under one rooftop will be treated as the same dealer pursuant to the new program policies; the violations will be counted against the entire operation, not separate brands.

Important, while the BBB refers appropriate matters to the Attorney General, that office has complete and independent authority to handle all matters as it sees fit in light of enforcement priorities and resources.

Reviewers from the Better Business Bureau noted that several advertising rules have been violated repeatedly recently. Violations that occur in the following areas will be given zero tolerance, and the matters will be referred immediately to the attorney general:

Rule 475.310. This rule is being widely violated in two ways. First, disclosures, particularly on websites, contain amounts deducted from advertised prices over what the rule allows which is tax, title, license and a doc fee only. No other amounts, such as freight, destination, environmental, “dealer fees,” and such are allowed in Illinois. Second, advertised prices are not available to all consumers primarily due to the inclusion of limited rebates.

Rule 475.530. This rule allows dealers to advertise prices wherein rebates available to all consumers have been deducted, resulting in a price lower than MSRP. General dealer discounts available to all consumers can lower the price even more.

The rule specifically prohibits dealers from advertising prices where limited rebates have been deducted. Limited rebates must be advertised separate from price. The terms of the limitation must be clearly and conspicuously disclosed so that consumers can readily understand what rebates apply to them.

Reviewers are seeing many advertisements where limited rebates are pulled out of prices. We also are seeing advertised prices that are not actually available to any consumer at all because the rebates are bundled. However, only one is available to the customer. Such a price is completely fictitious. This is an egregious practice and unfair to any dealer competing fairly.

Rule 475.540. Dealers continue to advertise that they will pay an amount equal to or over a book value for consumers’ trade-ins. Some dealers purport to desire to merely purchase consumers’ vehicles without selling them vehicles in an effort to skirt the rule. This claim has been rejected as a way to avoid a violation.

Rule 475.590. Free gifts, prizes and other incentives are being used extensively in connection with the sale of motor vehicles. Often items of significant value are being combined with offers of minor value. Dealers are assigning a money value to customer loyalty programs such as car washes. Whatever the value, dealers are prohibited from offering anything to consumers in connection with selling vehicles where the price is negotiated.

Consumer Fraud Act, section 2 (j) (1). This provision prohibits dealers from using coupons in the sale of a motor vehicle. BBB reviewers have seen coupons, or vouchers, used extensively in connection with specific trade-in amounts and offers of trade-in assistance.

The CATA and the BBB emphasize that there will be heightened and aggressive scrutiny for the aforementioned practices for the immediate future. All dealers must conform to advertising laws to preserve a fair marketplace for themselves and consumers. Most dealers want to do exactly that, but the advertising of some create an unfair environment. The BBB and the CATA wish to ensure that the marketplace operates fairly for all dealers.

The CATA and the BBB believe the changes to the advertising review program will improve its effectiveness.

Sedgwick deflects Q3 2014 jobless claims

One hundred forty-seven CATA dealer members reported a combined 547 unemployment claims during the third quarter of 2014 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 $846,187 in benefits by contesting the claims.

Sedgwick CMS monitors any unemployment claims against its clients and contests all unwarranted claims and charges. The company counts about 265 CATA dealers among its clients.

The number of claimants and affected dealers and benefit amounts were at their lowest numbers in years. Claims that can be protested and subsequently denied help minimize an employer’s unemployment tax rate. The rate can vary between .55 percent and 8.55 percent of each employee’s first $12,960 in earnings.

The 2014 average unemployment tax rate & new employer rate for Illinois employers is 3.95 percent, or about $512 annually per employee ($535 in 2013). 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,” Schardt said. An ex-employee’s claim affects the employer’s tax rate for three years.

For new enrollees, client fees amount to $2.60 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.