



CATA Bulletin

DRIVE **CHICAGO** .COM
official Web site of CATA dealers

a biweekly newsletter

Volume 101, No. 18

September 13, 2004

Attorney general sues southern Illinois dealer over 'deceptive' ad

Illinois Attorney General Lisa Madigan charged a downstate dealer with five infractions of the state's Consumer Fraud and Deceptive Business Practices Act and other vehicle advertising regulations, for an ad that appeared over the summer. The suit seeks \$250,000 in penalties.

The consumer fraud suit follows a 2003 complaint by Madigan's office, after which the dealer pledged to make no more ad infractions. Madigan said that a June 23, 2004, ad broke the law and last year's pledge.

The ad by Holzhauer Auto & Truck Sales of Nashville, Ill., about 50 miles southeast of St. Louis, allegedly touted the following:

"Up to \$6,500 in Rebates or Dealer Cash" Dealers are prohibited from offering dealer-funded rebates, offsets or

other payments to consumers. Under Illinois law, rebates only can be offered when they are provided by a third party (manufacturer or approved dealer line) and that party is disclosed along with all terms affecting the rebate. The rebate statement also violated requirements that the full range of possible discounts is disclosed.

"Save up to \$18,000 from original MSRP" The claim allegedly violates rules that prohibit the use of the MSRP—or the cost of a new car—as a basis for price comparisons of similar used vehicles. The statement also fails to disclose the highest price or the lowest discount in the cost range.

"Free Gas 'til 2005" The reference allegedly violates a ban on free gifts from dealers and fails to identify the actual donor, details and restrictions of

the incentive program. The ad, Madigan said, does not clearly disclose whether the free gas is provided by the dealer or some other entity.

The attorney general's suit also alleges Holzhauer's ad contained multiple asterisks that could confuse and overwhelm readers. For example, an asterisk followed ad copy in large bold type that stated \$59 PER MONTH." However, there was no corresponding reference to the asterisk elsewhere in the ad.

Madigan's suit seeks \$50,000 for each violation committed with intent to defraud; a \$50,000 civil penalty; and court costs. The suit also seeks to prohibit Holzhauer from further violating the Consumer Fraud Act or the administrative rules on motor vehicle advertising.

New CATA hire Konecki bolsters auto show efforts

The Chicago Auto Show's 2005 edition will be 43 percent larger than its predecessors and span the McCormick Place North and South facilities. To manage what will be the world's largest auto show in one building, the CATA recently hired Chris Konecki for a new position, director of auto show operations.

Konecki comes to the CATA after 16 years at

McCormick Place, where he was event manager of the auto show account and other large shows at the venue.

"Chris brings years of experience with the show community and he knows how to interact with the City of Chicago, the Chicago Convention and Tourism Bureau, and other entities interested in the auto show's success," said CATA President Jerry Cizek.

"He brings the perspective of knowing shows from the inside out and can coordinate aspects like parking, food service, exhibit lighting and the freight marshaling yard."

Konecki, 38, attended the Chicago Auto Show beginning in high school and has witnessed its transformation from a show in the original McCormick Place East building, with cars on one



Chris Konecki

level, trucks on another, to a show that will span 1.2 million square feet next year.

AYES students alternate between classroom, time in service bay

ATLANTA—Latricea Mosley stands in an expansive auto technician's bay, confidently describing how to replace catalytic converters and tweak high-tech seat sensors. A steady stream of acronyms dot the 22-year-old's explanations, indicative of the pages-long list of abbreviations she had to memorize for her latest test.

Mosley and six other students are about to graduate from MetroSTEP, a paid training program that alternates would-be technicians between the classroom and the service departments of Georgia BMW dealerships.

The program is one of several nationwide efforts, some aided by big-name athletes like baseball Hall of Famer Hank Aaron and former Washington Redskins lineman George Starke, to steer minorities toward careers in the automotive industry.

For years, car manufacturers have offered months-long unpaid training programs to recruit and retain some of the most talented mechanics in the field. The MetroSTEP program specifically targets minority students, offering paid internships to those who otherwise couldn't afford to take seven months off for intensive training.

"I was just changing the oil, but I was pretty sure I could do something better," said Keenan Jones, Mosley's class-

mate and fellow intern at Hank Aaron BMW in Atlanta.

When the students graduate from the program today, they're guaranteed jobs at a dealership that can earn them almost \$40,000 a year.

"It's not a career to sneeze at," said Russ Lucas, a BMW regional sales manager.

Motivated by the growing number of cars on American roads, the automotive industry is looking for ways to bolster the number of auto mechanics. The U.S. Labor Department says the number of graduates from automotive programs doesn't come close to meeting the growing demand for mechanics, while the Bureau of Labor Statistics estimates dealers face an annual shortage of 35,000 technicians through 2010.

BMW alone expects to hire 1,500 technicians in the South over the next three years.

Lucas saw a lack of recruitment, especially of minority mechanics. And Aaron, now a BMW dealer, said he was concerned with the lack of minorities in the business before he encouraged BMW to start the MetroSTEP program in 2002.

"There was no black minority participation as far as technicians went," Aaron said.

Many of the jobs require extensive training. These days, technicians often double as computer programmers, and some cars pack many high-tech devices under the hood.

Each new car model often requires additional classes so technicians are up to date with the latest sophisticated equipment.

"The job takes strong diagnostic skills, strong computer skills. You're really looking for an analytical student who can probe and dig and understand the functionality of the different aspects of a car," said Larry Cummings, the president of Automotive Youth Educational Systems.

"The machines involved in reading the measurements of an engine are as complex as the engine itself."

Seminar focuses on selling cars to the Chicago Hispanic consumer

Hispanics have become the largest minority group in the Chicago marketplace. Are you capturing your share of this critically important consumer segment?

Univision Communications, operator of Spanish-language radio and television stations, invites dealer to learn more about Chicago's fastest growing group of car buyers, at a presentation at 10 a.m. Oct. 26 at the CATA offices in Oakbrook Terrace.

Speakers Sara Hasson, vice president of automotive marketing for Univision Television Group, and Saul Serna, president and chief executive of Business for Life, will review topics that include:

- The Hispanic Opportunity
- The Hispanic auto market
- Accelerating sales growth
- Hiring quality Spanish-speaking salespeople and finance staff
- Finding and retaining Hispanic customers

To attend, respond by Oct. 15 to Norma Avalos at 312-494-2765 or navalos@univision.net

The CATA Bulletin is published by the
Chicago Automobile Trade Association

18W200 Butterfield Road

Oakbrook Terrace, IL 60181-4810

630-495-CATA [2282] phone 630-495-2260 fax

The CATA Bulletin is published and mailed every other Friday except during the Chicago Auto Show, when it is not published.

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 or search by topic at www.cata.info/

Jerry H. Cizek III

President, Publisher

Erik K. Higgins

Editor, Director of Dealer Affairs

Stick to the basics in developing pay plans

When dealers pause to assess their organizations, one area that always gets lot of attention is management pay plans. Recent tendencies suggest dealers use pay plan incentives in an attempt to micromanage certain management functions.

Dealers want to know how to adjust pay plans to motivate the managers. That's a good question, but it's the wrong question.

The question is wrong because compensation generally doesn't motivate people, it merely enhances an employee's satisfaction with the job.

Motivation is an emotional force within each of us. What motivates one person may be a turn-off to another. It is up to managers to find the key to each individual's motivation and it is hardly ever money by itself.

Some people live from one check to the next. Others save for a rainy day or retirement. Still others like to spend on flashy cars or jewelry.

The Basics

These represent different types of motivation, yet most car dealers try to pay their managers the same way. Rather than creating complicated pay schemes or fine-tuning incentives, it's best to stick to the fundamentals when it comes to crafting pay plans that work.

Remember that employees are paid to perform a function, so it is the job function that drives the pay plan, not the perceived talents of an individual. When looking at compensation that way, then, the first question to be answered is how

much is this function worth in the marketplace?

Next, dealers must decide how the person doing the function will earn the money. Approached from this angle, all pay plans become merely different ways of getting to the same place.

In reality, most dealership pay plans will be some combination of salary and incentives. But some approaches really are better than others. Remember these three rules when crafting a pay plan:

1. Keep it simple.
2. Goals must be achievable and within the employee's control; the goals must also be important to the owners.
3. Significant achievements warrant significant rewards.

A Good Pay Plan

For purposes of this example, general managers in the dealer's marketplace earn \$90,000 and \$125,000 annually. Effective management pay plans should provide 60-70 percent of the target earnings as salary. Say \$72,000 annually or \$1,400 a week.

That leaves \$18,000 and \$50,000 to be earned for performance. Important results for this dealer are net profit and unit volume, as well as development of the organization.

The dealer and the general manager should sit down and develop financial projections for the year. In this way, any goals for the manager are agreed to jointly, as opposed to being imposed from the top without a manager's input.

It is agreed that net income for the year should be around \$1.2 million.

New car volume should be 1,200 units and used cars will be about 720.

Dealership development goals are discussed and specific targets are agreed to for training, CSI, and a new franchise to be added. The pay plan then looks like this:

- \$72,000 salary, plus bonuses to be earned as follows:
 - \$15,000 for dealership net income of \$1.2 million (paid monthly based on projections);
 - \$15,000 for achieving unit volume (again, paid monthly based on projections); and
 - \$15,000 for achieving the organizational development goals.

If the GM achieves 80-90 percent of the target, he earns 90 percent of the bonus; 91-100 percent achievement earns 100 percent of the bonus; and achievement in excess of 100 percent of the goals yields 110 percent of the bonus.

Significant achievement (in this case, exceeding the goals) provides income at the top of the target range. Conversely, hitting less than 80 percent of the self-determined goals would bring no bonus. The GM still gets the \$72,000 salary, though.

The plan follows all the rules. Pay is competitive and results are easy to track. The targets are important to the owner and within the control of the manager. Windfall gains or losses due to uncontrollable events are minimized.

One more thing: Pay plans are merely one tool for good managers and should never be considered a substitute for management.

Marketplace

GM/GSM Northwood University graduate, 30 years industry experience, strong finance background. Managed up to 250 sales a month, advertising, trade appraisals, wholesaling, stock inventory. John Krause, 847-420-0679.

Office Manager Excellent organizational skills, work well independently. Developed systems to increase productivity, work quality. Julia Schmidt, 815-671-7323.

Parts Manager 17 years experience with foreign, domestic vehicles. CSI-, profitability-driven. Brian Jones, 702-682-5071.

Résumé of all candidates on file at the CATA.

Join Auto Dealers Nationwide to Give Kids a "Lift for Life" in October!

Just Think What You Could Save.

The National Automobile Dealers Association has designated October as "Booster Seat Safety Month." It's all part of NADA's "Boost for Safety: Give Kids a Lift for Life" campaign.

Dealers in all 50 states will be conducting child safety seat inspection events at their dealerships in October. NADA urges you to join this life-saving effort in your own community. And don't forget to invite your federal, state and local elected officials!

NADA has the resources you need to get a child safety seat program started.

Go to www.nada.org/boostforsafety for a "tool kit" developed just for dealers, *Building Child Passenger Safety in Your Community: A How-to Guide for Automobile Dealers*. You'll also see a new consumer brochure and video.

Together, we can help to secure the future of our youngest passengers!

For more information or to tell us about your event, call 703.760.7562.



National Automobile Dealers Association • 8400 Westpark Drive • McLean, VA 22102



Automakers going vegan to reach groups who shun animal products

Michael Bell is a 66-year-old Encino, Calif., resident who doesn't eat or wear animal products, and his hybrid car doesn't have a stitch of leather in it.

If it had, Bell said, he wouldn't have bought the car, a 2001 Toyota Prius, despite its impeccable green credentials.

In raw numbers, vegans such as Bell are so few that they barely register on surveys of consumer habits. But automobile manufacturers are trying to win favor among the increasing number of consumers who say they are environmentally conscious. Vegans, who avoid all animal products, are what one marketing expert called the center of the bull's-eye.

Pleasing vegans, the theory goes, is key to reaching a wider group of consumers: affluent shoppers who worry about the environment and who are willing to pay extra for food, clothing and even automobiles, if they are made in ways that do less harm to the planet.

"As a marketer you want to identify with the passionate group," said Bob Kurilko, vice president of marketing for the automobile Web site, Edmunds.com.

Marr Nealon, a nutritional consultant based in Eagle Rock, is just such a consumer. She doesn't wear silk out of concern for silkworms. Neither does she eat honey: "It's something the bees make for their own consumption. Why should we take their food?"

Vegans themselves are not a powerful market force. Joe Marra, executive director of a market research firm that specializes in environmentally conscious consumers, said vegetarians make up just 1.5 percent of the general population, and vegans hardly register at all.

But Marra's firm, the Natural Marketing Institute, has done research showing that more than a quarter of the adult population, about 56 million people nationwide, say they look for products that are "healthy and sustain-

able." And the vast majority of these consumers say they are willing to pay significantly more for environmentally friendly products.

Sherri Shapiro, who is directing Ford's marketing campaign for the Escape hybrid, defines the target buyers this way: They have higher than average educational levels and household incomes, they tend to live in metropolitan areas, they read more than average and they watch less TV.

While not targeting vegans or vegetarians with direct appeals, Toyota has chosen not to offer its Prius with leather, aware that might offend some customers.

Discussions of vegan and vegetarian ethics abound on the Internet, and many of them eventually get around to the issue of leather in cars.

But as the market for the Prius has grown more mainstream, more and more potential customers have had the opposite reaction: Why can't you buy a Prius with leather in it?