10 top ways for dealers to keep Internet leads from short-circuiting

Many dealers expect the Internet to produce leads with the flick of a switch. But like a good electrician, successful Internet dealers know it’s all about how their Internet departments are wired up.

DriveChicago.com dealers who keep their Web sites well grounded offer some vital tips:

1. Make sure ALL your inventory is online and is kept fresh daily.
2. Make sure ALL used cars have attractive pictures.
3. Have an Internet/phone department or Internet-trained sales staff handle the leads. Both the Internet department and the regular sales staff can benefit from seminars offered free to DriveChicago subscribers.
4. Have a target response time for email leads of NO MORE THAN two hours.
5. Have in place an e-mail response process that includes pre-written yet personalized responses.
6. On the Internet, your Dealer Management System is critical. The DMS has to be kept up-to-date, and all relevant fields must be completed. DMS polling systems automatically prepare your data for the Internet, so someone in the dealership needs to be responsible for the DMS data’s accuracy.
7. Have an Internet pricing strategy. There are many thousands of cars on the Internet at any given time, and if yours are the most expensive, you won’t get any leads. One suggested strategy: Don’t put a price on the Internet for a used vehicle until it reaches a certain length of time in your inventory, giving the first whack at high gross customers to your sales floor staff. Then price it aggressively as its time in inventory increases. The DriveChicago staff can help you set up your DMS to handle this task automatically.

NADA launches membership drive

Dealers who have never held an NADA membership, or whose membership lapsed two or more years ago, are targets of an NADA membership drive that runs through Dec. 31. Until then, those nonmember dealers can join for $50.

The NADA membership division indicated there are 1,888 dealerships nationwide that are eligible to join under the promotion. Those dealers would be contacted by the NADA.

Annual NADA dues usually cost $65 to $395, based on new-vehicle sales volume.

Congress passes voluntary arbitration bill

Voluntary arbitration in manufacturer-dealer disputes, the top legislative priority of the National Automobile Dealers Association, passed the U.S. Senate Oct. 3 as a rider to another bill. The House passed the measure Sept. 26. “This is a tremendous victory for new-car and –truck dealers across the country,” said H. Carter Myers III, NADA chairman. “We were persistent and we prevailed.”

If President Bush signs the Conference Report for the Department of Justice Reauthorization bill, then automobile and truck manufacturers no longer will be able to use mandatory binding arbitration clauses in franchise contracts, to circumvent dealers’ states rights.

Dealers have lobbied for years for the change, arguing that mandatory binding arbitration in manufacturer-written automobile and truck dealer franchise agreements unfairly forces dealers to waive longstanding legal rights and remedies granted under state franchise law.

“Oh behalf of the NADA,” Myers said, “I would like to thank all the dealers and state association executives who worked long and hard to pass this legislation.”
Attorney general’s office charges local leasing company with fraud

Automotive Lease Corporation, which conducted business with many area dealers, has been sued by the Illinois attorney general’s office for fraud, for charges ranging from not paying loan balances on trade-in vehicles to submitting payoff checks that subsequently bounced.

The suit against Automotive Lease Corporation, based in Schaumburg and with offices in Roselle, Orland Park, Gurnee and Belvidere, seeks to prevent the company from advertising, offering for sale, or selling vehicles in Illinois, and to force the company to reimburse any consumers harmed by its actions.

The suit, filed in September in Cook County, also seeks against the defendant a $50,000 fine for violating the Consumer Fraud Act and $50,000 for each act of fraud.

Automotive Lease reportedly contacted lessees and offered to purchase their current leased vehicles in order to lease the customers another new or used vehicle, under the “ALC Early Termination Program.”

Automotive Lease, according to the suit, “misled consumers into believing that payoffs on their trade-in vehicles had been made by providing them with copies of ‘payoff’ checks that (the defendant) never sent to the named ‘payor’ or financial institution.”

Regarding dealers, Automotive Lease allegedly acquired vehicles without paying for them and without obtaining certificates of origin, then leased the vehicles to consumers. The defendant subsequently failed to apply for new license plates or transfer existing plates, pursuant to its lease and/or purchase agreements with consumers.

The company reportedly is out of business.

DriveChicago.com develops new membership benefits package

A new benefits package has been developed that gives to subscriber dealers advertising space in the Chicago Sun-Times and the Daily Herald which is valued at nearly nearly twice the monthly DriveChicago dues.

When dealers commit to a 12-month DriveChicago subscription at $775 a month, they will receive free advertising space valued at $1,375 a month. Over the year period, the package costs dealers $9,300 in dues yet offers them advertising worth $16,500—plus a continuous presence on the DriveChicago Web portal.

Participating dealers will be included in DriveChicago’s monthly “Used-car Sell-off” event, which gives them the opportunity to include a number of vehicles in a special pull-out section and in classified advertising in the Daily Herald and the Sun-Times.

Over the past year, the DriveChicago Web portal has attracted more than 2,000 local visitors a day who are specifically looking to purchase a new or used vehicle.

DriveChicago.com is owned equally by the Chicago Automobile Trade Association, Padock Publications and the Sun-Times Co.

Leads

CONTINUED FROM PAGE 1

8. Use the tools that DriveChicago.com provides, like Who’s Calling. Each dealer receives a special toll-free “Internet” phone number that tracks DriveChicago Internet and classified leads. Many dealers monitor these calls and review the results of the phone leads on a real-time basis.

9. Develop an e-mail database of people who sent leads by e-mail or called the dealership based on an Internet ad. Develop an e-mail communication with these people for future offerings.

10. Some of the top 20 dealers bought specific cars they knew the Internet customers wanted in the past. The hottest cars being searched on DriveChicago.com are the Ford Explorer, followed by the Honda Accord and the Mini Cooper. Do you have these on your site to drive traffic?

One of the top 20 dealers is selling more than 60 vehicles a month from identifiable Internet leads. He uses many of these processes. He also stated that “there are numerous ‘walk-ins’ who come in carrying a printout of an Internet car that are not included in the Internet counts.”
Payment packing brings unwanted scrutiny

**BY GIL VAN OVER**  
*Second of Two Parts*

Part One (See Sept. 30 CATA Bulletin) reviewed why dealers are under attack from attorneys general for payment-packing. Part Two offers tips for dealers to help ensure their sales and F&I processes are in compliance.

A methodical process is a proven approach to achieve the desired results:

**Communicate the expected standards.** Make sure employees know what payment packing is and that they do not practice it in their sales approach.

**Provide training.** After telling employees what is not acceptable, provide them with continuous training on the accepted method.

**Disclose, document, disclose, document.** Properly disclose all aspects of the transaction, including agreed-upon vehicle price, available F&I products and financing terms (term, APR, monthly payments) and obtain the customer’s signature at each stage. Documenting his or her agreement to the price helps provide a plausible defense against payment packing.

**Monitor for compliance.** Assign an employee who is not part of the sales and F&I process to review customer files periodically for compliance, or retain an independent outside party to review files. Keep records of any reviews. A review should confirm compliance with the Equal Credit Opportunity Act and the Truth-in-Lending Act, and identify any payment-packing. If any noncompliance is found, take corrective action and document the action.

This process provides the foundation to ensure that the dealership is compliant, but other tools still are needed to complete the structure.

Four critical documents provide evidence to fend off payment-packing charges, by confirming that the customer agreed in writing to pricing at every aspect in the sales and F&I process.

**Four-square** A document used during the sales process, whether it is a four-square or other sales technique, is the starting point. This tool generally is used to gain customer acceptance on vehicle price, cash down, trade-in value and payoff, and sometimes the monthly payment. Be careful here, though. If a monthly payment is quoted, use an APR to calculate the payment. The APR should be the same APR that the customer ends up with on the Retail Installment Contract. After a rate is agreed upon in the sales process, don’t adjust it when the customer reaches the F&I process, as a way to sell F&I products.

**F&I Menu** Many dealers are joining the F&I Menu selling parade, and with good reason. Early returns indicate that when every customer is offered every product and permitted to make an informed decision about the features and benefits of the products, as well as the effect on his or her monthly payment, three things happen. Product penetration increases, customer satisfaction improves and less time is spent closing the deal. This menu, when completed properly, should show the transaction price that the customer agreed to in the sales process, reflect the pricing of each F&I product being offered, and show the increase in the monthly payment for any product or package of products chosen. Finally, the customer must sign this form, to indicate acceptance of any products chosen.

**Buyer’s Order** This form contains many different provisions and disclosures, depending on the dealership. To defend against payment-packing charges, a Buyer’s Order must reflect the vehicle price that the customer agreed to in the sales process as well as the premiums for any F&I products the customer purchased in the F&I process.

**Retail Installment Contract** The final form to use to defend against payment-packing charges is the Retail Installment Contract, which also is signed by the customer. If the amount financed is not consistent with the total amount due indicated on the Buyer’s Order, you’ve got problems.

As stated in Part One, the dealer is a lender in the indirect financing transaction with its lenders. That means the dealer has an obligation to comply with the Equal Credit Opportunity Act, which prohibits discrimination in the credit process. One way to ensure salespeople are not involved in discriminatory pricing is to pull the 20 deals from the prior month which have the highest F&I profits. Look at the driver’s licenses. If all 20 customers are under 21 or over 65, all females or all of a specific nationality, there may be reason for concern.

Finally, while analyzing those 20 files, look at the retail installment contract to make sure the Dealership Management System is programmed. The system provides proper disclosures in the Truth-in-Lending box. Omitting the name of the company that an insurance premium is being paid to is a...
Generation Y talking, is auto industry listening?

The generation of Americans born between 1977 and 1994, alternately called Generation Y, the Millennials or Echo Boomers, represents 28 percent of the U.S. population and is having a significant impact on the country’s new-vehicle sales.

Gen Y consumers are less interested in larger vehicles and more interested in lower transaction prices and manual transmissions than consumers from other generations, according to a new J.D. Power and Associates study. However, Gen Y consumers are less interested than older generations in environmentally friendly vehicles, even though they are more interested in fuel economy and operating costs.

The “2002 Generation Y Automotive Consumer Study” analyzes a segment of consumers who are purchasing their first new vehicle. This year, almost 10 percent of households headed by Gen Y consumers will buy a new vehicle, accounting for roughly 700,000 purchases.

“Our research indicates that Gen Y consumers are style-conscious, less loyal to domestic brands, and seek vehicles with ‘fun-to-drive’ characteristics,” said J.D. Power’s Walter McManus. “Gen Y consumers want vehicles that stand out and reflect their individuality.”

The study predicts that Gen Y households will outnumber Gen X households within 10 years. Today, Gen Y members are the head of 6 percent of all U.S. households. That number is expected to increase to 22 percent by 2010, while households headed by Gen X will remain at 17 percent of the total over the same period.

“The impressions made on these new households by their first vehicles will stick with them for a lifetime,” McManus said. “Automakers have already begun to factor Gen Y consumers into their strategic planning.

“Toyota and the Scion brand and Honda with the Element are two examples of automakers designing their products for the youngest generation of American vehicle buyers.”

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Source: J.D. Power’s "2002 Generation Y Automotive Consumer Study"

Packing

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common mistake. The disclosure should show the name of the company, the name of the product and the premium for it. For example:

“To: (Name of provider) for GAP , $495.00”

By establishing expectations of proper conduct, training the required methods, disclosing and documenting every part of the transaction, and periodically monitoring the processes for compliance, a dealer can go a long way towards helping his attorney defend against payment-packing charges.

Gil Van Over is president of gvo3 Consulting and provides proactive F&I Office compliance review services for automobile dealers. He is also available as an expert witness. He can be reached at (312) 961-9065.

Martin Boyer deflects unemployment claims

One hundred thirteen CATA dealer members reported a combined 465 unemployment claims to the Martin Boyer Co. during the third quarter of 2002. The company’s efforts saved those dealers a total of $839,384 in benefits by contesting the claims.

Martin Boyer monitors any unemployment claims against its clients. About 200 CATA dealers are clients of the company.

Claims that can be protested and subsequently denied help minimize an employer’s unemployment tax rate. The rate can vary between .06 percent and 6.8 percent of each employee’s first $9,000 of earnings. The average unemployment tax rate among Illinois employers is 3.1 percent, or $279 annually.

“The unemployment tax is really the only controllable tax, in that it’s experience-driven,” said Paul Schardt, senior vice president of Martin Boyer. An ex-employee’s claim affects the employer’s tax rate for three years.

Client fees amount to $2.10 per employee, per fiscal quarter. For the fee, Martin Boyer monitors all unemployment claims, files any appeals, represents the client at any hearings, verifies the benefit charge statements and confirms the client’s unemployment tax rate.

Martin Boyer has represented CATA members since 1979. To discuss retaining the company, call Schardt at 312-381-8241.