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CATA ads herald loosened showroom restrictions, free recall work

A new media campaign by the CATA touts the ability to visit Illinois dealership showrooms without an appointment and to receive free service for open safety recalls, no matter where a vehicle was purchased.

Illinois on May 29 moved to Phase 3 of Gov. J.B. Pritzker's five-phase Restore Illinois Plan, lifting the restriction that car-

shoppers in Illinois had to arrange for an appointment to visit a showroom.

Under Phase 3, businesses must limit customers in their showrooms at one time to five customers per 1,000 square feet, excluding employees. If the square footage of the facil-

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Auto loan payments soar in first quarter to yet another record high

As the coronavirus was spreading from China to Europe and eventually to the U.S., Americans borrowed a record amount of money to pay for new and used cars, according to a new report.

Experian, which tracks millions of auto loans, said U.S. consumers agreed to record monthly auto loan payments in the first quarter, when vehicle sales were surging before a dramatic slowdown in the second half of March.

"What I've noticed that seemed to change is leasing has come down. It dropped more significantly in April. So more loans (to buy) and less leasing," said Melinda Zabritski, senior director

of Experian's automotive financial solutions. Leasing, which typically comes with a lower monthly payment, likely became less appealing because many consumers opted for an even lower monthly payment with a used vehicle, she said.

In addition, automakers in March and April started offering lucrative incentives to buy a new vehicle, which attracted more customers.

Before the coronavirus pandemic slammed the brakes on the economy, those buying new vehicles in the first quarter agreed to an average monthly loan payment of \$569 — an all-time

high — with the average amount borrowed hitting a record high of \$33,739. The numbers for used-vehicle prices also climbed to all-time highs, with the average monthly payment hitting \$397, and the average amount for an auto loan rising to \$20,723.

The larger loans and the higher monthly payments reflect a market where new-vehicle prices have increased, especially for pickups and SUVs, which sell at higher price points.

"Consumers have become comfortable with it," said Zabritski. "If they weren't, we would see consumers go

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Dealerships sorting out best practices for online sales, home deliveries

Online dealership vehicle sales and their associated home deliveries have become a relatively popular purchase alternative in the age of COVID-19. But the auto-retailing industry is still working on best practices which,

among other things, include safeguards against getting ripped off by Internet scammers.

But less-risky issues need sorting out, too, such as establishing a delivery process, executing it without burning

up excessive time and miles and designating who makes the runs.

Two Michigan dealership employees traveled miles to home deliver a vehicle that someone had ordered online. But they didn't like what they

saw when they got there.

"The house was shady-looking, and the guy they were delivering the vehicle to didn't look like the photo on the photo ID he showed them," Tom Carney, a Na-SEE BEST PRACTICES, PAGE 4

NADA, NAMAD offer improvements to consumer finance law

The Consumer Financial Protection Bureau earlier this year established a task force to recommend to the CFPB director ways to improve federal consumer finance law. Although the CFPB does not regulate auto and truck dealers that assign finance and lease contracts to unrelated third-party finance sources, it does regulate finance sources, which can have a significant effect on their dealer clients.

To ensure the auto dealer perspective is provided to the task force, the NADA

and the National Association of Minority Automobile Dealers this month filed comments with the CFPB that made a series of recommended improvements to federal consumer finance law for the task force to consider. Among these was a recommendation that the CFPB and agencies with regulatory and enforcement authority over auto and truck dealers establish a safe harbor providing that dealers and finance sources which faithfully adopt and implement the optional NADA/NAMAD/AIADA Fair

Credit Compliance Policy and Program are deemed to be in compliance with the federal Equal Credit Opportunity Act.

Federal agencies already have adopted elements of the fair credit compliance policy in consent orders with both dealers and finance sources, against which they have taken enforcement actions. The NADA will continue to urge them to adopt a safe harbor recognizing this means of protecting against discrimination while promoting competition in the marketplace.

Graduating Arlington Heights high schooler wins CATA scholarship

The Chicago Automobile Trade Association in May presented the 2020 Spirit of Carol Cooling Scholarship to a graduating senior at a northwest suburban high school. Kathryn Costello received a \$1,000 grant to put toward future studies.

The CATA established the scholarship in 2014 to honor Cooling, an alumna of John Hersey High School, in Arlington Heights, and a longtime special events director at NBC 5 Chicago who succumbed to cancer

in 2013. As owner of the Chicago Auto Show, the CATA worked closely with Cooling to produce live TV auto show specials, many of which won Emmy Awards.

“What better way to pay tribute to a remarkable woman than to have her legacy live on through a scholarship program that helps young students further their education to set them up for success,” said David Sloan, CATA president and Chicago Auto Show general manager. “John Webb, our

board chairman at the time, presented this wonderful idea to honor our friend Carol.”

The Hersey High School scholarship committee selected Costello as the recipient of the Spirit of Carol Cooling Scholarship because she embodies many of the characteristics also used to describe Cooling. Attributions such as “determined, mature, energetic, positive and motivated” are commonly used by Costello’s teachers and peers.

Hersey Assistant Principal John Novak said that Costello was an “exceptional choice for the award” as she’s heavily involved in a number of activities both inside and outside of school.

“We are very excited to have Kathryn Costello chosen as this year’s recipient of the Spirit of Carol Cooling Scholarship,” Novak said. “Kathryn’s energy and spirit are what sets her apart from her peers. She performed hundreds of service work hours through our ‘Service Over Self’ program, all while taking a very solid academic schedule.”

Costello graduated from Hersey High School with a highest honors distinction. She will apply her scholarship money to her education beginning this fall at the University of Colorado Boulder. Costello intends to study neuroscience, specifically the adolescent brain.

Ads

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ity is less than 1,000, the number of people is also less than five, based on percentage.

The ads also remind the public that due to excess service capacity, now is a good time to have safety recalls addressed at local dealerships. All safety recall work is performed free of charge, with many new-car dealers offering drop-off and pick-up service and loaner vehicles.

“Making sure their vehicle is safe should be an owner’s No. 1 priority,” said CATA Chairman Bill Haggerty. “Many people are unaware of open safety recalls, a problem that is compounded when you purchase from a private party or used-car dealer. Getting recall repairs completed is always free and, in some cases, loaner vehicles are provided.”

For consumers more accustomed to private-party transactions, a visit to a new-car dealership also could result in a conquest sale.

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Review past editions dating to 1998 or search by subject at www.cata.info/publication/bulletins.

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NADA chairman: Manufacturers need dealers more than ever

By RHETT RICART
2020 NADA CHAIRMAN

In my very first speech as your NADA Chairman in February, I talked about corruption, obstruction and disruption to the auto retail industry. With the coronavirus pandemic, our country got a big dose of disruption, and it's the kind of disruption that has trickled down to every person, industry and business.

We are all facing challenges as we learn to operate in a new business environment, but with that comes the opportunity to adapt and take our industry into a new era. The COVID-19 pandemic has opened a greater dialogue between automakers and dealers, and we cannot miss this chance for the advancement of the in-

dustry that many of us have spent our lives building.

Like everyone else, our OEM partners are struggling to find the right formula to operate in this new normal and become profitable again. As retailers, we are learning how to enhance our digital retailing capabilities and to keep our employees and customers safe as we reopen our doors.

Automakers likewise are re-starting vehicle manufacturing facilities with safety protocols and plexiglass partitions to protect thousands of their workers.

While our challenges vary, they all impact the broader industry that lives under one roof. Now is the time for us to unite our industry efforts.

The car-buying experience is changing, consumer

expectations are evolving, and digital retailing has increased significantly. So automakers have their ears wide open and are willing to listen to dealer input more than ever. Dealers need to seize this opportunity and strengthen their bonds with OEM partners. We know that we are the secret sauce for automakers to distribute and sell their products in the United States.

The 2021 NADA Show in New Orleans will be the most important NADA Show you *ever* attend. As dealers, we need to further educate ourselves on how to manage this disruption and learn best practices for business success in an ever-changing environment.

Make meetings at the Show will be more critical than ever to discussing with our OEM partners how we

navigate through this new environment and move forward as an industry. We need to demonstrate our focus, our readiness and our strength to the entire dealer body and to the industry as a whole. Your attendance is vital.

While many of you are laser focused on the survival of your own businesses, it is prudent that you stay involved with NADA and your state and local associations. Stay involved by providing your ATAEs with guidance and on-the-ground insight that will help as they craft policies and legislation to address operations during coronavirus. Your involvement is as important as ever.

Don't forget, a united auto industry is a strong auto industry!

With new debt, projected sales slump, auto recovery may take years

The auto industry was already facing financial headwinds. But new challenges courtesy of the coronavirus may take auto manufacturers and suppliers years to overcome, according to a new outlook detailed June 4 by AlixPartners LLP, an industry consultant.

"We were already on the backside of the (global sales) peak, but (the coronavirus) accelerated this in a very unprecedented way," said Mark Wakefield, global co-leader of AlixPartners' automotive and industrial practice. "While there will be some snapback in terms of filling inventories, both the demand and supply side will be hit for some time."

AlixPartners warned last year that the auto industry was entering a "profit desert," driven in part by the shift to the

autonomous and electric vehicles that require heavy investment but which are unlikely to generate returns in the near-term.

Then came an eight-week production shutdown induced by the coronavirus pandemic that caused the industry to bleed billions of dollars and led manufacturers and suppliers to assume a whopping \$72 billion in debt in just a matter of weeks. Now it may take half the decade for the industry to bounce back.

Auto sales have been on the decline since 2017, when global sales peaked at 94 million. AlixPartners projects 2020 sales will be 70.5 million globally and 13.6 million in the U.S., down from 17.1 million last year.

Overall, it may take until 2025 for the industry to get back to prior-peak sales volume, AlixPartners predicts. Compared to 2019, the industry faces a cumulative volume drop of up to 36 million vehicles this year through 2022.

The industry recovery is expected to vary by market, with prospects for China — which shut down first, reopened earlier and now is rebounding — and the U.S. looking stronger than for Europe, according to AlixPartners' outlook.

In the short term, the industry appears poised for a sharp rebound as manufacturers rush to fill depleted inventories and consumers shy away from public transportation and ride-sharing due to the coronavirus.

NADA director nominating ballots sent

Ballots to nominate a candidate to serve as the National Automobile Dealers Association director representing most of Illinois have been sent to dealers in those counties.

Completed ballots nominating not more than one person must be received — not merely post-marked — by the NADA by July 3.

Downstate dealer Jamie Auffenberg, who since 2010 has been the NADA director representing 99 of the state's 102 counties, is running for another three-year term. Dealers in the three other Illinois counties — Cook, Lake and DuPage — are represented by Joe

Massarelli, president of Liberty Auto City, in Libertyville. Massarelli has been an NADA director for one year.

To qualify as a nominee, a dealer must receive at least 10% of the total nominations cast. If none receives that minimum, further nominations would be sought. If the nominating process qualifies a single dealer, that dealer would be declared elected without further balloting.

Auffenberg holds franchises with nine manufacturers: Chrysler, Dodge, Ford, Jeep, Kia, Mazda, Nissan, Ram and Volkswagen. His stores are in Belleville, Illinois; and O'Fallon, Missouri.

Payments

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back to smaller, less expensive vehicles.”

New-vehicle prices have steadily risen over the last decade, in large part because the economy was expanding, jobs were being created and consumer confidence rarely dipped. It's been a far different story in the last two months.

Best practices

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tional Auto Dealers Association management consultant, said in relating the account he heard through a dealership connection.

“The dealership people,” he said, “packed up and went back to the dealership.”

More and more consumers — especially virus-conscious people who are loath to visit a dealership yet want or need a new car — are opting for doing much of the transaction online and taking possession of the purchased vehicle at their home.

“People want home deliveries, but some dealers wonder if it is cost effective,” said

Jennifer Suzuki, president of e-DealerSolutions, a sales training company. “Are we selling more vehicles because of it? Will (customer satisfaction scores) go up? How do we pay for this?”

She raised those questions during an industry webinar on digital retailing. Joining her was the NADA's Carney and Lynn Short, the CEO of LotLinx, an automotive-inventory marketing technology company.

Short said dealership delivery costs are more palatable with high-margin transactions. For example, delivering a \$97,400 Porsche 911 sports car is less of a cost-of-business issue than delivering a \$15,300 Kia Rio

subcompact.

He's confident dealers ultimately will perfect remote selling and home delivering.

“Dealers will figure it out as they move to this more efficient structure,” Short said. “There will be some trial and error with these new processes and new costs.”

A home delivery a few miles away is no big deal, but long-distance deliveries are, Carney said.

“How do you pay your people if they are driving two hours to the home and two hours back to the dealership?” he said, noting that can gobble up half of a workday.

In lieu of salespeople delivering cars (which cuts into

their selling duties), Carney said one dealer pays a retired finance and insurance manager to do the transporting.

Dealer culture is changing because of the sudden popularity of digital auto retailing in the COVID-19 age, Suzuki said.

But for dealers new at it, “it's not easy to get down,” she said. “Some are struggling. We're encouraging our clients to continue the battle because you've got to give customers what they want. They've been saying all along, ‘We want this process easier.’”

Many F&I managers are becoming adept at using online videoconferencing to present products to customers, Carney said.

In Memoriam

Longtime Chevrolet dealer **Donald “Don” McCue** died peacefully at his St. Charles home on May 29. He was 76.

Born in Janesville, Wisconsin, in 1943, Mr. McCue graduated from the University of Notre Dame and worked in Michigan before buying his first Chevrolet dealership in Whitewater, Wisconsin, in 1974. He bought the franchise in St. Charles in 1980 and moved his family there.

Mr. McCue was extremely innovative in Chevrolet retailing approaches, and his dealership became one of the largest conversion van sellers in the nation during the 1980s and '90s.

His local philanthropy efforts were legendary. Mr. McCue loved life on land and at sea. He spent winters in Naples, Florida, and was known to many as “The Captain.”

Survivors include his wife of 54 years, Mary Ellen; a son, Timothy; a daughter, Meaghan; and five grandchildren. A celebration of his life will be held at a later date. Donations appreciated to the American Diabetes Association.

