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, Sept. 18 at 12 p.m. CDT
“How to Create a Professional Image on the Service Drive: Improve Retention, CSI, Sales & Profits”
With service lane traffic projected to shrink significantly in the near future, rethinking the Service Lane Process is a must.

Dealers lobby lawmakers to reform CFPB auto lending guidance

America’s new-car dealers convened on Capitol Hill last week to urge their congressmen to cosponsor House Resolution 5403, introduced Sept. 8 to the House Financial Services Committee.

The bipartisan bill seeks to nullify the Consumer Financial Protection Bureau’s flawed guidance on auto lending and requires more transparency and accountability from the agency on future guidance.

“The CFPB’s actions will likely raise the cost of credit for car buyers,” said NADA Chairman Forrest McConnell. “The CFPB is attempting to change the $905 billion auto loan market and limit market competition without prior public comment and without analyzing the impact of its guidance on consumers.”

The new bill, “Reforming CFPB Indirect Auto Financing Guidance Act,” would allow the agency to reissue its guidance under a more transparent process. The measure, sponsored by Reps. Marlin Stutzman, R-Ind., and Ed Perlmutter, D-Colo., is a narrower version of H.R. 4811, the Bureau Guidance Transparency Act, which calls on the CFPB to provide for a notice and comment period before issuing guidance.

The latter bill was reported out of the House Financial Services Committee in June by a bipartisan vote of 35-24.

“A majority of car buyers choose to finance their purchases through indirect financing at dealerships, which is always optional,” added McConnell, a Honda and Acura dealer from Montgomery, Ala. “Dealers often discount these interest rates to earn their customers’ business.”

In March 2013, the CFPB issued guidance that threatens to eliminate the flexibility of new-car dealerships to discount the interest rate

See CFPB, Page 3
Vehicle donations sought for school damaged by fire

Officials of a Maywood high school are seeking donated vehicles for the automotive technology program after a fire destroyed the school’s science wing and all the existing vehicles for the program.

Proviso East High School was closed two days after the three-alarm fire on May 10.

“We have 360 young men and women enrolled in our automotive technology program but we have no vehicles to teach them with,” said instructor Frank Bexes. “The school district is willing to pay to have them picked up and delivered to the school.”

Bexes said Proviso Township High Schools District 209 would provide appropriate paperwork to satisfy any donations, although donations are subject to the approval of the district’s board of education.

Bexes can be reached at (847) 302-9313 and fboxes@pths209.org.

Buy-sell activity heating up

Buy-sell activity for auto dealerships this year may come close to levels not seen in a decade.

Private transactions in the first half of 2014 are up 80 percent from the number recorded a year ago. The country’s public auto dealers are on pace to book $1 billion in acquisitions for the year, assuming Lithia Motors’ $363 million deal for DCH Auto Group closes by year end.

And unlike the past two years, nearly all of the purchases are for U.S. dealerships. If reached, $1 billion in U.S. spending by the public retailers would be an increase of 43 percent from 2013.

“Dealer profitability sets a new record every quarter,” said Alan Haig, a leading authority on the auto dealer buy-sell market. “Unit sales are growing as the economy continues to strengthen. Because of these factors, dealerships are commanding record high valuations as buyers are attracted to the superior returns on investment compared to other alternatives.

“There’s a strong appetite for $20 million to $50 million single-store purchases, with many buyers looking at $100 million-plus platform acquisitions. It may be the best time ever to be an auto retailer.”

In its Mid-Year 2014 Blue Sky Report, Haig Partners found that there had been little impact on buyers’ perceptions of GM dealership values from GM recalls. GM’s unit sales are up 3.4 percent through July 2014 compared to July 2013, and while that lags the industry’s 5 percent rise, dealers are booking higher margins on each unit sold.

“Potential buyers we’ve approached with the GM dealership we currently represent are not too concerned about fallout from the recalls,” Haig said.

In Memoriam

Frances L. Ford, mother of Freeway Ford Truck Sales proprietors Mary Frances Dolan and her husband, Thomas, died Sept. 3. She was

The Glenview resident was a permanent deaconess at Glenview Community Church, a philanthropist to many charitable organizations, and a die-hard Chicago Cubs fan.

Other survivors include daughters Beth Anne and Nancy Jane; and five grandchildren. Memorials appreciated to Glenview Community Church or to the Salvation Army, (773) 725-1100.

Webinars

CONTINUED FROM PAGE 1

It’s not just about selling more service and making more menu presentations. It is about getting the customer to like and trust you! Researchers have found that customers make two immediate judgments about individuals and businesses at the very first contact: Are you “warm” and are you “competent.” Fail to get a high enough grade on either merit and you will fail to win repeat business.

For most dealers to win in the battle for service business, they need to rethink just what is happening on their service drives. Many if not most dealerships are allowing their service advisors to drive customers and profits away — down the street and to your competitors. The good news is you can fix it!

Premiering Thursday, Sept. 25 at 12 p.m. CDT

“Habits and Practices of the Exceptional Used-Vehicle Manager” Used-vehicle success often is the result of the efforts of an exceptional manager who has properly defined the tasks and designed the process to make it all work.

Managing a used-vehicle sales department is not a job for sissies. It requires the obvious skills that aid in the selling process, but it also requires a laundry list of other skills that can define the difference between success and failure. And the best used-car managers do it all with apparent ease.

Join Steve Nickelsen as he examines just what makes the best used-vehicle managers stand out from the crowd.
Total balance of auto loans reaches all-time high

For the first time, the total balance of auto loans exceeds $900 billion, as favorable auto lending credit trends continue in 2014.

“Auto lending continues to thrive, accounting for more than 50 percent of all new non-mortgage lending through April of 2014,” Dennis Carlson, deputy chief economist at Equifax, said in a recent press release.

Record high loan balances and new loans

According to this report, the total auto loan balance just midway through 2014 already is at an astounding $902.2 billion, an all-time record and a year-over-year increase of 10 percent. At the same time, the total number of outstanding auto loans exceeds 64 million.

The total number of new auto loans opened year-to-date by April 2014 was 8.1 million nationwide, totaling a whopping $163.5 billion balance in new credit. It is the highest number of April year-to-date new auto loans in 8 years, and the highest April year-to-date auto credit balance since 2005.

“[C]onsumers are responding to the improving economic conditions by making the decision to purchase newer vehicles,” Carlson said. This is the same story that credit data trends have been telling us all year.

Low auto loan delinquency rates continue

Carlson said auto loans are growing by leaps and bounds because lenders are offering very good interest rates and borrowing terms, in response to record low delinquency rates. For the third month in a row, the percentage of auto loans noted as “seriously delinquent” has hovered below 1 percent for the total outstanding balance of auto loans.

The year-to-date total number of newly originated auto loans for consumers (also known as subprime borrowers) with credit risk scores at or below 640 is 2.6 million, accounting for 32 percent of all outstanding auto loans. And at $46.2 billion, the total subprime auto loan balance makes up 28.2 percent of today’s total new auto balance and is at an 8-year high.

More auto sales match growing balance of auto loans

Auto loans aren’t the only vehicle-related figures on the upswing. Auto sales in the first half of 2014 beat all expectations and are at levels not seen since 2006, according to news agency Reuters.

The news agency reports that auto sales increased 1.2 percent in the U.S. in June, a pleasant surprise for those familiar with the 3 percent decline industry experts had forecasted. At the same time, the seasonally adjusted annualized sales rate reached 16.98 million vehicles, a figure not seen in 8 years.

The auto loan industry continued to enjoy strong performance midway through 2014; consumers are borrowing more money than ever before to buy new vehicles while keeping up with their loan payments.

“H.R. 5403 is needed because it requires the CFPB to follow a transparent process when issuing auto finance guidance,” McConnell said. “The bill would rescind the 2013 auto finance guidance and require public participation for future guidance before it is issued.”

Thirteen congressmen have signed on as cosponsors of H.R. 5403. The NADA is urging dealers to contact their representatives and ask them to join as cosponsors.

Long-term new-car loans skyrocket

Four years ago, less than 10 percent of new-car loans carried terms of 73 to 84 months. But in the first quarter of 2014, 24.9 percent of new-car loans were that long, Experian Automotive reports. Such lengthy terms have pulled the average new-car loan to 66 months, an all-time record.

As credit continues to open up — and, some argue, automakers try to maintain the past year’s sales growth — car loans continue to lengthen. Such loans have helped fuel new-car sales, which are up 9.2 percent through July. But some have raised a warning flag.

John Mendel, Honda’s top U.S. sales executive, said lengthy car loans are “a very, very short-term tactic” that’s “probably pulling people out of used cars into a new car that maybe they can’t afford.”

Ever-longer car loans can exacerbate the strain of keeping up with those payments, too. Experian reported in late August that one- or two-month delinquencies remain at historic lows. But they are edging up.

“More so with any other product, when it comes to car loans, consumers payment shop,” said Greg McBride, Bankrate.com’s chief financial analyst. But as shoppers focus on the amount of a single monthly payment, lengthier loan terms can sweep some important details under the financial rug, including the loan interest rate and total interest paid over the life of the loan.

Most factory warranties stop covering a car’s major systems after five years, so if a customer with a longer loan needs engine work in the seventh year, he could face car payments and repair bills at the same time — a serious financial drain.
Gen Y buyers greater than X for first time

Y is greater than X, a new J.D. Power study on generational car buying determined.

In other words, Gen Y consumers now account for a larger percentage of U.S. new-vehicle retail sales than their older Gen X counterparts. These consumers born between 1977 and 1994, also known as Millennials, accounted for 26 percent of new-vehicle retail sales year to date. For the first time, that puts them ahead of Gen Xers, defined as those born between 1965 and 1976. That group bought 24 percent of new vehicles in the same period.

But nobody beats the Boomers, at least not yet. Americans born between 1946 and 1964 remain the largest group of buyers, accounting for 38 percent of new vehicles sold during the first half of the year.

However, as older Boomers approach their 70s, that powerful consumer group slowly is losing some of its marketplace muscle. In 2013, Boomers accounted for 40 percent of new-vehicle sales, followed by Gen X at 24 percent and Gen Y at 23 percent.

Gen Y's growing presence in the U.S. automotive market is notable because young people initially were slow to enter it.

Some industry observers had speculated the once relatively low number of Gen Y car buyers reflected a generation uninterested in car ownership, something that would have boded badly for the auto industry.

But revised theories instead indicate Millennials were late bloomers as auto consumers because of hindering economic issues. As young job seekers in particular, members of Gen Y were hit hard by the recession of a half decade ago. That has abated.

“As Gen Y consumers enter new life stages, earn higher incomes and grow their families, their ability and desire to acquire new vehicles is increasing,” said Thomas King, vice president of PIN, a J.D. Power unit that tracks car buying.

They still aren’t out of the woods though. They struggle more than previous generations of young people, face a lower standard of living than their parents and earn less because of fewer high-paying full-time jobs in many fields, according to a Strategic Vision study.

Millennials can cover cell phone and Internet bills, but buying a car is out of reach for many of them right now. In time, more young buyers will purchase more new vehicles, the research firm predicts.

That’s already happening, according to 2014 data. Gen Y car buying is on pace to increase 17 percent for the full year compared with 2013. Gen X sales volumes are expected to increase 6 percent, J.D. Power said.

PIN data indicate Gen Y customers favor smaller vehicles, which account for nearly half of their purchases. Compact cars are the most popular with Gen Y, accounting for 20 percent of vehicles sold to the group.

Gen X favors midsize vehicles

Some people called Gen X “slackers” in their younger days. But that pejorative had less to do with laziness and more to do with facing a tight job market in the early 1990s. When their turn came, Gen Y had it economically tougher though.

Meanwhile, Millennial consumers are influencing the way vehicles are sold. Many dealerships have revised their sales processes to align them with young people's buying behavior, including a heavy reliance on the Internet for vehicle shopping.

Studies indicate Millennials want upfront pricing, transparent financing and fast deliveries. Hard sells turn them off, according to an AutoTrader survey.

As they become a greater force in the marketplace, the industry must respond to their needs, “not only in terms of the vehicle design, but also the marketing, sales and service experience,” King said.

Bill Ford Jr.: What driving a car will be like 25 years from now

In the next 25 years, what it means to build, own, or simply drive a car will have fundamentally changed. This will become a matter of necessity and the result of innovation, said William Clay Ford Jr., executive chairman of Ford Motor Co.

As the world’s population grows and prosperity expands, Ford said the number of vehicles on the road could double to 2 billion or more by 2050. At the same time, it is expected that more than 50 percent of the world’s population will be living in cities. That means more congestion, longer commutes and a growing thirst for fuel, unless we act now.

With these trends, Ford said the current approach to transportation is not sustainable. What is required, he said, is an approach that sees the car not as an individual vehicle, but as part of a broader transportation network.