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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, Aug. 21 at 12 p.m. CDT

"Benchmarks and Key Performance Indicators: A Deeper Look at this 'Every Manager' Tool" Get the tool every manager needs to read the financial statement, and learn both basic and more advanced methods for using benchmarking for critical profit management.

See **Webinars**, Page 2

Local 731 members to vote Aug. 17 on new 4-year pact

Members of Teamsters Local 731, the union that represents dealership stockroom attendants, garage attendants, drivers and utility employees such as drivers, were expected to meet Aug. 17 to hold a ratification vote on a new four-year collective bargaining agreement. The contract would be retroactive to Aug. 3 and extend to July 31, 2018.

A tentative agreement with the union has been reached on all terms for a new contract. The union workers had hoped to hold a ratification meeting on Aug. 10, but the union was unable to properly arrange for a vote then.

The dealers have been represented in negotiations by the CATA's employee relations counsel, Dave Radelet of Franczek Radelet P.C.

Is Cook County Revenue Dept. increasing tax collection audits?

The Cook County Revenue Department appears to be ramping up efforts to collect taxes owed under the department's 3-year-old Voluntary Disclosure Program.

The CATA — and likely many dealerships in and near Cook County — received a reminder notice recently about registering with the program ahead of audits that would expose unregistered businesses to hefty penalties. Any person or company required to register for a Cook County Home Rule Tax must be registered for the voluntary disclosure program.

Dealerships are required to collect and pay to Cook County sales tax on a new-vehicle transaction in the county, and use tax on vehicles that will be titled or registered with a state government agency for use in Cook County.

The CATA is obligated

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September is Child Safety Month

Dealers are encouraged to participate in National Child Safety Month in September. Through a partnership between the National Automobile Dealers Association and the National Highway Traffic Safety Administration, Child Passenger Safety Month is a nationwide effort to educate parents about the importance of properly securing children in approved car seats, booster seats, or with seat belts when traveling.

Experts estimate that four out of five child safety seats are installed incorrectly, and that about 40 percent of children under the age of 8 who are injured in car crashes are completely unbelted. Oftentimes, the injuries are fatal.

The NADA offers free handouts for distribution at inspection events. Information to help dealers plan and host a child safety seat inspection event is available on the NADA website at www.nada.org/Advocacy+Outreach/Auto+Safety+Initiatives.

Webinars

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For decades, auto retailers have used measurements called "benchmarks" or "key performance indicators" trying to chart successes and pinpoint deficiencies. Nothing provokes more discussion among dealership managers than questions about what the benchmarks should be and how they should be interpreted.

Benchmarking has become a much more sophisticated exercise in both the calculation and application to your dealership — as well as to your specific dealership department. Join DealersEdge and Brooke Samples of Profit Blueprints for a review not only of the basics but of a more advanced method for using benchmarking as a critical profit management tool.

Premiering Thursday, Sept. 4 at 12 p.m. CDT

"The Habits & Practices of the Exceptional General Manager" What are the common traits that allow some automotive General Managers to stand out among their peers? For those who do stand out, what makes them tick?

Jeff Sacks has for many years conducted a well-known and respected training session, specifically focused on the role of the dealership General Manager. Through this and other professional experiences, he has interacted with thousands of dealership GMs.

Jeff is taking all this insight and perspective and will visit with us to discuss just what makes General Managers, well, exceptional, the best of the best. So join us for this workshop and learn either what you need to do to join the ranks of the exceptional, or maybe what to look for in prospective GMs or GMs-in-training.

Is digital replacing traditional ads?

Drivers of new vehicles are not replacing traditional media with the Internet, but they are accessing traditional media content through alternative digital channels, according to the recently released J.D. Power 2014 U.S. Automotive Media and Marketing Report — Summer.

The report has been conducted since 1987 and provides a comprehensive strategic perspective on the factors that influence new-vehicle purchases, as well as attitudinal, lifestyle, recreational and media consumption behaviors. This year, the report has been expanded to include digital media consumption habits, including using search engines, social media sites and music/video sites.

"The Internet is often viewed as an alternative to traditional media, yet the Internet should be viewed as an additional medium on which to consume such traditional media as magazine, newspaper and television content, in addition to other digital content," said Arianne Walker, senior director, automotive media & marketing at J.D. Power. "The proliferation of device usage to consume traditional media content means that automakers can take advantage of integrated marketing programs offered by media outlets in order to reach consumers across all modes of content."

While the vast majority (93 percent) of new-vehicle drivers still use a computer for accessing the Internet for personal use, many access the Internet on a smartphone (57 percent) or a tablet (45 percent). Among the key findings:

Digital Consumption of Traditional Media

• Four in ten (41 percent) new-vehicle drivers have read magazine content online in the past six months.

• More than one-half (52 percent) of new-vehicle drivers have read newspaper content online.

• One-third (33 percent) have watched a TV show online.

Readership via Mobile Apps

• Twenty-five percent of new-vehicle drivers have either frequently or occasionally read a magazine through an app in the past six months.

• Thirty-six percent of new-vehicle drivers have read a newspaper through an app and 29 percent have watched a TV show on an app in the past six months.

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

David E. Sloan President, Publisher
Erik K. Higgins Editor, Director of Dealer Affairs

New York City bans sale of used cars with unresolved recalls

New York City on July 30 became the first U.S. city to make it illegal to sell a used vehicle with an open recall. The city's 800 used-car dealers now must fix any recalled vehicle before they sell it, and they also must fix vehicles with open recalls which they previously sold but didn't repair.

The new law, coming in the wake of the most recalls in automotive history, was enacted after an investigation by the New York Department of Consumer Affairs Commission, which sent subpoenas to new- and used-car dealers in the city. It appears the law includes all recalled vehicles, whether the recall was safety-related or for another issue.

The basis for the new law is an ordinance that requires dealers to certify that their vehicles are "roadworthy" and prohibits dealers from misleading car buyers when it comes to the safety of used vehicles for sale.

California considered a similar bill and even the Obama administration in April sought passage of federal legislation that would have prohibited the sale of used vehicles with open recalls. Those measures were defeated because the bills were overly broad and would have prohibited the sale of recalled vehicles, even if the recall had nothing to do with passenger safety.

The following is a guide for area dealers on the sale of vehicles with open recalls.

For new vehicles in inventory or in transit: Once any notice of an outstanding safety recall is received, federal law prohibits the delivery of impacted new vehicles until the recall is remedied.

For used vehicles in for service, in inventory, or coming into inventory that ARE of the same make as the dealer sells new: Federal law neither imposes an obligation on dealerships to know the safety recall status of used vehicles nor prohibits the resale of used vehicles with outstanding safety recalls. However, it is recommended that used vehicles of the same make a dealer sells new be checked for outstanding, unremedied recalls, since the dealership is authorized to do the service or repair work involved. If a dealership receives a recall notice indicating that certain used vehicles should not be operated and/or resold, they should not be operated or resold until the recall is remedied.

For used vehicles in for service, in inventory, or coming into inventory that ARE NOT of a make the dealer sells new: Federal law currently neither imposes an obligation on dealerships to know the safety recall status of used vehicles nor prohibits the resale of used vehicles with outstanding safety recalls.

But 11 consumer groups in June asked the Federal Trade Commission to investigate Carmax, the nation's largest used-car retailer, over unfixed recalled cars that it sold. The groups say CarMax does not fix vehicles that have been recalled before it sells them, even though the retailer's ads promise that the vehicles have had a rigorous quality inspection.

In response to the filing of the petition, a CarMax spokesman, Casey Werderman, wrote in an email that "CarMax provides the necessary information for customers to register their vehicle with the manufacturer to determine if it has an open recall and be notified about future recalls."

The petition is not resolved.

Auto recall database set to launch Aug. 20

Beginning Aug. 20, any individual interested in buying or selling a vehicle can submit VIN information at various websites and immediately determine if a vehicle has any unrepaired recalls.

The National Highway Traffic Safety Administration is moving forward with new rules, first announced in August 2013, that require all major automakers and motorcycle manufacturers to provide owners with online access to recall information on vehicles searchable by VIN.

The search feature will be at the NHTSA's www.safercar.gov website as well as the automakers' websites. The websites must be updated at least weekly. The rules apply to automakers that sell at least 25,000 vehicles a year, and motorcycle manufacturers that sell at least 5,000 motorcycles per year.

The manufacturers must make information available on uncompleted recalls for at least 15 years from the date they first provided the list of recalled vehicles to dealers.

Under the new rules, automakers also are required to provide vehicle owners with direct notice of recalls within 60 days of notifying NHTSA that a recall is occurring.

Taxes

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to register because of the Amusement Tax proceeds owed on admission tickets to the annual Chicago Auto Show at McCormick Place

If a company registers before it is investigated or receives notice of an audit, it will be required to remit:

- taxes owed for the four-year period prior to the registration date; and
- 15 percent APR standard interest rate.

If the company is not registered, it faces an aggressive strategy to collect:

- taxes going back seven years or from the inception of the business;
- 15 percent APR standard interest rate; and
- 10 percent late payment penalty and 25 percent failure to pay penalty.

Even millenials bypassing social media during car-buying journey

Millennials are changing the way consumers buy cars, but a new study from AutoTrader.com shows these young buyers are not as different as one might think.

There are 74 million Americans in the generation born after 1980, second only to the 83 million baby boomers in the market. The younger generation accounts for 12 percent of new-car sales, but that will grow to 40 percent by 2020, so understanding their buying trends is vital, said Isabelle Helms, ofAutoTrader.com.

Helms presented highlights of the 2014 Automotive Buyer Influence Study at an Automotive Press Association event in Detroit on Aug. 12.

Like older buyers, 70 percent of millennials don't know what they want when they start shopping. The difference is they have put off buying their first car until later in life — much as they are delaying marriage and buying a home. But when the time comes, they want a new car as much as the generations ahead of them, Helms said. It usually is an affordable compact car they feel reflects their personality.

All consumers spend an average of 15.5 hours shopping for a new vehicle, two hours less than in 2011. But millennials put 17.6 hours in their search, and 82 percent of that is done online.

"The opportunity to influence shoppers' purchase decisions is online," Helms said.

Buyers, especially this generation, do not find newspapers, TV and other forms of traditional media helpful. But just 5 percent of them use social media in their research, only slightly higher than the 1 percent of the overall population.

More than three-quarters (78 percent) of millennials surveyed do not care if a carmaker is social media savvy, largely because it rarely provides the information on pricing and availability buyers seek. They turn to third-party sites for comparison shopping, Helms said.

Once they decide, younger shoppers will go to an automaker's website to get the location of the nearest dealer, hours of operation and whether their vehicle is available.

Dealers should recognize that buyers are using computers and laptops less and using tablets and smartphones more. Not having a mobile site hurts a brand, 35 percent of millennials said.

"It is important we start investing in mobile applications and optimize experience for those devices," Helms said. "If you are going to have a mobile presence, do it right or don't do it at all. If done badly, it can hurt perception of brand."

Once they enter the dealership, younger buyers want treatment comparable to what they find in an Apple store. They expect someone to greet them and be a product specialist, providing more detail about the car and its technology.

"The dealership experience should reinforce the decisions made online," Helms said. Social media can be used to keep in touch with dealers after the purchase.

"Millennials are not hugely different than the average shopper, but enough to swing things," said Stephanie Brinley, an auto analyst with IHS Automotive, which conducted the study of 1,900 car buyers, including about 300 millenials, within the past year.

NADA rebuts New York Times editorial

An Aug. 8 editorial in the New York Times, "When a Car Loan Means Bankruptcy," has been decried by the NADA as "an unfair and unfounded attempt to portray the auto lending industry as a hotbed of deceptive practices and a harbinger of insolvency that could trigger another recession."

NADA President Peter Welsh noted that auto loan defaults are at historic lows — less than 1 percent in June.

The Times editorial expounded on an investigation by the paper's reporters that found "a disturbing account of how dealers and lenders work together to fleece vulnerable buyers." They noted some loan interest rates as high as 23 percent and income and employment information that was falsified to qualify low-income customers for loans they could not afford.

Welsh responded: "Before demonizing such a valuable and consumer-friendly system, check the facts:

• During the Great Recession, auto loans were one of the best performing asset classes. Auto loan default rates never went higher than 2.74 percent, versus first mortgage default rates that hit 5.67 percent.

• Extending credit for the purchase of a car — which rapidly depreciates in value — is not profitable unless it's repaid, so putting consumers in car loans they can't afford is not a sustainable business model.

• New-car dealerships provide a valuable financing option to consumers. Credit offered by new-car dealers routinely carries lower interest rates than credit offered by other lenders for similar borrowers.

• It's illegal to misrepresent a borrower's credit background and a lender who does so is liable for any default.

Enforcement of existing laws against a small minority of bad players is in everyone's interest, but smearing an entire industry for the misdeeds of a few is just plain wrong."

Tune in ... . . . to "Drive Chicago," the CATA's automotive radio show, 8-9 a.m. Saturdays on WLS-AM 890.