



## Thieves hitting dealership lots for wheels

Thieves this month stole wheels from multiple new-car dealerships in the northwest suburbs, the CATA has learned.

One dealer said May 14 that he has hired a guard to patrol his lot and a neighboring dealer's lot from midnight to 5 a.m.

As anti-theft technologies such as engine immobilizer systems make cars harder to steal, thieves have resorted to plundering parts and accessories.

"They want whatever sells, from the mandated labeled parts to those that aren't," the National Highway Traffic Safety Administration explained.

Because wheels are not marked, it is easy for thieves to dispose of the stolen property and for criminal middlemen to fence the high-priced items.

"The hardest part is tracking these wheels and you really can't," said the general manager of one of the dealerships. "Just because police find the wheels, it's hard to track them back to the dealership."

Among 15 security tips recommended for dealerships to follow, maintaining proper lighting and using security cameras top the list. A victimized dealer said his vehicles had wheel locking nuts,

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## PPP loans: Preparing for what comes next

By **JASON COURTER**  
2020 AIADA CHAIRMAN

Lately, the automotive industry is breaking records in all the wrong directions. April had the lowest recorded SAAR of any April, ever. The market was down about 50 percent from 2019.

In times like these, small business owners are looking for relief anywhere they can get it. Many dealers, including myself, received Paycheck Protection Program loans designed to be temporary life rafts to keep as many Ameri-

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## Consumer interest in owning cars rises after coronavirus: survey

The COVID-19 crisis could change why people buy cars, how they buy them and even who thinks they need to own a vehicle, according to a global survey conducted by consultant Capgemini.

The survey quizzed more than 11,000 potential buyers in 11 countries that account for 62% of global vehicle sales.

"We're going to

see individual vehicle usage rise as people more concerned with hygiene choose personal transportation," said Daniel Davenport of Capgemini's North America auto sector. "There's also more interest in car ownership from customers under 35 years old," a sentiment contrary to recent indications younger consumers put a low value on

owning a vehicle.

While 35% of all people surveyed globally were considering getting a car this year, 45% of those under 35 were considering doing so, and a majority of the latter group have never owned a car.

"It's potentially a seismic shift," Davenport said.

The survey included people in China,

France, Germany, India, Italy, Spain, Sweden, the Netherlands, Norway, the United Kingdom and the U.S. Capgemini surveyed about 1,000 people in each country.

The survey was taken in April, meaning the countries surveyed all had extensive experience with COVID-19's effects.

Among the results:  
**1. 35% of buyers**

**worldwide are considering buying a car in 2020.**

Buyers in China, where the pandemic struck first and may have been controlled best by strict social distancing and a near total quarantine in affected areas, were most optimistic, with 61% saying they were strongly considering or considering buying

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## Mexico to reopen auto factories after virus shutdowns

As automakers prepare to restart U.S. manufacturing, potential parts shortages south of the border appear to have been diverted.

Some Mexican auto factories are due to open as soon as May 18, in line with large U.S. assembly plants for the Detroit automakers. Mexican President Andres Manuel Lopez Obrador on May 13 laid out a road map for the country to reopen its economy, with a focus on the automotive sector, according to Reuters.

Despite President Donald Trump's "America First" policies, the U.S. auto industry heavily relies on Mexico for parts and vehicle production.

Mexico, unlike many U.S. states, had not given direction

on when auto manufacturing would be allowed to restart as the county's coronavirus cases have continued to rise. It's something auto industry executives have been closely watching as they reopen American factories.

Prior to the reopening report, Fred Hubacker, a managing partner of consulting firm Conway MacKenzie, called Mexico a "wild card" in the restart of the U.S. auto industry.

At \$93 billion, vehicles were the top import to the U.S. from Mexico in 2018, according to federal data. The Center for Automotive Research reports \$60.8 billion, or 39% of auto parts used in the U.S., were imported from Mexico in 2019.

"Mexican content is a significant issue [automakers] must resolve to restart vehicle production," said Kristin Dziczek, vice president of industry, labor and economics at the Center for Automotive Research. "Synchronization of the automotive restart cadence with Mexico is critical."

Important vehicles imported to the U.S. from Mexico include pickup trucks by General Motors, Fiat Chrysler and Toyota Motor as well as luxury vehicles from Mercedes-Benz and Audi.

GM CEO Mary Barra told investors this month that the automaker has been having "regular dialogue" with national leaders in Mexico and the U.S., where it plans to begin producing

vehicles May 18. She called the discussions "very constructive," citing extensive safety measures the company outlined to officials for restarting production.

"We think with those protocols and communicating and sharing our plans, we're in a good position as we talk to country leaders and state leaders," she said. "Obviously, we'll continue to have dialogue with our unions as well as with the government leaders to do the right thing."

GM's large SUVs for the 2020 model year, which are produced in Texas, have some of the highest percentages of parts coming from Mexico among U.S. built vehicles, according to the American Automobile Labeling Act report.

## Littler updates Response Kit

Littler Mendelson P.C., the CATA's labor relations attorneys, this month updated its COVID-19 Response Kit to incorporate guidance in Illinois Gov. J.B. Pritzker's Executive Order that took effect May 1.

Most importantly, the kit now incorporates the requirement that all employees wear face coverings.

The executive order also requires employers to post a notice with guidance on maintaining the workplace health and safety of employees, and on safety and OSHA issues that are potentially implicated in certain COVID-related scenarios.

## Pickup trucks outsell sedans in U.S. for the first time ever

The highly lucrative truck segment dominated by Ford, General Motors and Fiat Chrysler Automobiles outsold passenger cars by more than 17,000 units in April, according to market researcher Autodata Corp.

It's a remarkable turn of events for an industry that's long been reliant on trucks as cash cows, but never to this degree. Just five years ago, cars outsold pickups by more than half a million units in a single month. Detroit began ditching sedans the following year and hasn't looked back. Full-size truck models alone were more than 40% of GM, Ford and Fiat Chrysler's sales in April, according to Evercore ISI.

There are a few factors contributing to the development. Detroit's deliveries — pickups and otherwise — are concentrated more so in middle America than the coastal states that introduced some of the earliest and most aggressive shutdown orders. Trucks also were bolstered by 0% financing of-

fers, some of which stretched loans out for as long as seven years, Joe Spak, an RBC Capital Markets analyst, wrote in a report.

The chief executive officer of Fiat Chrysler told investors May 5 that its vehicle inventory in the U.S. was running low.

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## Some dealers seem to be playing COVID-19 inventory roulette

New-vehicle dealers seem to be playing a game of roulette right now, with about half of them betting on red and the other half on black.

The wager is on whether dealers should continue taking additional new-vehicle inventory into stock.

Many dealers understandably have been unnerved by this pandemic and have voluntarily placed themselves on finance hold to halt any additional vehicles from being delivered.

Most OEMs have tried to combat this fear by offering additional wholesale incentives or by providing deferred floor plan terms.

A recent inventory analysis by vAuto found that 60% fewer new vehicles were delivered to dealership lots early April vs. the same week a year ago. Clearly, there is a fair amount of pessimism at the inventory roulette table.

But which is the better bet, black or red?

The pure retail new-car seasonally adjusted annual rate dropped from 13.4 million in Feb to 8.7 million in March. Ouch. This drove the days' supply numbers 53% higher, to 116 days.

The April sales forecast puts retail sales volume at 558,000 units for the month. If that sales volume is applied to the ending March inventories, the industry days' supply climbs from 116 days to 143 days, nearly a six-month supply.

Based on the math, it's hard to fault the dealers who are betting on red, or against taking more new-vehicle deliveries.

For those inclined to bet on black (taking more inventory), consider:

- OEM production has essentially

halted globally, and it likely will be six months before normal production and inventory volumes begin flowing again. What dealers have on their lots today is likely what they will have to sell from for the next four to six months. Most dealers will need what they have on the ground just to get through this downturn in manufacturing.

- The auto industry is simply "too big to fail." There are strong indications the government will launch another "cash for clunkers"-type program to spur demand sometime this summer, once there is more certainty around the health crisis. Morgan Stanley auto analyst Adam Jonas is reporting a new program would be in the \$10 billion range vs. the 2009 "cash for clunkers" program, which was \$3 billion.

- Unlike independent dealers, franchised retailers have a motivated partner in their OEM to help drive demand. The domestic makes already have shown a willingness to be aggressive with programs, like 0% APR financing for 84 months. In March, average incentive spend was 10.5% of average transaction price. According to the latest Cox Automotive 2020 COVID-19 Impact Study, one-third of shoppers are delaying their vehicle purchase, but almost half of those could be spurred into action if they find the right deal.

- Necessity vs. emotional purchases. Dealers say that about 50% of their new-car sales are "necessity" purchases: lease turn-ins, life-changing events, totaled vehicles and the like. There will continue to be these purchases, some of which are likely being postponed until summer.

- The financial cost of holding new vehicle inventory is quite low because

interest rates have plummeted.

- Cash flow. New-car deliveries bring with them holdbacks, floor plans, ad assistance dollars and pre-delivery inspection money for the technicians. At a time when dealers are conscious about their cash on hand, new-car deliveries do create more cash.

This economic downturn is having a massive impact on consumer demand and their ability to buy new vehicles. Consequently, dealer days' supply at most stores has more than doubled since February, which no doubt has raised some eyebrows and caution around the inventory roulette wheel.

However, with 2020 being an election year, there will be huge political motivation to get the economy and the American consumer back on track.

The potential Cash for Clunkers II could drive nearly 4 million units of sales volume. Brian Finkelmeier, senior director of new-car strategies at vAuto, said the OEMs are going to be more concerned about their own cash flow and less focused on margins, which means bigger consumer incentives.

All of these elements combined could create some big winners at the inventory roulette wheel.

Last week, a dealer from North Carolina said: "Dealers are optimists by nature. We always find a way to figure it out."

"If I were placing my bet at the new-vehicle inventory roulette wheel," Finkelmeier said, "I'd be betting with the optimists on black because I believe in three things: the American consumer's resilience, American politicians' willingness to spend money, and in the American car dealer's ability to always figure it out."

## PPP

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cans as possible on small business payrolls. Thanks in part to a PPP loan, we will be able to do just that.

When it comes to both auto sales and government relief, we are in uncharted territory. By being organized and proac-

tive, dealers can set themselves up for success. It's also a good idea to have a response prepared for anyone asking questions about your PPP loan. Mine is simple: I am confident that better days are ahead for my stores and my employees, and I am grateful for the PPP loans that will help us get there, together.

## Commentary: How to maximize on wholesale (The SparkNotes version)

By **JOE NEIMAN**, CO-FOUNDER

ACV AUCTIONS

CATA MEMBER BENEFITS PARTNER

BUFFALO, N.Y. — In the midst of this history-making global pandemic, the auto industry is reeling.

Each day, each hour, we're learning new updates and trying to adjust accordingly. With varying rules and laws from state to state and even county to county, it's understandably an overwhelming state of the industry. In fact, it can be easy to lose focus or just ignore certain parts of the business in the interest of trying not to lose more money.

But here's the thing: If you're really committed to being around in a couple weeks or months, once this virus levels out and passes, you have to keep moving — business as usual. It will be

slower. Your volume will be down. But you have to continue to transact. If you don't, then you might as well shut down now.

So now that you've committed to continuing to operate, what can you do to make sure you're maximizing on your wholesale business? Consider this a SparkNotes version of the rulebook that has never been formally written for the wholesale marketplace.

1. Cars get bought at auction — not sold. This means the buyers are actually in control of the outcomes far more than the sellers are, even though most sellers would never want to admit to that reality.

2. You must trust the auction process if you're going to use an auction, and know how to play it to your advantage.

3. The way to get the most out of the auction is to ensure you have the biggest audience.

4. The way to get the audience is to ask the least, by setting a low reserve. This is a classic risk = reward strategy.

5. Newsflash: Buyers don't really care what a seller owns the car for. Buyers want the best deal possible, but there is a way to make them pay more — you must create a competitive bidding environment on your vehicles.

6. The only way to get a buyer to pay more is by creating competitive pressure by having a low reserve price. Think about the energy and the vibe at an auction and the fast-chanting auctioneer. Just thinking about it and your blood pressure starts rising. You can replicate

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## Ownership

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a new vehicle.

Italy, also hammered by the disease and subject to strict isolation rules, came in third with 43%.

The U.S. came in at 34%, almost dead on the global average, just behind Spain's 36% and more optimistic than France, the U.K., Norway and Germany at 32%, 27% and 25%, respectively.

**2. Public transportation and ride-hailing may suffer.**

Globally, 46% said they'd be less likely to use public transportation in the future, compared with 33% who disagreed with the statement, "I will use public transport less often and take my own car more often."

Ride-hailing services like Lyft and Uber got hit nearly as badly as buses and subways, with 43% agreeing

with, "I will prefer to use fewer ride hailing services (in the future) owing to health and safety concerns." At least 35% disagreed.

**3. Public transport is even less popular in U.S.**

Even more Americans, 51%, said they'd be less likely to use public transportation this year, rising to 53% in the future.

Ride-hailing services fared nearly as badly: 49% said they were less likely to use them this year and in the future.

**4. Private vehicles are considered safer.**

An overwhelming 75% of people said "greater control of hygiene in a vehicle I own" was one of the reasons to buy a car. That placed it second only to needing a personal vehicle for their requirements, a sentiment about as inarguable as saying most people buy umbrellas to stay dry when it rains.

**5. Visiting a dealership is as unpopular as an Uber driver with a cough.**

In China and India, 71% and 70% of consumers wanted to compare financing and deals without going to a dealership. The U.S. came in third at 49%.

"The ability to offer online purchasing will become the baseline expectation," Davenport said, suggesting a contactless customer experience.

"We've been making a slow transition to digital buying, now it's going to be front and center."

Regardless of changes in sales techniques and customer preference, the survey doesn't change the fact that the rest of 2020 will be challenging for auto sales. Globally, 49% of respondents said they are "not considering" or "strongly not considering" buying a car this year.

To respond, Capgemini recommends:

- Short-term subsidized leases and personalized social-media marketing for younger buyers

- Multiple payment models, including subscription, short-term leases and pay per use

- Emphasizing lower-priced options and health features

- Fewer models and options to simplify the supply chain

- Publicize dealerships' health-related practices

- New features like HEPA filters, ionic air purifiers and air quality indicators

Globally, the median income of potential buyers — those considering or strongly considering a purchase — was about \$60,000. They were above the national average in all countries surveyed except Italy, Spain and France.

## Wholesale

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this same competitive atmosphere with an online auction by lowering your reserve price to pull more potential buyers in on your vehicle.

7. If you do the opposite and set a higher reserve price, all of the potential buyers vanish away from your vehicle, or never even take a good look at it. What seems “safe” by setting a high reserve is actually the worst thing you can do. All that you are ensuring is that you’ll be stuck with that depreciating vehicle even longer!

8. It is the same strategy that seasoned auction reps know: the first five cars in your run are getting sold no matter what. Why? Because it pulls in the audience and then you will average out ahead overall.

Here’s what I’ve been seeing while observing the ACV marketplace these last few weeks:

1. The sellers who have embraced the strategies outlined above have experienced higher volumes of views per auction, unique bidder count per auction, more total bids per bidder, higher sell through rates (conversion), higher final prices paid for their vehicles, less reliance on IF deals, and dramatically increased wholesale profitability compared to their peers who try unsuccessfully with an above-market reserve price.

2. The ACV marketplace rewards the sellers who set aggressive reserve prices because their listings stand out among the rest and get more audience and action, and pull more money.

3. When we have worked with sellers historically and influenced them to

adapt these strategies, they have realized a \$200-900 average lift per vehicle for their wholesale compared to their previous results.

4. There is no better time to embrace digital wholesale into your process. It can safely sell your cars the same day, giving you the cash flow, you need. With ACV, we are able to accomplish this without any personal contact with dealers and your vehicles stay safely on your property until they are sold. Our inspectors are armed with masks, gloves and appropriate sanitization tools. They are successfully inspecting and launching thousands of vehicles every day nationwide in the midst of this crisis.



5. ACV has thousands of buyers from across the nation, which allows sellers to reach buyers outside of their current market, some of which may be severely limited or shut down by local or regional market conditions and emergency efforts as a result of COVID-19.

Holding out for more money is a fallacy. Each time you run a vehicle through an auction and don’t sell it, you actually devalue it and turn off potential buyers from engaging because they have seen it and watched it not sell. Buyers do not want to waste their time chasing the same car multiple times.

After the second time seeing it,

they’re generally disinterested and will no longer bid on it even if they were once interested. That’s why pricing aggressively and letting the competition occur is paramount to a seller’s success.

In the current environment, many sellers are fearful about cutting their wholesale inventory loose and actualizing the losses. But the reality is that they have already lost the money — even if they continue to hold the depreciated assets and hide their losses. Actualize the loss, free up the capital, and move forward with your business.

Right now, the best move is to stay as current as possible with the market and ride the waves, instead of trying

to time the market perfectly and get in and out at the right times. To achieve this, reduce inventory turn times, and get wholesale inventory off the books as quickly

as possible, even at a loss. Take that now-liquid valuable capital and reinvest it in right-priced inventory.

We’ll get through this together. ACV is here for our dealer partners and appreciate all the new dealers reaching out and asking for our assistance. We’re fully operational and committed to supporting you however we can. Like everyone else, we’re rolling with the volatility, making changes and updates where we can and looking for ways to keep innovating while we weather the storm together.

What doesn’t stop us only makes us stronger.

## Thefts

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but the thieves used bricks to smash the vehicle windows to get the keys to the locks in the glove compartments.

“The best defense is to make your vehicle less of a target, but if someone really wants your wheels, they’re going to do whatever it takes,” said Frank Scafidi, spokesman for the Na-

tional Insurance Crime Bureau.

The affected dealerships ranged from Elgin to Arlington Heights.

A description of any suspects was not immediately available.

Anyone with information on the thefts is asked to call Area North detectives at (312) 744-8263.