



Program helps dealerships educate on, sell EVs

In collaboration with the Center for Sustainable Energy and Plug In America, the National Automobile Dealers Association on March 11 announced a new nationwide program to greatly enhance electric vehicle education at franchised dealerships. The dealership program developed through this partnership is supported by the Alliance for Automotive Innovation, which will engage all vehicle manufacturers to further dealership participation across the U.S.

While automakers continue to bring more EVs to market, providing future EV buyers with the information and expertise to get them comfortable and confident with their first EV purchase is far more crucial to mass-market adoption and fleet turnover than just product alone. Franchised new-car and -truck dealerships are the key as consumers depend upon dealership sales and support staff to educate them on the current and forthcoming EV models, charging

options, EV infrastructure, service requirements and the additional facets related to EV ownership.

“By bringing these two EV-focused powerhouse organizations together with the NADA, we will efficiently educate dealers and help accelerate the mass market adoption of electric vehicles in the U.S.,” said Mike Stanton, the NADA president and CEO. “The dealership training program leverages the strengths of each organization and will ensure dealers are more than prepared to sell and service the EV future.”

The online, interactive program will be designed to complement OEM model-specific training and will serve as a brand-agnostic review of essential content that dealership sales staff need to be able to communicate with customers to efficiently close EV sales. The program offers quick, easily digestible talking points that enable sales staff to confidently encourage potential EV buyers, and includes short modules to

appeal to different learning styles.

“The electric vehicle market is moving beyond early adopters to consumers who have lots of questions about what it’s like to own an EV,” said CSE President Lawrence Goldenhersh. “Auto dealer sales staff sit at the nexus in this market transition, and will be called upon to provide confidence-creating, point-of-sale education to millions of auto buyers considering the move to an EV. We are honored to be working with NADA to provide the training that will empower these sales teams to be a trusted resource to the auto buyers they serve.”

Joel Levin, executive director of Plug In America, said: “The transition to electric vehicles is now inevitable and dealers play an important role in helping consumers as they make the switch. “We are excited to work with the NADA and the CSE to help dealers educate consumers about the many benefits of EVs, from

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Updated guide helps dealers’ Safeguards Rule compliance

Dealerships must be in compliance by Dec. 9, 2022, with a new Gramm-Leach-Bliley (GLB) Safeguards Rule that contains a series of extensive and complicated new data security requirements, the Federal Trade Commission announced recently.

A series of compliance aids for dealers, including an FAQ document and a well-attended webinar for dealerships, were prepared by the National Automobile Dealers Association. In addition, the NADA this month issued its comprehensive and updated “Driven Guide to the FTC Safeguards Rule,” which is available to all NADA members.

The guide’s primary author is a former FTC attorney, and it contains extensive

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Trends shaping the automotive industry in 2022

There has been a lot of conversation the past few years surrounding new-car inventory and prices. What key things can dealers do to stay ahead in 2022's next three quarters?

Brian Finkelmeyer, the senior director of new-vehicle solutions at Cox Automotive, said the automotive industry is in a circular pattern of low new-car inventory and high consumer demand. Many dealers are still running with single-digit day supplies, and the recent U.S.-Canadian border protests slowed things down further.

On the demand side, Finkelmeyer said there has been a little softening of consumer sentiment that likely is caused by the global economic hardships surrounding Russia's invasion of Ukraine.

Consumers still seem to be more than willing to pay full sticker price, or close to it, for new vehicles. In

fact, data show that pre-pandemic, 75% of new-car buyers paid below MSRP for their vehicles. Today, 75% are paying exactly the MSRP or above. Despite this, Cox Automotive's 2021 Car Buyer Journey Study revealed that consumers still are more satisfied with their shopping experiences than they were pre-pandemic.

Industry experts, including Cox Automotive's chief economist, Jonathan Smoke, are saying supply conditions will improve but maybe not for at least six to eight more months. Dealers will need to be strategic in order to succeed with their inventories during the spring selling season.

Finkelmeyer said dealers should consider three things when it comes to managing inventory right now:

1. Gross profit versus turn. Manufacturers reward dealers who turn and earn the fastest. Button up on any re-

porting the day before the allocation runs.

2. Be mindful of aging vehicles and inventory updates on dealer websites. On average, 15% of inventory shown on a dealer's website is 90 days or older.

3. About 42% of dealers' used-car inventories come from trade-ins and new-car sales. It is a critical piece of the business that helps generate the overall profitability of a store.

The EV market still is small, but it is a fierce and feisty segment. In January '22, about 4.1% of new-vehicle sales were EVs. This will be an exciting year for the industry, said Finkelmeyer. A number of EV launches are taking place, but consumer adoption still is questionable. Many of the launches are full-size EV pickups. Will that be enough to sway the average consumer? Only time will tell.

Looking for employees? Get involved in local schools: Foundation

Auto dealerships that need to hire good service technicians don't need to go far to find them, according to Mike Coley, president of ASE Education Foundation. Their future employees are right down the street.

"We need more technicians in the industry, but where are we going to get them? What we want to promote is there are high schools [and] colleges in your community that you could be partnering with," Coley said.

To help dealers tap into those community resources, the ASE Education Foundation has created an "Adopt

A School" toolkit that outlines the different activities that dealerships can take to connect and engage with schools and students.

Some of those activities include becoming part of the school's advisory committee, participating in a local school's Career Day and instituting a work-shadow program at a dealership.

NADA Foundation Chairwoman Annette Sykora said she makes sure her dealership is an active partner with her local high schools and community colleges.

"All of the dealers in our

community, we put together a wish list, a new program, new equipment, new lifts at our local community college. And guess what? The program is overflowing with students," she said.

The goal of the free adopt-a-school toolkit is to extend dealership participation and engagement across the country, Coley said.

"We work with 2,300 different high school and college programs and impact over 120,000 students every year. Our reach is large, but we have a national problem, with a local solution.

"Unless you show up at the school and get involved, students won't know what great [career] opportunities we have," Coley said.

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Big US auto dealers bet billions against the death of the dealership

U.S. auto dealers flush with cash are buying each other at a record pace, but they are not closing stores in the process.

Defying predictions that the internet and Tesla's direct-to-consumer sales strategy would kill traditional auto dealerships, acquisitions in the sector hit a record \$8 billion in value in 2021, according to data from Kerrigan Advisors, a company that tracks transactions among largely private auto dealer groups. That is more than triple the \$2.5 billion for 2020.

Most of the buyers were large public or private auto retail chains such as Asbury Automotive Group and Lithia Motors. Many of the sellers were smaller, family-controlled operations, said Erin Kerrigan, founder of Kerrigan Advisors.

"We had 338 unique transactions in the industry," Kerrigan said. "The prior peak was 288 in 2020." Publicly traded dealer groups bought over 250 dealerships last year, she said.

Despite the deal activity, the number of stores that car buyers could visit has remained stable for the past decade, according to a survey by Urban Science, a consultancy.

As of July 1, 2021, Urban Science counted 18,157 dealerships, or "rooftops," in the U.S., up 46 stores from

six months earlier. In 98% of local markets in the U.S., Urban Science found no net change in the number of auto dealerships.

In short, ownership has consolidated, but the U.S. auto retail infrastructure has not.

"As far as the public goes, it looks like the same number of dealers are out there," said Urban Science Global Director of Data Mitch Phillips.

For consumers, the consolidation of auto dealer ownership could be largely invisible in the short term. But longer term, industry executives say larger dealer groups will be better equipped to deploy technology to enable faster online shopping and financing, allow customers to select from a wider array of vehicles at multiple stores and get repairs done more conveniently.

Different bets

Buyers and sellers are making different bets about the future for brick-and-mortar dealerships.

Sellers tend to be family-run businesses faced with making substantial investments in new equipment and technology to sell and service electric vehicles. They are concerned that automakers want to squeeze dealer profit margins to recover the enormous investments they have made in electrification,

said George Karolis, president of the Presidio Group, a dealership transaction adviser.

"They face large investments to keep up with the digitization of the business," Karolis said. With profits high and valuations for dealerships strong, smaller owners are deciding now is the right time to exit, he said.

Buyers — especially public chains such as AutoNation or Sonic Automotive — are using cheap capital and cash generated during the pandemic to get bigger, banking on economies of scale to overcome the challenges that drove sellers to the table.

With its size, Lithia can borrow money at lower interest cost and get products and services from vendors at 20% to 30% lower cost than smaller dealers, Lithia CEO Bryan DeBoer said.

Lithia also can as much as double an acquired store's used-car business by reconditioning and selling vehicles more than 5 years old, and use its own brand of replacement parts to keep customers from going elsewhere for service, he said.

Whether the franchise model survives depends on how dealers adapt, said Asbury Automotive CEO David Hult. Asbury launched two of the biggest deals in the current M&A boom, acquiring Park Place Dealerships for \$735 million and spending \$3.2 billion last year for the

Larry H. Miller Group, then the eighth-largest U.S. auto retail group.

Asbury needs larger scale as it invests in online sales technology, develops systems that will allow service customers to track their vehicle through the repair process and considers revamping sales and service facilities, Hult said.

"If you know the world is going to be electric ... you don't need stores to be as big as they are. Maybe a small showroom ... and smaller service centers" in more locations, he said. "You'll have fewer owners, owning more stores."

Lithia's DeBoer said he would welcome a move to an "agency model" where dealers are paid set amounts for handling a vehicle sale, haggling over price is eliminated and dealers are not expected to stock large numbers of vehicles.

"A lot of our SG&A costs are negotiation costs," he said. "We could be a lot more productive."

Auto retail executives say consumers shopping online still want places to see vehicles and get them repaired.

"If you have a footprint in a market, you don't have a plan of closing" stores, said AutoNation Executive Vice President Marc Cannon. "Our plan is to develop them out and maximize them."

Save the date!

Set aside **Tuesday, June 14** to take part in the CATA's annual member golf outing at Cog Hill Golf & Country Club in Lemont. Full details in the April 4 edition of this newsletter.



In Memoriam

Edward M. (“Eddie”) Mize, who operated three Des Plaines dealerships and was the 1991-92 president of the CATA, died March 5, weeks from his centennial birthday.

He was born Edmund Marion Misiewicz on April 23, 1922, and served as a radar technician for the U.S. Navy in World War II. He later graduated from DePaul University and worked as an accountant at Chicago Avenue Motors Sales in the 1950s before acquiring Ridge Motors, a Pontiac dealership. Mr. Mize later opened O’Hare Honda and O’Hare Hyundai.

Mr. Mize was an enthusiastic fan of the Chicago Bears, Cubs and Blackhawks. He also was an avid golfer and connoisseur of fine wines. Meeting jazz musician Dave Brubeck was a fond memory.

He was preceded in death by his wife, Maryann, and a son, John. Survivors include sons Gregory and Kevin; a daughter, Michele; seven grandchildren; and one great-grandson.

Memorials appreciated to the [Ray Graham Association for People with Disabilities](#).



Joseph McKeever, who operated a namesake Volkswagen dealership in Palos Heights and who served on the CATA Board of Directors from 1985 to 1991, died March 7. He was 81.

He is survived by a daughter, Michelle; a brother, Jack; and many

nieces and nephews.

March 29 CATA seminar to focus on preventing rash of area vehicle thefts

Vehicle thefts at area new-car dealerships continue, with methods that are increasingly brazen. Attend a CATA seminar on March 29 for a review of what to do to prevent thefts and what to do if your dealership is stricken.

Despite the increasing sophistication of automotive technology — some even say because of it — thieves continue to find ways to help themselves to vehicles. Modern thieves use both low-tech and high-tech methods.

It is important that dealerships have action plans in place if vehicles or even keys are stolen. For instance, it is important to know which police agencies to notify following a theft, and in which order. Also, records from test drives should be maintained, as thieves often visit dealerships before stealing from them. It also is important not to approach thieves in action, as they usually are armed.

Thieves are smart, but

that doesn’t mean they can’t be outsmarted. By staying vigilant and taking precautions, dealerships can be made less attractive targets.

The discussion will be led by officials from law enforcement, from a private security service which counts area dealerships as clients, and from an automotive group in the Chicago market.

Speakers

- Karianne Thomas, security director for Zeigler Automotive Group

- Joshua Mailey, president of Signal 88 Security

- Roe Conn, a member of the Cook County Sheriff’s Office working on a crime analytics team specializing in vehicular hijacking and roadway shootings

- Representatives from the Illinois Secretary of State Police’s Statewide Auto Theft Task Force

The free, in-person presentation begins at 9:30 a.m. March 29. To reserve a seat, email dealermail@cata.info with employee names and positions.

EVs

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cleaner air to convenience to the great driving experience.”

As a result of successfully completing the course, dealership sales staff will receive a program certification that documents their full understanding of and proficiency in various core competencies. Additionally, successful program participants will also receive Plug In America’s PlugStar certification. Sales staff who earn a certification

will be eligible to participate in the all-new Dealer Referral Network, a consumer resource for identifying dealerships with staff trained and certified in EV sales.

“The auto industry is undergoing a significant transformation, and preparing the workforce will be key as new electric vehicle technologies come to market,” said Alliance for Automotive Innovation president and CEO John Bozzella. “We look forward to working with our dealer partners on this program.”

Compliance

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guidance on compliance with the new requirements, as well as IT guidance from a professional IT firm. It also includes several appendices containing sample policies and links to governmental and other regulatory guidance on data security. A portion of the appendix material was provided by one of the NADA Affinity program providers.

The NADA will continue to provide compliance guidance throughout the year, but in the meantime, dealers are encouraged to review the guide and work closely with their vendors, IT professionals, attorneys, OEM partners, and others to ensure they can fully comply with the new requirements by Dec. 9, 2022.