



CATA Bulletin

DRIVE **CHICAGO** .COM
official Web site of CATA dealers

a biweekly newsletter

Volume 101, No. 23

November 22, 2004

New FACT Act credit reporting duties begin for dealers Dec. 1

Several new duties regarding the Fair Credit Reporting Act take effect beginning Dec. 1, to combat identity theft, enhance the accuracy of credit reports and provide consumers with greater control over the marketing solicitations they receive on consumer reporting agencies, credit report users, creditors and others.

The amendments, referred to as the Fair and Accurate Credit Transactions (FACT) Act of 2003, include several areas likely to impact dealers:

- Section 112: Fraud and Active Duty Alerts
- Section 113: Truncation of Credit Card Numbers
- Section 114: Procedures for Identifying ID Theft
- Section 216: Disposal of Consumer Report Information

- Section 311: Notice of Use of Credit Reports in Risk-based Pricing

- Section 315: Reconciling Different Addresses

Dealers should focus on compliance with Section 112, which takes effect Dec. 1. The other sections either have a later compliance date or must first be acted upon by the Federal Trade Commission before dealer compliance is necessary.

Section 112 allows consumers who know or suspect they are victims of identity theft to place an "initial fraud alert" or an "extended fraud alert" in their consumer files.

Review FACT Act information on the FTC Web site at www.ftc.gov/ From the main page, click on Fair Credit Reporting Act in the right column.

Jaguar, Lexus tie for 1st

Financing buoys new-vehicle sales satisfaction: J.D. Power study

New vehicles cost more compared to 2003, but satisfaction with the dealership's vehicle prices has increased, due largely to lower interest rates and aggressive financing incentives, according to a J.D. Power and Associates study released Nov. 17.

The median price paid for a new vehicle in 2004 is \$26,000, up slightly from \$25,500 last year. However, interest rates on car loans have dropped from an average of 4.8 percent in 2003 to 4.5 percent in 2004. Zero-percent financing, offered mainly by domestic brands, continues to play an important role in the automotive industry.

Eleven percent of buyers financed their new vehicle with a 0% interest rate in 2004, compared to 9 percent in

2003. Also, the average length of a new-vehicle loan has increased from 58 months in 2003 to 59 months in 2004.

The availability of low-interest financing continues to change the way consumers pay for their new vehicles," said Scot Eisenfelder of J.D. Power, commenting on the 2004 Sales Satisfaction Index Study. "Buyers are willing to pay a higher sticker price as long as the interest rate is low and they can afford the payments."

Customer satisfaction with the vehicle delivery process has declined, the study also found. Customer ratings with vehicle delivery are particularly lower in terms of the cleanliness of the vehicle, timeliness of delivery and the amount of time the salesperson spends

explaining vehicle features.

"At a minimum, customers expect that their new vehicle will be clean and in good condition," said Eisenfelder. "Surprisingly, this is not always the case."

"Declining gross margins for dealers are placing more pressure on salespeople to make the sale and, consequently, they are too often ignoring delivery. Since delivery is typically the last contact the salesperson has with the customer, this can have a dramatic effect on sales satisfaction with the dealership."

With significant improvements over 2003, Jaguar and Lexus tie to rank highest in sales satisfaction in the J.D. Power poll.

Automakers try building brand loyalty with lavish parties, tours

Even a rare, late October Southern California downpour couldn't douse the turnout of invited Hummer owners and their guests to the Anaheim (Calif.) Convention Center for free sushi, burgers, beer and a private concert and autograph session with hip-hop hit makers Black Eyed Peas—all on General Motors Corp.'s tab.

With Hummer's sales slipping this year, GM was looking to strengthen its connection with loyal buyers in a key market and win over a few converts. The food and music was the bait, but the hook dangled before the 1,400 guests was a preview of the mid-sized Hummer H3 and high-performance H1 Alpha.

Automakers are getting up close and personal with customers more often these days, hoping to forge lasting bonds that won't break every time a competitor debuts a hot car or offers a big rebate.

In addition to Hummer, DaimlerChrysler AG's Jeep brand and Toyota Motor Co.'s Lexus division are employing soft-sell customer loyalty marketing events.

Liz Vanzura, the Hummer marketing director who dreamed up the free concert idea, says the goal is to breed long-term brand loyalty while fostering a feeling of exclusivity.

"It's being part of an exclusive club of passionate people," she said. "You couldn't get a ticket unless you were a Hummer buyer. We're trying to increase loyalty."

Hummer H2 owner Cesar Cervantes, a 37-year old mechanical engineer, was skeptical when he received the party invitation. In the end, though, he couldn't resist Hummer's unexpected largesse.

"I didn't think it would be so nice," he said.

Cervantes and his wife watched the concert after enjoying the complimentary drinks and burgers. "I thought it would be just another sales pitch, but I love it," he said.

His other car is a Mercedes-Benz, but Hummer's hospitality now has him thinking about the smaller, new H3. "I'm anxious to see what it looks like," Cervantes said.

Laurie Kariya isn't really in the market for a new ride, but she takes pride in driving against the grain in her behemoth 1993 H1. The novelty of the event appealed to her appreciation of the unusual and her disdain for obtuse salesmanship.

"It was unconventional rather than mass marketing," said Kariya, as she sipped her free glass of wine.

The location was strategic as well. California is Hummer's biggest market, accounting for about 30 percent of its annual sales. It's no coincidence the H3 and H1 Alpha made their world debut the next day at the California International Auto Show in the hall adjacent to the arena.

"California is a big buzz market," Vanzura said. "If we

get good reaction there, we hope that influence will spread to the rest of the country."

Free music, food, a dash of subtle salesmanship and ego stroking are all indicative of customer loyalty events which are generally held several times a year in several locations.

For instance, Hummer holds "Hummer Happenings" where owners are given lessons in off-road driving.

Camp Jeep programs invite owners for weekends of putting their SUVs through the paces on challenging off-road courses, camping out, eating barbecue and bonding around the campfire.

The key to making these events work is to "make the vehicle the hero" and then give the customer as many chances as possible to drive it. "We know a test drive will create a three-to-one opportunity that a person will intend to purchase," Bitonti said. "Put 'em in the seats with very little pressure."

The other half of the equation, he says, is creating a dialogue with those already in the fold to determine how best to keep them there. "People will tell you whether they love this or they hate this," Bitonti said.

The more genteel Lexus brand stages a 13-city, invitation-only Taste of Luxury Tour, melding test drives with upper crust touches designed to pluck the right strings of the 40,000 hand-picked attendees—70 percent Lexus prospects and 30 percent current Lexus owners.

The companies won't reveal what they spend on such events, but marketing analyst Jim Sanfilippo says they've been elevated in importance from merely tactical to strategic and now are an imperative in marketing plans.

"These things are designed to magnify word of mouth, to basically train your customers to sell the products they love and the products you sell," Sanfilippo said. "It turns advocates into zealots."

"The idea of live zealots selling your product—you just can't live without."

The CATA Bulletin is published by the
Chicago Automobile Trade Association

18W200 Butterfield Road

Oakbrook Terrace, IL 60181-4810

630-495-CATA [2282] phone 630-495-2260 fax

The CATA Bulletin is published and mailed every other Friday except during the Chicago Auto Show, when it is not published.

Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full résumé to the Editor.

Review past editions or search by topic at www.cata.info/

Jerry H. Cizek III President, Publisher
Erik K. Higgins Editor, Director of Dealer Affairs

Choices

By RAY SCRPELLI SR.

METRO CHICAGO NADA DIRECTOR

Life is full of choices, and that is especially true this month. It is our choice whether or not to be involved in the political process, but I hope every one of you voted on Election Day.

Because the actions of politicians and regulators affect our businesses, it behooves us to maintain contact with legislators on both sides of the aisle, so that when they have a choice to make, they will know the impact of their decisions on America's new-car and -truck dealers.

The NADA board of directors chose new officers at a recent meeting. The 2005 NADA chairman is Jack Kain, who operates Jack Kain Ford in Versailles, Ky., and Kain Family Ford-Lincoln-Mercury in London, Ky. The vice chairman is William H. Bradshaw, Bradshaw Automotive Group, Greer, S.C.; secretary, Steve West, West Chevrolet, Inc., Alcoa, Tenn.; and treasurer, Leonard Northcutt, Northcutt Chevrolet-Buick Co., Enid, Okla.

All will take office during NADA's Convention and Exposition in New Orleans, where you can meet and talk with them in person.

A highlight of the convention is a review of the NADA's existing programs, and talk of some new ones. Here's how you can get involved:

In October, dealers had a national impact on child passenger safety by hosting hundreds of safety seat events all over the country. Both the individual events and the overall effort created positive press for all of us, while protecting our most vulnerable citizens. Hosting safety seat inspections on a recurring basis extends the benefits to children, parents, the community and, ultimately, to us.

We can choose to be ethical or not. The vast majority of dealers make positive choices every day, but we need to do a better job of communicating this to the public and the media. The NADA is again running an insert in Time magazine this month to educate consumers about dealership financing options and procedures. Here are some positive actions your dealership can take to improve the image of dealers nationwide:

- Sign the Code of Ethics poster – available in both English and Spanish – and display it prominently in your dealership.
- Have your state or metro dealer association adopt

the NADA's finance resolution to deal fairly with customers.

- Share vehicle-financing information with middle school students by volunteering for Junior Achievement's "Personal Finance" program. Find your local unit at www.ja.org.

- Educate consumers by making available in your store(s) the "Understanding Vehicle Financing" brochure, created by the NADA and the American Financial Services Association. English and Spanish versions can be downloaded from www.nada.org/finance.

- Educate yourself with the NADA's vehicle financing training video, "F&I: Absolute Integrity...100 Percent of the Time."

- Educate the media by familiarizing yourself with the NADA tool kit, "F&I Under Fire."

The best and most cost-effective educational opportunity offered to you by the NADA is the 2005 Convention and Exposition in New Orleans. You can look forward to:

- New this year, a Regulatory Affairs Booth with representatives from nine regulatory agencies to answer questions and guide you through "the regulatory maze."

- Also new, a Women Dealers' Networking Breakfast featuring Ann Moore, president and chief executive of Time Inc., and hosted by at-large NADA directors Marcy Maguire and Kathleen Sims.

- Noted speakers include Carlos Ghosn, legendary CEO of Nissan; Capt. Scott O'Grady, USAF (Ret.), whose daring rescue from Bosnia gripped the nation; stateswoman and humanitarian Queen Noor of Jordan.

- Presentation of the prestigious Time Magazine Quality Dealer Award;

- A streamlined onsite registration process;

- 40-plus workshops on topics in multiple tracks;

- Super Workshop speakers from the Pike Place Fish Market and their mentor from BizFutures to share their techniques for success;

- More than 300,000 square feet of information-packed exhibits and hands-on demos;

- The chance to meet, hear from and talk to NADA leaders and the association's professional staff; and

- A great time in The Big Easy.

Advance registration via www.nada.org closes Dec. 10. Afterwards, all registrations must be done onsite. Hotel reservations are conducted through the New Orleans Housing Bureau. Call the bureau at 800-424-5250.

Marketplace

Controller Aggressive self-starter analyzes and interprets financial data and recommends changes to improve systems, financial performance and internal controls. Mark E. Thomas, 708-932-5596.

Résumé on file at the CATA.

Dealership for sale Chrysler Corp./Import dealership in Chicago suburb. Reasonable Blue Sky, plus used vehicles, parts & equipment. Real estate to be leased or sold to buyer. Respond in confidence to Carl Woodward, Woodward & Associates, 309-662-8797.

www.cata.info

your link to past newsletter editions and other CATA info

234 million cars, trucks on roads by 2008: Polk

The number of light vehicles in operation (VIO) on U.S. roads could grow by 16 million vehicles over the next five years, to 234 million units total, according to a forecast this month by R.L. Polk & Co.

Passenger car VIO would decline slightly by the July 1, 2008, forecast date, as older cars are scrapped and replaced with new light trucks such as minivans, pickups and SUVs.

In the Polk study, a vehicle in operation is defined as previously registered vehicles plus new vehicle registrations each year, less any vehicles that are scrapped annually.

“Understanding the past and current VIO snapshots is important for the auto industry, but to understand what will happen in the future has become increasingly important,” said Marty Miller, product manager with Polk’s product strategy team.

“During the next five years, we ex-

pect light truck VIO to grow by over 13 percent and passenger car VIO to fall by nearly 9 percent. This development will certainly have implications for automotive part product life cycles and the aftermarket.”

In 2003, passenger cars comprised 60 percent of vehicles in operation; light trucks, 40 percent. Polk projects that by 2008, the percentage of cars will drop to 54.7 percent while light trucks increase to 45.3 percent.

“There are several other dynamics at play here,” said Polk analytic consultant and model builder Dave Goebel. “Light truck sales have recently outnumbered passenger car sales.

“We also know from our research that light trucks last longer than cars, and that more recently produced model years out last older model years. Our modeling techniques are based on these known differences in durability across vehicle segments and model years.”

California mulls trading gasoline gallon tax for tax on miles driven

California would scrap the state tax on gasoline, now 18 cents a gallon, in favor of a tax on every mile each car and truck travels, in a proposal advocated by the state’s new Department of Motor Vehicles director.

The notion is gaining acceptance among transportation and budget experts. As Californians drive increasingly more fuel-efficient cars, state officials are alarmed that the gasoline tax will not raise enough money to keep up with road needs.

But charging people for the miles they drive worries some owners of hybrid cars because it could wipe away any gas-tax savings.

And privacy advocates worry about the government tracking the whereabouts of every car in California. In one scenario, currently being tested in Oregon, tracking devices send a signal to a GPS satellite following the car, and that information is used to calculate the tax bill. Other devices send a signal from the car to the pump, which figures the tax based on the odometer reading.

Annalee Newitz, a policy analyst for the Electronic Frontier Foundation in San Francisco, which monitors privacy issues, said if the device “can communicate with a satellite and then communicate back with an-

other device on the ground, it could be used for something else. That would be my concern: How are limits placed on how this device could be used?”

Yet some transportation experts say the technology has wider implications. Officials are intrigued by the idea because California could begin taxing people for using specific roads at specific times.

To keep people off freeways at peak hours, for example, per-mile fees for city streets could be pegged at a lower rate than the highway. That could prompt people to use alternative routes.

Revenue from the gas and

diesel fuel tax—about \$3.3 billion—will have declined 8 percent between 1998 and 2005, adjusted for inflation, but the amount of miles traveled by cars and trucks on California roads has increased 16 percent, analysts said. The California Transportation Commission said the state needs about \$100 billion in road and freeway repairs.

With more Californians driving fuel-efficient cars, auditors warned, less gasoline consumed means less money for the state’s coffers from the gas tax, even though people are driving and damaging roads just as much.