



CATA Bulletin



a biweekly newsletter

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Nominations for Time magazine award for dealers due June 9

Nominations for the annual Time Magazine Quality Dealer Award, which honors new-car dealers for their business acumen and community service, must be received by the CATA by Friday, June 9.

All nominations should be submitted using the nominating ballot included with this newsletter. Criteria for eligible nominees appear on the ballot.

The Civic and Dealer Relations Committee of the CATA board of directors will review all nominations, and the full board will submit the name of one CATA candidate for consideration for the national award.

Winners will be named next winter at the NADA convention in San Francisco. National winners are selected by a panel of faculty members from the University of Michigan Graduate School of Business Administration.

Recent TMQDA candidates nominated by the Chicago Automobile Trade Association

2006	Hanley Dawson III
2005	Mary Ford Dolan
2004	Dan Feeny
2003	Bill Jacobs
2002	Bill Stasek
2001	Bill Hawkinson
2000	John Guido

Seminar advises F&I 'best practices'

While compliance matters seem never-ending, representatives of the JM&A Group offer one measure of relief. They said the responsibility for achieving all that compliance rests with everyone at the dealership.

The company, which focuses on F&I performance, presented an April 18 seminar, "The Car Business, Compliance & You," hosted by the Illinois Automobile Dealers Association at the CATA.

"There's plenty of money to be made the right way. The keys are disclosure and customer compliance. That will shut down a lot of the lawsuits," said JM&A's Chris Costello, who is a CPA and an attorney.

Costello and colleague Peter Chasetz spoke about navigating the increasingly complicated compliance maze. Required paperwork

has fattened some deal jackets to one-half inch thick.

Chasetz said dealers are increasingly under a microscope, with negative media attention and assaults by some attorneys general to limit dealer margins on car loans. "When did profit become a four-letter word?" he asked. Dealers should be permitted to earn a profit because what constitutes a "good deal" for a customer actually is a state of mind, said Chasetz.

He said F&I managers must follow a process, for consistency, and address certain issues:

- Disclose everything.
- Be truthful. Answer questions openly and honestly.
- Build value in the product. Customer satisfaction is reached when value exceeds cost.

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Shotgun!

Registration is underway for the annual CATA golf outing, June 12 at Cog Hill Golf and Country Club in Lemont. See the flyers in this newsletter. For golfers without an "A" game, the pencils will have erasers.

CATA allied members interested in sponsoring an aspect of the event should call the CATA's Sandi Potempa at 630-424-6065.

As interest rates rise, so does leasing Auto newspaper ads on decline

More car shoppers are opting to lease rather than buy as rising interest rates make loans more costly. About 20 percent of new vehicles were leased rather than purchased in March, the highest rate since 2001, according to Edmunds.com.

At the same time, dealer financing on new-car purchases has gradually been falling, reflecting in part the shift to leasing. The average interest rate for loans on new cars rose to 8 percent in March, up from 6.4 percent in March 2003, Edmunds.com reported.

But higher interest rates weren't the only reason for the shift to leasing. Others:

- **Better used-car values.** The best leasing deals are usually on cars that hold their value when sold as used. Lately, overall used car values have been stronger after bottoming out from 2000 to 2004.

- **Fewer new-car incentives.** With automakers cutting back on deals on new vehicles, more shoppers are lured into leasing. "Leasing does very well when manufacturers cut back on rebates and incentives," said Scott Painter, CEO of Zag/Autoland, an auto buying and financing service for credit unions. In March, purchase incentives on new vehicles were down 9.6 percent from March 2005, Merrill Lynch reports, to an average of \$2,635 a vehicle.

- **Automaker deals.** Some makers, including BMW, Audi, Jaguar and Honda, are promoting leases, says Edmunds.com industry market analyst Mike Chung. Even Mini Cooper is available for lease. Incentives on leasing deals are the highest since the automotive research website started tracking them in 2002, he adds. Lease deals aren't seen as diluting new-car values in the way big incentive packages on purchases do.

"This is a good way to retain their good brand image while still offering deals to consumers," said Chung. Plus, leasing deals are something new after non-stop sales promotions. "Finally, after two or three years, it's something new to talk about," says Raj Sundaram, president of Automotive Lease Guide.

At Honda, leasing has "always been part of our strategy," says spokesman Sage Marie. A new Honda Accord V-6 has a sticker price of \$27,300, but can be leased for a \$999 down payment and monthly tab of \$289 for 36 months.

- **Popularity with dealers.** Dealers view leases as a good way of building customer loyalty. With up to 70 percent of those who lease becoming repeat customers, Jerry Seiner, who sells General Motors and other brands at four locations in the Salt Lake City area, said he would "absolutely rather have them lease" than buy. Plus, he says, he gets a steady supply of high-quality used cars from the leasing returns.

In a reflection of a major shift in media and advertising strategies this decade, auto-classified revenue in newspapers dropped significantly last month, and has declined steadily since 2004.

According to the Wall Street Journal, a combination of Web competition and changes in the auto industry has led to a drop in spending on newspaper auto classifieds and a loss in revenue for seven consecutive quarters.

Deutsche Bank analyst Paul Ginocchio said automotive advertising revenue is "trending down significantly" in the first quarter of this year as well. Ginocchio noted that Japanese carmakers are a major factor in the trend because they spend less per unit on advertising and devote less of their media mix to newspapers.

Another factor: a rise in big dealerships over the past two decades. Ginocchio said big dealerships tend to dedicate a smaller part of their media budget to newspapers as compared to smaller dealers.

Dealer Wes Lutz, who owns Extreme Dodge/Hyundai in Jackson, Mich., attributes the drop to the influence of the Internet. "Eight out of 10 customers who walk into our dealership have already looked at our Web site," says Lutz.

The high customer demand from the Internet has caused Lutz to create a new "Internet manager" position, a job that requires replies to all Internet inquiries within an hour.

In Memoriam

Irving Walk, a former Chevrolet proprietor in Chicago and a onetime director of the CATA, died April 16 at the age of 88.

Mr. Walk operated Drexel Chevrolet Co. at 4615 S. Cottage Grove Ave. until 1981, and he served on the CATA board from 1969 to 1978. He is survived by two daughters, Marcia and Arlene; a brother, Sander; two granddaughters and two great-grandchildren.

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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 dating to 1998 or search by subject at <http://cata.drivechicago.com/>

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

Recruiters for dealerships turn to the malls to recruit saleswomen

The vast majority of women, recent surveys suggest, prefer buying a car from another woman. And since women influence 81 percent of new vehicle purchases, recruiters for an automotive group with dealerships in Florida and Texas plan to visit malls in those states this summer to look for outgoing, helpful saleswomen.

The hours worked at retail stores are comparable to dealerships, but the dealership pay can be double or more. If the mall recruiting program works, Asbury Automotive Group intends to roll it out at most of its 94 dealerships.

Some evidence suggests women may even be better at selling cars than men. Saleswomen are less likely than their male counterparts to ignore female customers

or to ask them if their boyfriend or husband is helping finance the purchase, according to a 2005 market study conducted by CNW using "mystery shoppers."

And CNW found 9.5 percent of men actually preferred to buy a car from a woman, compared with 8.7 percent who preferred a man. Eighty-one percent of men had no preference. Both men and women, however, prefer a man working behind the parts counter and servicing their vehicles.

That some of his female mall recruits will have no experience with cars doesn't present much of a problem for Ken Jackson, a human-resources vice president at Asbury, based in New York. The company tells new sales recruits to be honest with customers: Instead of answering a question with



wrong information, they are supposed to admit they don't know and refer the customer to a manager.

"We want somebody who has sales initiative, somebody who is money-motivated, who has good communication skills," Jackson said. "You can teach them the product and you can train them on the mechanics of selling the product."

New Asbury hires get one

to two weeks of training and also may go through manufacturers' online certification and off-site training programs. About 11 percent of the sales force is female. Jackson said he'd like to increase that figure to 50 percent.

About 10 percent of salespeople nationwide are female, according to a 2005 survey by the NADA, up from 8 percent in 2004.

F&I

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- Attend certification programs.

Costello reminded the seminar's 100 attendees of their responsibilities under various government regulations, like issuing privacy notices and safeguarding customers' nonpublic financial information.

Under the Fair Credit Reporting Act, a lender that denies credit must issue a written adverse action notice to the applicant. For a customer with a shaky credit history, whose application likely would be denied, dealers who decide not to forward the application to a bank or other lender effectively become the lender. Such action would require the dealer to issue an adverse action notice.

Costello said some lawyers have sent administrative assistants or others with poor credit to dealerships, to inquire only about high-end cars. A dealer who doesn't forward the loan paperwork and who does not issue an adverse action notice is ripe for a lawsuit. His advice: Submit all loans to lenders and let them worry about issuing the notices.

Seminar to review changes to compensation laws

Representatives of the Illinois Chamber of Commerce will review changes to federal and state employment laws, effective in 2005, at a May 5 seminar. Registration for the seminar, 8:30 a.m. to 4:30 p.m. at the Holiday Inn in Willowbrook, costs \$179 for chamber members, \$239 for nonmembers.

The state's Workers' Compensation Act and Workers' Occupational Diseases Act both were amended in July 2005, and changes to the medical fee schedule and benefit increases took effect in February.

Seminar instructors represent employers before the Workers' Compensation Commission regarding the handling of claims, especially medical claims. To register, call Julie Brennan of the Illinois Chamber of Commerce at 217-522-5512 ext. 226

EPA extends SPCC compliance dates

The U.S. Environmental Protection Agency has again extended the compliance deadline for dealerships with aboveground oil storage that fall under the Spill Prevention, Control and Countermeasure rules. The latest extension allows such facilities until Oct. 31, 2007, to make and implement plan amendments consistent with EPA's 2002 SPCC rule.

In December, the EPA formally proposed a small-facility exemption that largely reflects the position of the small-business coalition spearheaded by the NADA.

Under the proposal, covered facilities having an aboveground oil storage capacity of 10,000 gallons or less could self-certify an SPCC plan without the use of a Professional Engineer. The NADA urged the EPA to also allow a facility with a capacity of 1,320-5,000 gallons to keep a one time, one page, self-certification form in lieu of an SPCC plan.

The final small-facility rule is expected to issue by mid-year. Questions can be directed to the NADA regulatory affairs division at regulatoryaffairs@nada.org or 703-821-7040.

Fire sale: Remaining CATA directories free

Remaining supplies of the current CATA annual report and membership directory have been reduced to an attractive price: free.

When the directories print each July, all CATA members are issued one complimentary copy, and additional copies normally are sold for \$10 each, to defray printing and postage costs. But in the words of some industry ads, we ordered too many! Call 630-495-2282 for copies of the 2005-2006 directory.

Cambridge deflects unemployment claims

One hundred twenty-four CATA dealer members reported a combined 454 unemployment claims during the first quarter of 2006 to Cambridge Integrated Services Group, Inc., which formerly operated as the Martin Boyer Co. The company's efforts saved those dealers a total of \$1.11 million in benefits by contesting the claims.

Cambridge monitors any unemployment claims against its clients. The company counts about 230 CATA dealers among its clients.

Claims that can be protested and subsequently denied help minimize an employer's unemployment tax rate. The rate can vary between 1.1 percent and 8.9 percent of each employee's first \$11,000 in earnings. The 2005 average unemployment tax rate among Illinois employers was 4.7 percent, or about

\$493.50 annually. That is nearly double the 2003 rate.

"The unemployment tax is really the only controllable tax, in that it's experience-driven," said Paul Schardt, senior vice president of Cambridge. An ex-employee's claim affects the employer's tax rate for three years.

Client fees amount to \$2.20 per employee, per fiscal quarter. For the fee, Cambridge monitors all unemployment claims, files any appeals, represents the client at any hearings, verifies the benefit charge statements and confirms the client's unemployment tax rate.

The former Martin Boyer Co. has represented CATA members since 1979. To discuss retaining the company, call Schardt at 312-381-8241.

Congratulations!

Nissan North America bestowed the 2006 Owner First Award of Excellence upon 14 area dealerships. They are **Arlington Nissan in Buffalo Grove; Continental Motors**, Countryside; **Gerald Nissan**, Naperville; **Gerald Nissan of North Aurora; Glendale Nissan**, Glendale Heights; **Hawkinson Nissan**, Matteson; **Kelly Nissan**, Oak Lawn; **Bill Kay Nissan**, Downers Grove; **Martin Nissan**, Skokie; **Orland Park Nissan; Al Piemonte Nissan**, Northlake; **Southlake Nissan**, Merrillville, Ind.; **Star Nissan**, Niles; and **Woodfield Nissan**, Hoffman Estates.

Seven area Toyota dealers achieved Signature Certification during 2005: **Arlington Toyota, Continental Toyota** (Countryside), **Elgin Toyota, Elmhurst Toyota, Grossinger Toyota** (Chicago/Lincolnwood), **Northbrook Toyota**, and **Schaumburg Toyota**.

Honda Motor Werks of Barrington, Honda Superstore of Lisle, Muller Honda (Highland Park), **Planet Honda** (Matteson), and **Valley Honda** (Aurora) are recipients of Honda's 2005 President's Award.

Marketplace

Office Manager Nearly 36 years experience. Ability to direct complex projects from concept to full operation. Organized, motivated, goal-oriented, strong leader. Two-time winner of Ford Division Business Management's Accounting Excellence Award Certificate. Denise Moore, 219-933-0924.