Volume 114, No. 8 April 24, 2017

New-car dealerships set employment record in 2016: new report

Employment, wages and payroll at U.S. new-car dealerships all continued to rise in 2016, according to a report released April 13 by the National Automobile Dealers Association.

New-car dealerships last year directly employed a record 1,131,900 workers, a 2.4 percent increase from the previous year, according to NADA Data 2016, the annual financial profile of new-car dealerships.

"Total dealership employment has consistently risen every year since the Great Recession," said NADA Chief Economist Steven Szakaly. "In addition, hundreds of thousands of other local jobs are dependent on dealerships."

Employment and Payroll

On average, a dealership employed 69 workers in 2016, up from 66 in 2015.

Average weekly earnings of dealership employees also increased, growing by 2.6 percent from 2015. Total annual compensation now averages $69,000 per employee, giving dealership employees one of the highest average salaries of any industry.

Average annual payroll was $65 billion, up 4.9 percent, or $3.9 million per dealership.

Dealership Financial Trends

Total dealership sales revenue, including new- and used-car sales (including F&I), parts, service and body shop was $995.6 billion in 2016, an increase of 6.1 percent from 2015. The average per dealership was $59.6 million.

The Top 10 states in dealership sales in 2016 were California, Texas, Florida, New York, Oklahoma, Pennsylvania, Illinois, Michigan, Ohio and New Jersey.

Average Dealership Profile

Despite rising auto sales and back-to-back record sales in 2015 and 2016, net pretax profit at new-car dealerships as a percent of total sales has remained flat, hovering at 2.5 percent for several years.

"The past seven years have been the longest period of new-vehicle sales growth since the 1920s," Szakaly added. "For 2017, we expect new light-vehicle sales to continue on a strong trend, ending another year above 17 million."

In addition to the Average Dealership Profile section, NADA Data 2016 now includes a new expanded financial profile section covering Domestic, Import, Luxury and Mass Market dealerships.

Service and Maintenance

New-car dealerships wrote 259 mil-

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Study: Car dealers are the best in effective lead follow-up

Car dealerships' handling of leads outpaces other industries, Conversica, a provider of artificial intelligence driven lead engagement software for marketing and sales organizations, reported April 17.

Forty-nine percent of the dealerships in the Conversica study responded to leads within five minutes, which is the ideal window for qualification and conversion.

"Internet leads are an expensive resource, crucial to the success of automotive dealerships," Alex Terry, chief executive officer of Conversica, said in a news release. "Our annual report offers a snapshot of how dealerships are handling leads today and how that behavior is changing over time. We compared real-world execution with best-practice research to help dealerships see where they're performing well but also to pinpoint processes that need to improve."

Conversica analysts examined nine industries and had secret shoppers visit a total of 538 companies, including 59 within the automotive industry.

In addition to the dealership lead response rate pre-

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Dealers urged to promote safe teen driving during prom season ahead

The National Foundation for Teen Safe Driving is calling on new-car dealerships to help raise awareness of Senior Promise 2017. The campaign began April 15 and runs through Memorial Day.

"The campaign's messages are targeted to the high school graduating class of 2017, with a similar call-to-action to other members of the community, reminding us that safety is a shared responsibility," said Roy Bavaro, NFTSD executive director. "The goal of the campaign is to guard against poor choices that can have tragic consequences during a time that is among the deadliest times of the year for teens."

NFTSD will provide participating dealerships — at no cost — with all campaign materials, ready for co-branding, instruction, tips and guidance. The campaign slogan is "Dance with your date, not with your fate." Dealerships can choose the level of participation and duration that works best.

Follow-up

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sented, the study found that only 6 percent took longer than 24 hours to respond and 25 percent made eight or more attempts to reply to queries.

"There are many things the auto industry is getting right," Conversica said. "Automotive had by far the highest proportion of top-tier scores, with over one-third of respondents (38 percent) receiving an overall 'A' grade."

The company said the report also shows that there is room for improvement.

Almost 20 percent of dealers did not respond at all to a direct sales inquiry from their website, according to the annual report.

"And 75 percent failed to make the eight or more attempts that research demonstrates are needed to engage an internet lead," Conversica said.

Additionally, dealerships that are interested in being included in future reports can submit a request at www.conversica.com/4ps-assessment-request.

"There is an abundance of research on the importance of what Conversica describes as the Four Ps — promptness, personalization, persistence and performance — of successful lead engagement," Conversica added.

"The goal of Conversica's research was to determine the extent to which auto dealers are putting this information into practice."

Seventy-four percent of the dealerships examined practiced the four key elements of personalization in their responses.

CATA supports Northwood student

The Chicago Automobile Trade Association has continued its 20 years-plus practice of awarding a scholastic scholarship to a student at Northwood University, in Midland, Mich. Edward Mavromatis will receive $5,000 towards his tuition.

Edward Mavromatis, a graduate of Fremd High School, in Palatine, is pursuing a bachelor's degree in Automotive Marketing & Management and aspires to work in the automotive retail sector.

"This scholarship will help me financially at Northwood and inspire me to continually strive to be the best I can be," he said. "One of my career goals would be to work for the Jeep brand as a marketing team member, and I am very grateful to say I received such a prestigious award."

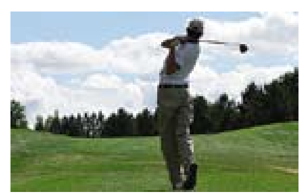
High school upperclassmen whose parents or legal guardians work at a CATA-member dealership, or dealership employees pursuing a Northwood degree, are eligible to compete for a scholastic scholarship for four years at Northwood University.

For scholarship consideration, applicants must have a high school grade point average of at least 2.5 on a 4.0 scale. Continued eligibility is subject to maintaining a 2.5 GPA at Northwood.

Mavromatis will intern this summer at Motor Werks of Barrington. The last two summers he worked at Napleton's Arlington Heights Chrysler-Dodge-Jeep-Ram and Zeigler Maserati, in Schaumburg.

"As a graduate of Northwood, I have a special place in my heart for this scholarship," said Ray Scarpelli, principal of Ray Chevrolet in Fox Lake and vice chairman of the CATA. "A career in automotive retail can be financially and emotionally rewarding and is an often overlooked career path."

CATA annual golf outing June 13 at Cog Hill



Full details and registration at www.cata.info.

The CATA Bulletin is produced by the
Chicago Automobile Trade Association
18W200 Butterfield Rd. Oakbrook Terrace, IL 60181-4810

The CATA Bulletin is distributed via blast email every other Friday except during the Chicago Auto Show, when it is not produced.
Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full resume to the Editor.
Review past editions dating to 1998 or search by subject at www.cata.info/publication/bulletins.

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Selling above sticker price?

By Christian Scali and Monica Baumann
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Have you heard the new one? A sales trainer is suggesting a new sales tactic that leads to salespeople regularly selling vehicles for more than the advertised price. The practice essentially invites customers to pay an additional amount above the advertised price as a tip for excellent service or for getting an exceptional deal. The sales trainer claims that this is kosher provided the additional amount is fully disclosed to the customer and the customer agrees to it.

Sounds too good to be true? That's because it probably is. Most states (including Illinois) have laws that explicitly require that dealerships sell vehicles at or below the advertised price, often referred to as the "ad price rule."

But even if your state does not have a clear rule, your state's unfair and deceptive acts or practices (UDAP) statute may bar this sales tactic. Prosecutors and, in some states, plaintiff's attorneys, use these laws to challenge unfair business practices. Further, the FTC is interested in unfair and deceptive practices, and has built a body of case law which it or state prosecutors can use against your dealership.

This article briefly analyzes how this sales tactic and others designed to circumvent the ad price rule could put your dealership in hot water. But even if your dealership's sales staff never gets wind of this specific tactic, it is important to know that prosecutors and plaintiff's attorneys are always on the lookout for unfair and deceptive practices. These cases can result in big penalties and even bigger headlines for your dealership.

This practice is likely prohibited in states that clearly mandate that vehicles be sold at or below the advertised price. For example, California's Department of Motor Vehicles' regulation states that advertised vehicles "must be sold at or below the advertised price irrespective of whether or not the advertised price has been communicated to the purchaser." California law does not recognize any exception to this rule. Further, these are relatively simple lawsuits, as the prosecutor can simply compare the final vehicle price to the advertised price.

Can you avoid the ad price rule by adding the additional cost to an aftermarket product? You may be able to get away with such a practice for a while, as it would be harder for a prosecutor to spot the violation by looking at the sales contract, but this is playing with fire. In some cases, a prosecutor may allege that this amounts to "payment packing," i.e. quoting a price or monthly payment to a customer that includes products or services that the customer did not request. California has explicitly prohibited this practice, while in other states prosecutors have relied on their UDAP statutes to target these practices. For example, the New York attorney general has brought nearly a dozen cases in the last several years charging dealers with "jamming" or payment packing.

This practice also could invite scrutiny from the Federal Trade Commission and Department of Justice, for dealers engaged in indirect vehicle financing; and the Consumer Financial Protection Bureau, for dealers who hold their own paper. The CFPB has expressed skepticism about aftermarket products generally, and specifically warned that dealerships which sell aftermarket products at variable prices could be subject to a disparate impact lawsuit.

If, for example, your dealership sells more of an aftermarket product to Spanish-speaking customers and at a higher price than to English-speaking customers and a legitimate business reason for the pricing difference does not exist, this could be the basis for a lawsuit that alleges the dealership unfairly discriminates against Hispanic customers.

Even in states that do not explicitly prohibit sales of vehicles for more than the advertised price, state UDAP statutes may prohibit the practice. For example, Tennessee's UDAP statute includes "advertising goods or services with intent not to sell them as advertised" as an unfair or deceptive practice. In these cases, the prosecutor may allege that the sales tactic shows that the dealership advertises a base price with the intent to sell the vehicle at a higher price, in violation of this rule.

Other states have a UDAP statute that more generally prohibits unfair or deceptive acts or practices. These often track the broad language of the Federal Trade Commission Act that declares "unfair methods of competition, unconscionable acts or practices, and unfair or deceptive acts or practices in the conduct of any trade or commerce" to be unlawful. In interpreting the terms "unfair" and "deceptive," Florida courts, for example, have adopted and applied FTC case law to find a practice is unfair "if it offends public policy and is immoral, unethical, oppressive, unscrupulous or substantially injurious to consumers." As a result, even in states, like Florida, that do not explicitly prohibit sales above the advertised price, the state UDAP statute could support lawsuits or prosecutions against dealers who sell above the advertised price.

This article has focused on a single sales tactic, but the lesson applies broadly. If a sales tactic appears too good to be true, there is a good chance that a prosecutor (and, ultimately, a judge) will eventually agree. Many states have rules that prohibit specific practices, but even if you do not live in that type of state, your sales tactics could nevertheless be scrutinized as unfair or deceptive acts.

3.2 trillion miles driven on U.S. roads in 2016

U.S. driving topped 3.2 trillion miles in 2016, the fifth straight year of increased miles driven throughout the nation, the Federal Highway Administration estimated recently.

"For a sense of scale, 3.2 trillion miles is roughly the same distance as 337 round trips from Earth to Pluto," the administration stated.

The data, published in the administration's Traffic Volume Trends report, a monthly estimate of U.S. road travel, show that more than 263.6 billion miles were driven in December 2016 alone, a .5 percent increase over the previous December.

At 33.9 billion vehicle miles travelled, California accounted for more miles driven in December 2016 than the combined 33.8 billion miles of 22 states — Alaska, Arkansas, Connecticut, Delaware, Hawaii, Idaho, Iowa, Kansas, Maine, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Rhode Island, South Dakota, Utah, Vermont, West Virginia, Wyoming — and Washington, D.C.

To review the data on vehicle miles driven in the Traffic Volume Trends reports, which are based on information collected from more than 5,000 continuous count stations nationwide, visit www.fhwa.dot.gov/policyinformation/travel_monitoring/tvt.cfm.

Data

Continued from Page 1

lion customer repair orders in 2016, up 6.5 percent from the previous year. These orders included service, warranty and recalls.

"More and more consumers are choosing new-car dealerships for their service needs," said Patrick Manzi, NADA senior economist. "Express service, such oil changes, and non-warranty repair orders at dealerships, on average, increased by 10.9 percent and 4.2 percent, respectively, in 2016. This increase demonstrates that consumers value the expertise of the highly-trained and factory-certified technicians employed at new-vehicle dealerships."

Other highlights from NADA Data 2016 include:

- The total number of new-car dealerships was 16,708, up 163 from 2015.
- A record 17,465,020 new cars and light trucks were purchased or leased in 2016.
- The average selling price of a new vehicle was $34,449, up 3 percent from 2015.
- The average selling price of a used vehicle was $19,866, up 2.5 percent from 2015.
- New vehicles sold per dealership on average was 1,045.
- Number of customers purchasing a new- or used-vehicle service contract was 43.7 percent, up 1 percent from 2015.
- New-car dealerships sold 14,968,206 million used vehicles, which accounted for 37 percent of all used vehicles retailed.

NADA Data 2016 was updated with completely re-benchmarked data and methodologies. Revisions and expansions within the Average Dealership Profile series influenced how dealership sales were calculated. As a result, data and figures from previously released reports will not be comparable to the 2016 report.

There are two versions of NADA Data 2016. One is a general overview of the retail-auto industry, with infographics that can be shared by print and broadcast news outlets as well as on social media. The other, more detailed version looks at each dealership department, employment and payroll, trends in dealership advertising, as well as the entire retail-auto industry.

Sedgwick deflects Q1 2017 jobless claims

One hundred thirteen CATA dealer members reported a combined 331 unemployment claims during the first quarter of 2017 to Sedgwick Claims Management Services, Inc., which has been serving CATA dealers under various names since 1979. The company's efforts saved those dealers a total of $822,736 in benefit charges by contesting the claims.

By comparison, quarterly claims were as high as 949 in the fourth quarter of 2009. Sedgwick, Inc. monitors any unemployment claims against its clients and contests all unwarranted claims and charges. The company counts about 235 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 0.55 percent and 7.35 percent of each employee's first $12,960 in earnings.

The 2016 average unemployment tax rate & new employer rate for Illinois employers is 3.4129605 percent, or about $447 annually per employee ($460 in 2016). The rate continues to inch down from 2007, as the Illinois economy continues to improve.

"The unemployment tax is really the only controllable tax in business, in that it's experience-driven," said Bruce Kijewski of Sedgwick. An ex-employee's claim affects the employer's tax rate for three years.

For new enrollees, client fees amount to $2.85 per employee, per fiscal quarter. For the fee, Sedgwick monitors all unemployment claims; files any appeals; prepares employer witnesses for hearings, as necessary; represents the client at any hearings; verifies the benefit charge statements; and confirms the client's unemployment tax rate.

For more information and information on how to retain Sedgwick's unemployment services, contact Kijewski at (773) 824-4322 or bruce.kijewski@sedgwick.com.