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Upcoming DealersEdge webinars

The Chicago Automobile Trade Association has established a partnership with DealersEdge to provide high-quality training and informational webinars that offer the content to CATA member dealers at a significantly discounted rate.

The rate for CATA members for the weekly presentations is $149, half what is charged to users who do not subscribe to DealersEdge. Webinars premiere on a near-weekly basis.

Even for dealers who hold an annual membership with DealersEdge, the new relationship with the CATA represents a savings because DealersEdge offers its Webinars to its own members for $198. Regular annual membership fees are $397, and normal webinar fees are $298 for non-DealersEdge members.

Once purchased, DealersEdge webinars and accompanying PDF files can be downloaded and viewed later—and repeatedly. No matter how many people watch at your location, each connection costs a CATA member just $149. A telephone connection is not needed; and the fee includes both PowerPoint slides and audio.

To register for any of the DealersEdge webinars, go to www.cata.info. On the tan bar across the top of the screen, click on Education/Careers and follow the drop-down menu to CATA-DealersEdge webinars.

Coming topics:

Premiering Thursday, May 29 at 12 p.m. CDT

"Why 70% of Used Car Departments Underperform, and How to Unlock Your Real Used-Vehicle Potential" Learn to identify and exploit the "low-hanging fruit" in your used-vehicle departments. Make used vehicles a profit-producing powerhouse!

SEE **WEBINARS**, PAGE 2

Votes due June 5

6 candidates vie for 5 CATA seats

Six candidates, including five incumbents, have been nominated to fill five openings on the board of directors of the Chicago Automobile Trade Association. Each term last three years beginning next month.

Election ballots were sent May 22 to all CATA dealer members whose association dues are up-to-date. Completed ballots must be received by 12 p.m. June 5 by the CATA's auditing firm, Crowe Horwath LLP, which will tally the submissions. Results will be announced at the CATA's annual meeting, June 9 at Cog Hill Golf & Country Club in Lemont.

Incumbents on the ballot include **Ed Burke** (Naperville Chrysler-Jeep-Dodge-Ram; Roesch Ford, Bensenville); **Bill Haggerty** (Haggerty Buick-GMC, Villa Park; Jerry Haggerty, Glen Ellyn; Haggerty Ford, West Chicago); and **Dan Marks** (Libertyville Lincoln Sales).

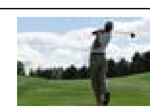
Also, **Michael P. McGrath** (McGrath Lexus, Chicago and Westmont; McGrath Acura, Chicago and Westmont; McGrath Honda, Chicago; McGrath Hyundai, Chicago); and **Colin Wickstrom** (Wickstrom Ford-Lincoln and Wickstrom Chrysler-Jeep-Dodge-Ram-SRT, Barrington).

Bob Navarre (Valley Honda, Aurora) is a newcomer on the ballot.

A director can serve a maximum of three terms. Burke, Marks, McGrath and Wickstrom are seeking their third terms; Haggerty, his second. A committee of former CATA board chairmen met last month to identify candidates for nomination.

Fore!

CATA annual golf outing is June 9 at Cog Hill, Lemont



Full details at www.cata.info.

Webinars

Continued from Page 1

Steve Nickelsen has identified the key strategies, processes, and functions that are the building blocks of a pre-owned department. Some dealerships have already doubled their used-vehicle sales by implementing these concepts.

Steve will share some ideas on how to modernize your approach to used-car management and marketing in the new "efficient" 21st century marketplace.

You will learn:

• How to "lift the lid" of past performance and start acting on the possible

• How perceived "warmth & competence" impact the customer's buying decision

• How improving in several key areas can kick start performance improvements

• Why focusing on these performance shortfalls will ignite explosive used-car growth

• How to transform your used-vehicle department into a profit-producing powerhouse!

Premiering Thursday, June 5 at 12 p.m. CDT

"Gateway to Data "Insecurity Hell": 3rd Party Dealership Vendors" Why dealerships offer a rich target of opportunity for data and identity thieves. The lessons for auto dealers from retailer Target's data hijacking experience. Avoid becoming a "Target"!

According to dealership data security expert and webinar presenter Russell Grant, auto dealers are rich targets for data and identity thieves. Consider:

1. Auto dealerships are a treasure chest of customer data, often with the details most attractive to identify thieves. As big companies become more savvy, hackers are moving downstream, looking for softer targets — like you.

2. In recent times dealerships have employed more and more third-party vendors to supply services to supplement their CRM and digital marketing efforts. Each one could be an entry point for data and identity thieves.

3. Despite rigorous "big company" protective measures, it was one of Target's suppliers that opened the door to access to virtually all of their customer data files. They, too, thought they were safe from this type of attack.

Join Russell Grant for a DealersEdge Online Workshop offering the advanced course on Dealership Data Security and learn how you can prevent data hijackings and theft.

Focusing on:

• How to create & execute a Dealership Data Security Plan

• A checklist for screening vendors needing access to your data

• How to limit the areas 3rd party providers can access

• What to include in a "vendor-data-access agreement"

App users more likely to buy, and buy more: marketing study

A customer with a dealership-specific mobile app is 73 percent more likely to buy a vehicle from that dealer than a customer without a mobile app, according to a study released this month by DME-automotive.

"App-users are not only more likely to buy, but they spend more than non-app-users," said Mary Sheridan, DME's director of research and analytics.

The app-users spent 7 percent more on their vehicle purchase than non-app-users, according to the study of 360,000 purchase records from 111 dealerships offering a store-branded app for a year.

But it's not always easy to convince consumers to download dealership-specific apps. Industry experts say shoppers who are cross-shopping dealerships are unlikely to download an app; instead, they would visit the store or third-party websites.

The likelihood of a customer opting for an app increases after a vehicle purchase, when a customer has established a relationship with the dealership.

Still, a post-vehicle-purchase app download helps dealers work on customer retention and service-department marketing through ongoing digital communications.

But that doesn't mean some in-market vehicle shoppers won't download a dealership app. Fifteen percent of the vehicles purchased during the study period were made by mobile app users who had no prior service history at that dealership.

"Consumers who have downloaded a dealership's app quite literally have that dealership's inventory in their pocket," said DME CEO and President Mike Walther.

Relying instead on the Internet, many of today's shoppers are avoiding the dealership, and even the test drive, stealthily comparison-shopping dealers/inventory online, and then swooping in to buy when their minds are made up, according to DME, a digital marketing company. Mobile apps can compensate for that dealership-avoidance, the firm said.

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Review past editions dating to 1998 or search by subject at www.cata.info.

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The fallacy of flats

Beware of claims that flat fees eliminate a dealer's risk of violating fair credit laws

Editor's note: Following is an excerpt from an NADA article.

By Paul Metrey
Chief Regulatory Counsel, NADA

Since at least early 2013, the Consumer Financial Protection Bureau has exerted substantial pressure on indirect finance sources to change the way they compensate automobile dealers for originating credit contracts with consumers. The CFPB takes this action based on its belief that finance source compensation policies that allow dealers to exercise discretion in determining the amount they earn for originating consumer credit contracts (known as "dealer participation" or "dealer reserve") create a "significant risk" that certain groups of consumers (based on race, national origin, or other prohibited factors) will pay more dealer participation than other groups of similarly situated consumers, in violation of the federal Equal Credit Opportunity Act.

Because the Bureau believes that dealer pricing discretion is the source of this fair credit risk, the Bureau declares that finance sources can take one of two actions to address it. A finance source can constrain dealer pricing discretion by imposing a series of controls on that discretion and monitoring the dealer participation earned in the credit contracts it purchases from dealers. Alternatively, a finance source can forgo this process by eliminating dealer pricing discretion and compensating dealers with what the CFPB describes as "another mechanism, such as a flat fee per transaction, that does not result in discrimination."

But if finance sources were to adopt a flat fee pricing mechanism, would that indeed eliminate dealer pricing discretion and the risk of unlawful pricing disparities that the Bureau maintains results from such discretion? For the individual finance source that adopts a flat fee policy, the CFPB states that the answer is "yes." **However, for the dealers who sell paper to that finance source as well as to other finance sources, the answer is decidedly "NO."**

The reason flat fees would not eliminate dealer pricing discretion — even if every finance source were to adopt them — is simple. Dealers typically sell credit contracts to a variety of finance sources, each finance source would set its own flat fee, and dealers would exercise discretion in selecting the finance source to which they would sell the contract.

Thus, far from eliminating dealer discretion, flat fees would merely shift the primary exercise of that discretion from *intra-finance source discretion* (that is, the discretion a dealer exercises in determining how many basis points to add to the wholesale buy rate offered by a single finance source) to *inter-finance source discretion* (that is, the discretion a dealer would exercise in determining which flat fee to choose from among the competing offers it receives from multiple finance sources).

Flat fees would not eliminate dealer pricing discretion. This in turn means that, to the extent such discretion creates a risk of discrimination to the consumer, flat fees would not eliminate the risk. And, if this risk of discrimination exists for the consumer, then a risk of liability for that discrimination exists for the dealer. Consequently, in identifying the adoption of flat fees as a silver bullet for eliminating fair credit risk, the CFPB has come up with a purported solution for individual finance sources and individual finance sources alone.

It hasn't come up with a solution for the two other parties to an indirect financing transaction: the consumer and the dealer.

Because dealer pricing discretion is a feature of the indirect financing market that cannot and will not be eliminated by Bureau pressure on finance sources, then dealers, finance sources, and the government should consider ways to realistically and effectively manage the pricing discretion that dealers exercise. And this should be done in a manner that addresses the fair credit risk to each of the three parties to an indirect financing transaction (the consumer, the dealer, and the finance source) while preserving the overwhelming consumer benefits that result from a highly competitive marketplace.

Fortunately, a tool exists that can help accomplish this objective. It is the NADA Fair Credit Compliance Policy & Program. The NADA program is modeled on a very well thought out fair credit compliance program contained in Department of Justice consent orders with two automobile dealers in 2007. A dealer who adopts the NADA program generally establishes a pre-set standard dealer participation rate (SDPR) that the dealer (i) adds to the wholesale buy rate offered by the finance source to which the dealer will assign the credit contract and (ii) includes in the offer of credit to the consumer. The dealer follows this approach for all offers of credit to consumers that involve dealer participation. However, the dealer can deviate downward from its SDPR and offer the consumer more favorable credit terms if any of several allowable deviations are present.

One example of an allowable deviation — each of which consists of a good faith, pro-competitive factor that is unrelated to the consumer's background and therefore consistent with ECOA — is lowering the SDPR to "meet or beat" a competing offer that has been presented to the consumer. The dealership employee making the credit offer records the actual dealer participation rate included in the credit offer and the reason for any deviation from SDPR.

Follow the regulations when employing minors ages 14 to 17

As high school students begin applying for summer jobs, dealers should be aware of the child labor laws that set forth a number of provisions that apply to 14- through 17-year-olds.

Employees ages 14 and 15 may perform nonhazardous jobs, and work no more than eight hours a day and 40 hours a week. Work cannot begin before 7 a.m. or end after 9 p.m.

Under state law, 16- and 17-year-olds can perform any nonhazardous job for eight hours a day, and 44 hours a week at a maximum six-day workweek.

Nonhazardous duties include:

- office and clerical work;
- selling/cashier;
- errand and delivery work by foot, bicycle or public transportation;
- clean-up work and grounds maintenance (Federal law prohibits employees 15 or younger from operating power-driven mowers or cutters.);
- car cleaning, washing and polishing, not including work involving the inflation of any tire mounted on a rim equipped with a removable ring; and
- use of vehicle lifts and grease racks by employees 16 and older. The U.S. Department of Labor has concluded that the use of vehicle lifts does not amount to a hazardous occupation.

Nonhazardous duty requirements apply to any minor employee, including a son or daughter of the dealer. Every minor employee must receive at least minimum wage per hour — $8.25 in Illinois, $7.25 in Indiana — for all hours worked. Sixteen- and 17-year-olds are subject to be paid overtime for any hours worked over 40.

Teen Driving Rules

The U.S. Labor Department has provided rules to clarify the Drive for Teen Employment Act of 1998, to advise what constitutes prohibited "urgent time-sensitive deliveries." The rules also clarify that, while employers have to prove compliance with the act, no specific records must be created or maintained.

Under the act, licensed 17-year-olds are permitted to engage in limited driving on public roads. Licensed 16-year-olds may drive only on private property, such as dealership lots; 16-year-olds may not drive on public roadways in the course of employment. On-the-job driving by employees 18 and older is not regulated.

Seventeen-year-olds may drive on public roads while on the job, if they:

- hold a valid state driver's license;
- have completed a state-approved driver education course;
- are instructed that seat belts must be used; and
- do not have a record of moving violations at the time of hire.

The motor vehicle driven must not exceed 6,000 lbs. gross vehicle weight; be equipped with a seat belt; and not be used for the towing of vehicles.

Driving is permitted if it is restricted to daylight hours; within a 30-mile radius of the place of employment; and occasional and incidental (no more than one-third of an employee's work time on a daily basis and no more than 20 percent of an employee's work time per week).

Urgent, time-sensitive deliveries are prohibited for drivers under the age of 18. Because they may be subject to timelines, schedules, and/or turnaround times, drivers might attempt to hurry to complete the delivery.

Prohibited trips include the delivery of materials under a deadline (e.g., deposits to a bank at closing) and the shuttling of passengers to and from transportation depots to meet transport schedules.

Congratulations!

Jennings Volkswagen, in Glenview, and **Volkswagen of Orland Park** are among 60 U.S. dealerships to be Volkswagen's 2013 Customer First Club champions for superior customer service.

Audi Exchange, in Highland Park, and **Fletcher Jones Audi**, in Chicago, were named to the 2013 Audi Magna Society.

Bredemann Lexus in Glenview, **Lexus of Naperville**, and **Woodfield Lexus** (Schaumburg) are among winners of the 2013 Elite of Lexus award.

Fifty dealerships are members of the 2013 Mazda President's Club, including **The Autobarn Mazda Evanston** and **CJ Wilson Mazda** (Countryside).

Andy Seelig, a technician at **Volvo of Oak Park**, won Volvo's 2014 VISTA service competition, which honors the best Volvo technicians and service advisors in North America. Area nominees for the award included **Justin Doerries**, a service advisor at **Howard Orloff Imports** in Chicago; and technicians **Luis Gonzales**, **Nick Cowan** and **Andy Finnigan**, also at Howard Orloff.

Hanley Dawson IV, proprietor of **Patrick Jaguar** in Naperville, is one of 16 recipients of the 2013/14 Pride of Jaguar award for retailer excellence.

Eleven area dealerships are recipients of the 2013 Toyota President's Award: **AutoNation Toyota Libertyville**, **Chicago Northside Toyota**, **Classic Toyota** (Waukegan), **Continental Toyota** (Hodgkins), **Elgin Toyota**, **Elmhurst Toyota**, **Lombard Toyota**, **Schaumburg Toyota**, **Team Toyota** (Schererville, Ind.), **Toyota of Merrillville** (Ind.), and **Toyota of Naperville**.