



Volume 115, No. 17

August 27, 2018



BBQ fundraisers net \$182K

A record 115 area new-car dealerships raised a combined \$157,000 during July fundraisers for the USO of Illinois, and Turtle Wax donated an additional \$25,000 toward the Barbecue for the Troops campaign.

The \$182,000 collected from the campaign helps USO of Illinois serve more than 325,000 active duty, guard and reserve military and military family members annually through three program areas including

SEE **BBQs**, PAGE 4

USO of Illinois President Alison Ruble, left, accepts the donation from CATA directors Tony Guido (next to Ruble), Ray Scarpelli Jr., Bill Haggerty, and Kelly Webb Roberts, and Turtle Wax CEO Denis John Healy.

US car dealership numbers inch higher

Despite predictions that car dealership numbers will fall coming decades, that's not happening now, according to Urban Science's mid-year Automotive Franchise Activity Report.

It shows an increase, however slight, in the number of U.S. dealerships.

As of July 1, there were 18,252 dealerships (rooftops), a 0.2 percent increase from the Jan. 1 total

"Since 2010, the dealership network has set a new normal pattern of stability."

— *Mitch Phillips, Urban Science's global director of data*

of 18,213, reported the Detroit-based firm which helps automakers decide where to locate — and sometimes where to eliminate — dealerships.

The number of franchises, or brands, a dealership sells also experienced a period of what Urban Sci-

ence calls "stability." However, unlike the rooftop uptick, the franchise count decreased slightly, from 32,029 to 32,024 from January to July.

"Since 2010, the dealership network has set a new normal pattern of stability," SEE **ROOFTOPS**, PAGE 2

Police alert nation's dealers about Chicago fraud ring

The Chicago Police Department has appealed to dealer associations across the country, asking them to share information with their member dealers about a national theft problem originating in Chicago.

"We are requesting that motor vehicle dealers throughout the nation exercise extraordinary diligence in verifying the identity of customers who attempt to purchase vehicles via the internet and have them shipped to the Chicago area (which includes the city of Chicago, its suburbs, and northern Indiana)," according to the Chicago police notice. "We are seeing an epidemic of vehicles being purchased via identity theft and shipped to the Chicago area from around

SEE **FRAUD**, PAGE 4

Used-car price index reaches record high in July

An index that tracks used-car prices hit a record high in July, as strong demand and limited inventories continued to impact the market.

Manheim said this month that wholesale used-vehicle prices climbed 1.51 percent on a seasonally-adjusted basis in July. The increase in prices lifted the Manheim Used-Vehicle Value Index to 136.9, the highest level ever recorded by the auto auction company. The index is also up 5.1 percent in the past year.

“The strange summer

price appreciation in used cars is partly a function of a strong economy at its peak,” Manheim said in a news release, adding that more consumers are choosing used vehicles over new models.

Analysts have expected used-car prices to drop as more vehicles come off leases and arrive on dealer lots. However, robust sales have lifted prices in recent months, even though wholesale prices typically fall in the spring and summer. Manheim said used-vehicle prices in July helped to

close the second quarter in a stronger position than expected.

In addition to consumer demand, Manheim noted that concerns over potential import tariffs, which could lead to higher prices for new vehicles, have driven pricing trends this summer.

“Higher prices and the related declining level of supply create a psychological feedback loop for consumers, encouraging buying now with the expectation that prices may be higher later,” the company said.

Rooftops

CONTINUED FROM PAGE 1

says Mitch Phillips, Urban Science’s global director-data. “The data shows that 98 percent of local markets had virtually no net change.” The most significant net dealership increases occurred in Florida (10) Texas (7) and New York and Ohio (both 5) and Minnesota and Tennessee (both 4).

Hardly a fun fact, but what Phillips calls “an interesting observation” is that California, “typically on the most active list, was the state that lost the most dealerships to date in 2018.”

Dealership numbers nose-dived in the recessionary years of 2009 and 2010, particularly as General Motors and then-Chrysler yanked thousands of franchises as part of bankruptcy reorganizations.

Since those so-called “overdealered” days, dealer-

ship numbers have increased at relatively modest rates. Yet some predictions call for a significant drop both in the number of dealerships and the number of owners in coming years.

For example, a Cox Automotive corporate-strategy study anticipates 9,000 rooftops selling an average of 930 vehicles a year by 2034.

That reduction is attributed to fewer sales of personal vehicles as the age of mobility evolves and the advent of self-driving cars approaches.

There are about 9,000 dealership owners now. By 2030, Cox forecasts there will be 1,000. That’s attributed in part to ongoing consolidation.

Throughput (average sales per dealership or sales divided by dealer count) is expected to decrease slightly this year, Urban Science said. Throughput is considered a major profit indicator.

BBB accepting Torch Award nominations

Nominations for the 2018 Torch Award for Marketplace Ethics, the Better Business Bureau’s most prestigious award, will be accepted through Aug. 27. Five winners will be named, based on the companies’ number of employees.

Businesses must be located in northern Illinois. Recent winners include Mancuso Motorsports, in Chicago, and Advantage Chevrolet of Bolingbrook.

Judges will evaluate the entrants using five criteria:

- Leadership Commitment to Ethical Practices
- Communication of Ethical Practices
- Leadership Practices to Unify the Organization
- Organizational Commitment to Performance Management Practices
- Organizational Commitment to Ethical Human Resource Practices

Full details are on a BBB website, www.nominatefortorch.com.

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.

David E. Sloan
Erik K. Higgins

President, Publisher
Editor, Director of Dealer Affairs

Some carmakers see sedans as gateway to luxury brands

In the Age of Ute, the future of mainstream sedans is in flux: Detroit automakers Ford Motor Co. and Fiat Chrysler Automobiles are largely exiting the passenger-car market to concentrate on profit-rich SUVs.

But for foreign automakers, sedans are not only profitable, they're seen as an opportunity. Sedans as well as SUVs are important foundation stones for their luxury brands — and introductory gateways to higher-priced models. As domestic automakers leave sedans, some auto insiders wonder if they are ceding a competitive advantage to full-line foreign automakers.

Take Honda, which depends on less-expensive Honda-branded offerings to feed new customers to luxury-brand Acura.

“That’s one of the reasons why Acura exists, in order to have a home for people looking for something more than a Honda,” Gary Robinson, Acura’s senior manager for product planning, said at the launch of the all-new RDX crossover in Canada this summer.

The RDX begins the reboot of an Acura brand that lost its way in the last decade. Yet, even as Acura struggled with its identity in a hotly contested luxury market, its Honda brand continued to bring hundreds of thousands of new customers a year to the Honda-Acura product portfolio.

“One of the advantages that a mainstream brand has is the full lineup of vehicles, and the ability to grow with its customers,” says IHS senior auto analyst Stephanie Brinley. “That’s the best way to start brand loyalty.”

Complementing strong SUV sales (HR-V, CR-V) with a staggering 750,000 sales between its three entry-level sedans (Fit, Civic and Accord) last year, Honda buoyed Acura

despite the latter’s identity crisis. The aging RDX, for example, was the second-best selling luxury compact SUV.

“Our customers understand quite well what’s similar between Acura and Honda,” said Robinson. “They understand the good resale value and that there is a similar corporate approach between vehicles.”

While the RDX is aimed at the red-hot SUV market, Honda executives don’t see its customers as coming exclusively from Honda SUVs, which are booming. They say that the affordability of an entry-level Honda Fit subcompact sedan may bring a new customer to the Honda portfolio — but when their life circumstances change, they might be interested in a luxury crossover.

“The inflow from Honda is critical to us,” Robinson said. “I’ve never thought of the inflow in terms of sedan versus SUV. With both Civic and Accord, it has to do with finances, with age, with lifestyle considerations, so it’s not just customers going from Civic (sedan) to ILX (compact Acura sedan), or Accord to TLX (mid-size Acura sedan). It’s very much people changing segments depending on what they are interested in at the time.”

Hyundai has followed the Honda model by introducing its Genesis premium brand to the U.S. market with the G70/G80/G90 sedans after building customer loyalty for its mainstream Hyundai brand with its popular Accent/Elantra/Sonata sedan lineup and SUVs.

“Genesis will offer at least six models including SUVs by 2021,” said Genesis’ U.S. chief Erwin Raphael. “Sedan customers are very important to Genesis at this stage of our existence, as we currently offer sedans in three luxury segments.”

Like Acura and Genesis, the premium Lincoln brand is looking for a fresh start in the U.S. market — but does so

at a time when the mainstream Ford brand is abandoning sedans.

However, auto analyst Rebecca Lindland of Kelley Blue Book said that’s not a bad thing.

“Import luxury brands have benefited because their sedans are still popular. It makes sense for them,” she said. “But Ford isn’t making profit on small cars. There is an opportunity here for both Ford and Lincoln to turn things around. With a new lineup of crossovers, Ford can attract younger buyers — because they are not doing it now.”

Ford sedan sales are half those of Honda, so with the market shift to crossovers comes a chance to start over.

“I think domestic Ford buyers will welcome the body style that Ford is talking about,” she said. “There is an opportunity here if they get the right product on the showrooms — and Lincoln is not going to lose out.”

Industry insiders agree that Ford risks alienating enthusiast buyers if it moves away from its Focus and Fiesta ST performance models. Such buyers are missionaries for the brand and likely would migrate to competitive alternatives like Honda’s Civic Si or Volkswagen’s GTI.

Brinley, the IHS auto analyst, sees Fiat Chrysler Automobiles’ premium brands like Alfa Romeo as vulnerable in the U.S. market because FCA’s entry-level brands are so weak.

Jeep is a powerhouse. Not only is it one of the fastest-growing brands in the industry, but it’s the rare mainstream brand that is cross-shopped against premium makes. Still, Jeep does not play in sedan markets. Dodge and Chrysler have no entry-level offerings — either sedan or SUV.

And Alfa’s natural source of customers, Fiat, barely registers in the U.S. market in sales.

Dealers prioritize communication by lenders as interest rates climb

As interest rates rise, dealer satisfaction with their lender partners is increasingly reliant on quick and meaningful communication with credit staff, according to the 2018 J.D. Power Dealer Financing Satisfaction Survey released this month.

“Satisfaction declines by 163 points, on a 1,000-point scale, when dealers are not able to reach the credit staff,” Jim Houston, senior director of the automotive finance practice at J.D. Power, said in a news release. “Additionally, if lenders can communicate the best contact for dealers to reach out to for non-traditional questions, the resolution time decreases, which will, in turn, increase dealer satisfaction.”

Mercedes-Benz Financial Services, Volkswagen Credit, Citizens One Auto Finance, and TD Auto Finance were the highest ranked lenders in

their respective categories.

For the fourth year in a row, Mercedes-Benz Financial remained atop the captive luxury segment amid some volatility among the lenders ranked below it.

“Our commitment is always to listen to feedback from our dealer partners and use it to identify where we can continue to improve in our quest to deliver exceptional experiences to them and our mutual customers every day,” Geoff Robinson, vice president of Mercedes-Benz Financial Services, said in a company press release. “While we are proud of these results, the scores demonstrate what we already know: Our industry never stands still, and so we must seek opportunities for continuous improvement, strive to deliver the highest levels of service, and convey excellence in everything we do.”

Fraud

CONTINUED FROM PAGE 1

the country. The vehicles are usually valued at \$50,000 or more.

“The transactions usually start via an internet search. Credit applications and other paperwork are either filled out on-line or sent to the dealership via FedEx after they are requested to be sent to an address in the Chicago area (oftentimes a vacant building). The offenders create a phony email account in the victim’s name as well as a fake driver’s license with the victim’s information, and they use Google Voice or other applications whose phone numbers are not traceable. The offenders oftentimes seek to arrange their own transportation for the vehicles to be shipped.

“This is an elaborate scheme that can be stopped if dealerships conduct a thorough examination of online loan applications and related paperwork and insti-

tute a waiting period before shipping the vehicle.

“This will help protect both the dealership and innocent persons whose identities are being stolen. In every incident that we have investigated, there are several red flags that the dealership should have caught prior to shipping the vehicle. The Chicago Police Department is fielding at least three requests a week to investigate and recover vehicles that were purchased via identity theft and shipped to Chicago from out of state.

“In most cases, the credit application was initially approved and the vehicle was shipped. Upon further review of the credit application, inconsistencies were identified and the credit was declined. We have recovered vehicles shipped to the Chicago area from several states including Utah, Florida, Texas, Delaware and Pennsylvania.

Questions or concerns can be directed to Chicago Police Sgt. Keith Blair at keith.blair@chicagopolice.org.

BBQs

CONTINUED FROM PAGE 1

USO centers, military family programs and community connection programs.

“Local new-car dealers continue to up the ante each year of the USO Barbecue for the Troops program,” said CATA Chairman Tony Guido. “While I am awed by its growing success, the fact that the USO Barbecue for the Troops program continues to gain momentum each year doesn’t surprise me.

“As a dealer myself, I know firsthand the impact dealers have within their communities; they rally others like not many can. While it’s true dealers compete for business, they put that rivalry

aside and band together to achieve a common goal, this time to support the USO of Illinois and local military.”

Guido and other CATA directors and Turtle Wax CEO Denis John Healy presented a ceremonial check to USO of Illinois President Alison Ruble on Aug. 16 at Clark After Dark, a popular USO street festival dubbed “Summer’s Last Hoo-ah!”

In addition to the community fundraisers, the CATA and the USO spread awareness of Barbecue for the Troops via a #BBQ4Troops social media contest in which the public was encouraged to nominate an individual they deemed worthy of the Ultimate Backyard Barbecue. Nearly 150 nominations rolled

in from social media: Wives nominated husbands who served overseas, parents nominated children who are active duty military, and friends nominated deserving friends.

Ultimately, Christa Oody won the grand prize, having nominated her husband, Sgt. James Oody. In Christa’s submission, she wrote, “Like all service members, James sacrificed so much and carries the burden of war.”

The Oodys’ Ultimate Backyard Barbecue will include mouth-watering barbecue fare from Real Urban Barbecue, a special visit from Chicago Blackhawks alumnus Brian Campbell, and a Rookie Racing Experience, compliments of Turtle Wax.