Volume 111, No. 21 October 27, 2014

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, Oct. 30 at 12 p.m. CDT

"Back Office Consolidation for Multi-location Dealer Groups" Explore the savings and efficiencies that are possible via back office consolidation for multi-location dealer groups.

Join this webinar featuring Jodi Kippe and Kara Per-

See **Webinars**, Page 3

Panel considers future of cars

The shortcoming with "The Jetsons," according to a former member of Google's self-driving car team, is that George Jetson was forced to use a control stick to navigate his spacecraft around Orbit City. Instead, Brad Templeton said that the actual cars of the future will drive themselves.

And that will make driving safer, said Templeton, who noted that there were more than 33,000 deaths on America's roadways in 2012.

"That," he said, "is like a World Trade Center coming down every month. Ebola is nothing compared to driving on the road."

Templeton served as keynote speaker of "The Future of the Car," presented Oct. 16 in Chicago by Zurich and The Week magazine. Speakers also forecast the future of the auto dealership, in a panel discussion that included Templeton, megadealer Aaron Zeigler, and others.

The race to perfect a driverless car is coming from two camps, said Templeton: longtime carmakers who are adding more computers to their products, and computer

See **Future**, Page 3

No extra $500 dealer fee in 2015

Dealership personnel who are sifting through the paperwork to renew the business's annual license from the Illinois secretary of state will search in vain for the Dealer Recovery Trust Fund Affirmation form. The reason: The extra $500 needn't be paid in 2015.

With a $4.2 million balance as of Aug. 31, the fund is considered to be fully endowed. According to statute, the charge will be resurrected only if the fund balance dips below $3.5 million.

The trust fund, created by the Illinois attorney general's office in the waning days of the country's financial slide that began in 2007, is an attempt to help dealers and consumers harmed by dealerships that go out of busi-

See **Trust fund**, Page 4

Webinars

Continued from Page 1

kins from the Retail Dealer Group at Crowe Horwath LLP as they detail how some dealer groups have attained savings and improved efficiencies by consolidating. You don't want to miss learning the steps to develop a unique plan for success.

You will learn:

• What accounting positions can be centralized
• Examples of organizational structures
• How to customize for your operational and accounting process
• Why a standard chart of accounts is essential
• How to make the best use of technology in the centralization process
• Ways to streamline reporting and other accounting processes

Premiering Thursday, Nov. 6 at 12 p.m. CST

"Mix the IRS with Seldom-Enforced DOL Reporting Requirements, then Add in Obamacare: More Enforcement Concerns for Auto Dealers" U.S. dealerships and auto groups with 100 or more participating employees are reporting stepped-up audit and violation activity. Obamacare figures into this new enforcement initiative; learn how!

The reporting requirements now being applied with some vigor have existed since 1974 but have not been routinely enforced up till now, that is. The Affordable Care Act has changed the audit and enforcement landscape.

Auto dealerships and groups with 100 or more participating employees in an employee health and welfare benefit plan need to be aware or suffer the somewhat costly consequences. Dealership organizations are already reporting stepped-up activity and its implications. The mix of DOL, IRS and Obamacare calls for dealers to beware.

Kelli Personette is a health reform consultant with American Fidelity who presented a DealersEdge workshop in July on certain aspects of Obamacare and its impact auto dealers. It was a very informative and helpful session. Kelli joins us again for this workshop to examine this new wrinkle of health care reform, especially with regard to reporting requirements, audits and enforcement.

You will learn:

• All about Form 5500 related to employee health and welfare benefit plans
• IRS Code Sections 6055 & 6056 and their impact on car dealers
• What is required for small and large employers and how that is defined
• Who must file, and what to file, for insured, self-funded and government-administered medical plans
• What information is required on the IRS filings, including comments on newly issued instructions

2014's record number of auto recalls mostly for basic issues

With more than two months left, automakers have recalled a record 56 million-plus vehicles so far in 2014. To put that in perspective, automakers have now recalled more than three times the number of new cars and trucks that Americans will buy this year.

The prior record for auto recalls was 55.6 million vehicles in 1999, according to the National Highway Traffic Safety Administration.

The good news: A surprising number of the recalls have been for relatively basic technology such as ignition switches, alternators, hood latches.

General Motors' ignition-switch crisis and the related legal, political and regulatory fallout is one contributing factor to the increase. The NHTSA's desire to prove its effectiveness is another.

Jake Fisher, director of auto testing for Consumer Reports, said potential lawsuits and fear of congressional hearings has made automakers more proactive. Cars also are getting more complicated. Software running today's new cars have more than 1 million lines of code.

Both Fisher and Sean Kane, founder of the engineering consulting firm, Safety and Research Strategies, said that generally cars are far safer and more reliable today than ever before.

"We've been doing reliability surveys for many, many years," Fisher said. "The cars are not getting less reliable at all."

Marketplace

Controller/Office Manager 20+ years with Ford, GM, Imports. Experience with accounts payable/receivable, financial statements, cash flow analysis, inventory management, floor plan reconciliations and audits, payroll, taxes, HR benefits, more. Debbie Sverlinga, (708) 205-2025.

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 — President, Publisher
Erik K. Higgins — Editor, Director of Dealer Affairs

Consumers who do more Internet car shopping also visit more dealerships

New-vehicle buyers who spend the most time on the Internet shopping for a vehicle also visit the most dealerships to shop prior to purchase, the J.D. Power 2014 New Autoshopper Study found.

The study analyzes how new-vehicle buyers use digital devices (computers, smartphones, and tablets) to gather information prior to purchase, as well as which websites and apps they use during the shopping process. The study refers to new-vehicle buyers who use the Internet during their shopping process as automotive Internet users, or AIUs.

On average, AIUs spend nearly 14 hours on the Internet shopping for a vehicle prior to purchase. Those who spend 12 hours or more on the Internet visit an average of 3.3 dealers before making a decision. AIUs who spend a moderate amount of time shopping on the Internet (5 to 11 hours), visit an average of 2.5 dealers prior to purchase; those who spend less time on the Internet visit an average of 2.0 dealers.

"There may be a notion in the marketplace that the more auto shoppers use the Internet to determine which vehicle to buy, the fewer dealers they are inclined to shop, yet we see just the opposite," said Arianne Walker, senior director, automotive media & marketing at J.D. Power. "New-vehicle buyers who do a great deal of automotive Internet shopping also go to more dealerships to shop."

Key Findings

• An overwhelming majority (96 percent) of AIUs use their desktop/laptop computer for automotive research. Thirty percent of AIUs employ a tablet device — up from 25 percent in last year's J.D. Power study — and 28 percent use a smartphone to conduct their research, an increase from 23 percent in 2013.

• Nearly 80 percent of AIUs visit a third-party website to obtain automotive information. Users of third-party sites indicate that vehicle pricing and vehicle ratings and reviews are the most useful information found on these websites.

• Additionally, a majority of AIUs visit at least one manufacturer brand website when shopping for a vehicle. They indicate that brand sites are most useful for their model information, vehicle configurators, and photo galleries.

Shoppers Combine Physical, Cyber Visits

The practice of using a personal device while actually at a dealership has gained popularity, as 34 percent of AIUs said they use either a smartphone or tablet while shopping at dealerships, up from 29 percent in 2013. Vehicle pricing is the information most frequently accessed on a personal device at dealerships (61 percent), followed by model information (42 percent), searching inventory (40 percent), and special offers/incentives (36 percent). Among AIUs who use a mobile device to access vehicle pricing information at their dealership of purchase, 84 percent leverage the information in the negotiation process, with 73 percent saying they obtained a better deal as a result.

According to Power's Walker: "The phenomenon of 'showrooming' at new-vehicle dealerships, where potential buyers use their mobile devices to verify information and price shop while at the dealership, will continue to grow. Shoppers are gathering information digitally up to the moment the deal is signed, which underscores the need for ensuring mobile websites and apps have up-to-date and accurate information.

"Dealers need to accept and embrace this practice as the new status quo and provide complete transparency with price, value, and product offering in order to build trust with these savvy new-vehicle shoppers. If not, dealers could lose these customers to the competition."

Future

Continued from Page 1

companies that are adding wheels to theirs. And just as Dell eliminated the middleman to sell directly to consumers, Templeton predicted that upstarts based in computers would be inclined to sell direct, as Tesla aspires.

Jason Stein, an Automotive News editor and publisher and moderator of the panel discussion, noted that online transactions accounted for 4 percent of all automobile sales in 2009, with projections that will grow to 15 percent by 2020.

"Have you been to a Borders recently? The models are changing. It is a world that is absolutely changing," Stein said.

And what do those changes mean for dealerships? Templeton said employees will have to be trained to explain how all that new technology works. Test drives might take longer in order to find congested traffic to demonstrate how a driverless vehicle responds.

"If the car does its job well, (the test drive) will be boring, a non-event," he said.

Rakshita Agrawal, principal of the Boston Consulting Group and another panelist, said that as long as all the expected change is evolutionary, and not all at once, dealerships will adapt.

Zeigler noted the upside for service departments. "If we know the customer's car has 15,000 miles, we can call him and say it's time to bring it in, rather than waiting for him to call," he said.

Still, there will be customers who prefer the traditional process, probably forcing dealerships to maintain procedures for both.

The panel also expects that independent online reviews of dealerships will grow in importance. "We've had customers ask for salespersons they'd never met before, because they read positive (online) reviews," Zeigler said.

Dealers waking to idea that paper processes are wasteful, unproductive

To many dealers, "going green" means investing in conservation efforts that have little to do with the alternative-fuel vehicles they might sell.

Instead, auto retailers are investing in more energy-efficient facilities, energy sources, lighting and workflow processes. The latter can reduce and even eliminate volumes of paper use.

Franchised auto dealers have spent almost $1 billion in facility upgrades, construction and systems to make them more energy efficient, the National Automobile Dealers Association reports, noting that dealerships use more energy per square foot than a typical office building.

If all U.S. dealerships reduced energy consumption by 10 percent, it would save more than $193 million and eliminate 1 million tons of greenhouse gases, according to the NADA.

More than 750 energy-conscious U.S. dealerships belong to Energy Star's Small Business Network, a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy.

Toyota may have been the first to have its dealerships receive energy-efficiency notoriety, earning the U.S. Green Building Council's LEED certification for Leadership in Energy & Environmental Design in 2011.

Energy-conscious Fields Volvo Northfield uses wind and solar technologies. Several automakers have since helped their dealers become LEED-certified or otherwise continue to reduce their carbon footprint.

Fields Volvo Northfield is the first Volvo franchise to attain the LEED certification, the dealership proclaims on its website.

The dealership recycles rainwater for flushing toilets and irrigation, relies on wind and solar technologies to reduce its reliance on the power grid and uses paperless document management and archiving technology in the service department.

Conservatree, a San Francisco nonprofit, says that 1.2 trees are consumed to produce just two cases or 20 reams of virgin copy paper.

Of course, many business forms and other paper documents are made of recycled paper to some degree. Still, the amount of paper used to conduct daily business adds up, especially at dealerships.

Fields Volvo Northfield uses wind and solar technologies.

"Auto dealerships are huge consumers of paper," said Mark Sinanian, senior director of integrated solutions for Canon Solutions America.

The subsidiary of Canon U.S.A. recently introduced digital imaging technology to eliminate the need for paper forms and other paper documents used by dealership service departments, typically significant users of paper.

"For some dealerships, the savings from eliminating paperwork just in the service department can be tens of thousands of dollars," Sinanian said. "Dealers are waking up to the idea that using paper processes is wasteful and unproductive."

Pat Hubert, general manager at Fields Volvo Northfield, said eliminating paper repair orders and related documents in the service department saves the dealership $100,000 annually.

It does so by reducing labor for paper document filing and for the handling and processing repair-order paperwork, she said. Going paperless also reduces or eliminates printer, ink, toner and storage costs.

The effort fits well with Fields' environmentally conscious culture, Hubert added.

Trust fund

CONTINUED FROM PAGE 1

ness without satisfying trade-in liens. The fund was endowed by collecting an extra $500 for annual dealer licenses.

Since its operation, the only payouts have been for a handful of claims and for insurance policies, annual audits, and bank charges for NSF checks.

According to the fund's 2011 statute, if the fund balance exceeds $3.5 million on Aug. 31 of any given year, collection of the fee would be suspended the following year for dealers who did not have a claim paid from the fund; or a suspended or revoked license; or have any civil penalties assessed against them during the previous three years.

Consumers and dealers can file a claim against the fund if they purchase a vehicle on or after Oct. 1, 2011, from a dealer who goes out of business without satisfying a trade-in lien. A claim cannot exceed $35,000.

A dealer who sells 25 or fewer vehicles a year is exempt from the $500 fund surcharge. The Dealer Recovery Trust Fund Board, which oversees the fund, is comprised of the Illinois attorney general and secretary of state, or their delegates; and someone to represent "Illinois automobile dealers" who alternately comes from the ranks of franchised and independent dealers.

The CATA and the IADA, involved in shaping the legislation, were able to steer endowment of the fund toward a hike in dealer licenses and away from more costly surety bonds.