



### **New Illinois minimum wage coming Jan. 1**

Illinois workers will ring in the New Year with another increase in the minimum wage to \$11 an hour, up from \$10 an hour.

Beginning on each New Year's Day through 2025, the minimum wage will increase by \$1, settling at \$15 an hour on Jan. 1, 2025.

For employees who work fewer than 650 hours in a year or who are under 18 years old, the minimum wage beginning Jan. 1 is \$8.50 an hour. That minimum wage will gradually increase to \$13 an hour by 2025. Businesses in Cook County and Chicago and select home rule communities are subject to higher minimum wage rates. The Cook rate is \$13 an hour; Chicago businesses must pay workers at least \$14 an hour.

All Illinois businesses are required to post the "Your Rights Under Illinois Employment Laws" in a conspicuous location on the premises of the employer where notices to employees are customarily posted. The color poster, which also covers other Illinois labor laws, has been produced in English and in Spanish.

Indiana follows the federal minimum wage guideline, currently set at \$7.25 an hour. The rate last changed in 2015.

### **Dealership buy/sells heading toward record**

The dealership buy/sell market continued to soar during this year's third quarter, putting it on track to surpass record transaction numbers established in 2015, Kerrigan Advisors reported this month.

And with a flurry of mega dealer transactions and high dealership earnings, the firm's Third Quarter 2020 Blue Sky Report also highlighted that blue-sky values shot to unprecedented levels during the quarter, too.

"As we predicted, there was no softening of this record-breaking market," Kerrigan Advisors founder and manag-

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### **Morton Grove dealer treats thousands to meals from Manny's deli**

**BY NINA SCHOENBERG**  
CHICAGO TRIBUNE

When Tom Sondag was growing up in the 1960s, back to school meant a trip to Chernin's Shoes in Chicago's South Loop, where his parents bought the brown Oxfords he wore with his Catholic school uniform.

Then, it was on to Manny's deli for a much-anticipated treat: a steaming bowl of matzo ball soup.

"I can remember the first time I tasted it," said Sondag, principal of Castle Honda in Morton Grove. "I loved it. I loved it."

Sixty years later, his enthusiasm for Chicago's iconic Jewish deli hasn't wavered. So when Sondag was looking for ways to make Christmas better for his fellow Chicagoans during the COVID-19 pandemic, he didn't have to look far.

"I'm going to treat 'em to Manny's corned beef," he said.

Sondag, 67, ponied up for 1,000 corned beef sandwich kits, each with enough meat, rye bread and Manny's mayonnaise-mustard to make four sandwiches, according to Manny's owner Dan Raskin. Raskin, whose family has owned Manny's for four generations, declined to say how much Sondag donated,

but put the retail value of the food at \$30,000.

"It's an amazing blessing, and we're very grateful to have customers who not only want to support us, but want to support the community," said Raskin.

The sandwich kits were distributed Dec. 21 at St. Sabina Catholic Church on the South Side. The Rev. Michael Pflieger, the church's senior

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## Phillips Chevrolet a 2020 winner of prestigious BBB Torch Award

Phillips Chevrolet of Frankfort on Dec. 10 won a 2020 Torch Award from the Better Business Bureau of Chicago and northern Illinois. It is the highest honor the BBB can award to a business.

The awards are presented annually to outstanding businesses, based on their number of employees, in recognition of their commitment to high standards in business trust and excellence in relationships with their customers, employees, suppliers, and the surrounding communities. Phillips Chevrolet of Frankfort employees 100 to 499 workers.

Candidates for the award were evaluated by a prestigious independent panel of 20 judges from the business and academic communities against these criteria:

- High ethical standards of behavior toward customers, suppliers, shareholders, employees, and communities.
- Demonstrated ethical practices surrounding their buyer/seller relationships.

- Marketing, advertising, communications, and sales practices which reflect a true representation of what is being offered in the marketplace.

- Acknowledgment of ethical marketplace practices by industry peers and in the communities where they do business.

In addition to the award based on company/employee size, three specialty categories were added this year. They are Minority-Owned & Operated businesses, Woman-Owned & Operated businesses, and a category for Business Associations.

For the first time, the 2020 Torch Awards were innovated into a virtual ceremony, and open to the public to see the winners announced. Cameo appearances from past winners and BBB board members also were featured.

The Torch Awards are open to all Chicago and northern Illinois based businesses which have operated for at least three years and have a track record of trust, ethics, and exceptional service.

## Consultant urges keeping tabs on dealership spending for suppliers

Dealership profitability is good on average this year despite the pandemic, but this is no time for dealerships to let up on cutting costs, said the president of consulting firm StrategicSource.

“Sales are strong in dealerships right now. But will that continue? And if it doesn’t continue, we’re going to need a plan,” Doug Austin said in a webinar this month hosted by the AIADA.

StrategicSource specializes in working with dealerships to manage their costs, particularly spending on sup-

pliers, such as office and janitorial supplies, uniforms and laundry, waste and recycling, health insurance and more.

Even a relatively small dealership probably spends money in about 100 different categories, potentially as many as 150, Austin said. “Twenty years ago, when I started this business, I thought it might be 30 or 40,” he said.

Centralizing procurement at a dealership typically saves about 25% on those costs, compared with decentralized decisions on hiring suppliers

and negotiating prices and contracts, according to StrategicSource.

Therefore, for a dealership with annual revenues of \$25 million, conservatively assuming 18% savings instead of 25%, centralizing procurement represents a potential annual savings of \$180,000, which goes straight to the bottom line, Austin said.

“Think how much you’d have to sell to achieve that much net,” he said. For a bigger dealership group at \$300 million revenue, that could be about \$2.2 million

in savings. “The numbers can be pretty compelling.”

For example, the firm recommends measures such as strictly limiting the number of suppliers for a given category and negotiating longer-term contracts in return for price concessions.

It also may make sense, Austin said, to bring certain services in-house instead of hiring an outside vendor, such as paintless dent repair or auto glass replacement.

“We should have corporate-directed suppliers, not everybody making their own decisions,” he said.

### '21 fuel economy guide is online

The U.S. Department of Energy and the Environmental Protection Agency have released the 2021 Fuel Economy Guide. The Guide provides prospective purchasers with detailed fuel economy estimates for MY 2021 light-duty vehicles, along with other information including estimated annual fuel costs.

To ensure that customers have ready access to fuel economy information for current model year vehicles, dealers may choose to print copies to have on hand or provide access to the electronic version/website on a computer or other electronic device.

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## Study: Retail digital processes probably here to stay

Most vehicle buyers say COVID-19 affected their buying process in ways they didn't expect. But as a result, many were more satisfied, according to the J.D. Power 2020 U.S. Sales Satisfaction Index Study, released this month.

J.D. Power redesigned the study for 2020, placing a much greater emphasis on digital retail and remote buying. The study also ranked mass market and luxury vehicle brands in the area of sales satisfaction. Ranking highest in sales satisfaction among mass market brands with a score of 824 was MINI, while Lincoln ranked highest in sales satisfaction among luxury brands with a score of 827.

Digital retail activities that J.D. Power measured in the study include:

- The ability to select a vehicle from inventory
- Receive credit approval
- Review F&I products
- Agree on a purchase price
- Complete purchase paperwork

During the onset of the pandemic, all saw a spike. Also, although many declined in the May-June timeframe, all are still up nearly 50% from January.

According to the study, decreased showroom traffic because of COVID-19 shutdowns resulted in the fast-tracking of dealer adoption of remote selling capabilities.

J.D. Power's Chris Sutton said the pandemic gave dealers an open path to allow different vehicle-selling approaches outside of their traditional showroom sales process.

"It's revealing, too, that 44% of online shoppers are now selecting the exact vehicle they want from inventory on a dealer's website, which is an increase of 13 percentage points from January of this year," Sutton said in a news release.

**Retail digital processes: Here to stay?**

Sutton said as more shoppers are exposed to remote communication and actual online buying options, they could in the future prefer these methods over traditional showroom visits so they can wade through inventory and negotiate.

Almost one out of four buyers say their purchase experience during the pandemic will make them less likely to shop in person in the future.

That indicates that digital retail processes are here to stay, Sutton said.

"These lasting effects make it imperative for dealers to step up their digital offerings to remain competitive," Sutton said.

As dealers implemented and refined digital procedures at the onset of the pandemic in the March-April timeframe, buyer satisfaction among digital customers increased. J.D. Power said it is notable that satisfaction among buyers who finalized a price online was almost the same as those who didn't finalize a price online before the beginning of the pandemic.

Satisfaction among buyers who agreed to a price online was 42 points higher (on a 1,000-point scale) by the May-June timeframe, than among those who hadn't.

"This demonstrates how quickly dealers were able to implement and refine processes that resonated with buyers," J.D. Power said.

### Other satisfaction findings

Another key finding is that buyers who completed most of their paperwork online are the most satisfied, with satisfaction averaging 873. That is 35 points higher than among those who didn't complete paperwork online. Also, satisfaction scores among those who had more virtual communication are 17 points higher than among those who didn't.

"These activities illustrate why such trends are likely to continue," J.D. Power said.

Another study finding notes that online F&I review can enhance take rates. Reviewing F&I products online increased after the COVID-19 outbreak. But that is still uncommon, J.D. Power said, noting that only 7% of buyers say they reviewed products online during the March-June timeframe.

However, the take rate among buyers who reviewed products online is higher compared with those who reviewed products in the showroom. That is especially the case for extended warranty (36% vs. 28%); prepaid maintenance (23% vs. 16%); and tire protection (18% vs. 12%).

Another main finding of the study: Brand and dealer advocacy aren't aligned.

On average, vehicle brands have a higher Net Promoter Score than their dealer base, with nearly a 20-point gap (on a 100-point scale) between the scores. Key performance indicators showing the highest effect on buyer satisfaction index scores include sales consultant completely understood needs (+94); vehicle delivered in perfect condition (+55); and finance staff not too pushy selling additional products (+52).

J.D. Power says those key performance indicators are met nearly 90% of the time. NPS measures customer advocacy for the model they own and can be a strong predictor of future business growth, according to J.D. Power.

The U.S. Sales Satisfaction Index Study measures sales experience satisfaction among new-vehicle buyers and rejecters (those who shop a dealership and purchase elsewhere).

The study bases buyer satisfaction on six factors (in order of importance): delivery process (28%); dealer personnel (21%); working out the deal (19%); paperwork completion (19%); dealership facility (10%); and dealership website (4%).

## Buy/Sells

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ing director Erin Kerrigan said in a news release.

“A 94% year-over-year rise in dealership earnings in Q3 was driven by higher vehicle gross profit margins, reduced operating expenses, limited inventory (which drove up prices) and increased operational efficiency,” Kerrigan said. “This created a perfect storm for a white-hot buy/sell environment, one that we predict will surpasses the historic levels of 2015.”

Kerrigan Advisors indicated 73 dealership buy/sell transactions were completed during Q3, pushing the total to 186 transactions for the first nine months of the year. That figure represents a 15.5% increase over the amount recorded during the first nine months of 2019, according to data from The Banks Report, Automotive News and Kerrigan Advisors’ research.

Despite periods of retail disruption due to COVID-19, Kerrigan pointed out that 2020 thus far has achieved the highest level of transaction activity since 2015.

“Of particular note were the high numbers of multi-dealership transactions com-

pleted in Q3, including mega dealer transactions, representing 25% of the buy/sell market for the first nine months of the year. We expect this trend to continue into 2021,” said Kerrigan, whose firm advised on the sale of 22 dealerships during the past quarter.

According to the Blue Sky Report, public and private dealership valuations exceeded prior highs.

The Kerrigan Index — comprised of the seven publicly traded dealership groups — hit record levels in the third quarter, with the public’s average blue-sky multiple at the end of the third quarter at 7.6 times, making most private dealership acquisitions highly accretive to earnings.

“The resilience of auto sales in the face of the pandemic continues to drive high valuations,” said Ryan Kerrigan, managing director of Kerrigan Advisors. “Unlike other retail industries which have yet to rebound, auto retail barely missed a beat after the economic disruption in March and April.

“In fact, the industry’s growth rate accelerated in June, while its costs declined, resulting in incredible earnings growth,” Ryan Kerrigan

added. “As a result, buyer demand for dealerships is on the rise and dealers are bullish on their valuations.”

Reinforcing that bullish outlook is Kerrigan Advisors’ second annual dealer survey, which found a rising number of dealers expecting the value of their business to increase over the next 12 months.

The survey also showed nearly half of participating dealers are expecting a rise in buy/sell activity as a result of COVID-19.

The Blue Sky Report, however, emphasizes that, with 2020 earnings being the most volatile on record, buyers are pricing blue sky based on adjusted 2020 earnings, removing profit improvements deemed unlikely to continue in the future and adding back the one-time losses associated with 2020’s period of economic shutdown.

In the report’s analysis of specific brand valuations, Toyota continues to stand out as the most valuable non-luxury franchise.

The firm said Toyota dealers are more optimistic on valuation than any other franchise dealer body, and it commands the highest blue sky multiple amongst non-luxury franchises.

Another franchise showing positive trends is Ford. Kerrigan Advisors upgraded the Blue Oval’s multiple outlook from negative to steady.

“Ford’s third quarter profits were impressive,” Ryan Kerrigan said. “Our dealer survey revealed a significant uptick in Ford dealers’ expectations for valuation improvement. One cannot underestimate the recent impact of Jim Farley’s leadership on buyers’ confidence in Ford’s future.”

Sliding in the opposite direction, the firm mentioned the downgrading of Infiniti’s multiple ranges — from 3.5 on the high end to 3.0 and from 2.5 on the low end to 2.0 — as a result of the franchise’s continued weakness in buyer demand.

To recap, main highlights from the Third Quarter 2020 Blue Sky Report by Kerrigan Advisors included:

- Buy/sell transactions increased 15.5% over the first nine months of 2019.
- 73 dealership buy/sell transactions were completed in Q3 2020, for a total of 186 transactions for the first nine months of the year.
- There were 46 multi-dealership transactions representing 25% of the buy/sell market.

## Manny’s

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pastor, said that so many people have been showing up for weekly distributions of 500 boxes of food, that the church consistently runs out.

“I’ve never seen a greater need,” said Pfleger.

Manny’s has experienced financial ups and downs during the pandemic,

but the restaurant, owned by the same family since the 1940s, has benefited from a partnership with World Central Kitchen, which buys restaurant meals and distributes them to people in need. Manny’s has also expanded into suburban delivery.

Pfleger said he had been trying to figure out how to get fresh meals for food giveaway recipients and was overjoyed

when he learned of Sondag’s donation.

“That’s what it’s all about: It’s about partnerships,” Pfleger said. “That’s how we’re going to get through this thing.”

Sondag, of Chicago’s Wicker Park neighborhood, recalled how his Catholic mother delighted in Manny’s authentic Jewish food and said it was great to be part of a “rainbow of people” working together to bring Christmas joy.