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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:

Thursday, May 31 at 12 p.m. CDT

"Identifying the Hidden and Profit-Draining Costs of Your Parts Inventory" Most common performance measurements in the parts department to just too superficial. Learn the hidden costs so that you can improve inventory efficiency and department ROI.

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6 on ballot for 5 CATA board seats

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

A summary of the candidates' qualifications was mailed May 16 to CATA dealer members, and election ballots were sent May 24 to those dealer members whose association dues are up-to-date.

Completed ballots must be received by 12 p.m. June 7 by the CATA's auditing firm, Crowe Horwath LLP, which will tally the submissions. Results will be announced at the June 11 golf outing at Cog Hill Golf & Country Club in Lemont.

Three of the incumbents on the ballot, **Monty Scher** (Rogers Auto Group, Chicago), **Kurt Schiele** (Elmhurst Auto Group), and **John Webb** (Packey Webb Ford, Downers Grove), are seeking their third and final terms on the board.

The fourth incumbent, **John Alfirevich** (Apple Chevrolet, Tinley Park), is

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BBB: Don't deduct lease rebate from vehicle's advertised price

The Better Business Bureau-Chicago reports seeing a recent trend concerning prices advertised for lease vehicles by dealers. In its role in monitoring dealer advertising, the office has sent several letters to dealers concerning the deduction of lease rebates from advertised prices.

Lease rebates are available to all customers who lease vehicles. However, those customers who purchase the same vehicles cannot get the advertised prices because they buy rather than lease.

"While lease rebates are available to all customers who lease, the rebates are ac-

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Advertising

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tually limited rebates because they are only available to lease customers," said BBB senior counsel Patricia Kelly. "Purchasers cannot obtain the rebates. Since the rebates are limited to only certain customers they cannot be deducted from advertised prices of vehicles."

The BBB-CATA Advertising Review Program, begun in 1996, can help dealers avoid a suit. The BBB reviews dealer ads and sends a dealer notice of a rule infraction. If a dealer fails to shore up the ad within 30 days, the BBB forwards the matter to the attorney general's office.

The BBB efforts also strive to maintain a level playing field for dealers to advertise prices, and to help consumers understand price offers.

Other common advertising faults cited by the BBB:

Clear and conspicuous disclosure of material terms. Disclosures at the end of some radio spots are spoken too quickly and/or too quietly. Related to that, Kelly said listeners can't simply be directed to a website to review the disclosures because a claim can't be made in one forum but its disclosures made in another.

Internet pricing. It is a violation to list different selling prices for a vehicle in different media; it must be the same in all.

'Guaranteed lowest price.' To make such a claim, the dealer must systematically monitor competitive prices in the trade area. "In order to say you have the lowest price," said Kelly, "you really have to be the lowest."

Clearance sale. The word cannot be used arbitrarily. It applies only when a vehicle model can no longer be ordered from the factory.

No-haggle prices. A dealership either haggles or it doesn't. "You can't negotiate sometimes and not negotiate other times," said Kelly.

Consumer Fraud Act. Bad: "We will pay off your loan." Better: "We will build your old loan into a new loan."

The BBB is prepared to review dealer ads before they go public. For consideration, contact Jorge Garcia at jgarcia@chicago.bbb.org or (312) 832-9193.

Candidates

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pursuing his second term.

Additional nominees include **Kevin Keefe** (Brilliance Honda, Crystal Lake), and **Thomas F. Shirey** (Shirey Cadillac, Oak Lawn).

A committee of former CATA board chairmen met in April to identify candidates for nomination.

Next month, the CATA board will total 15 directors. A director may serve a maximum of three, three-year terms.

Webinars

Continued from Page 1

Dealers have their own money invested in their parts inventories. So it's no surprise that they pay special attention to parts department performance. Fill rates and obsolescence are important measurements. But there are some hidden costs in the parts department that often are overlooked. And these hidden costs can drive down your ROI, even when accounting profits look OK.

Parts inventory expert Mark DeLucia leads a special webinar on identifying those costs and, more importantly, ways that all car dealers can improve the all-important return on their own invested capital.

Thursday, June 7 at 12 p.m. CDT

"How to Deliver a Consistent Message Over the Many and New Dealership Advertising Channels"

The influence of the Internet has made the simple task of managing dealership advertising complex. Learn how to orchestrate many and divergent marketing efforts to deliver a unified and consistent customer-facing message.

Dealership advertising used to be relatively easy. You would update your newspaper ads, line up the billboards and maybe tape a commercial or two. All were designed to draw customers to your showroom. Now the Internet and it various permutations have spawned many more channels to manage, and many do not do it well. Some dealers now count up to 60 or more individual advertising-related vendors to manage! This all leads to a complex array of both vendors and marketing activity, much of which may actually perform in conflict with each other.

Delivering a consistent message across these many and divergent channels requires a new approach. Join us for this opportunity to examine how these changes in dealership marketing have impacted your business and how you can gain the upper hand.

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The CATA Bulletin is distributed via blast e-mail 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.

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

The voice of dealers is being heard on factory upgrades

By Mark Scarpelli
Chicago Metro NADA Director

In response to widespread dealer concerns, the National Automobile Dealers Association commissioned the first-ever study on factory facilities programs last year, which resulted in an objective and fact-based analysis of the various factors that drive the economics of facility image programs.

The NADA research project was authored by industry consultant Glenn Mercer. Our goal was to open up a dialogue in which all parties could discuss the issue on a more rational and informed basis. With this in mind, Mercer spoke to a wide range of industry participants.

I'm pleased to report to you that since the report was completed in early February, we have been able to personally meet with and present the study's findings to the senior-level management of 12 manufacturers. Having personally attended most of these meetings, I can tell you this was an encouraging first step, with constructive and positive two-way discussion.

It's time now to take this issue to the next level. The NADA will be retaining industry experts to do a deeper dive into the issue in the following areas:

1. Is There Value with Regard to Investment in Facilities? Let's Run the Numbers

The study's first recommendation was that OEMs need to better demonstrate and quantify the value of dealer investment in facilities. Overall, this was an area of disappointment, with most manufacturers failing to show the value of facility image programs.

Phase Two will look deeper into this area by "running the numbers" ourselves. To attempt to quantify the return on investment, we'll look at actual dealership data in a sample of dealers who took on facility image programs as well as ones who did not.

2. More Dealer Input

Another recommendation from the first phase of the study was to get more dealer input into these programs, but well before "the cake is already baked," when dealer input could really make a difference with regard to how these various programs are received by dealers at large.

A good first step will be the addition of specific questions about facility image mandates to the twice-yearly NADA Dealer Attitude Survey. The DAS is the most effective method of getting a cross section of dealer input directly to the OEMs at the highest levels. Watch for this in the next survey coming in July.

3. Dealership of the Future

This project will combine interviews with industry experts and case studies with a focus on answering the question: "Are we investing in the kind of dealership that will be most competitive in 2020 and beyond?" The intent is to go much further than the recent report from Auto Team America entitled "Dealership 2025."

Interviews with industry experts will be supplemented with case studies of changes in other retail industries as well as cutting-edge car dealers who may already provide us with a glimpse of the dealership of 2020.

4. An Annual Review

The NADA will conduct a review on the one-year anniversary of the facilities study that will focus on whether the OEMs have modified their facility mandate programs in response to concerns raised in the study. During the initial round of individual meetings with the OEMs, many indicated that they would take the study's findings into account and consider making changes.

Follow-up interviews with OEMs and key people who participated in the original study should provide the necessary feedback to determine what changes, if any, have been made.

As you can see, we're moving further into some of the key findings of the first study, with the intention of conveying the results directly to all of your manufacturers. We will keep this issue front and center in our DAS meetings with your OEMs in the coming months. This issue wasn't started overnight and it won't be solved overnight, but I want to assure you that your voice is being heard.

In other news ...

Proposed fuel economy rules could cut 7 million car buyers out of new-vehicle market

Higher vehicle prices resulting from proposed fuel economy rules will cut millions of potential new-car buyers out of the market in 2025, a new NADA study found.

"To work, fuel economy improvements must be affordable," said Don Chalmers, president of Don Chalmers Ford in Rio Rancho, N.M. "While you can mandate what automakers must build, you can't dictate what customers will buy, nor can you dictate if a bank will make a loan."

The NADA study, "The Effect of Proposed MY 2017-2025 Corporate Average Fuel Economy (CAFE) Standards on the New Vehicle Market Population," points out that nearly 7 million lower income consumers, such as college students and working families, will not qualify for auto financing to cover the additional cost.

"Disregarding vehicle affordability will undermine the environmental and national security benefits the administration seeks," said Doug Greenhaus, the NADA's chief regulatory counsel for environment, health and safety.

Avoid minimum wage trap when paying commissioned salespeople

Just because a commissioned salesperson doesn't sell any cars one week doesn't mean you don't have to pay him or her the minimum wage. Under the Fair Labor Standards Act, employees must be paid for all hours they work regardless of their compensation arrangements.

Salespeople, even if most of their income is in the form of commissions, are entitled to prompt payment of minimum wages on a regular payday—e.g., weekly, biweekly or monthly. Penalties for violating the rule can be substantial.

The FLSA gives auto dealers a break when it comes to overtime. The act states that "any salesman, partsman, or mechanic primarily engaged in selling or servicing automobiles … employed in a non-manufacturing establishment primarily engaged in the selling of such vehicles … to the ultimate purchaser" is exempt from federal overtime requirements.

There are tips to follow to ensure compliance with minimum wage rules:

• Establish commission settlement periods of one month or less.

• Consider advancing a weekly "draw" to salespeople and settling their commissions on a biweekly or monthly basis. When settling the amount due at the end of the period, the dealer may credit draws or advances against commissions, provided the settlement results in payment of the minimum wage for all hours worked.

• If a salesperson's commissions fall short of the minimum wage for hours worked during the settlement period, the dealer must pay the difference to the salesperson in the form of a subsidy. The subsidy may be carried forward and offset against future commissions earned but not net paid, provided such subsidy recoupment doesn't result in violation of minimum wage requirements for the relevant pay period.

• Excess earned but unpaid commissions may be carried forward and applied toward minimum wages due in a subsequent period. Once a commission has been paid, however, it may not be carried forward.

• To avoid confusion, adopt a written policy that establishes a definite pay period. Keep accurate daily time records for all hours worked by salespeople, including lunch and dinner breaks.

• At the end of each pay period, compare hours worked by each salesperson with commissions earned to ensure that minimum wage requirements are met and any required subsidies are paid. Establish procedures for recovering minimum wage subsidies from excess commissions earned in future pay periods. Make sure the deductions aren't taken from future minimum wage earnings.

• Check state minimum wage laws and regulations for standards higher than those required under federal law.

Court rebuffs dealer lawsuit over Risk-Based Pricing Rule notice

A lawsuit seeking to relieve automobile dealers from purchasing customer credit reports for no other reason than to comply with the federal Risk-Based Pricing Rule was rejected May 22 by a U. S. district court.

The National Automobile Dealers Association had challenged the broad interpretation by the Federal Trade Commission of the RBPR, which applies to persons who, among other requirements, "use" a credit report in particular credit transactions.

The FTC said last year that dealers engaged in three-party vehicle financing transactions who do not obtain, receive, or review a credit report nevertheless "use" a credit report based on the finance source's use of a credit report and therefore are responsible for complying with the RBPR's notice requirement.

The NADA argued that the FTC interpretation of the rule was flawed, but the U.S. District Court for the District of Columbia saw otherwise. Regardless of which party prevailed at the district court level, the NADA anticipated that the other party would appeal the decision to the D.C. Circuit Court of Appeals. The NADA will now direct its outside counsel to file an appeal and will report on further developments.

Late payment rate on auto loans at 13-year low

The rate of late payments for auto loans fell nationally in the first three months of the year to the lowest level in more than a decade, the Associated Press reports.

What's more, the improved record comes despite lenders having written more loans to high-risk borrowers.

In the first quarter, the rate of U.S. auto loan payments at least 60 days overdue declined to 0.36 percent, a 27 percent reduction from the same period last year, according to credit reporting agency TransUnion.

TransUnion called the rate the lowest since it started tracking auto loan data in 1999. The highest rate recorded by the company was 2.39 percent in the first quarter of 2000.

The Auto loan delinquency rate has fallen on an annual basis for 10 consecutive quarters, the AP noted. One big reason is that after the recession, many borrowers made paying off car loans a top priority.

CATA outing

The annual CATA golf outing is June 11 at Cog Hill Golf & Country Club in Lemont.

Full details about playing and sponsorship opportunities at www.cata.info.