



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 dropdown menu to CATA-DealersEdge webinars.

Coming topics:

Thursday, Nov. 3 at 12 p.m. CDT

“Car-Shopper’s Point of Decision Has Changed”

Use this information to restructure your marketing spend to build a bridge to the customer! The buying decision point these days almost always occurs months ahead of the visit to the dealer. You have to align your market-

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Seminar reviews dealer ad rules

While a dealer can’t advertise or offer a free gift in connection to the sale or lease of a vehicle, why is it OK to advertise that the fourth tire is free? Because the Illinois rules on motor vehicle advertising concern only the sale of vehicles, not after-market products.

Some dealers thus needlessly limit themselves in their campaigns for market share against independent service centers.

The topic was one of many discussed at an Oct. 20 CATA seminar that turned to the Illinois attorney general’s office and the Better Business Bureau for a review of the state’s rules for vehicle ads.

Established in 1992, the

The BBB will review dealer ads before they go public. Contact Jorge Garcia at jgarcia@chicago.bbb.org or (312) 832-9193.

regulations establish parameters and protect consumers, said Assistant Attorney General Greg Grzeskiewicz. But they also protect competing businesses by leveling the playing field, he said.

Grzeskiewicz said lawsuits by his office against dealers and their advertisers have declined during his 11 years in his position. But he does act against those he considers “just way out there, bizarre.”

“What’s the point of your ad?” Grzeskiewicz asked. “If the point is to confuse or trick people, you’re going to

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State sales tax issues for dealers

**BY JAMES KEGL, CPA
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CROWE HORWATH LLP**

With the recent focus on state sales-tax compliance, evaluating the accounting systems and procedures within your dealership to

verify compliance with state and local sales and use tax laws could prove beneficial.

The evaluation should be designed to make sure proper documentation is maintained and that proper sales

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Webinars

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ing/advertising budget with this new car shopping reality, because traditional dealer advertising strategies do not work anymore. No longer can you rely on stimulating demand via traditional advertising messages to put more “ups” in the showroom. Traditional advertising still plays a role in “stimulating” the demand, but the next step is not a visit to the showroom. The next step is online research—with its many facets. If you pass this test, you have a better chance of seeing that car shopper in your dealership. Fail, and they will buy from a more-savvy competitor. This is the Zero Moment of Truth (ZMOT). Attend this Webinar and learn how you can restructure your marketing strategies to win the customer at ZMOT. Learn how to rethink and reform your advertising budget in light of these new realities.

You also will learn:

- Why the traditional method of stimulating sales with traditional advertising is not getting the job done in an Internet-dominated world
- How some dealers are spending thousands on advertising each month just to convince car shoppers NOT to do business with them, and how this can be changed
- How you can invest in online strategies and assets that will get the customer to your showroom—ready to buy.
- How to organize a ZMOT-influencing marketing strategy in your dealership or group
- The 10 Steps to a successful ZMOT Strategy
- How understanding the ZMOT will lead you to restructure your advertising budget for improved results
- How to get organized to beat your competition and bring the in-market car-shopper to your showroom.

Thursday, Nov. 10 at 12 p.m. CST

“How to Achieve & Maintain 100% Service Absorption” Long the holy grail of dealership profitability, 100+% Service Absorption has been an elusive target for most dealerships. But the professionals at Nickelsen Partners have studied a number of dealership organizations where 100+% service absorption is the norm and not just an idealistic target that no one expects to hit. They consistently attain 100+% Service Absorption.

One thing these dealerships have in common is they went far beyond just setting a goal. Their strategic plan was re-engineered, and the entire organization mobilized to achieve this previously difficult-to-attain profitability benchmark.

You also will learn:

- Why 100+% Service Absorption is a worthy goal & why operating without undue pressure to sell additional units to remain profitable has many hidden benefits
- The role ROI plays in a successful 100+% Service Absorption strategy.

Cost effectiveness of factory image programs questioned

New-car dealers who have been hit hard by the economic recession need less financial pressure, not more—especially when faced with tough decisions to remodel their dealerships, said Stephen Wade, chairman of the National Automobile Dealers Association.

“Each year dealers collectively invest billions of dollars in facility upgrades, much of it mandated by the auto manufacturers,” Wade said Oct. 20 in remarks to the Automotive Press Association in Detroit. “These costs have a significant impact on dealer balance sheets, in many cases severely straining them and in some cases even persuading a dealer to leave the business rather than commit such large sums.”

Wade says one issue that comes up repeatedly when meeting with dealers across the country, regardless of dealership size or brand, is the widespread frustration dealers have with their manufacturer’s dealership image programs.

“Surprisingly, little hard evidence exists as to the return-on-investment, either to the automaker or to the dealer,” said Wade, a multi-franchise dealer in Utah and California.

Seeking an objective analysis, the NADA commissioned a fact-based study to determine both the positive and negative factors that drive the return-on-investment of facility image programs. Findings are expected by the end of this year.

“The goal is to move the facilities-investment decision onto a rational, informed and fact-driven footing,” Wade said. “The study’s findings will be of use to dealers and automakers alike, by moving the debate away from opinion and assertion toward objective facts and data.”

Wade said using subjective factors such as opinions, pressure and personalities is the wrong way to guide spending on facility upgrades.

First Look for Charity tax on sale

Tickets are on sale now at www.firstlookforcharity.org. The premiere of the 2012 Chicago Auto Show includes a performance by rock ‘n’ roll band Blues Traveler.

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

David E. Sloan
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President, Publisher
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Study looks at research habits of women buyers, emotional impact of purchase process

Social media and blogs are playing a growing role in the decision-making process for automobile purchases, media network publisher for women BlogHer Inc. determined when researching how women feel and where they turn for advice when buying a car.

The study, titled “Put Her in the Driver’s Seat,” said women who rely on traditional media and industry information sources have a less positive experience in the process.

The top five information sources for women were dealership visits (65 percent), word of mouth (56 percent), car review websites (53 percent) auto manufacturer websites (43 percent), and blogs (31 percent).

Auto magazines tallied 21 percent and TV advertising notched just 16 percent.

Besides studying where women look for vehicle research, the study also explored how women feel when they buy a car and how things like social media and blogs affect their emotions. Women, the study found, were both more

excited (74 percent) and more nervous (53 percent) about their car purchase than men.

“Women clearly articulated the features they need to see and the voices they want to hear when considering a car purchase,” said Elisa Cahahort Page, co-founder and chief executive of BlogHer.

“We see a huge opportunity for auto manufacturers and dealers to indeed put her in the driver’s seat and let her buying preferences reshape how the automotive community reaches the powerful women’s market.”

The study involved 1,090 women and 377 men across the United States in August. Respondents came from the general population in seven markets and from BlogHer network users.



Advertising

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have a problem.”

He said an ad which indicates truckloads of repossessed vehicles would be on-site for a weekend sale implies to consumers that they would find a bargain. But if the lot really just contained a dealer’s existing inventory, the ad amounts to a false pretense.

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.

Steve Bernas, president of the Chicago-BBB, noted that 95 percent of his company’s notices last year were resolved without involvement of the AG.

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.

“We’ll give you our best sense of it,”

said Patricia Kelly, senior counsel of the Chicago-BBB, “not based on the AG, but on a consistent history of what we see.”

Kelly said the most common infractions she has seen in the past 12 months include book values taken from noncurrent editions or from different market areas, and various price-beating claims.

Kelly said one dealer offered to pay customers \$500 if they showed the dealer another’s price he couldn’t beat, but the proof had to be in the form of a financed deal. Kelly said that is too burdensome because the customer likely couldn’t unravel the done deal.

Other common faults:

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, an audience member asked if listeners could be directed to a website to review the disclosures. But Kelly said 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’ll build your old loan into a new loan.”

On advertising aftermarket products, CATA general counsel Dennis O’Keefe, who moderated the seminar, said enforcement of lowest price claims—“We’ll meet/match/beat any offer!”—is vague. “Just make sure you disclose the terms,” said O’Keefe. “What does the customer have to do to get the lowest price?”

Employee vs. Contractor?

BY GARY REYNOLDS, CHAIRMAN
NADA REGULATORY AFFAIRS COMMITTEE

More than ever, dealerships should act with caution when deciding whether to classify workers as “contractors” versus “employees.” Following several recent unsuccessful attempts by Congress to legislate the issue, the Obama administration is making worker classification an enforcement priority.

Misclassifying “employees” as “independent contractors” risks serious liabilities including unpaid federal, state, and local income tax withholdings; Social Security and Medicare contributions; wages including overtime; workers’ compensation and unemployment insurance premiums; employee benefits; and penalties.

The Internal Revenue Service and the Department of Labor agreed in September to a coordinated enforcement effort on employee misclassification. The stated goal of this \$30 million plus effort is to ensure better protections for employees and to level the playing field for law-abiding employers.

The IRS also has launched a Voluntary Classification Settlement Program aimed at encouraging employers to confess to past worker misclassifications. In addition, several states are focusing enforcement resources at worker misclassification, in part motivated by the potential for additional tax and premium revenues. Lastly, there lately has been an increase in the number of unemployment insurance and workers’ compensation claims brought by “independent contractors” arguing that they should have been classified as “employees.”

The heightened level of federal and state scrutiny in this area may warrant that dealerships carefully review and document how their workers are classified. When making worker classification decisions, dealerships should be careful, be conservative, and be prepared to document, document, document.

The IRS, the DOL, and the states use multifactor legal standards and tests to evaluate whether workers are “employees” or “independent contractors.” Of greatest importance: the level of control that employers exercise over workers as measured by the means and manner of the work performed. Both the DOL and the IRS have instructive fact sheets on their websites addressing this issue.

October auto sales expected to rise

Auto research company J.D. Power and Associates estimates an annual industry sales pace of 13.1 million vehicles for the month, a big jump from earlier in the year.

Tax issues

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and use tax is calculated and paid to the U.S. Department of Revenue. For dealerships without the resources to perform a self-evaluation, many outside firms have procedures modules designed for this purpose.

For a limited time, CATA members can take advantage of a 15 percent discount on fees from Crowe Horwath LLP for performing a sales and use tax evaluation. Other CATA allied members also are capable of performing the evaluation.

Some issues to consider include:

Application of Sales and Use Tax on Warranties

- Factory warranty repairs
- Extended warranty repairs
- Goodwill repairs

Application of Sales and Use Tax on Vehicle Repairs

- Sublet
- Shop supplies
- Free oil changes

Application of Sales and Use Tax on Vehicle Sales Price

- Leases
- Loaners
- Employee discounted pricing
- Dealer versus manufacturer rebates
- Sales tax for nonreciprocal states

A sales and use tax module looks at how sales tax is recorded on sales and purchases. The report will identify potential areas where tax should be charged and possible changes in the collection system.

Procedures may include but are not limited to:

1. Scanning new and used sales journals and selecting a test month that will be reviewed for transactions with no sales tax collection. Document the reasons for not collecting sales tax for each applicable transaction (for instance, export deal or tax-exempt organization), and trace the documentation that supports this position.

2. Scanning the detail for charges in policy adjustment accounts for the selected test month. Examine copies of repair orders to help determine if sales tax was collected or examine tax exempt cards if no sales tax was collected.

3. Scanning the parts wholesale journal for the test month for charges where no sales tax was collected. Trace such charges to a tax-exemption card.

4. Scanning parts sales journal for the test month. Examine the tax exemption cards for all sales with no tax collected.

Kegl and Kane, of Crowe's retail dealer group, can be reached at (630) 575-4255 and (630) 586-5250, respectively.

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