THE WANADA BULLETIN
NEWS AND INFORMATION FOR AND ABOUT FRANCHISED NEW CAR DEALERS IN THE WASHINGTON AREA

WANADA Bulletin # 6-05 **February 8, 2005**

****SPECIAL EDITION: 2005 NADA CONVENTION****

New NADA Chairman Jack Kain to Focus on Image, F&I Issues


NADA 2005 Chairman Jack Kain

In his first speech as NADA 2005 chairman, Jack Kain warned that the F&I issue isn't going away and he challenged dealers to improve their image and continue to develop "customers for life."

"Dealers do too much good for their communities, their states and the nation not to be held in higher esteem," said Kain. "As chairman, I want to improve the image of the dealer." He pointed to NADA's Code of Ethics, along with improved F&I processes, as a framework for building customer loyalty and attracting repeat business.

On dealer financing, Kain praised 2004 NADA Chairman Charley Smith for leading an aggressive effort to enhance the dealer finance

(Continued on page 2)

Smith Says Industry Stronger by Addressing Key Challenges


Outgoing Chairman Charley Smith.

The industry has grown stronger in the past year by addressing issues affecting customer loyalty, including dealer financing, customer surveys and the need for qualified auto technicians, outgoing NADA chairman Charley Smith said during the opening session of the 2005 NADA Convention.

Smith warned that dealership financing is "under sustained attack" and that "NADA members need to practice absolute integrity 100 percent of the time" and help educate customers about the vehicle-financing process. "We must make sure the good work of so many dealers isn't swept away by ill-conceived proposals," he said.

"When it comes to financial services, we are clearly on the side of greater

(Continued on page 2)

Ghosn: Nissan May Expand Plant Capacity


Nissan's Carlos Ghosn

Nissan will look at expanding its plant capacity—either by adding capacity to its two U.S. plants or by building a new one—when its U.S. sales reach 1.2 million, president and CEO Carlos Ghosn said in a press conference after his keynote address at the opening session, according to AutoExec online convention coverage.

The automaker expects to reach what Ghosn called a "big milestone" of 1 million ve-

(Continued on page 2)

Inside…

NOTE: AutoExecMag.com was a primary source for these stories.

The WANADA Bulletin is a membership publication printed weekly by the Washington Area New Automobile Dealers Association
5301 Wisconsin Avenue, N.W., Suite 210 • Washington, DC 20015 • Tel: (202) 237-7200 • Fax: (202) 237-9090

2005 NADA CONVENTION

Kain *(Continued from page 1)*

process and raise public awareness through education. But he added, "Our work has just begun. We expect more controversy, more media attention and more state legislative action in the months ahead. Our response must be open and straightforward, based on greater transparency in the car-buying process," he said.

Kain said, "Even though we are a collection of independent businesses." Kain said, "a negative television report about one hurts everyone's business and reputation." The best way to combat negative publicity about dealership business practices, according to Kain, is to "run the kind of company that emphasizes repeat business and customers for life."

The Kentucky Ford/Lincoln Mercury dealer told convention attendees he will work to improve dealers' public image during his chairmanship. "Dealers are always ranked near the bottom of the list of whom the public trusts most," he noted. "We dealers do too much for our customers, communities, and for our nation not to be held in higher esteem and I for one, will not be satisfied until all of us are near the top of that list."

Smith *(Continued from page 1)*

transparency," Smith said. "It's good for consumers and it's good for dealers, so NADA is creating a coalition to develop a national education campaign on auto financing. The campaign will emphasize that dealers have access to many credit sources, offer the convenience of one-stop shopping, and have competitive rates that often match or beat those of banks and credit unions.

Smith pointed out that dealers must emphasize four points: the convenience of one-stop shopping; access to many credit sources; competitive rates; and a competitive marketplace.

Smith also highlighted a new tool unveiled at the convention, NADA-24 *(see story, page 7)*, to help dealers resolve customer complaints immediately and enhance customer satisfaction. "With this new service, we will be able to contact our customers within 24 hours of a transaction," he said. "And we'll be in a stronger position to resolve concerns long before they become irreparable."

To address a need for more than 30,000 new technicians annually, Smith praised dealers for their work with schools and local chapters of Automotive Youth Educational Systems (AYES), and challenged them to do even more.

"If there is not an AYES chapter in your local community, establish one," Smith urged dealers. "We also need to highlight the benefits of vocational training. For those who decide not to go to college, we need to let them know that there are viable options, and one of them is a career in automotive technology."

Ghosn

(Continued from page 1)

hicle sales this year.

As part of that drive for sales, some dealers have said they have felt factory pressure to reach a certain market penetration, even being told they might have to sell their store if they didn't improve sales. When asked about that, Ghosn deferred to Nissan Division general manager Mark McNabb, who said Nissan works with under performing dealers and tries to give them the tools to boost market share.

For Nissan North America, "I have never accepted the preoccupation with market share as a measure of success," Ghosn said in his speech. "Nissan is a profit-driven company." That's why hybrids are not currently a high priority for Nissan.

"They're not a good business story yet because the value is lower than their cost," he said.

Ghosn ended by reminding dealers that "people will always pay for what they want. It is only when the products or services do not fully satisfy them that they start to expect or to negotiate a *'deal'*..."If they don't perceive the value in your products or services, they will get what they want from someone else," he added.

"The reason for increasing customer satisfaction is a business reason," Ghosn said. "A satisfied customer is a repeat customer, a loyal customer, a third-party endorsement that is a powerful and efficient form of marketing."

2005 NADA CONVENTION

Royalty Makes NADA Debut


Her Majesty Queen Noor

The keynote speaker at the closing session of the NADA Convention was Her Majesty Queen Noor of Jordan, who spoke to dealers of the importance of "designing and building bridges between peoples and cultures...to bring peace to the world."

Born Lisa Najeeb Halaby in the U.S and schooled in architecture and urban planning at Princeton University, Queen Noor said she believed in these things as a young woman in the U.S. and as King Hussein's queen from the time of their wedding in 1978.

King Hussein, an admirer of both aviation and cars, was also a "man of profound faith and courage," she said. He believed in authentic values, pluralism, and consensus among people. He led the most progressive of states in the region and was a leader in coming to peaceful terms with Israel, she noted.

Queen Noor also spoke of the true Islam as a religion of peace, which promises rights for all and the empowerment of women. She believes today that Arab women are the key to reducing poverty and hunger, and that women everywhere can contribute to stability around the world. Attendees gave her a standing ovation for her work in making the world a better place to live and to do business.

Regional Dealer Associations Hit Title Fraud, Financial Literacy of Car Buyers

The goal of NADA's Title Fraud Task Force is for a dealership employee to be able to enter a VIN number into a hand-held device and get real-time information on a vehicle's title history before purchase, said task force chairman Craig Bickmore at the Automotive Trade Association Executives (ATAE) meeting prior to the NADA Convention. The group, which represents dealer associations at the state and metropolitan levels across the US and Canada, has concluded that public funding won't work, and is looking for a joint-venture partner with an expertise in title history searches. WANADA's Gerard Murphy serves with Brickmore on the taskforce.

ATAEs also got a legislative update from NADA's new chief operating officer of legislative affairs, David Regan, on repeal of the estate tax (unlikely to move this year, when there's a big deficit), Oldsmobile, the truck excise tax (now an issue for medium-duty dealers), the aftermarket parts bill, and the "do not fax" bill.

ATAEs also heard about NADA-24 *(see story, page 7),* NADA's new rapid-customer-feedback tool and the latest surveys by Automotive Retailing Today—which, unlike most surveys, covers only people who have recently bought a car—showing consumers have a high level of trust in dealerships, particularly their own *(see story, page 7)*.

In addition, ATAEs were reminded that NADA is a member of AWARE (Americans Well Informed on Automobile Economics), a coalition that works to spread a positive message about market efficiency and F&I and to help boost consumers' financial literacy through its website.

NADA Hosts First Women Dealers' Breakfast

The NADA Convention hosted a first of its kind special breakfast meeting for women dealers that featured keynote speaker Ann S. Moore, chairman and CEO of Time Inc., which drew more than 200 attendees.

In an inspirational and amusing talk, Moore discussed her various career feats and offered numerous business tips to help women achieve success. "Throw away the watch and take out the compass," Moore said, encouraging women not to dwell on the timing, but on the overall direction of their accomplishments.

NADA New Jersey director Marcy Maguire and NADA Idaho director Kathleen Sims were the co-hosts of the event, which NADA plans to make an annual event.

2005 NADA CONVENTION

Over 500 Attend DC Area, MD and VA Association Reception

Pat O's On The River was the perfect New Orleans venue for the MNCTDA/VADA/WANADA reception, which drew 500 dealer members and friends who enjoyed cocktails and hors d'oeuvres, a fabulous panoramic view of the Mississippi River, good music and the abundant fellowship and camaraderie of their industry peers and guests. Here are some snapshots of a grand evening.

Above left: WANADA CEO Gerard Murphy and wife Jackie, MNCTDA CEO Peter Kitzmiller and wife Lynn, Mardi Gras jester and VADA CEO Don Hall. Above center, from left: WANADA Chairman Dennis Rippeon, NADA President Phil Brady, and Bill Aschenbach. Right: New Orleans beauties joined at the hip.

Far left: Gerry Murphy and Tammy Darvish, who was a finalist for this year's TMQDA. Left: Mimi and Vince Sheehy, who was WANADA's Northwood Dealer Education Award winner.

Above left: Jackie Murphy, Lynn Kitzmiller, Katie Brady and Pat McCarthy. Above center: Dick Snyder with Carter Myers, former NADA chairman. Above right: Geoff Pohanka, NADA director for Metro Washington with wife Anne Klein.

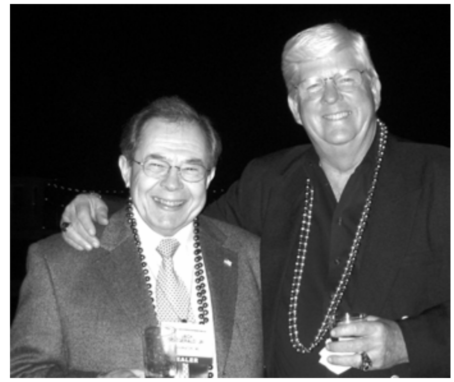
2005 NADA CONVENTION

Laissez les bon temps rouler!
(Let the good times roll!)

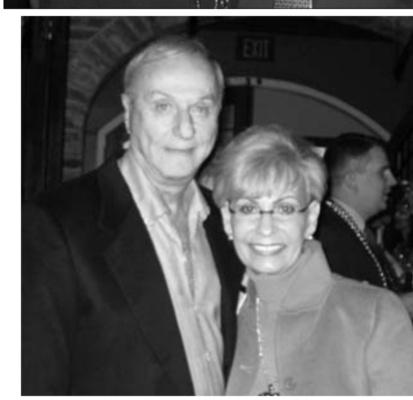
We wish we could show and name them all…but here's a sample of the "party hardy" attendees at the Tri-Dealer Association Reception.


Above left: Posing with the court jesters are VADA's Dwight Ellis with WANADA's John O'Donnell and NADA's Scott Spurgeon Above right, WANADA Chairman Dennis Rippeon and wife Priscilla.


Above left: the Reilly family Don, Marie and Kevin. Above right: Harold Redden with Fred and Betty Anne Frederick. Below, left, Mike Charapp amidst New Orleans well wishers; Washington Post's Marty Kady.





Above, from top down: Jack Fitzgerald and George Doetsch; Mike Martin, NADA director for Virginia; Mike Stanton of the Alliance of Auto Manufacturers; Judy and John Darvish; Jerry and Carole Cohen.

2005 NADA CONVENTION

NADA' s Taylor Sees Modest Bump in Sales for 2005

NADA chief economist Paul Taylor.

"Growth in the new-car sales market will move from 16.86 million in 2004 to only 16.9 million in 2005," predicted NADA chief economist Paul Taylor, as part of a steadily upward trend spurred by increased vehicle choices and affluence, and that "should continue for the foreseeable future."

Speaking at NADA's 88th Annual Convention & Exposition in New Orleans, Taylor said, "The key to sales of 16.9 million will be the continued strong economy and sustained incentives. NADA expects incentives to average at least $2,500 per vehicle for the year," he said. "If manufacturers increase incentives, sales over 16.9 million units are clearly possible."

Taylor said it isn't clear what the domestics will do in 2005. "They can't afford to take their foot off the throttle. It will be another competitive year." A key concern for automakers: the dollar-to-euro and dollar-to-yen differences continue to affect product development and pricing.

In 2004, light trucks made up a record 55 percent of total light vehicles sales, led by a 17 percent increase in crossover utility vehicles (SUVs) that provide the SUV look with all-wheel drive, but are based on car platforms. Taylor expects that SUV sales will be up by about 20 percent in 2005.

In other segments last year, large cars were up 14 percent (in part because of the Chrysler 300 and Dodge Magnum), minivans and vans (business owners coming back to the market) up 4 percent, and pickup trucks (directly related to the Ford F-150 intro) up 3 percent, according to *AutoExec.*

The biggest hidden story in 2004 was the recovery in minivans while the luxury market withdrew by 2.5 percent, Taylor said, adding that as equity markets return and consumer confidence grows, the sale of $40,000 to $65,000 luxury cars will rebound. Meanwhile, truck based SUVs' downward trend is now in its fourth year.

Taylor said that used car sales at franchised new car dealerships, along with new car sales, will continue to receive increased attention this year, as employment gains help used car sales. In 2005, Taylor said used car sales by franchised new car dealers should exceed 12 million units.

"Layoffs were a problem for used car sales in 2004," Taylor pointed out. "Many typical used car buyers returned to work last year and will buy a used car in 2005."

Used Sales: Certifieds Up, Others Down

Dealers' *certified* used-vehicle sales grew 7 percent last year—a bright spot in an otherwise tough year for franchised dealers' used-car departments, Manheim chief economist Tom Webb said at a press conference at the NADA Convention.

Overall, however, Adesa's vice-president of industry relations Tom Kontos, said at another press conference that franchised dealers' used-car sales were down 1.3 percent in 2004.

"The greatest competitive threat came from the dealer's new-vehicle department," said Webb, because of the attraction of new-car incentives. In fact, customers often started out as used-car buyers and switched to new, rather than the other way around.

New-car incentives also put downward pressure on used-car prices. That is continuing, said Kontos, but with incentives fairly stable, he does not expect used-car prices to drop further.

As expected, off-lease volume fell sharply last year, by 700,000 units. The decrease will likely continue for two more years before volume rises again in 2007. That's in response to the current increase in leasing, which rose from 19.3 percent in January 2004 to 22.4 percent in November 2004, Kontos said.

Kontos added that the most promising area for growth in used cars is auctions with simultaneous live and online sales. "It's about presenting the vehicle to more eyeballs."

2005 NADA CONVENTION

Latest ART Survey Shows Positive Customer Experiences

By separating actual vehicle customers from consumers in general, the perceptions of dealership operations are greatly enhanced, according to a recent survey commissioned by Automotive Retailing Today (ART) and conducted by Harris Interactive (Wirthlin Worldwide). Harris interviewed by phone 887 new-car buyers/lessees, 147 consumers who shopped for a car but didn't buy, and 630 consumers who hadn't shopped for a new car during the same time frame.

New-car buyers ranked their dealers nearly as trustworthy as law enforcement, the highest-ranked entity. On a 100-point scale, law enforcement earned a score of 69.5 in trustworthiness; auto dealers scored 68.4.

"It's gratifying that our customers acknowledge the effort we put into winning their confidence and trust," said ART Chairman Alan Starling. "Buyers are telling us they like what they encounter at their local dealers, and women and minority buyers give us especially high marks."

According to Maury Giles, vice president of Harris Interactive, 91 percent of new-car buyers reported satisfaction with their dealership experience; 83 percent of women had a positive overall experience and an especially favorable experience in the finance department; and 89 percent of minorities left dealerships satisfied. Consumers who did not buy and those who did not shop perceived dealers as less trustworthy than those who did make a purchase.

NADA Introduces "NADA-24" to Get Buyer Feedback Fast

From left: Scott Miller, CEO, Synovate Motoresearch; NADA's Charley Smith; Robert Philpott, CEO, Synovate; and NADA's Lutz introduce NADA 24.

"Dealers have asked for a better way to get timely input from customers so they can answer customer dissatisfaction before that dissatisfaction becomes permanent," said 2004 NADA chairman Charley Smith. So the association partnered with global marketing researcher Synovate to create NADA-24, the association's next-day customer follow-up tool.

The two-minute, three-question phone survey asks customers how satisfied they were with their dealership experience and whether they'd recommend the store to family and friends. Synovate's call centers contact customers within 24 hours of their dealership visit, record their answers verbatim, and e-mail results to dealers. This short-and-to-the-point system was developed to replace dealers' current CSI methods and is less expensive than in-house surveying, says Synovate.

"OEMs really don't give us good information on what our core customers are saying," said Wes Lutz, Extreme Dodge, Jackson, Mich., chairman of the dealer task force that helped create NADA-24. "Getting unfiltered customer comments is so powerful to the dealer."

NADA-24, which can be used for new- and used-vehicle customers, service customers (including customer-pay), and body shop customers, requires no long-term contract. It costs $3.50 per completed interview, plus a $95 start-up fee. For more information go to www.nada-24.com.

Congratulations!

To Tammy Darvish, DARCARS, WANADA's 2005 TMQDA nominee, for being named a finalist for national representative.

Kudos, also, for Vince Sheehy, Sheehy Auto Stores, for receiving the Northwood University Dealer Education Award.

2005 AIADA ANNUAL LUNCHEON AND MEETING

AIADA's 2005 Chairman Says It's Time to Play Offense

"Now is not the time to pull back, relax and retreat to a defensive posture. We need to build on the momentum we've created," AIADA 2005 Chairman James D. Evans told members at the association's 35th Annual Luncheon and Meeting in New Orleans.

From left: AIADA Chairmen James Evans Jr. (2005), Don Hicks (2006) and Buzz Rodland (2004) at the AIADA Annual Meeting

"AIADA has always been and will continue to be the best insurance policy international nameplates can have in terms of federal legislation," said Evans, a third-generation auto dealer and longtime member of AIADA who now serves as market president for AutoNation. "But let me ask you to imagine, ask you to envision, if you will, what our industry could accomplish legislatively if, instead of watching and waiting for the next crisis to strike, we began to think in terms of: 'What proactive steps can we take to improve the climate in which dealers operate?"

A key issue for AIADA this year will be to kill the 42-year-old "Chicken Tax" tariff on foreign-made pickups that has kept import brands such as Volkswagen, Hyundai and Kia out of the pickup market, while forcing other brands, such as Mitsubishi, Isuzu and Mazda, to make do with pickups from other manufacturers.

Evans urged dealers to continue AIADA's mission into the new year. "We have a lot of work ahead of us. But so did the men 35 years ago who started this association. They left behind a wonderful legacy. It's our responsibility to further that legacy by rising to the occasion in this time of tremendous legislative opportunity," he said.

AIADA also announced its board of directors executive committee for 2005:

- **Chairman:** James D. Evans, Jr., AutoNation, Ft. Lauderdale, Fla.
- **Immediate Past Chairman:** Buzz Rodland, Rodland Toyota, Everett, Wash.
- **Chairman-Elect:** Don Hicks, Shortline Automotive, Aurora, Colo.
- **Vice Chairman:** Don Beyer, Don Beyer Volvo, Falls Church, Va.
- **Secretary/Treasurer:** I. Bradley Hoffman, Hoffman Imports, East Hartford, Conn.

Former AIADA Chairman Richard Kull of the Burns-Kull Automotive Group of New Jersey, was also honored with the AIADA Lifetime Achievement Award, and Bud and Jim Smail of Smail Automotive in Greensburg, Pa., were honored with the American AIADA's "Impact Award" for their outstanding political activism on behalf of the automobile industry.

Thought for the Week…

We will pass along to our children all the freedoms we enjoy—and chief among them will be freedom from fear.

—**George W. Bush,** 2005 State of the Union

Enclosure

Focus Point Information Sheet

Universal Underwriters: Loss Prevention Series: Top Ten Most Frequently Cited OSHA Standards