

# THE WANADA BULLETIN

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

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## Headlines...

**Geoff Pohanka elected to NADA Board for Metro Washington**

**U.S. auto sales keep rising, but slowly**

**WAS reps attend New York Auto Show Press Days to interact with industry operatives**

**NADA: Auto sales will reach 16.9 million in 2015**

**NADA Used Car Guide: Used vehicle supply growing as prices to drop**

**NADA/McKinsey study on improving dealership performance**

**AutoTrader study gives a consumer view of sales process**

**Consumer optimism reaches 10-year high in first quarter**

**DOT says highway funding will run out in July; Congress debates**

**Many see self-driving cars as the future; fewer are enthused**

***In Memoriam: Karen Radley***

**Thought for the Week: Lincoln assassinated 150 years ago today!**

## Geoff Pohanka elected to NADA Board for Metro Washington

NADA has made it official: Geoff Pohanka, Pohanka Automotive, has been elected by dealers from NADA's Metropolitan Washington director district to represent them on the NADA Board, effective immediately. The term, 3 years, will run until March, 2018 when the NADA Convention is scheduled to commence. Mr. Pohanka replaces Tamara Darvish in this office who represented Metropolitan Washington for six years on the NADA Board. Mr. Pohanka actually preceded Ms. Darvish at NADA having served two (2) three year terms from 2002 through 2008.

"We appreciate having Geoff step back in as our director given his extensive dealer association experience at all levels," said John O'Donnell, WANADA CEO. Pohanka has returned to serve on WANADA's Board and Executive Committee as chairman of the 2016 Washington Auto Show.

Mr. Pohanka's former service on WANADA's Board culminated in 1998-1999 when he was chairman. Additionally, he has been active in AIADA, being the recipient of their Sports Illustrated All-Star Dealer Award. He has also been a longstanding proponent of technician career development having served on the board of the National Institute for Automotive Service Excellence (ASE) and being a recipient of the Northwood University Dealer Education Award. For overall dealer success, Pohanka was honored as an Ally/Time Dealer of the Year in 2012.



Geoff Pohanka,  
Pohanka  
Automotive

“Geoff is a proven dealer leader and WANADA is delighted to have him leading the Washington Auto Show and headed back to the NADA Board to represent Washington area dealers,” said WANADA chairman Dick Patterson.

NADA’s national dealer board of directors is comprised of 63 members from every U.S. state and a number of key metropolitan regions, including Metropolitan Washington.

WANADA congratulates Geoff Pohanka on his election to the NADA Board, looking forward, as in the past, to working closely together on the national dealer agenda.

## U.S. auto sales keep rising, but slowly



The success of the Chevrolet Silverado showed consumers’ fondness for trucks.

U.S. auto sales continued to expand in March after five straight years of gains, but only by a modest half-percent. Thanks no doubt to low gas prices, the month’s sales extended the trend of growth for compact SUVs and crossovers at the expense of passenger cars.

“As the economy gained steam throughout 2014, we knew 2015 would be a strong year for trucks,” said Kurt McNeil, General Motors’ vice president of sales operations.

Ford sales analyst Erich Merkle noted that auto sales had risen 5 percent in the first three months of the year. He said he is pleased with the health of the industry, but that no one should expect the kind of sales gains that occurred right after the recession.

GM’s and Ford’s sales fell more than 2 percent and 3 percent, respectively, though light trucks continued to sell well for each brand. U.S. sales for Ford rose 2 percent for the company’s 60<sup>th</sup> straight month of sales gains. Jeep sales jumped 23 percent. Toyota was up 5 percent, staying in second place after GM.

Good news could be seen in the average transaction price – \$32,201, up 2.1 percent from a year earlier. The average incentive per unit, however, was down \$34 to \$2,691. (Figures are from TrueCar.)

The top three of the five best-selling vehicles were trucks, the Ford F-Series, Chevrolet Silverado and Ram Pickup. Toyotas took the next spots – the Camry in fourth place and the Corolla and Matrix, tied for fifth.



Fred Diaz, senior vice president, sales & marketing Nissan North America (left) with John O’Donnell, WAS producer

## Washington Auto Show reps attend New York Auto Show Press Days to interact with industry operatives

Like other auto shows on the industry circuit, the 2015 New York International Auto Show had strong and improved attendance. And being one of the premier auto shows in the world, NYIAS attracted widespread media and OEM announcements during its industry/media days that preceded public days that concluded last weekend.

As WANADA does with premier shows in the U.S. and abroad, a Washington Auto Show delegation was sent to attend NYIAS pre-public days to interact with OEM operatives, media and industry observers who have been and can be helpful to Washington's position as the Public Policy Show. Correspondingly, the record attendance Washington enjoyed at its Jan., 2015 Auto Show underscored the importance OEMs place on the Washington market with its highly educated, generally affluent auto buyer population.

WAS Committee reps at this year's NYIAS were Daniel Jobe, Capitol Cadillac; WAS producer John O'Donnell, communications director Barbara Pomerance; and WAS manager Bob Yoffe.



Consumers crowd one of the numerous new vehicle displays at the 2015 NYIAS, which reported significantly improved public attendance.



Erik Thomas, manager for auto shows & events, Hyundai Motors America, flanked by WAS reps Daniel Jobe (right) and John O'Donnell (left).

## NADA: Sales will reach 16.9 million in 2015

March sales came in at a seasonally adjusted annual rate of just over 17 million, and NADA is forecasting just under 17 million sales for the year. That would represent a 3.1 percent increase from 2014. Economic conditions continued on the upswing, new models entering the marketplace and pent-up demand will drive sales, says NADA chief economist Steve Szakaly.

“We now expect first quarter GDP to grow by only 2.1 percent, hurt by the west coast port strike, weather setbacks and declining oil investments,” he said. “Car sales will continue to outpace overall economic growth.”

Szakaly flagged some key indicators that sales will continue to grow this year:

- GDP will increase by 2.9 percent.
- A strong U.S. dollar and downward pressure on commodity prices will keep inflation well below the Fed's official target of 2 percent.
- Strong employment growth is expected to lead to a rise in wages. (Szakaly offered his forecast before March employment figures showed anemic job growth.)

“Wage and income growth will be critical to maintaining the momentum both for the U.S. economy and for motor vehicle sales for the rest of 2015 and on into 2016,” Szakaly said.



Low oil and gas prices help limit inflation, NADA's Szakaly notes.

He expects low oil prices to continue, a trend that should not only boost SUV and light truck sales but help limit inflation. Szakaly now expects the Fed to keep interest rates low until September.

Szakaly expects light truck share for the year to reach 56 percent, up from 54 percent in 2014.

## **NADA Used Car Guide: Used vehicle supply growing; prices to drop**

The used vehicle supply is swelling and should reach pre-recession levels by 2017, said Jonathan Banks, executive analyst for NADA Used Car Guide.

“The used car market has enjoyed high demand and short supply after the recession, causing used car prices to reach all-time highs,” Banks said. As the automotive market continues to recover, used car prices will drop. The question is: by how much and when?

“A burgeoning off-lease supply of used vehicles will drive late model [five years or newer] volume up 8 percent this year,” Banks said. Late-model supply will reach pre-recession levels in 2017, but overall supply will lag by a few years. Off-lease cars will be dominated by compact cars and utilities, and midsize cars and utilities – a reversal of the pre-recession trend.

The combination of declining used prices and recent finance trends could create *negative equity* for some consumers.

## **NADA/McKinsey study on improving dealership performance**

A new study by McKinsey & Company concludes that if automakers and dealers make the needed investments in operations and marketing, average dealership profitability could reach the levels of today’s top performing dealers. The study, presented at the NADA/J.D. Power Automotive Forum in New York City, was conducted in cooperation with NADA.

“Our research busts the myth that most of the factors that effectively drive dealer success, such as sufficient scale and brand strength, remain beyond the industry’s control,” said Steven Knupfer, a senior partner at McKinsey and 20-year veteran in the auto industry. “Instead, we discovered that internal operating practices differentiate highly profitable retailers from their peers today even more than in 2006, when NADA and McKinsey conducted a similar analysis.”

Although auto sales are recovering nicely from the recession, profits “have plateaued over the last two years and have failed to keep pace with growing volumes,” said Robert Mathis, a partner in McKinsey’s Automotive & Assembly Practice.

To attract and retain digital buyers, dealers and automakers need to work together on their marketing strategy, Michael Regan, NADA vice president of industry affairs, said at the Automotive Forum.

## **AutoTrader study gives a consumer view of sales process**

A new study from AutoTrader shows that consumers want big changes in the car buying process – in test drives, deal structuring and F&I. The study also found that consumers want a different way of getting their cars serviced. The company surveyed 4,002 people.

“While there is good work going on right now to adapt decades-old sales processes, consumers are telling us that we as an industry are not moving fast enough,” said AutoTrader president Jared Rowe.

The study dispels three common myths.

*Myth #1: Salespeople will be less important in the future.* Rather, 84 percent of consumers said they want to buy a car in person. Four-tenths see the dealership as a place to learn about specials, offers, warranty and service.

*Myth #2: Consumers don't want to negotiate.* More than half said to prefer to negotiate. Many feel they have to negotiate to get a fair price.

*Myth #3: Lowest price will always win.* More than half said they would buy from a dealership that offered their preferred experience over lowest price. Nearly three-quarters said they are willing to drive farther for a great salesperson.

The study cites four main areas where changes are needed:

*Test drives.* A whopping 88 percent said they will not buy a car without a test drive, but most said they want more convenience and less pressure. Respondents said they would like to be able to test drive multiple vehicles across brands in one place and take a test drive with a product specialist instead of a salesperson.

*Deal structuring.* Of those who liked the idea of online deal building, more than half want the ability to start the negotiation on their own terms, preferably online. Nearly that many would like to remain anonymous until they lock in the deal structure.

*F&I.* Nearly three-fourths of consumers want to complete the credit application and financing paperwork online, mostly to save time at the dealership and to have less pressure while filling out paperwork.

*Service.* An impressive 83 percent of consumers said they would like to be able to access a network of local service centers that honor service agreements, mainly for greater convenience.

An incentive for the industry to make changes: more than half of consumers said they would buy a vehicle more often if the buying process were improved.

## **Consumer optimism reaches 10-year high in first quarter**

Consumer optimism reached a 10-year peak in the first quarter of 2015, its highest level since the third quarter of 2004, according to the University of Michigan index of consumer sentiment.

March showed a slight decline in consumer optimism, but most of that came from lower income households, said Richard Curtin, the University of Michigan economist who directs the surveys. Households with incomes in the middle and top third showed gains in confidence in March.

“Expanding job opportunities as well as more favorable wage gains have meant that consumer spending will rebound during the balance of the year,” Curtin said. Although consumers expect interest rates to rise later this year, few said that rise would affect their purchase plans.

## DOT says highway funding will run out in July; Congress debates

Transportation Secretary Anthony Foxx said last week that the funding for highways and other infrastructure projects will run out at the end of July, two months later than previously announced. If Congress does not pass a transportation bill that the president will sign before then, Foxx said, DOT will have to use cash management to fund highway projects.

All parties agree on the urgency of the matter, but the Senate Transportation Committee is no closer to a deal on funding. Transportation advocates, including the American Automobile Association, have urged a hike in the gas tax. But Congress continues to have no appetite for tax increases.

One of the more popular proposals, known as repatriation, would impose a one-time tax on overseas corporate profits. The administration offered such a bill last week, imposing a 14 percent tax on about \$2 billion worth of overseas profits.

But a one-time tax is not a long-term solution, something everyone agrees is needed but that no one can agree on. Foxx pointed out that Congress has passed 32 short-term extensions to the transportation bill in the past six years.

Georgia and North Carolina have joined the growing list of states that have raised their state gas tax. Maryland and Virginia both raised theirs as part of a comprehensive transportation bill, though Maryland's tax increase may be in peril.

State transportation officials have said they have begun preparing for a construction shutdown, reports *The Hill*. Spring marks the beginning of construction season, and thousands of jobs could be at stake.

Meanwhile, the American Road and Transportation Builders Association announced that 61,000 U.S. bridges are rated structurally deficient. In Maryland and DC, 6 percent of the bridges are structurally deficient; in Virginia 8 percent are.

## Many see self-driving cars as the future; fewer are enthused

More than one-third of U.S. adults surveyed in a Harris poll think self-driving cars are the future of driving and 24 percent think they are the designated drivers of the future. But one-third say they will never consider buying or leasing one.

Many survey respondents see benefits to self-driving vehicles: better fuel economy, more free time and increased productivity. But one-quarter of Americans don't see any benefits.

Those surveyed see several drawbacks to autonomous cars: computer glitches (mentioned by 80 percent), added costs, higher cost to service, higher insurance costs and computer data breaches. One-third say they're an unnecessary luxury, and about almost as many feel they're something only rich people could afford.

One-fifth of survey respondents say they will consider buying or leasing a self-driving car once the bugs have been worked out. Seventeen percent say they will consider doing so once the price drops to a reasonable level. Millennials are the most likely to be interested.



Bridges could collapse if Congress does not find funding for infrastructure.

***IN MEMORIAM***  
***Karen Radley***  
***Radley Automotive Group***

WANADA is saddened to note the passing of Karen Radley of Radley Automotive Group in Northern Virginia. She died last week of complications from a long bout with cancer. She was 64.

Karen was introduced to her career in the automobile business by her husband, Vince Radley, a longtime, well known Washington area dealer executive. She was active in the Acura dealer group and also Volkswagen. She became involved in the leadership of VADA and chaired the board of directors there a number of years ago. She stayed engaged on the political action side of VADA, raising funds across the state for the Virginia Auto and Truck Dealers PAC.

On the personal side, she travelled extensively, enjoyed photography and cared for distressed animals. Tragically, she and Vince lost their son, Cory, who died two years ago.

Funeral arrangements were private.

Memorial contributions to her memory can be made to Hazelwild Therapy Riding Program, Hazelwild Farm, 5325 Harrison Road, Fredericksburg, VA 22407.

To Vince, her family and many friends, WANADA extends its sincerest sympathy

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**Thought for the Week...**

Whoever heard of a reformer reaping the rewards of his labors in his lifetime?

--A. Lincoln

Assassinated in Washington 150 years ago tonight