

THE WANADA BULLETIN

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

WANADA Bulletin # 16-16

May 2, 2016

Headlines...

Save the Date! 2016 WANADA Golf Open, June 8

Off-lease cars getting younger; CPO driving up prices

Improved customer satisfaction could increase dealer profits by \$106,315

Gas prices still low despite record demand – AAA

Industry, DOT unprepared for auto cybersecurity attacks – GAO

Google, Ford, Volvo, Uber, Lyft form self-driving coalition

Public hearing debates pros, cons of autonomous cars

Consumers show interest in smart-car technology

Staying Ahead...

Save the Date! 2016 WANADA Golf Open, June 8



The WANADA Golf Open is around the corner!

Photo: [Creative Commons](#).

With the showers of April fading to the sunshine of May, WANADA's Annual Golf Open can't be far behind! Plan *now* to attend this second-to-none event on Wednesday, June 8, at the beautiful Lansdowne Resort in Leesburg, Va. It's a great opportunity to get some fresh air on the championship fairways, along with the good natured competition that ensues, and an unparalleled chance to network with good friends and business associates.

The number of golfers is limited to 128, so early registration is a good idea. Kindred-line members are allowed to register up to two foursomes (8 players). In addition, we are adding a special dealer competition on the *Robert Trent Jones*

course (one foursome per store). If you are not a golfer, be there for the cocktail reception and dinner. Below is the schedule for this year's WANADA Open.

| | |
|------------------------|--|
| 9:00 a.m. – 10:00 a.m. | Tournament Registration & Brunch |
| 10:00 a.m. | Golf Clinic Sponsored by Eyewitness Surveillance |
| 11:00 a.m. | Shotgun Start |
| 4:00 p.m. – 5:00 p.m. | Cocktail Reception |
| 5:00 p.m. | Awards Dinner |

Golf Tournament Rules for 2016

- "Bogey Max" 1 over par on each hole (exception: the dealer competition)
- No golf cart restrictions

- 59 years old and younger will play the Blue tees
- 60 years and older will play the White tees
- Closest to the pin & longest drive prizes awarded for both Blue & White tees
- Prize for 1st, 2nd and 3rd place teams.

Sponsorships are still available; please [click here](#) to view opportunities. Sponsors receive early registration for foursomes. Contact Bob Storin 202-237-7200 ext. 18 or rs@wanada.org for additional information regarding sponsorships.

Pre-registration is available for all dealer members – click [here](#) for the link. Direct questions to Kathy Teich 202-237-7200 ext. 27 or kt@wanada.org.

Off-lease cars getting younger; CPO driving up prices

More off-lease vehicles will come back to dealerships this year, as 27 percent more cars were sold with three-year leases in 2013 than in 2012. That prediction is from Edmunds.com's Used Vehicle Market Report.

Last year, 55 percent of used cars sold at dealerships were three years old or younger, and that number is likely to grow this year. Nearly two-thirds of lease returns will come from five segments: midsize cars, compact cars, compact crossovers, entry luxury cars and midsize crossovers. The cars (as opposed to CUVs) are much less popular today than when they were leased, thanks to falling gas prices.



Compact crossovers such as the Honda CR-V will make up a large part of lease returns this year.

Many off-lease cars are sold through certified pre-owned programs, which have an average list price \$1,500 higher than regular used cars. So this year's used cars should sell for even more than last year's record average of \$18,552.

Even newer used cars come from rental agencies, which generally keep cars in service for a year or two. But the cars coming off rental – midsize, compact, subcompact and large cars – are not the popular segments today. Edmunds believes prices will likely fall in those segments.

In 2015, only 48 percent of new car sales involved a trade-in, down from 50 percent in 2012. Edmunds.com analyst Ivan Drury said the company's research shows that "when shoppers feel good about the economy, many tend to consider keeping an older car, perhaps passing it along to another family member."

Improved customer satisfaction could increase dealer profits by \$106,315

Everyone knows that making customer satisfaction a top priority can help a dealership's bottom line. Now a new study from MaritzCX puts a number to that theory. The average dealership could earn an extra \$106,315 in gross profit per year by emphasizing customer satisfaction. Here's the breakdown.

The average dealership sells 726 vehicles a year. By increasing satisfaction by one level – for example, from "very satisfied" to "completely satisfied" – the average dealer would sell an additional 329 vehicles. If a customer returns to the dealership to buy another vehicle and increases satisfaction by one level over the lifetime of the vehicle, the dealership could earn more

than \$64,000 every year in additional sales profits. The increase in service profits from moving to the next level of satisfaction would be an extra \$41,646 per year, for a total of \$106,315.

“When dealerships consider investing in improvements to their customers’ car-buying experience, this model will help them understand exactly what financial benefit they can expect,” said Chris Travell of MartizCX.

The company also analyzed the effect of customers moving *down* one level of satisfaction and found that the downward move could result in a potential *decrease* in gross profit of \$191,624 per year.

Gas prices still low despite record demand – AAA



Gas prices are expected to remain low. Photo by Anthony Inswasty.

Relatively cheap gas prices are boosting driving demand nationwide, as well as demand for SUVs and other light trucks. 2016 remains positioned to be a record year for both gasoline consumption and annual miles traveled, according to the American Automobile Association. Late April’s gas price of \$2.14 per gallon is 39 cents lower than a year earlier.

The question is whether refiners can keep pace with the expected increase in demand as we enter the summer driving season. Demand is likely to surpass last year, which means another higher-than-normal year of refinery runs. That in turn can put additional strain on refinery equipment and overall operations. Even so, drivers are

expected to pay some of the lowest prices for the summer in more than a decade.

The main reason for the lower gas prices is lower crude oil prices and minimal disruptions in supply. Although domestic production is declining, the global oil market is expected to remain well supplied, keeping the price at the pump relatively low.

Industry, DOT unprepared for auto cybersecurity attacks – GAO

A new Government Accounting Office (GAO) report discusses challenges faced by the auto industry and the Department of Transportation in dealing with potential auto cybersecurity attacks. A cyberattacker could remotely access a vehicle’s steering and braking through the wireless connections that enable hands-free cell phone use, the report says.

“Such attacks could potentially impact a large number of vehicles and allow an attacker to access targeted vehicles from anywhere in the world,” says the report. Still, “such attacks remain difficult because of the time and expertise needed.” So far, they have happened only in a research lab.

The technology that could make vehicles more secure could not be incorporated into existing vehicles. It could only be incorporated into vehicle design and production, which takes about five years.

The report notes that the Alliance of Automobile Manufacturers and the Association of Global Automakers have formed an Automotive Information Sharing and Analysis Center to share and analyze cyberthreat information.

U.S. DOT has also started to address vehicle cybersecurity, but has not determined the role it would take in a real-world cyberattack. NHTSA is studying the need for government standards

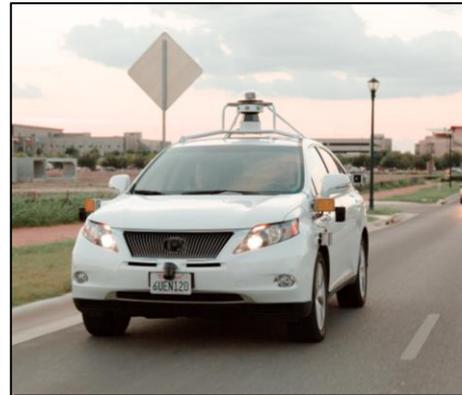
or regulations on vehicle cybersecurity. Until the safety agency has defined its role, its response to a cyberattack could be slowed.

Google, Ford, Volvo, Uber, Lyft form self-driving car coalition

Google has joined with two automakers and two ride-sharing companies to form the Self-Driving Coalition for Safer Streets. The group will advocate for autonomous vehicles and will lobby for uniform regulations for them in an effort to avoid a patchwork of state laws. Former NHTSA Administrator David Strickland will be the group's counsel and spokesman.

"Self-driving vehicle technology will make America's roadways safer and less congested," Strickland said in a statement. "The best path for this innovation is to have one clear set of federal standards, and the Coalition will work with policymakers to find the right solutions that will facilitate the deployment of self-driving vehicles."

NHTSA plans to release guidance on autonomous vehicles in July. One point of contention: California has proposed, and Google has opposed, requiring a steering wheel, pedals and a licensed driver in the car in case of emergency. NHTSA said earlier this year that the artificial intelligence system in a Google autonomous car could be considered the driver.



A new group of autonomous car advocates will push for uniform federal regulations for cars, such as Google's self-driving Lexus RX450h.

Public hearing debates pros, cons of autonomous cars

At its second public hearing on self-driving cars this year, NHTSA heard from advocates, to include Google and go-slow proponents such as Consumer Watchdog.

At the meeting at Stanford University, Google's self-driving car boss Chris Urmson told NHTSA officials that it was critical to autonomous vehicles' success and to public safety to develop federal regulations that would apply nationwide. Urmson said Google has watched 15 states develop different laws in the past 12 months.

"Vehicle-safety standards are not the expertise of the states, and expecting states to take on this role will only lead to inconsistent safety requirements," Urmson said, according to *USA Today*.

But John Simpson of Consumer Watchdog said Google was only acting in its own self-interest and that the company should be more transparent about the many times a human driver has had to take control in its self-driving car. Simpson said to NHTSA officials, "Innovation will thrive hand-in-hand with thoughtful, deliberate regulation." Consumer Watchdog wants NHTSA to require a human driver with a steering wheel, brake and accelerator as a backup in all self-driving vehicles.

Consumers show interest in smart-car technology

Many consumers, especially older ones, are leery of fully autonomous vehicles, according to a new survey by J.D. Power. But consumers are very interested in some of the technologies underlying autonomous cars. Features with high consumer interest include smart headlights, night vision, lane change assist, traffic jam assist, medical emergency stop, smart intersection and predictive vehicle control.

Trust in fully automated cars is directly linked to the age of the consumer. More than half of Gen Y and Gen Z (the groups born 1977 to 2000), compared with 23 percent of baby boomers and 18 percent of pre-boomers (born before 1946), say they trust self-driving technology. All groups are concerned about technology security, specifically around privacy and the potential for systems to be hacked, hijacked or to crash (either the vehicle or the system itself).

Staying Ahead...

Nothing can stop the man with the right mental attitude from achieving his goal; nothing on earth can help the man with the wrong mental attitude.

--Thomas Jefferson