

THE WANADA BULLETIN

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

WANADA Bulletin # 18-16

May 16, 2016

Headlines...

WANADA Open is just three weeks away – Register now!

U.S. auto sales to top out at 20 million by 2018 – Merrill Lynch

WANADA again offers flu shot program for dealership staff

Health Savings Account maximums announced for 2017

Responding to customers when recall parts aren't available

Tesla's ongoing quest to sell its cars without dealers

Dealers do best of any industry in Internet lead follow-up

Staying Ahead...

WANADA Open is just three weeks away – Register now!



A special dealer competition has been added to this year's WANADA Open.

When it finally starts to feel like spring—which hopefully is soon-- you will want to take advantage of it by attending the WANADA Open at the renowned Lansdowne Resort in Leesburg, Va. The date is Wednesday, June 8.

New this year, WANADA dealers may opt to be in an exclusive dealer versus dealer event in a play-your-own-ball format. Whether you sign up for the general tournament, or the dealer versus dealer, foursome positions on each course are limited, which is a good reason to register early!

Non-golfers, of course, are cordially invited to come for the networking cocktail reception and dinner. The

event starts at 9 a.m. and ends after the Awards Dinner, scheduled to conclude by 7 p.m.

Sponsorships are still available: click [here](#) to view the opportunities. Contact Bob Storin, 202-237-7200 ext. 18, or rs@wanada.org, for more sponsorship information.

All WANADA members can register by clicking [here](#). Direct questions about the Open to Kathy Teich, 202-237-7200 ext. 27, or kt@wanada.org.

U.S. auto sales to top out at 20 million by 2018 – Merrill Lynch

U.S. auto sales will peak at 20 million in 2018 as automakers race to introduce more new product. That's the forecast of auto analyst John Murphy in Merrill Lynch's annual "Car Wars" report. Last year's record sales reached 17.5 million.

The reasons for Murphy’s forecast, which is more optimistic than most: solid consumer confidence, steady job growth and, most important, a big jump in vehicle miles traveled.

Automakers are rushing to meet demand by ramping up their new product schedule, from an average of 38 per year to an average of 58 per year from 2017 to 2020, Murphy said. The heaviest new-vehicle introduction years will be 2019, with 70 new models, and 2020, with 68. That means the average age of new vehicles in the showroom will drop from 3.3 years in 2017 to 1.9 years in 2020. The next few years after that should settle in at 2.5 years.



Planned replacement of the Odyssey and other models will push Honda to the greatest replacement rate of any automaker in the near term.

The craze for crossovers will only continue, as they are forecast to reach 31 percent of the market in the next four model years, followed by trucks at 27 percent. Small, fuel-efficient cars, Murphy projects, will be just 18 percent. The forecast is, of course, for national sales. Washington area sales have historically been heavier on cars than trucks – though the most recent [WANADA Area Sales Report](#) showed a slightly greater share for light trucks than cars for the first time.

In 2017 and 2018, Honda will have the greatest replacement rate, with totally redesigned versions of the Odyssey, CR-V and Accord. Over the next four years, however, General Motors is expected to have the highest replacement rate at 22 percent (up from its historical rate of 14 percent). Ford and FCA will be next at 21 percent. The Detroit Three should do well because of their concentration on crossovers and trucks, Murphy said.

Next in projected four-year replacement rate are Honda (21 percent), Nissan (19 percent) and Toyota (18 percent). But Murphy gave an uncertain forecast for Nissan, saying it was too focused on cars.

Murphy sees another economic downturn in three to five years – farther in the future than some analysts have said.

Must register by August 31

WANADA again offers flu shot program for dealer staff



Dealerships have the option of choosing needle-free flu vaccines this year.

With Memorial Day approaching, the winter flu season may be the last thing on peoples’ minds. But dealers can be prepared to help keep their employees healthy. Registration is open from now until August 31 for WANADA’s seasonal flu shot program for dealership staff. The flu annually infects more than 40 million people, resulting in workplace disruptions averaging four to five days per employee. So the flu shot is a popular, well received WANADA employee benefit. As in years past, WANADA’s flu shot program will be available on site at WANADA dealerships and be administered by Norvar Health

Services.

This year Norvar is pleased to announce the introduction of *needle-free* technology for the administration of flu shots. This new technology allows the introduction of the flu vaccine into the muscle via a device that relies on spring power rather than a needle, eliminating needle anxiety. The device uses a precise stream of fluid that goes through the skin in about one-tenth of a second. For more information about the technology, visit www.norvarhealthservices.com/nonneedle.

Norvar is again offering both the trivalent (3-strain) and quadrivalent (4-strain) vaccines. For years, flu vaccines were designed to protect against three different flu viruses (trivalent). The quadrivalent vaccine is designed to protect against four different flu viruses. Adding another B virus to the vaccine aims to give broader protection against circulating flu viruses.

The fee will be \$24 per shot for the trivalent vaccine and \$31 for the quadrivalent vaccine, with a minimum of 20 participants required at each location. Locations with less than 20 participants will be billed as if 20 doses of the trivalent vaccine were administered. The needle-free injections cost an extra \$2 each.

As usual, adults 65 and older have a choice of getting the high-dose trivalent flu shot, which offers better protection against the flu compared with the regular trivalent shot. The fee for the high-dose shot is \$48. The high-dose vaccine gives older people a better immune response against the flu. Needle-free injections are not available for the high-dose vaccine.

Interested dealerships may register online at www.norvarhealthservices.com under “Scheduling” or by calling Norvar at 202-744-1360. Faxed registrations will not be accepted. With the popularity of the flu shot program, dealers are encouraged to register early to guarantee the date of their choice. Any request received after August 31 may be subject to vaccine availability.

Norvar will begin conducting on-site visits starting October 1. All scheduling will be done by Norvar upon submission of the dealership’s registration. Norvar will contact the dealer’s designated representative with the scheduled date/time and forward all appropriate forms. Norvar will invoice the dealership directly for all flu shots administered through the program, subject to the 20-dose minimum.

Health Savings Account maximums announced for 2017

The 2017 health savings account contribution limits for 2017, recently announced by the IRS, will increase for individual-only coverage, from \$3,350 this year to \$3,400 on January 1, 2017. The maximum will remain unchanged for families (defined as one or more additional people), at \$6,750. All other deductible and out-of-pocket limits will remain unchanged.

Responding to customers when recall parts aren’t available

Many dealers have been discussing how to respond to customers whose vehicles have been recalled when the parts are not yet available from the manufacturer. That is the case for many dealers, including many in the Washington area.

One problem is that the delays in getting parts have created apathy in vehicle owners, who start to ignore recall notices because they can’t do anything about them right away. But manufacturer delays also force dealers, regulatory and safety advocates, and consumers to consider what to do with recalled vehicles from the time the recall is announced to when the repair can be completed. That leads to the question every consumer wants answered: “Should I continue to drive my recalled vehicle in the meantime?”

NHTSA is responsible for answering that question. On the Takata matter, *NHTSA explicitly told Congress that it did not believe a “do not drive” recommendation was necessary for vehicles*

with recalled Takata airbags. DOT said the same thing about GM ignition-switch recalls – that it was “not necessary” for consumers to stop driving affected vehicles if drivers took certain precautions.

While everyone may not agree with the answers, DOT and NHTSA thoroughly considered these questions in adopting their positions. In NADA’s view, such regulator decisions shouldn’t lead others to play politics with the issue by accusing dealers of being anti-consumer or anti-safety. After all, says NADA, we all want to get 100 percent of recalls fixed 100 percent of the time. The way to do that is through more parts, and more consumer awareness.

--Adapted from the NADA Chairman’s Column by Jeff Carlson

Tesla’s ongoing quest to sell its cars without dealers

High-end EV maker presses for second store in Virginia

Longtime automotive writer Joann Muller had an interesting column on Forbes.com recently about the difficulty Tesla is likely to encounter meeting its ambitious sales goals without using franchised dealers.

Tesla CEO Elon Musk recently told investors during a conference call that the company plans to produce 500,000 vehicles a year by 2018 to satisfy consumer demand for its EVs, Muller writes. The only barrier to Tesla’s goals, Musk said, is production.

But another barrier, says Muller, is the franchise laws and legal rulings that prohibit Tesla from using its direct sales model in many states. Tesla admitted as much in its securities filings with the federal government. So far, Tesla has battled in court and won permission in a few states to operate a few retail locations; that is to say, New Jersey, New York, Ohio and Pennsylvania.

Muller highlights the ongoing battle in Virginia. Tesla now operates a store in Vienna, VA, under a 30-month trial negotiated with the Department of Motor Vehicles. Midway through the trial period, Tesla acted to change its agreement with DMV and open another store in Richmond. Accordingly, they have asked the DMV for an exemption to the state law that prohibits a manufacturer from running a dealership. The DMV commissioner can grant an exemption if there is no “dealer independent of [Tesla] available in the community or trade area which can own and operate the franchise in a manner consistent with the public interest.”

An administrative law judge heard testimony from witnesses hired by Tesla and VADA on behalf of the Virginia DMV. Tesla’s witnesses (including a Yale economics professor) argued that Tesla was so “new and novel,” being a company in need of representatives with different sales skills than those used for other manufacturers.

Mary Ann Keller, a well-known industry consultant who spoke for VADA, countered, “Plain and simple, Tesla sells and services passenger vehicles to consumers and whether its vehicles are powered by electricity or holy water, it is in the business of retailing automobiles.”

The administrative law judge will make a recommendation to the DMV, which will decide the case. “From a practical standpoint,” writes Muller, “it seems like Tesla is going to have to budge eventually.”



Tesla hopes to open another showroom in Virginia like this one in Orange County, Calif.

Dealers do best of any industry in Internet lead follow-up

Auto dealers did better than other industries in Internet lead follow-up, a study by lead-engagement software firm Conversica shows. More than 95 percent of dealers who responded to an Internet lead did so within 24 hours. But 25 percent of dealers in the study did not respond to a direct sales inquiry from their website.

The study looked at speed of response, persistence of outreach, personalization of dealers' email responses and performance of their email deliverability. Auto dealers did better than other industries in persistence, with 57 percent showing the recommended level of persistence and 91 percent making three or more attempts. And of dealerships that responded to leads with emails, more than 86 percent had some of the key personalization elements included.

"Our research suggests that email is surpassing phone contact as the fastest way to reach leads, and it is the easiest method to use persistently," said Alex Terry, CEO of Conversica.

While praising dealers for their overall performance in the study, Terry said "there's still lots of room for improvement, with nearly 25 percent of dealers we "secret shopped" not responding at all to our inquiry." In the past, dealership Internet consultants have recommended responding to online sales leads in one to three hours.

Staying Ahead...

Our greatest glory is not in never failing, but in rising every time we fall.

--Confucius

WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION

