

THE WANADA BULLETIN

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

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Mercer sees evolution, not revolution, for future of dealerships



Speaker Glenn Mercer (left) with WANADA Chairman John Bowis, Chevy Chase Acura, at WANADA dealer seminar.

Forecaster Glenn Mercer sees many changes coming to the auto sales landscape in the U.S., but no significant disruption to the dealership business model. He spoke at a WANADA event at the Trump International Hotel in D.C. last week, sponsored by WANADA Kindred line members Porter Construction and Architects Group Practice.

Unlike some forecasters, Mercer expects *evolution not revolution*. Franchised dealerships will remain the main venue for auto sales, but OEMs will tighten their control of dealerships, he said.

“Dealerships will continue to move from entrepreneurial, diverse traders to OEM-controlled, standardized retailers,” Mercer told the crowd of dealers. Dealers will get over 90 percent market share of sales versus direct sales from the automakers.

The number of dealerships will drop from 18,000 today to 16,500 by 2025, Mercer predicted. Additionally, the number of owners will decrease from 8,000 to 6,500.

Mercer noted, too, that individual ownership of dealerships will remain dominant, pointing out that the Big 6 public chains have not expanded in the past 10 years.



Reception following WANADA's member seminar with forecaster Glenn Mercer on Sept. 13 in D.C.

Regarding dealership profit, Mercer said it will decline and depend more on service, as has already started to happen.



Glenn Mercer speaks at the WANADA dealer seminar on Sept. 13 at the Trump Hotel.

Mercer concluded by referencing some trends in overall automotive retail:

- Dealers will continue to see 17 to 18 million new vehicle sales every year through 2025, propelled by a growing population and increasing suburbanization.
- Although it is clear millennials are now buying cars, the average age of the new-car buyer is older at 54, and 43 for used cars. Transaction prices are going up, driven by the increase in SUV share.



Attendees enjoy Glenn Mercer's presentation at the WANADA dealer seminar.

The biggest threat to this evolution, Mercer said, is the unlikely prospect that mobility services and autonomous vehicles combine. That would dramatically reduce the need to own a car.

WANADA CEO speaks to lawyers about autonomous cars

WANADA CEO John O'Donnell recently spoke to attorneys at the SCG (State Capital Group) annual meeting about autonomous vehicles (AVs). Attorneys who attended the Chicago meeting received continuing legal education credits from SCG, a global network of leading law firms.

The focus of the panel O'Donnell was part of was twofold: the features and technology of future AVs and the legal issues surrounding them. The attorneys were especially interested in the potential effect of AVs on product liability and data security law.



WANADA CEO John O'Donnell (second from right) at SCG panel.

Other speakers on the panel were Christopher Bonanti, director of regulatory and compliance for transportation and safety at Engineering Systems, Inc., and Erika Carrasco, partner at Field Law in Calgary, Alberta. The panel was moderated by WANADA's government relations counsel, Alan Rifkin of the Annapolis law firm Rifkin/Weiner/Livingston.

Fitzgerald Toyota hosts event to publicize airbag recall

Earlier this month, Fitzgerald Toyota in Gaithersburg hosted state and federal officials, along with Toyota executives, to promote awareness of the automaker's airbag recall. They wanted to encourage area drivers to make sure that their cars, no matter who manufactured them, are truly safe.

Maryland MVA Administrator Christine Nizer said her state is the only one so far to receive National Highway Transportation Safety Administration grant funding to tell residents of outstanding safety recalls on their cars, and that any recalls can be fixed for free.

Nizer praised Jack Fitzgerald of Fitzgerald AutoMalls for his long standing leadership in seeing through repairs for consumers on recalled vehicles in Maryland. The dealership chain is currently incentivizing drivers with recalled cars to get them repaired by including a free oil change, car cleaning or alignment with their service appointment.

Fitzgerald AutoMalls is the first dealer organization of its kind to do an airbag awareness campaign of this magnitude. The dealership has repaired more than 2,500 vehicles with Takata airbags, said Tom Stricker, Toyota vice president of product regulatory affairs. But there are still 40,000 cars in this region that need new airbags.

Toyota also used the presentation to highlight the Airbag Recall app, available on the [Apple App Store](#) and [Google Play](#), which covers vehicles from almost every manufacturer. Users can scan their vehicle's license plate and find out if their car is under recall and, if so, where to find a nearby dealership to schedule a repair.



Jack Fitzgerald, Fitzgerald AutoMalls hosting airbag recall awareness event.

WANADA Fraud & Cybersecurity Seminar for members

Oct. 16, Bethesda Marriott

WANADA's Automobile Dealer Education Institute (ADEI) will host a Fraud & Cybersecurity Seminar on Tuesday, October 16 from 8:30 am to 11:00 am, at the Bethesda Marriott/Pooks Hill. The seminar will cover the latest trends in criminal auto fraud and theft in our region. The keynote speaker will be Sgt. David Mohr, head of the Washington Area Vehicle Enforcement Auto Theft Task Force. Sgt. Mohr is the automotive crime liaison for all of the area's police jurisdictions, giving him a wealth of knowledge on the subject. WANADA will also be bringing in a data expert to discuss best practices in keeping customer and employee information safe and secure.

Registration is from 8:30 am – 9:00 am; the session will begin at 9:00 am and run until 11:00 am. The cost for the session is \$50 per person. To register, click [here](#).

If you have additional questions regarding the seminars, please contact: Kathy Teich, WANADA kt@wanada.org, (202) 237-7200.

Customers can more easily freeze their credit reports now

WANADA Kindred line member and dealer attorney Michael Charapp of Charapp & Weiss, LLP, offers the following observations for dealers on consumer credit reports:

1. This spring President Trump signed a law that made several changes to the Dodd-Frank financial reform law and related statutes. The primary purpose was to reduce regulatory burdens on financial institutions, particularly small banks.
2. One provision of the new law that goes into effect Sept. 21 could affect dealerships. It amends the Fair Credit Reporting Act to permit a consumer to freeze or unfreeze his or her credit report at no cost and specifies procedures to do so. That could mean a customer with frozen credit may come to a dealership seeking delivery of a vehicle.
3. Dealership staff may find they cannot access a consumer's credit. But the consumer is issued a notification number he or she can use to lift the freeze within an hour of a toll-free phone call or a secure electronic request.
4. The consumer may not be willing to wait for the freeze to be lifted, or may not have the appropriate credentials. Dealer staff can avoid this prospect by asking the customer early in the sales process whether a freeze is in place so an unfreeze request can be sent while the sale goes forward.

Leasing starting to rise as low-finance deals become harder to find

Leasing is starting to increase as zero percent interest deals disappear and interest rates start to rise, according to [an analysis in TheDetroitBureau.com](#).

The percentage of sales with zero percent financing dropped from 14.6 percent in August 2016 to 7.4 percent in August 2018, says Edmunds. August is usually a month to clear out inventory with good financing deals.

Interest rates are also starting to rise, going from an average of 3.9 percent on new financed deals in August 2013 to 5.8 percent in August 2018. Inventory levels are at their lowest in two years, so automakers don't feel the need to offer incentives to clear out stock.

Those two trends – the drop in zero percent financing and the rise in interest rates – are pushing more consumers to consider leasing to get their monthly payment down. U.S. News reports a recent increase in vehicle lease transactions.

In-car multimedia technology still a sore spot, but it's improving

In-car multimedia technology, long the leading source of complaints among new-vehicle owners, is still a sore spot, but it's improving. The J.D. Power 2018 Multimedia Quality and Satisfaction Study found the number of reported problems with in-car audio, communication, entertainment and navigation (ACEN) technologies has decreased for the third straight year.

The Study measures the experiences and views of vehicle owners about their ACEN system in the first 90 days of ownership. Voice recognition technology is still the top complaint, as it has been for six years running.

Dealers may take note of the top-performing vehicle in each segment as a sales tool:

- Small mass market – Kia Rio
- Compact mass market – Kia Forte
- Midsize mass market – Ford Mustang
- Large mass market – Ford Taurus
- Small premium – BMW 2 Series
- Compact premium – Porsche 718
- Midsize premium – Lincoln Continental
- Large premium – BMW 7 Series.

Just 3 companies submit voluntary AV safety assessments

The Trump administration has asked automakers to submit voluntary safety assessments of their autonomous vehicle (AV) program, saying it does not have the authority to require them. Only three companies – General Motors, Ford and Waymo, connected with Google – have done so, according to the Detroit News.

Critics say the papers filed with the National Highway Traffic Safety Administration (NHTSA) do not show rigorous testing. GM and Ford said that each of their test AVs has two humans as backups to the autonomous controls. Waymo said that it has done “extensive testing” and that its AVs are designed to be driven “without a human driver.”

The U.S. Congress is working on bills that would regulate AVs. A Senate bill would require automakers to submit a safety assessment of their AVs within 90 days of the bill's passage. The House bill would require the Department of Transportation to write a mandate requiring safety assessments within two years of the bill's passage.

Staying Ahead...

We make a living by what we get, but we make a life by what we give.

--Winston Churchill