go from "car dealer" to "master purveyor of automotive excellence."

ally.com/dealer

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CRAIN

Automotive News

OCTOBER 14. 2019

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Nissan's new man for all regions

Hans Greimel

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YOKOHAMA, Japan — Makoto Uchida, the newly appointed CEO charged with forging "a new Nissan," brings with him a reputation for doing what makes sense and what makes money.

His willingness to say "no" — his fans call it just being realistic — may be what it takes to lead Nissan out of its

Uchida's first task? Get a handle on the carmaker's recovery plan.

Uchida bucked HQ orders — and it earned him the CEO spot

■ With Bollore's ouster, Renault turns page on Ghosn era I PAGE 3 I

current troubles.

Last year, when the longtime purchasing executive was promoted to president of Nissan's Chinese automaking joint venture, Dongfeng Motor Co., he immediately found the unit locked in a corporate stalemate.

Nissan headquarters had decreed

that its Chinese-market vehicles must follow Nissan's global standards on vehicle connectivity technology. The local staff argued that China's domestic connectivity tech was more advanced and — despite the corporate desire for global standardization — the company should move in that direction for China

Uchida studied the matter and concluded that his local team was right:

Headquarters was wrong.

"Once he was convinced of that, he went to war with the Japan side to make sure they understand what we need and why we need it, but was able to give us the resources to do things in a very different way," said an associate who works with Uchida in China.

"He's not going to submit to the Nissan

see NISSAN, Page 67

■ Editor's note: Negotiations between GM and the UAW continued as this issue went to press. See <u>autonews.com</u> for updates.

Economic impact of UAW strike balloons

We're 'collateral damage,' fixed ops manager says

Hannah Lutz and Michael Martinez

hlutz@crain.com

DETROIT — Damage from the UAW's nearly monthlong strike against General Motors goes far beyond the plants that have been surrounded by picket lines, and recovery after it ends could take significant time for the dealerships, suppliers and other employers that depend on GM. Some small businesses have warned

■ Strikers show unity around the clock | PAGE 58 |

they're in danger of failing from the lost revenue.

By the end of last week, some 150,000 workers either had been laid off or

had their pay reduced as the walkout "ballooned in scope," Anderson Economic Group said. The Michigan consulting firm's figure includes 75,000 supplier employees and 25,000 GM salaried workers. But it doesn't account for restaurants and shops in factory towns that are seeing sales slump as GM workers adjust to living on just \$250 a week in strike pay.

Dealers had to tell irritated customers

see **STRIKE**, Page **66**

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GM hopes range, education boost EV sales

With '20 Bolt, dealers counted on to spread word

TACOMA, Wash. — With the 2020 Bolt EV, Chevrolet says it has solved the electric vehicle range-price puzzle. But getting everyone who sells the car or may want to drive one to understand it remains a hurdle.

Chevy sees the Bolt as a springboard for General Motors' evolution to an all-electric future, but the brand has learned that it needs to educate dealers and lean on its experts - the engineers — to communicate with customers and enthusiasts

The 2020 Bolt EV has a range of 259 miles,

■ 7 ways the new Bolt got better I PAGE 6 I

about 20 miles more than the 2019 version, at a base price of \$37,495 including shipping, about \$1,000 more than the 2019 version.

Offering long range at an affordable price is every EV automaker's goal. Chevy feels it has "cracked the code" with the Bolt, Mike Hayes, the Bolt's marketing manager, said during a media drive of the 2020 model.

In 2016, when the first-generation Bolt launched, "you basically had two ends of the spectrum. You were either long range and expensive or you were low range and affordable,"

"A hundred people riding or driving the car is better than 1,000 people talking about it."

Mike Hayes, Bolt marketing manager

Hayes said. "It was kind of this bimodal scenario where you had this big ocean out there of long range and affordable. Nobody had been able to touch that space."

The key to extended range with only a minor price bump is a more powerful battery, the company said. The 2020 Bolt has a 66-kWh battery, compared with a 60-kWh battery in previous model years. The battery is the same size as



The new Bolt's range rises 20 miles to 259.

earlier Bolt models but more efficient because of adjustments to its chemistry.

In the first nine months of 2019, Chevy sold

see **BOLT**, Page **66**



Used BMWs and other German luxury brands are in increasing supply, pulling down prices.

As luxury residuals fall, some cite Tesla

German brands down as used supply grows

Urvaksh Karkaria

The luxury segment is having a tough time these days. Despite resilient sales volumes this year, the brands' residual values are falling.

And Tesla isn't helping matters.

According to data from industry sources, a growing abundance of used luxury-class vehicles is eroding values for their 3-year-old vehicles. The supply of used premium vehicles is up 20 percent since 2006, compared with a 2 percent increase in the overall used-vehicle market, according to J.D. Power.

Robust demand for Tesla's performance electric cars, particularly the Model 3, is accelerating the slide in German luxury used-car prices, a new report by finance company Capital One says. That could pressure profitability at BMW and Mercedes-Benz just as they embark on pricey electrification plans.

Residual values for the German luxe leaders have fallen 6 percentage points since 2015, compared with a 4-point decline in residuals for the overall luxury sector, according to Edmunds.

The market is "becoming flooded" with more affordable cars from Mercedes, Audi, BMW and others - without a corresponding increase in demand, Capital One said.

"It's strong enough to cause prices to plummet, because the market has an excess supply of used luxury cars," it said.

see VALUES, Page 66

CORRECTIONS

 \blacksquare A story on Page 8 of the Oct. 7 issue incorrectly stated when the Detroit 3 exited the midsize pickup market. It had been less than a decade.

END OF AN ERA

With Bollore's ouster at Renault and new leaders taking the helm at Nissan, Ghosn's imprint on alliance quickly disappearing

psigal@autonews.com

ARIS - The ouster of Renault CEO Thierry Bollore last week sweeps away another remnant of the Carlos Ghosn era and perhaps moves the French automaker closer to a stronger bond with Japanese affiliate Nissan Motor Co.

Bollore's removal on Friday came just days after Nissan named a triumvirate of leaders without deep ties to Ghosn, the former chairman who was arrested in November and has been stripped of his many roles throughout the global alliance he created.

Bollore, Ghosn's handpicked successor, reportedly never developed a rapport with Chairman Jean-Dominique Senard, the respected Michelin CEO brought in by Renault's board of directors and the French government to mend relations with Nissan.

Senard dodged questions about any personality clash with Bollore, saying Friday that there was "nothing personal" about the decision, but it was simply that the alliance needs



Ghosn: Had handpicked Bollore

a fresh start, and that required new governance.

He also denied that either the French government or Nissan had put pressure on Renault's board.

It took just three days to topple Bollore, who only learned of reports that Senard wanted him out when he landed in Paris in the predawn hours on Wednesday after meetings with Nissan in Japan.

At Nissan, former CEO Hiroto Saikawa another Ghosn appointee — resigned swiftly last month after being linked to improper payments, although the transgressions were much smaller in scope than

those that Ghosn is accused of engineer-

In addition to the changes at the top of Renault and Nissan, numerous executives seen as Ghosn allies have moved on or been reassigned.

Senard and Nissan now have a clean sheet to ponder how to revive trust



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NADA: USMCA means affordable vehicles



Gilchrist: "It just makes a lot of sense."

Gilchrist says Congress must adopt new trade pact

Lindsay VanHulle

DETROIT — Congress needs to adopt a new North American trade pact to keep new vehicles within reach of U.S. consumers, the National Au-

tomobile Dealers Association says. Charlie Gilchrist, NADA's 2019 chairman, last week pointed to ongoing affordability challenges as a reason why the group threw its support behind the United States-Mexico-Canada Agree-

In remarks to the Automotive Press Association here, Gilchrist said the North American Free Trade Agreement that has guided trade among the three countries since the 1990s made the U.S. auto industry more competitive — including the Detroit 3 and international automakers that assemble vehicles in the U.S. — and rewarded buyers with more affordable vehicle choices

USMCA, which President Donald Trump negotiated with the leaders of Canada and Mexico to replace NAFTA, "will enable dealers to continue providing affordable vehicle options for American consumers," Gilchrist said.

"I think most Democrats and Republicans are for it because it just makes a lot of sense," Gilchrist told reporters. "The political environment that we're in could derail it a little bit, but you know, [House Speaker] Nancy Pelosi says they're going to continue doing business, so hopefully they'll continue to do business and get this bill passed."

Even without trade concerns, average new-

see NADA. Page 65

Del Rosso comes to **Genesis with luxury cred**

Former Audi, Bentley exec to help build Korean brand

Omari Gardner

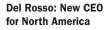
With the appointment of Mark Del Rosso as head of Genesis' North American operations, Hyundai Motor Co. COO Jose Munoz has filled a key position on his leadership team with a veteran who brings experience from Lexus, Bentley and Audi.

Del Rosso will become CEO of Genesis Motors North America, effective Oct. 21, reporting to Munoz. He will also report to Hyundai's global headquarters in Seoul.

Erwin Raphael, who has been leading Genesis, will remain COO of Genesis Motor America. He will be in charge of Genesis strategy and opera-

tions in the U.S., including sales and marketing, and will report to Del Rosso.

Del Rosso joins Genesis as the brand recovers from a rocky start. His task: Build on the luxury brand's sales momentum as it continues to rebuild its dealer network and prepares to enter the hypercompetitive crossover market.



"Though Genesis is the youngest luxury automo-

tive brand in the industry, having separated from parent Hyundai less than four years ago, it has been quickly gaining traction," Munoz said in a statement last week. "Given Mark's overall proven track record and extensive experience leading luxury brands, I'm thoroughly confident that Genesis Motors North America will be positioned to accelerate its growth and climb the ladder of luxury automotive brands to the top."

Compared with the established luxury brands, Genesis is a low-volume player, commanding 1 percent of the U.S. luxury market. However, armed with a lineup of just three sedans, its U.S. sales are up 67 percent to 14,909 vehicles through the first nine months of the year.

see **GENESIS**, Page **65**

Del Rosso's career path

1991: Toyota Motor Sales U.S.A., various marketing and field positions in the Toyota and Lexus divisions

2008: COO of Audi of America

2017: CEO of Bentley Motors, Americas

2018: President of Audi of America 2019: CEO of Genesis Motors North



Sedan is still top choice among minority buyers

Tesla Model 3 is No. 1 registered by Asians

Vince Bond Jr.

ars are still outpacing crossovers in popularity among minority consumers, and African Americans are a fast-growing segment of pickup buyers.

Those are two revelations in IHS Markit registration data for the first half of 2019 that have significant implications for automakers as demographic shifts position ethnic and racial minorities to represent more than half of the U.S. population by 2042.

IHS Markit Chief Diversity Officer Marc Bland, who has warned the industry in the past about basing its advertising to minority audiences on outdated assumptions, has spotted several trends that can

guide manufacturers.

For one, Bland said cars are not dead. Japanese brands remain dedicated to cars, and lists of the top 10 vehicles for each ethnic group are peppered with cars.

Secondly, three pickups are among the 10 most popular vehicles among African Americans.

"The industry has been marketing pickups to Hispanics for a long time. But what's new is that African Americans have this newfound, very strong affinity for pickup trucks," Bland told Automotive News. "They're stylish multipurpose Bland: African vehicles. You can't **Americans** tell somebody that have newfound has a top-of-the-line affinity for

pickups.

F-150, Silverado, Ram

or even a Sierra Denali, that they don't have a luxury vehicle."

Asian Americans, Bland said, could be the next growth opportunity in the pickup scene, so automakers should create truck campaigns that speak to those consum-

While Hispanics buy pickups as well, they haven't backed away from cars by any means. The Honda Civic is No. 1 for that demographic, with the Toyota Corolla and Camry also among the top five. And, industrywide, four cars still rank among the leading 10 vehicles.

"Forty percent of the top 10 vehicles overall are cars, but when we move to African Americans, you'll see it is 50 percent," Bland said.

see MINORITIES, Page 65



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cars concepts

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The 2020 Chevrolet Bolt's grille has a more 3D look In cooler temps, the EV can charge 150 percent ter than the 2019

Freshened Bolt has longer range and faster charging

Hannah Lutz hlutz@crain.com

hevrolet is rolling out the biggest update to the Bolt since the electric car launched in 2016.

The most notable change on the freshened 2020 Bolt is a more powerful battery, which extends the Bolt's range more than 20 miles to 259. Actual range varies based on several factors, such as temperature, terrain, battery age and vehicle maintenance, Chevrolet says.

Other improvements:

■ More power: The 2020 battery is the same size as the 2019 battery, but it's more powerful, at 66 kilowatt-hours vs. 60.

The engineering team "improved the energy of the cell electrodes by making small but impactful changes to the cell chemistry," according to a Chevy state-

- Enhanced fast-charging: In mild weather, the Bolt can charge up to 100 miles in 30 minutes on a DC fast charger. In cooler temperatures, the 2020 Bolt charges 150 percent faster than the 2019 model.
- High-definition cameras: The base-level camera provides a standard rear view, but there is an optional camera package, Surround Vision, which includes side views of the vehicle.



- Full-display rearview mirror: Drivers can flip the lever of the rearview mirror to view a digital mirror.
- Redesigned grille: The grille has a more 3D look compared with the smoother grille on the 2019 model.
- **Enhanced pedestrian alert system:** The Bolt has two speakers, one in front and one in back, so pedestrians can hear the vehicle approaching. The system has been refined to be less obtrusive in the cabin during driving.
- Two new colors: The 2020 Bolt is available in Oasis Blue and Cayenne Orange Metallic. AN

Chevy freshens Colorado's grille

The face of Chevrolet's Colorado midsize pickup is getting a new look for the 2021 model year. The bow tie logo is now offset while the Chevrolet name takes center stage.

CHECK IT OUT

"The 2020 Corvette turns with a feeling of lightness and agility that it never had before. **Despite a 38-foot** turning radius, the car feels maneuverable and proved easy to turn into a tight parking spot."

Richard Truett, Automotive News engineering and technology

Read his impressions from the North American Car and Truck of the Year test drive on Tuesday at



VW adds 3rd crossover with **'20 Cross Sport**

Larry P. Vellequette

 ${\it HATTANOOGA-Volkswagen's five-seat version of the At-}\\$ las crossover, the 2020 Atlas Cross Sport, will feature more aggressive exterior styling than its larger namesake when it appears in showrooms early next year, part of a wider strategy by the once sedan-heavy German automaker to double its crossover offerings from two in the U.S.

The Cross Sport, which was revealed last week at an event at Volkswagen's Chattanooga assembly plant, is just under 3 inches shorter than the three-row Atlas and has a lower roofline but rides

on the same wheelbase. The result is a two-row package with over 40 cubic feet of luggage space behind the rear seat, despite its more raked rear pillars.

The two-row crossover will have two available engines: a 276-hp naturally aspirated V-6 and a 235-hp turbocharged I-4, mated to an eightspeed automatic transmission. All-wheel drive will be optional.

five years of ownership.



Atlas Cross Sport: Bold styling outside, Car-Net infotainment system inside.

Inside the cabin, the Cross Sport will debut a new Car-Net infotainment system for Volkswagen. It works with an updated mobile app that will allow owners to interact with their vehicles remotely via their smartphones. In addition to being able to remotely start the engine, the app will make it possible for consumers to use the vehicle as a secure delivery location for packages, unlocking and locking the doors remotely for a delivery driver. Volkswagen says it will offer a suite of app-based abilities to owners free for the first

Pricing was not announced. The Atlas Cross Sport is expected to begin arriving in U.S. dealerships in the first quarter of 2020.

In 2021, Volkswagen plans to expand its crossover lineup with a subcompact that will slot below the Tiguan. AN

Volvo embeds Android for phonelike services

olvo's partnership with Google is putting Android front and center in the Swedish brand's first all-electric vehicle. The electric XC40, to be revealed Oct. 16 in Los Angeles.

will have the Android operating system embedded in its infotainment system. It will include voice-controlled Google Assistant, Google Play Store, Google Maps and other services.

Embedding Google's technology is a shift for automakers, as

most currently limit access to just Android Auto, allowing the driver to view and use apps on the vehicle's touch screen after plugging in a smartphone.

"We are finally giving you the same experience in your car that you're used to on your phone, but adapted for safe interaction while driving," Volvo Cars Chief Technology Officer Henrik Green said in



Google Assistant will allow drivers and passengers to control vehicle temperature, set a destination, play their favorite music and dictate text messages.

Volvo chose to team up with Google rather than reinvent the wheel with an in-house infotainment solution.

The electric XC40 is also the first Volvo to receive software and operating system updates over the air — a feature popularized by Tesla and one that is gradually spreading across the auto industry.

"By introducing over-the-air updates for everything from maintenance to completely new features, the car can stay as fresh as your other digital products, always with the latest and greatest features," Green said.

— Urvaksh Karkaria



YOU MAKE A MISTAKE

ONE TIME AND YOU TRY

NOT TO MAKE IT AGAIN.

-RICK HENDRICK

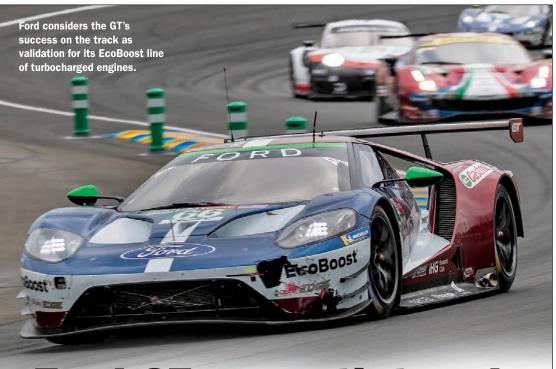
Tik Hendrick



See the full interview at reyrey.com/hendrick







Ford GT race stint ends after 4 years, 19 wins

Exec: It showed what company is 'capable of doing'

Michael Martinez

mdmartinez@crain.com

ord Motor Co. had a singular goal when it resurrected the GT race program in 2016: win at Le Mans to honor the 50th anniversary of the company's legendary victory there over Ferrari in 1966.

It did that — and won 18 other races to boot — over the course of a four-year campaign that ended last week at Petit Le Mans in Atlanta. Aside from its success on the track, executives say the revived GT race program helped validate technologies and features that have made their way down Ford's

lineup to F-150s, Mustangs and other vehicles.



Rushbrook: Link to the showroom

"The GT program was intended to be a halo for the company in terms of what we do and what we're capable of doing," Mark Rushbrook, global director of Ford Performance motorsports, told *Automotive News*. "The race car element is the pinnacle of that, allowing us to put cars in front of

fans around the world and prove we can compete against the best companies and win races and championships."

The GT's on-track success was further validation for Ford's EcoBoost-branded line of turbocharged engines. The car was powered by a 3.5-liter V-6 EcoBoost engine, the one found in F-150 pickups, although uniquely tuned for the track. Beyond that, Rushbrook said, insight gained on lightweighting and aerodynamics also have informed decisions on production vehicles.

"There's a direct link between what a customer buys in the showroom and what we race on the



Insights gleaned from the racing program have informed decisions on production vehicles.

track," he said. "This program gave us the opportunity to tell that story directly."

Early troubles, then victory

The GT's first event, the Rolex 24 at Daytona International Speedway in January 2016, ended in disaster

Both vehicles Ford entered suffered from a faulty gearbox actuator and other problems that caused them to pit numerous times. The No. 66 GT finished seventh and the No. 67 GT finished ninth of 11 cars in the GTLM class.

"It was so emotional that this can't be happening," Rushbrook said. "But nobody blinked an eye, and that really cemented how strong the team was."

Ford ran into trouble at subsequent races, including a crash at the 12 Hours of Sebring, but began to iron out its issues as the racing season continued.

One of Rushbrook's favorite memories, he says,

see RACING, Page 68

AV truck startup rejects public tests

Ike vows only virtual drives for now

Pete Bigelow

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So far this year, self-driving startups have sent trucks trundling along Florida highways with no humans aboard and carried packages between Dallas and Phoenix for the U.S. Postal Service.

With an estimated \$800 billion trucking industry hungry for breakthroughs, companies such as TuSimple and Starsky Robotics are eager to prove their technological mettle on public roads.

But another well-funded trucking startup, Ike Robotics Inc., won't be tailgating their efforts anytime soon. Though the company has functional prototypes of its system, it is opting not to test on public roads for the foreseeable future.

Using public roads as a laboratory presents practical complications for enhancing Ike's system, says Alden Woodrow, co-founder of the year-old trucking startup. And whether for Ike's technology or competitors' systems, public-road testing brings inherent risks that he'd prefer to minimize, he says.

"We're hoping to create a more open conversation in the hope everyone can be more committed to really safe choices," Woodrow told *Automotive News*.

Ike detailed its approach to testing and development in a 90-page safety report filed last week with NHTSA. The voluntary safety self-assessment describes a process that relies heavily on simulation and private-track testing. The report is the 16th the federal agency has received from industry players but perhaps the first from a company that has yet to test its technology on public roads.

Other companies have pushed back against the notion that hundreds of test cars must drive millions of miles on public roadways to vet the competence of self-driving systems. Notably, Aurora Innovation has kept its test fleet to a dozen or so cars. In July, a Volvo Cars executive called the idea of measuring progress by miles "a myth."

Ike has Class 8 trucks on the roads in California and Arizona, but they're manually driven. The plan is to gather data on scenarios encountered on highways and feed it into simulation, where the company's testing takes place in earnest.

"We run thousands of tests every night on our software to measure its performance, and what we'd like to

Keep on trucking

Several self-driving truck upstarts have considered road testing.

TuSimple: It anticipates having 50 trucks on U.S. roads by the end of this year; this summer, it hauled mail for the U.S. Postal Service between Dallas and Phoenix.

Starsky Robotics: On-road tests are conducted in Florida. In June, the company sent 1 of its big rigs 9.4 miles along the Florida Turnpike without a human aboard.

Ike: As detailed in its voluntary safety self-assessment, lke believes in a slow-and-steady approach that will not include public-road testing for the foreseeable future.

Embark: Like some others, Embark has been testing a fleet of more than a dozen trucks along the Interstate 10 corridor in the southern U.S. and hauling goods as part of commercial operation.

Pronto: The startup run by former Uber executives has long-term plans to develop a fully autonomous driving system for trucks.

Waymo: The company reinvigorated its truck testing this year, with trucks in the Phoenix area.

Daimler: After acquiring Torc Robotics, a company spun from the DARPA self-driving challenges, Daimler began testing automated trucks last month on Virginia highways.

do is scale that dataset up in substantial ways and move the performance in the right direction as opposed to fixing anecdotal things," Woodrow said. "That's the trap you fall into with public testing: A merge doesn't go well, and you make a fix for that particular situation."

While the company says it will eventually test its technology on public roads, it intends to minimize those efforts.

Its name is a nod to former President Dwight "Ike" Eisenhower, who championed the idea of the interstate highway system. Ike Robotics has raised \$52 million in funding, according to Crunchbase.

A year in recalls, by the numbers

The fifth annual Automotive Defect and Recall Report, issued last week by consulting firm Stout, found a sharp increase in U.S. recalls tied to software. That's because vehicles are increasingly being equipped with new technology, often sourced from suppliers new to the industry. While the number of callbacks stayed steady in 2018, a higher number of campaigns involved fewer vehicles as automakers and suppliers identified defects early and responded quickly with recalls, Stout said. Some highlights:



28 million

Number of vehicles recalled in 2018, in 341 campaigns. In 2016, 49 million vehicles were recalled in 339 campaigns



6.3 million Vehicles

Vehicles recalled for electronic defects



4.8 million

Largest recall, Vinvolving Fiat Chrysler speed-control units



8 million

Vehicles recalled for software-related defects, 3 times more than any previous year



471

Owners who responded to Honda's recall of the Clarity for a defective fuel cell control unit. It was the biggest of 3 campaigns with a 100% completion rate.

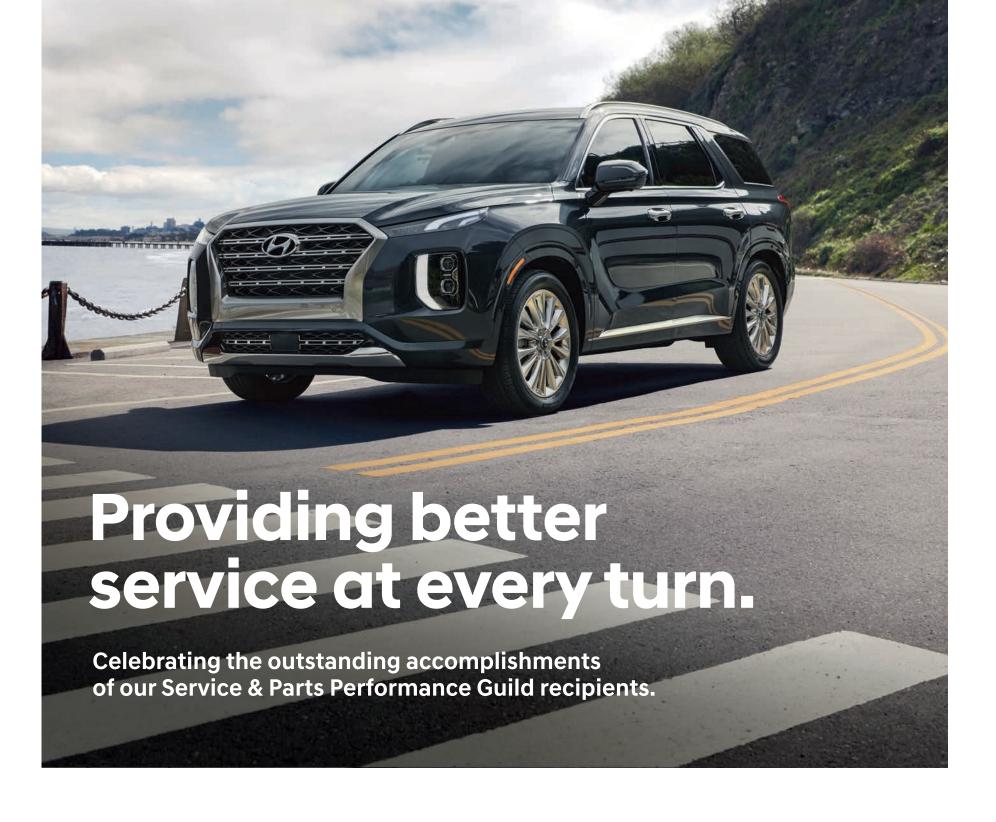


48

Recalls for airbag defects, excluding Takata-related actions. These accounted for 16% of all recall campaigns, more than any other component.



Vehicles covered by each of the smallest recalls, 1 by Bugatti and 2 by Mercedes.



AutoNation Hyundai North Richland Hills Andy Reed

> **Bob Howard Hyundai** Rob Smith

> > Braman Hyundai Alex Heredia

Capitol Hyundai Tray Nichols

Central Avenue Hyundai John Nunziata

> Classic Hyundai Greg Jopko

Downey Hyundai Oscar Aldana

Fred Beans Hyundai Steve Wylie

Freeman Hyundai Matt Hassell

Healey Hyundai John McLain Henderson Hyundai Superstore David Lopez

Huffines Hyundai Plano

Hyundai Mission Hills Hank Carr

Hyundai of New Port Richey John Little

> Hyundai of Roseville Larry Sherman

Jim Burke Hyundai Candy Dunaway

Kearny Mesa Hyundai Clyde Guth

Ken Garff Hyundai Downtown Rob Hooper

> Keyes Hyundai Julian Kim

> Keyes Hyundai Keith Charles

Lakeland Hyundai Chris Galloway

Larry H. Miller Hyundai Peoria Travis Flemming

> Lehman Hyundai Albert Moas

> Lehman Hyundai Jose Alfonso Nallev Hyundai

Clint McGill

Northtowne Hyundai Jason White

North Freeway Hyundai Rick Vaughn

> Ontario Hyundai Jack Waasdorp

Patrick Hyundai Craig Farrell

Pohanka Hyundai Danny MacDougall Pugi Hyundai Bob Russo

Red McCombs Superior Hyundai James Cervantes

> Ricart Hyundai Larry Mills

Shortline Hyundai Amanda Bush

South Loop Hyundai Ben Hoang

South Point Hyundai J.P. Sierra

Suntrup Hyundai Marcus Finch

Universal Hyundai Francisco Melendez

Werner Hyundai Gary Atkinson





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Japanese automakers offer a gaze into electrification crystal ball

Hans Greimel

OKYO — Organizers of the Tokyo Motor Show.

the Tokyo Motor Show, led by Akio Toyoda as chairman of the country's industry lobby, are pulling out all the stops to reverse the expo's falling attendance.

Their goal is to morph it into a different kind of auto show, with plenty of action outside the main halls to draw people to the site, from drift driving demos and music acts to e-sports competitions.

But a dearth of participating foreign brands means the Japanese automakers will have to step up their game.

To do that, the home-market players are planning to deliver a vision of a green-car future. On tap is a parade of electric, hybrid and fuel cell vehi-



cles covering everything from concepts to production car debuts.

Here is an A-to-Z look at world premieres in Tokyo, which will begin making headlines next week.

Daihatsu

Toyota Motor Corp's minicar subsidiary goes fresh and funky with a foursome of quirky concept cars collected under the banner of coming together for a cozy future.

The IcoIco is a rolling box envisioned as a last-mile option for public transport. It looks like a shrunkdown version of Toyota's self-driving e-Palette shuttle.

The TsumuTsumu is a next-generation multipurpose mini commercial vehicle. The futuristic cargo bed is envisioned as being the landing pad for a farming drone.

The WaiWai is a squat, three-row, six-seat compact minivan with a

"modern friendly" design. And the WakuWaku is a rugged-looking minicrossover with a popup rear roof for easy access to a cargo bay that can be packed with outdoor equipment.

■ Honda

The fourth generation of Honda's venerable Fit subcompact takes the stage, showcasing a reworked hybrid powertrain for the company's small cars. The full model change is important because the Fit platform underpins a number of planned product spinoffs, including the HR-V subcompact crossover sold in the U.S. and the Freed minivan, Shuttle wagon and City sedan that are sold elsewhere in the world.

The redesigned Fit has been cleverly packaged to offer a spacious cabin, versatile seat configuration and center-tank layout. But it will also get a new and more compact version of Honda's two-motor hybrid system. It is unclear whether that gasoline-electric powertrain will be offered in the U.S. version. But the system is part of Honda's wider goal of having electrified vehicles account for two-thirds of its global sales by 2030.

Lexus

A full-electric concept vehicle foreshadows what could be Lexus' first EV. Toyota Motor Corp.'s premium brand isn't saying much about the vehicle, but promises it will be packed with the latest advances in electrification and autonomous driving and offer a "glimpse into Lexus' future."

■ Mazda

Mazda Motor Corp., an automaker that has traditionally touted its internal-combustion prowess, will show its first mass-production electric vehicle at Tokyo.

The vehicle is expected to go on sale as early as next year. But still under wraps is what body type it will take. Mazda has prepared prototypes with the powertrain for test drives and camouflaged the EV architecture under the sheet metal of the brand's new CX-30 compact crossover. In the prototype, the electric drivetrain gets a 35.5-kilowatt-hour battery that delivers 105 kilowatts of power with a maximum torque of 195 pound-feet.

Mazda says the upcoming EV will come in two forms — one a pure electric, the other a range extender.



Tokyo debuts

PRODUCTION VEHICLES

Honda Fit Subaru Levorg Subaru special edition WRX STI Toyota Granace

Toyota Mirai

CONCEPT VEHICLES

Daihatsu Icolco Daihatsu TsumuTsumu Daihatsu WaiWai Daihatsu WakuWaku Lexus electric concept Mazda electric concept Mitsubishi Mi-Tech Concept Mitsubishi Super Height K-Wagon Concept Nissan IMk Suzuki Every go-anywhere baby room Suzuki Hanare Suzuki Hustler Concept Suzuki Waku Spo Toyota LQ

The pure EV will target markets such as Japan, Europe and China, where an EV can get by with a shorter range. But a range extender is seen as necessary for North America and other markets where daily drives are typically much longer.

The range extender is expected to be powered by a small rotary engine.

Mitsubishi

Mitsubishi Motors Corp. will pull the wraps off the Mi-Tech Concept, a crossover that uses a gasoline turbine engine to power four electric motors. Two motors are on the front axle and two on the rear. The system is designed to deliver optimum torque to all four wheels.

A rendering of the vehicle depicts a compact, coupe-style open-top crossover with the front two seats cupped

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COMMENT

They're still sold one at a time

spent some time last week with the folks from the National Automobile Dealers Association who were in Detroit for some meetings and publicity, mainly talking about the threat of rising tariffs on the auto business

I have to admit they had some great points, and I was impressed with the way they articulated their views.

Although it was not a discussion point with NADA, I am always struck by how important the auto industry is to the nation and how well the association represents the auto retailer.

It is sobering to reflect on how many millions of new cars and trucks are sold in the U.S. every year. It is even more sobering to realize not only how many car dealers there are in the U.S., but how many businesses big and small that do nothing but take care of anyone who wants to buy or service a car.



More than a century ago, the number of new vehicles sold in this country topped 1 million for the first time. Aside from a break during World War II, the number has steadily risen to its current streak of four straight years above 17 million. No matter if you want to buy a car or truck, domestic or import, electric or diesel or plain ol' internal combustion model, you'll be able to find what suits you — and in the color you like. There are several million vehicles sitting on dealer lots all across the land just

waiting for someone to pick out what they want to buy.

But the part you should never lose sight of is this: No matter how many vehicles this huge industry makes and distributes, they are sold (with the exception of fleets) one at a time. You may be one of the biggest dealers in the country or the owner of one of the smaller dealerships in rural America, it doesn't matter.

Every so often, we should all stand back and think about just how big this business is and how important it is. That's easy to forget when we are busy taking care of our customers.

We still find customers one at a time. And we sell them cars one at a time. That's what makes this business so powerful. It really is quite amazing.

You may email Keith Crain at autonews@crain.com.

Fleet sales: Don't get fooled again

ust as baseball had its dark period of individual achievement marred by the use of performance enhancers, the auto industry may be slipping into its own asterisk era when it comes to sales

While it's seemed like a pleasant surprise that sales may top 17 million again this year, the results have been buoyed by near-record fleet sales, which are up 5.8 percent through September, accounting for 17.4 percent of total reported sales, according to Cox Automotive.

We like to think automakers have wised up about the perils of fleet reliance. And maybe they're doing smarter fleet business now than before the recession and bankruptcies.

In addition to rental and government fleets, there are $commercial\ buyers -- which\ include\ the\ dealers\ themselves.$

Service loaners — often purchased with a heavy subsidy from the automaker and to meet some just-out-of-reach stairstep goal — are new-vehicle sales washed through the service department and spun out a short time later onto the used lot. That's fine when the used-vehicle market is strong but perilous when it turns south.

So it's OK for dealers to enjoy this extended stay above a 17 million SAAR, but they should be cautious not to become addicted to those easy end-of-month sales.

COMMENT

Sales slump and emissions rules damaging China's dealerships

HANGHAI — We knew China had been in a prolonged auto sales slump, and we knew the market was under pressure from tougher municipal and provincial emissions standards.

Now, we're seeing how these factors are devastating dealerships, to the tune of half of them being sold and several hundred being driven out of business.

A survey led by Renhedao, a Beijing



YANG **JIAN** AUTOMOTIVE **NEWS CHINA**

consultancy on dealership management, offers a rare glimpse into the tough world of most car dealerships in China. Renhedao conducted the survey with Far Eastern Horizon, a Hong Kong finance and leasing company, and

Beijing magazine Auto Business Review. While the information can't be verified by the China Automobile Dealers Association, a government-affiliated trade group, it paints another picture of the challenges facing the country's oncehot market, one still saddled with too many brands and plants.

The survey covered dealerships under 82 brands in 320 cities. Among the country's 31,000-plus dealerships, 44 percent suffered losses, just 29 percent were profitable, and the rest broke even in the first half of this year, according to the survey.

The survey also shows that the lower a brand is positioned in the market, the harder its dealerships have been hit financially.

Luxury is the only segment that has continued to grow, so luxury dealerships have held up relatively well.

In the first six months, 43 percent of



Dealerships for luxury brands, such as Audi, have held up relatively well, but other stores struggle with profitability.

stores marketing luxury brands were profitable, a drop of 2 percentage points from the same period last year. On the other hand, the share of luxury dealerships that racked up losses also dipped 2 points, to 30 percent.

The picture is different for foreign mass-market brands. In the first half, the share of their dealerships that still generated profits decreased 4 percentage points to 29 percent, while stores that reported losses rose 2 points to 43 percent.

The hardest-hit dealers represent domestic Chinese brands, most of which target the low end of the market. Just $20\,$ percent of these dealerships still made money, 2 percentage points lower than a year earlier. Meanwhile, the proportion of unprofitable stores jumped a whopping 10 points to 59 percent.

The survey also reveals that some 15,300 dealerships changed hands and more than 500 closed in the first six

China's new-vehicle market has been shrinking since July 2018. Last year, annual new-car deliveries declined for the first time in nearly three decades.

In addition to the extended downturn.

rules have hurt the profit margins on new-car sales, Renhedao pointed out in the report.

As of July 1, 16 of China's 31 provinces and provincial-level municipalities, such as Shanghai and Beijing, had tightened vehicle emissions standards ahead of schedule.

The move forced a large number of dealerships to offer

steep discounts in May and June on vehicle inventory that fell short of the stricter rules.

Sales are on track to decline for the second-straight year. And pressured by an environmental protection campaign Beijing launched last year, more provinces are likely to embrace the tougher emissions rules.

Dealership consolidation is expected to continue, according to Renhedao. The consultant predicts that more than twothirds of Chinese brands will be forced to exit the market.

It also believes a few luxury marques and several mass-market global brands will be further marginalized. Infiniti might be one, as more than 40 percent of its dealerships reported losses in the first half. Three French brands -Peugeot, Citroen and Renault — also appear vulnerable, with more than 70percent of their stores in the red in the

For dealerships under these and other brands, it will be a bumpy road for a

You may email Yang lian at yangjian@autonewschina.com.

An auction lane alternative

AR Global CEO Jim Hallett has a compelling suggestion for putting an end to the auction industry's rate of one fatality every 18 months: "Let's stop running cars altogether" in the lane and opt for digital alternatives.

We know that auctions take safety precautions. And while nobody wants to see anybody get hurt or killed during an auction — as in the 2017 incident that resulted in five deaths and nine injuries — resistance from some corners to Hallett's idea is troubling. The business case, that many customers prefer physical auctions, is understandable. However, digital auctions can mitigate, or even eliminate, that risk especially when customers can inspect vehicles physically before auction.

Ultimately, the auction industry has a moral obligation to protect people, and not simply accept that a casualty rate in line with dealerships is good enough.

As Hallett said, if the industry doesn't take initiative, the government might step in: "Then we will have no choice."

Automotive News

THE WEEKLY NEWSPAPER OF THE INDUSTRY lished in 1925, published every Monday by Crain Communication

Keith E. Crain, Editor-in-Chief KC Crain, Group Publisher Jason Stein, Publisher

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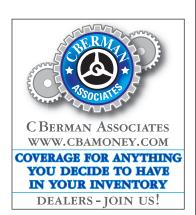
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OPINION

Automotive News encourages industry leaders to address our readers directly. To submit an opinion piece, email it to AutomotiveViews@autonews.com

Help consumers get more comfortable with AV tech

Charity Rumery

ost companies in the automotive industry are working to develop some element of autonomous driving or support for such a capability. However, we have a bit of a conundrum about our migration to an autonomous future.

At this point it is fair to say that we are investing billions of dollars in

myriad solutions that will together deliver autonomous driving to the world in the near future. While the investment is mind-blowing, investment isn't the problem. The problem is a lack of consumer confidence with autonomous driving — many consumers are afraid to let a car take the wheel.

In AAA's 2019 annual automated vehicle survey, 71 percent of respondents stated that they are afraid to ride in fully self-driving vehicles. This percentage increased from 64 percent in 2018 after several high-profile automated-vehicle incidents. J.D. Power detailed a similar finding in its 2019 Mobility Confidence Index Study where consumer comfort with riding in self-driving vehicles scored a low index of 34 on a 100-point scale.

For all of us to succeed with autonomous driving, we need to dramatically improve the current perception. The best means to improve consumer sentiment with this new and seemingly intimidating technology, is to experience it safely. AAA identified that experience with "partially or fully automated vehicle technology will help remove some of the mystery for consumers and open the door for greater acceptance.

To address consumer perceptions and pave the way to our autonomous future we have a call to Charity Rumery is head of automotive and industrial at HFRF **Technologies**



action to improve the consumer experience with automated, or automated-like features, leveraging advanced driver assistance systems, or ADAS. Many such features are available today, and these features constitute the building blocks for autonomous driving.

How to begin

We must start by optimizing ADAS usability in the feature development phase followed by advancing analytics for ongoing product insights and improvement on inmarket vehicles.

As an entry point, a number of Level 0 features can introduce to consumers the feeling of vehicleaided driving, primarily with alerts or warnings. Examples include traffic sign recognition (with visual or audible warnings), lane-departure warnings, curve speed warnings, hazard alerts, blindspot warnings and rear cross-traffic alerts.

However, it is with Level 1 and 2 systems where consumers start to truly experience the benefits of automated vehicle control. These systems typically deliver driving benefits in terms of collision prevention, safe lane navigation and safe distance maintenance.

For collision prevention, systems such as autonomous emergency braking and cross-traffic assist enable the vehicle to initiate an emergency braking maneuver before a frontal or rear impact is about to occur in order to avoid or reduce the consequences of a crash. As these are systems designed specifically for emergencies, it is intended that drivers have minimal experience with these automated features. However, these features enhance consumer confidence in the vehicle's ability to ensure the safety of passengers, pedestrians and other vehicles.

Lane navigation

Features that help navigate lanes give drivers the best firsthand, and potentially most frequent, exposure to the feeling of automated driving. For example, lane-keeping assist systems control the steering function to maintain the vehicle position in the lane, and lanechanging assist safely changes the vehicle's lane when the driver engages the turn signal.

Systems that maintain a vehicle's safe driving distance, such as adaptive cruise control and

see **RUMERY**, Page **16**

Automotive News

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Subscriptions (USD):
U.S. \$159 / Canada \$239 / other \$395.
Single copy sales: \$6 / issue plus shipping.

Automotive News is published by Crain Communications Inc Keith E. Crain, Chairman

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Women's well-being a priority at Penske

Wellness Week for female staff that offers exercise, inspiration to expand

Melissa Burden

mburden@crain.co

oga and healthy cooking competitions are helping women connect at Penske Automotive Group, which is shining the spotlight on the health and wellness of its female staff.

The nation's second-largest new-vehicle retailer plans next year to expand its Women's Wellness Week initiative beyond its East Region.

Intended to recognize and promote healthy lifestyles for its female employees — many who balance families with careers that require working long hours — the week of activities in its third year also celebrates them.

"We just wanted the female employees to know that they're appreciated and they're special in what they do," said Margaret Lane, senior vice president of human resources for Penske Automotive's East Region in Englewood N.J., a region that consists of 48 dealerships, five collision centers and about 3,700 employees.

In Penske's East Region, 23 percent of employees are female, higher than Penske's 21 percent U.S. average and higher than the national dealership average of 20 percent, according to the National Automobile Dealers Association.

'Mind, body and soul'

The week before Mother's Day in May allows women to focus on their "mind, body and soul," through a number of free events, Lane said. Past events have ranged from yoga and walking to a webinar on de-stressing tips and a cooking challenge.

Lane said participation has grown over the three years. In May, nearly 40 percent of East Region female employees participated in all events, and more than 55 percent participated in something, she said. Participants also had a chance to win raffled prize baskets, Lane said. Some stores added inspirational messages or fresh flowers in women's rest-



BMW of Greenwich in Connecticut celebrates moms during Women's Wellness Week.

Well visit

Penske Automotive Group next year plans to expand its Women's Wellness Week, which is filled with activities that celebrate female employees. The event launched 3 years ago in the company's East Region.

rooms for the week, or created meditation rooms that employees could use, Lane said.

Natalie Jones Rozany, payroll manager for Penske's East Region and a 25-year Penske employee, said she participated in all Women's Wellness Week events offered the past two years at her office in Edison, N.J. She said she enjoyed the camaraderie and the recognition that her health and well-being was important to the company.

"There's not a lot of time to take care of myself," she said. "These two events have really opened my eyes to just small things I can do."

Jones Rozany said she won the raffles both years in her office, receiving Fitbits, weights, ex-

ercise bands, makeup and skin care products. "They hook you up nicely," she said.

Many of Penske's winners on the *Automotive News* Best Dealerships To Work For list this year mentioned the week as a differentiator and having a positive impact on their staff.

Roger Kaiser, general manager of Audi Chantilly in Virginia, said many of his 15 female staffers have participated, with most taking part the final two days that included T-shirt decorating and wearing the shirts on a lunchtime walk.

Colleen Lilly, administrator at the Audi store, said her favorite activity during the week was the walk.

"Everybody's all dressed the same, so that's fun," said Lilly, a nine-year employee at the dealership.

Kaiser said Penske wants to grow its number of female employees, including on the management side. Three of Kaiser's managers are women.

"This has traditionally been a male-dominated industry, and I think this [will] only help keeping female employees here," he

said. "I think it helps, certainly helps with retention. And then I think over time here as we build this up and [add] more people, I think it will help with recruiting."

Eight of the 50-person staff at Jaguar-Land Rover Monmouth in Ocean Township, N.J., are women. General Manager Bill DiMaio said he encouraged his female employees to attend activities during Women's Wellness Week and provided job coverage for them.

"It builds a tighter team," he said.

Was there any jealousy from his male staff? Not at all, DiMaio said.

"I was waiting for that, and we didn't get anything like that," he said, adding that some male employees commented that it was a cool idea.

Company connections

Women's Wellness Week has grown beyond just a week of activities, Lane said. Women were asked to wear purple for International Women's Day in March. Female employees in Penske's East Region also are celebrated as part of American Business Women's Day in September.

They also were mailed cards to their home, thanking them for their commitment to Penske Automotive. A Dunkin' gift card was included for employees to enjoy a coffee on the company, Lane said.

The Women's Wellness Week also encourages younger and newer female employees to grow within the company, as female employees meet each other and learn about roles in different areas, Lane said. Penske also encourages women to attend its NADA dealer academy class, which aims to train future leaders.

Lane said women established in their careers could be assigned as mentors as the program moves forward.

"There's a lot of very bright, energetic, younger women coming into our industry that we want to make sure that they see a career path going forward," she said.

Penske, of Bloomfield Hills, Mich., ranks No. 2 on *Automotive News'* list of the top 150 dealership groups based in the U.S., retailing 236,000 new vehicles in 2018.







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50 with BMW

Schomp Automotive Group executives, from left, Lisa Schomp, president, Aaron Wallace, dealer principal, and Mark Wallace, vice president, receive a 50-year award for Schomp BMW in Highlands Ranch, Colo., from Wesley Berg, second from right, BMW of North America area manager, and Charles Silva, regional vice president.

How to submit dealer anniversary awards

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only two people posed shoulder to shoulder. Photos for 50 or more years should have no more than six people Please tell us names (left to right), titles, dealership name and city, franchise(s) held and franchise for

which award is given.

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Custom framing

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25 with Mazda

Larry LeFever, left, dealer principal of Northtowne Mazda in Kansas City, Mo., receives a 25-year award from Lawrence Chao, Mazda North American Operations regional

Milestones

■ Mohawk Honda in East Glenville, N.Y., received recognition from the State of New York for 100 years of business and community involvement. Dealership representatives attended the event at the state Capitol, including Jeff Haraden, Mohawk Honda president, Steve Haraden, Mohawk vice president, and Karly Haraden, director of Mohawk's charitable foundation, along with New York Sen. James Tedisco and Assemblywoman Mary Beth Walsh.

DEALERSHIP BUY/SELL

Brown, Lee/Kidd

BUYER: Greg Brown and David Lee

SELLER: Terry Kidd

OLD NAME: Kidd Ford in Morrison, Tenn.

NEW NAME: Brown Lee Ford

MORE: There was no adviser in the sale.

Mainer/Shattuck, Wisotsky, Killian

BUYER: Mainer Auto Group

SELLER: Bill Shattuck, Kathy Wisotsky and Melanie

OLD NAME: Bolin Ford of Bristow, in Oklahoma

NEW NAME: Mainer Ford of Bristow

Brewer/Ross

BUYER: Scott Brewer **SELLER:** Jimmy Ross

OLD NAME: Kenny Ross Toyota in Moon Township, Pa.

NEW NAME: Brewer Airport Toyota

MORE: This is Brewer's first dealership. The seller worked with Presidio Group as its broker.

This feature lists recent dealership acquisitions as reported by brokers, official announcements and news media. You may submit information about a dealership acquisition on our website at autonews.com/buysellsubmit

Rich/Farsoudi

BUYER: Cordelle Rich SELLER: Frank Farsoudi

NAME: El Cajon Mitsubishi, in California

MORE: Performance Brokerage Services exclusively

handled the transaction.

Hatch/Lawley

BUYER: Chaz Hatch **SELLER:** Sean Lawley

OLD NAMES: Lawley Toyota, Lawley Chrysler-Dodge-Jeep-Ram and Lawley's Team Ford, all in Silver City,

NEW NAMES: Hatch Toyota Stateline, Hatch Chrysler-

Dodge-Jeep-Ram and Hatch Ford

MORE: There was no adviser in the sale.

RUMERY

continued from Page 14 predictive cruise control, enable the vehicle to automatically adjust its cruising speed based on other vehicles on the road ahead or to anticipate changes of terrain (such as slope) that will affect driving and efficiency.

These automated systems help further extend the feeling of convenience and safety in the vehicle as automation supplements to routine driving tasks.

Increasing usage of these Level 1and 2 features is critical to improving consumer comfort and autonomous adoption. As an industry, we need to increase usability testing now to optimize these features for consumer comfort as a priority after safety.

A recent J.D. Power U.S. Tech Experience Index Study found that

some consumers turn off their ADAS features due to their annoyance with bothersome alerts. There is a learning curve for all of us, as well as a balancing act to ensure the features we develop are helpful vs. bothersome.

Addressing alert fatigue will be crucial. As developers of this technology, we need to give consumers alert options where possible, haptic vs. audible for instance, to give consumers a more intuitive experience.

Learn from consumer usage

In addition, these features can be improved over time with insights on consumer usage on in-market vehicles. As vehicle connectivity becomes standard and sensor data streams become more available, analytics can surface usage patterns and insights to help us determine feature improvement opportunities,

and where we need deeper analysis. Real-time insights from ADAS feature analytics enable the industry to address consumer comfort over time and will prove critical to driving long-term AV receptivity.

In the competitive road to autonomy, time is of the essence. How quickly these insights are applied to improve ADAS usability will drive the time frame for full AV adoption.

For instance, some automakers may use these insights for the next model year's enhancements, while others will choose to lean in with inmarket vehicle updates.

Regardless of the path chosen, in order for the market to be ready for autonomous driving, these Level 1 and 2 ADAS features must gain mass-market adoption. Only then will consumers become comfortable riding in and operating around automated vehicles.



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retaitechnology is reshaping auto retailing

ON TECHNOLOGY

Customers: Be personal, not creepy

eople don't want to feel like they're being stalked. We've all been surfing the web at one point in the day, only to have tailored advertisements appear to us later on. It can be a bit unsettling.

On the other hand, most people in an Amazon-shopping world want their buying experience to be as convenient and frictionless as possible. The same is true for rudimentary tasks such as getting around town and scheduling appointments.

This all applies to the dealership's relationship with customers.

Despite concerns about privacy,



MULLER REPORTER

customers want dealers to know them better, according to Cox Automotive's recent Technology and Transformation of Retail Study. The study, which surveyed 532 franchised dealerships and

2,032 recent automotive customers over about four weeks last spring, found that 74 percent of consumers think a personalized experience at the dealership is important. That number rises to 87 percent for customers ages 18-24 and to 81 percent for the 25-34 age group.

Personalization can be borne from the vast amounts of data that basically

see **TECH**, Page **20**

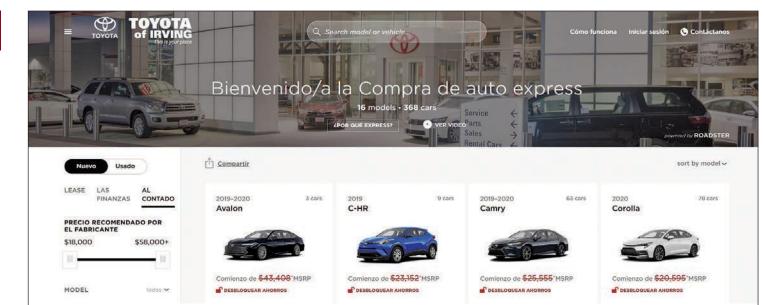
DATA DASHBOARD

Getting to know you

More than half of consumers — 58% — said they feel as though personalization technology violates their privacy. 56% feel it is "too creepy." But here are the more encouraging findings for dealers:

- 74% of consumers think a personalized experience at the dealership is important.
- 68% said they don't mind companies using personalization technology if it improves their overall shopping experience.
- 67% said personalization technology will improve the vehicle-buying process.
- 63% said personalization technology will improve the ownership process.
- 62% of respondents said they still want to sign the final paperwork in person, with a dealer rep on hand.

Source: Cox Automotive Technology and Transformation of Retail Study



Roadster launched the Spanish version of its Express Storefront in response to dealer requests. More than 150 use it as of early October.

IN THEIR OWN WORDS

Dealers offer Spanish on websites to improve customer experience

Lindsay VanHulle

lvanhulle@crain.com

ales employees noticed the issue first.

Spanish-speaking customers would send questions to Toyota of Irving because they couldn't find information while browsing the dealership's website, said Jereme Schoemaker, general manager of the suburban Dallas store.

While the dealership employs Spanish-speaking sales reps, he said, its website lacked adequate translation into foreign languages — a problem in a diverse market where people speak multiple languages and dialects. And with car-buying moving increasingly online, that meant Schoemaker's store, which sells about 300 new and used vehicles each month on average, wasn't getting through to all of its prospective customers.

"They're wanting information, and they're not seeing it online," he told *Automotive News*. "Sales staff started asking for changes, and at the time, we're like, 'Well, we're look-



Schoemaker: Proper communication "is key to the store being successful."

ing at a solution to help."

In September, Toyota of Irving was among 30 dealerships in 10 states that rolled out a Spanish-language version of Express Storefront, an omnichannel retail software platform developed by Roadster Inc.

Roadster, of San Francisco, said it launched the Spanish version in response to requests from dealers, particularly those in markets with higher populations of non-native English speakers. By early October, Roadster said, the number of dealerships using the option had jumped to more than 150 in 17 states. The company counts more than 700 dealerships on its platform.

Successful communication

From websites to audio messages during the finance and insurance process, dealers are demanding more options in languages other than English, such as Spanish in the U.S. and French in parts of Canada, as a competitive edge and a way to enhance the customer experience.

"I hope the outcome results in retail transactions, but that's the ultimate goal, right?" Schoemaker said. "Being able to properly communicate with customers or potential customers is key to the store being successful."

He said it should be about 60 days before Toyota of Irving has solid data about how Roadster's Spanish version is working.

Roadster rolled out a pilot with a handful of dealerships in the summer and now offers the Spanish option to any of its dealership customers, CEO Andy Moss said. The translation is offered to dealership clients at no extra cost.

He added that the capability sets up the company to eventually offer French in Canada.

see ROADSTER. Page 20

Helping dealers track buyer behavior

HICAGO — Cars.com is working to reinvent itself as a go-to provider of dealership software and services.

What started as an online platform to search vehicle listings in the late 1990s is now trying to help dealers learn more about their customers, run more efficiently and, ultimately, reduce the number of software vendors they need to hire.

It hasn't been the smoothest transition. In August, Cars.com failed to find a

buyer after a nearly yearlong review of "strategic alternatives," brought on by pressure from activist investor Starboard Value Inc. Cars.com declined to comment on what may be next for the company, which spun off as a standalone public company in 2017.



ALEX VETTER

JOE CHURA

For now, CEO Alex Vetter said the company is focused on growing its brand as a retail technology provider. Dealer Inspire, a subsidiary that builds dealers' websites and offers online shopping tools, is seeking a patent on a platform that allows dealers to track consumers' buyer behavior, and is beta-testing anoth-

TECH TALK

er, called Metal, to help dealers better manage their inventory.

Vetter, 49, helped start Cars.com. Joe Chura, 41, worked for Ford Motor Co. and in auto retail before building Dealer Inspire, where he is now CEO.

They recently sat down with *Automotive News* during Retail Forum: Chicago to talk about the future of digital retailing, managing inventory and why leads aren't the best measure of a dealer's return on investment. Here are edited excerpts.

see CARS.COM, Page 20



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CARS.COM

continued from Page 18

On helping dealers track buyer be-

Chura: One of the things the industry has struggled with — specifically Cars.com, as well — is ... not getting credit for the whole customer journey. So an example I use is, a customer's on Cars.com, let's say for a week straight, and they were researching 24-7. And they left Cars.com, went to Google, then went to a dealer's website [and] submitted a lead. Google would get full credit for that sale; Cars.com gets zero credit. With this new algorithm, we're able to actually look and say, yeah, this consumer was on Cars.com for 10 days, 24-7. Here's what this consumer looked at.

We're seeing a significant amount of cross-shoppers that are on Cars.com at some point in their journey, but it's truly invisible to that dealership because the systems just don't understand how that data flows. And they're just looking at that last click.

Vetter: Which is why Google gets the majority of marketing investment for dealers. And I would say this last-click measurement is highly flawed in sourcing sales. And so Joe's technology is now helping paint a much broader picture of the online shopping journey to help dealers be better marketers.

On leads, and why they're not the best measure of ROI:

Vetter: Today, the industry counts leads as its primary currency. Most dealerships that you're going to be talking to are going to say, "How many leads did I get?" And what you actually are finding is that leads are generated by the minority of shoppers today. And so the industry is using that as their true ROI measure.

It's important to measure that segment for process procedures. But there's such a richer set of data and infrastructure that can illuminate where your traffic and sales are coming from. And that's going to help drive operating efficien"One of the things the industry has struggled with — specifically Cars.com, as well — is ... not getting credit for the whole customer journey."

Joe Chura, CEO, Dealer Inspire

cies for the dealer and eliminate waste.

On helping dealers manage inventory:

Chura: [Through Metal], we can help them identify vehicles that are going to sell faster by things like how popular are these across the Cars network and help them actually be able to order the vehicles that sell in their market quicker. That's just going to be a big win for them.

If they could turn their inventory in a faster pace, they can use that as a profit center. So it allows us, because we have the unique ability to host hundreds of millions of vehicles across our network, to look at the hottest vehicles in a given market at a given dealership. And then we can also do things like advertise those vehicles in a much smarter way.

On enabling seamless online shopping:

Chura: The challenge that we're trying to overcome today is when that customer leaves and says, "Yeah, that car is right for me," how do we expedite that process so you don't have to come back and sit through an hour [or] two hours of work at a dealership?

If I'm in a dealership showroom and I'm a salesperson, I'm not going to be working with 10 people. With digital retailing you can, so it scales very well. So our tools today, we're seeing dealers that are desking 10, 12, 15 deals at the same time over the course of a day. And when we look at compressed margins and we look at how do we help dealerships become more profitable, we're giving them tools to reduce human capital. That's usually the most expensive line on their balance sheet, right?



Longo Toyota's Spanish website helps improve dealership transparency, a Penske exec says

ROADSTER

Dealer Inspire group offers translation service

continued from Page 18

"It's effectively just giving those dealers more choices in how they serve their customers," Moss said.

More requests

Other companies say they, too, are responding to dealers' requests for more language choices.

Dealership management system giant Reynolds and Reynolds Co. offers its docuPad device in French in Canada, spokesman Tom Schwartz said. Dealers use the interactive device to go over F&I options with customers. Some U.S. dealers have asked Reynolds to translate a dealership's audio message on the docuPad, Schwartz said, though he could not elaborate on how many dealers use the translation services.

Dealer Inspire, acquired by Cars.com in 2018, has supported Spanish-only dealership websites for three years, CEO Joe Chura said. The company has created about 100 Spanish-language websites across vehicle brands that are live now or being developed.

That means separate websites in English and Spanish for some dealerships as well as single websites with tools to switch between languages. The translation is done either in-house by Dealer Inspire employees or by the dealership if it has the expertise, Chura said.

Additionally, Dealer Inspire has created the Language Intelligence Team, a group of employees who can offer not only translation services for websites but marketing and strategy support to dealers looking to reach multilingual customers.

'A necessity'

Dealerships that want to increase communication with growing populations of non-native English speakers have an opportunity to also grow market share, Chura said.

"If they're not thinking about this and their competitors are, then who's a Spanish[-speaking] customer going to go to?" he said. "It's becoming a necessity."

At Longo Toyota in El Monte, Calif., employees speak multiple languages, including Spanish, Chinese and Korean, to mirror the population of neighboring Los Angeles and the San Gabriel Valley, said Brendan Harrington, COO of Penske Motor Group, a subsidiary of Penske Corp. that owns five dealerships in California and Texas, including Longo Toyota.

Before Roadster came out with its Spanish option, customers who spoke the language largely needed to come to the dealership to meet in person with a Spanish-speaking salesperson, said Harrington.

Now, customers can research vehicles at home and discuss options with family members before coming into the store, he said. It also improves dealership transparency, Harrington said — when customers understand what they're reading, it reduces the perception that the dealership didn't give them all the information.

Longo Toyota previously launched a Spanish-language version of its dealership website.

"Anytime you meet people in their native language, it feels better, right?" Harrington said. "Anytime you can improve the knowledge of your customer, improve the transaction and improve the feeling of transparency, it's a huge win for both the consumer and for the dealer." AN

TECH

continued from Page 18
everyone with an Internet
connection coughs up regularly. But
it can be useful to both dealers and,
Cox says, to their customers, when
automation and artificial
intelligence are used for customer
personalization.

Cox's study said 40 percent of retail and consumer-products companies are using AI-driven automation now, but that number is expected to grow to 79 percent by 2021.

Cox's study walked through a

typical day with personalized automation and AI: Someone turns on Spotify to start their day, and their soundtrack is a personalized playlist. They consult Alexa on the weather, and then tell their Nest device to set their home's temperature 2 degrees lower. Next, they'll use Waze to determine the best route to work. They'll order lunch from a kiosk at McDonald's. Back at home, they'll ask Alexa the status of a package that's supposed to be delivered. They'll schedule a service visit for their car with a virtual assistant. Finally, they'll unwind with a show

that Netflix recommended for them, based on their viewing history.

Still, most consumers believe the personalization benefits the companies more than it does them. And 58 percent feel personalization technology violates their privacy. And 56 percent feel it is "too creepy."

On the other hand, 68 percent of consumers don't mind companies using personalization technology if it improves their overall shopping experience. Particularly relevant to auto retailers: 67 percent of consumers said personalization technology will improve the vehicle

buying process, and 63 percent said personalization technology will improve the ownership process.

The expected personalization extends to the service department. Almost nine in 10 vehicle owners expect a dealer's service department to know something about them when they reach out for an appointment, the study said. And about eight in 10 consumers want to hear from dealers after the purchase.

Most consumers still say human interaction is a "necessary and irreplaceable part" of buying and owning a vehicle, Cox's study said.

To that point, 62 percent of respondents said they still want to sign the final paperwork in person, with a dealer rep on hand.

Consumers don't want companies selling products to them to be creepy, but they do want the buying process to be personalized. As advancements in technology inevitably allow businesses to know their customers better, dealerships should behave like a friend, not like someone who needs a restraining order.

You may email David Muller at dmuller@crain.com.

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Audi boss: Margin over volume

RANKFURT — Audi in May outlined a strategy focused on sustainability that includes having 30 models with electrified drivetrains, of which 20 will be full-electric, by 2025. Audi has earmarked \$15.4 billion toward electric mobility, digitalization and autonomous driving and a total of \$44 billion toward improving its standing in the ultracompetitive premium sector.

CEO Bram Schot, 58, is more focused on profit margin than volume. He spoke with *Automotive News Europe* Associate Publisher and Editor Luca Ciferri and Correspondent Christiaan Hetzner at the Frankfurt auto show. Here are edited excerpts.

Q: What will be the biggest challenge for Audi next year?

A: It's a combination of two things: markets and investments. Next year will remain challenging on the markets side, including in China, but we are slightly optimistic on the outlook for the premium segment there. In general, we do not see the main markets growing, with price pressure challenging our premium business. We foresee Europe being stable, but

the quality of sales has already deteriorated a little bit. We anticipate a lot of pressure in the U.S.

What is the challenge on investments for e-mobility?

billion). That has to be financed. With flat markets, growth won't come from higher volumes; it has to come from improving performance. Getting the right margin is the real issue.

How will Audi achieve this?

We have seen the first positive results from our transformation plan. Our operating return on sales is about 8 percent, and that looks much better than our competition. If you start making your company less dependent on volume and get more out of lower costs and improved flexibility, then you can start growing your brand.



BRAM

SCHOT

What is the biggest challenge on the investment side?

Finding the right balance on where we put our money to achieve the maximum impact. How do we split our investments in full-electric cars and plug-in hybrids? How do we tackle autonomous driving and shared mobility on the investment side?

What is the toughest part of getting customers to consider electric vehi-

ers to consider electric vehicles?

The feedback we get from customers delicities. EVA experted day is entremediately and the contraction of the c

The feedback we get from customers driving EVs every day is extremely positive. The majority of them say they are hooked on electric now. Therefore, we need to create more opportunities for them to test electric cars.

By 2025, Audi plans to have 20 full-electric and 10 plug-in hybrid models. How will that affect overall sales?

We expect to have electrified models account for 40 percent of our global sales in 2025. **AN**



Most-read story: EV startups grapple with huge cash demands

Bigland's case against FCA to stay in Detroit

The whistleblower case for Fiat Chrysler Automobiles sales chief Reid Bigland will remain in Detroit after U.S. District Judge Gershwin Drain denied a motion from FCA's legal team to move the case to Delaware.



BMW supplier cites 'difficulties' at S.C. plant

French auto supplier Plastic Omnium has experienced "significant operating difficulties" in ramping up production at its plant in Greer, S.C., which is slated to be a flagship operation for the company.

Nobel hails work on lithium ion batteries



The Nobel Prize in chemistry was awarded to a trio of pioneers of the modern lithium ion battery, which is revolutionizing everything from mobile phones to the future of the global car industry.

Industry leaders form AV consortium

Several automotive industry and technology leaders have joined to accelerate the deployment of safer, more affordable and scalable self-driving vehicle technologies through the Autonomous Vehicle Computing Consortium.



Consumer Reports: Smart Summon 'glitchy'

Tesla's Smart Summon feature, which allows owners to remotely call their Model 3 to drive to their location, works "intermittently" in testing by Consumer Reports.



Waycare cuts crashes, eyes expansion

A \$7.5 million Series A funding round is expected to drive Waycare's expansion into five to 10 more U.S. states by the end of 2020. Cities in Israel and Europe also are slated to use Waycare's software starting next year.

FordPass Connect telematics will remain free

Ford Motor Co. says it will make FordPass Connect permanently free after it initially planned to charge for the telematics service.

NHTSA: Should cameras replace car mirrors?



NHTSA said it's seeking public and industry input on whether to allow camera monitoring systems to replace rearview and sideview mirrors mandated by a long-standing U.S. auto safety standard.

From Automotive News, Plastics News and Bloomberg

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Proud recipient of three 2019 Dealers' Choice Awards.

New ideas, new players are PACE finalists

Lindsay Chappell

Supplier innovations in vehicle optics, faster information processing and streamlined product and assembly designs have been selected as finalists for the 2020 Automotive News PACE Awards.

This year's contenders represent a diverse list of 28 companies from around the industry, including suppliers from Canada, Germany, Israel, Japan, Mexico and South Korea.

The Automotive News PACE Awards, now in their 26th year, recognize supplier advances in automotive technologies and processes that have reached the market.

I Ferron, PACE Awards director of judging, said the 2020 field is remarkable for the presence of both new technologies and newcomers to the industry, in addition to the innovations delivered by established companies.

'Suppliers are moving beyond their traditional product sets and expanding their focus as automakers push for more connectivity within and outside vehicles," Ferron said. "New competitors are quickening their pace of innovation."

A panel of judges will spend the next few months evaluating the finalists, with the winners announced at a ceremony March 23 in Detroit.

For the 2019 award program, 13 companies were awarded 14 PACE awards.

The 2020 PACE Award finalists and their innovations are:

Agero Inc.

Medford, Mass.

Agero + Swoop roadside services network

American Axle & Manufacturing

Detroit

Electric driveline

Aptiv Services Deutschland

Nuremberg, Germany Android infotainment compute

platform Bluewrist Inc.

Markham, Ontario 3D automated wheel installation solution

Continental Structural Plastics

Auburn Hills, Mich.

CarbonPro pickup box

Dana Inc.

Maumee, Ohio Metallic bipolar fuel cell sealing system

Dana Inc.

Maumee, Ohio

Rhombus TireAnalytics

Delphi Technologies Kokomo, Ind.

DIFlex-integrated circuit **EJOT Fastening Systems**

Wixom, Mich.

EJOWELD friction element welding

Gentex Corp.

Zeeland, Mich.

Integrated toll module

Hella USA Inc.

Northville, Mich.

Brake system sensor

Hella USA Inc.

Northville, Mich.



Deloitte. *APMA

Rain/light/climate sensor

Hyundai Mobis

Seoul

3D rear combination lamp

Joyson Safety Systems

Auburn Hills, Mich.

3D switch

Lear Corp.

Southfield, Mich. Xevo commerce and service

platform

Magna Exteriors

Troy, Mich.

Composite space frame

Marelli

Auburn Hills, Mich.

h-Digi lighting module

Mobileye REM Division

Jerusalem

Road Experience Management

Nemak

Monterrey, Mexico

CPS casting process

Nylok

Lincolnwood, Ill.

Corrosion barrier fasteners for

lightweight materials

Perceptron Inc.

Plymouth, Mich.



Tenneco Powertrain's Frank Doernenburg, left, and Richard Mittler had a lot to smile about as the supplier took home two awards at the 2019 Automotive News PACE Awards.

AccuSite optical tracker **Robert Bosch**

Farmington Hills, Mich.

Advanced rider-assistance systems

Schaeffler Technologies

Herzogenaurach, Germany Compact coaxial transmission

for e-axle Shape Corp.

Grand Haven, Mich.

Curved carbon-fiber bumper

Stoneridge

Novi, Mich.

MirrorEye camera monitor system

Tenneco

Southfield, Mich.

IROX2 bearing coating Toyota Boshoku Corp.

Toyota, Japan

Lightweight foam-molded trim

Bietigheim-Bissingen, Germany XtraVue trailer

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SPECIAL REPORT

RETAIL RESERVED BELLES

he stories in this section examine some of the major challenges — succession, employee turnover, stair-step incentive targets — facing franchised auto dealers today. Yes, *Automotive News* covers these topics regularly. But here, we're relating the stories through the eyes and ears of dealers and their employees, from a position embedded on the front lines.

We sent six *Automotive News* reporters and editors to visit dealerships around the country in July, August and September. Even as we were reporting on these big issues from the field, the unexpected happened — a hurricane, for instance. The quick pivot sometimes taken in telling these stories is symbolic of the very nature of auto retailing these days: Think long term, but be ready to turn on a dime.



4 podcasts:

■ Winning the talent war ■ Becoming customer advocates

■ Scrambling to meet sales targets ■ Capitalizing on home delivery autonews.com/RetailRealitiesPodcast

Video report: autonews.com/homedelivery

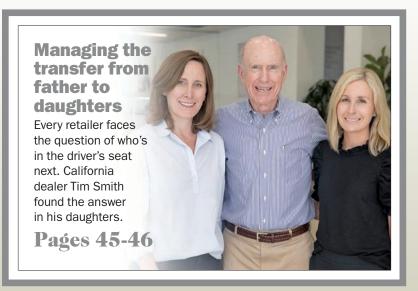
Pushing back on automaker stair-steps
New Jersey dealer Steve Kalafer says enough is enough when it comes to stair-step incentives — even as his stores still race to hit targets at the end of the month.

Pages 28-32











FIGHTOTHE FINISH

At the end of the month, 2 dealerships do what it takes to hit their sales targets

Melissa Burden

mburden@crain.con

LEMINGTON, N.J. — It's a race many auto retailers dread.

Every month end, general managers and sales staff at dealerships across the country find themselves agreeing to money-losing deals to sell enough vehicles to meet stair-step volume tar-

gets. All to secure a big check from
the automaker that many stores
rely on to turn a profit. The next month, the
clock starts all over again.

New Jersey dealer Steve Kalafer is outspoken about his disdain for stair-step programs. Yet several of his dealerships — he operates eight in this somewhat rural but suburban part of the state — rely on the automaker payouts to keep their new-car departments in the black. Some of his dependent stores sell vehicles from General Motors, Fiat Chrysler Automobiles, Infiniti and Audi, all of whom set monthly and/or quarterly sales targets and pay hefty bonuses per car if they're met.

Kalafer invited *Automotive News* to observe what month end is really like for employees and customers at some of his stores an hour or so from both New York City and Philadelphia. Here's what happened at two of them.

Monday, July 29, 5 p.m.

Flemington Chevrolet-Buick-GMC-Cadillac

General Manager Dave Alesso runs this updated four-brand store. His sales team features veterans and rookies, including Jeff Dewar, a police-officer-turned-car-salesman as of six months ago, and Kim Crotchett, who recently moved from Kansas and grabbed the store's sales crown in one of her first months on the job.

Alesso, in his job for three years, is constantly in and out of offices, bopping up from the desk in his own glass-

walled office to talk with General Sales Manager Tony Izzo and finance and insurance managers. Nightly, he reports progress toward month-end goals to Kalafer.

Alesso has monthly targets from Chevrolet, Buick and GMC and a quarterly goal of 31 vehicles for Cadillac.

For July, the dealership must sell 46 new Chevrolets, 38 GMCs and 15 Buicks to reach top payouts. Buick pays the most, up to \$1,000 per vehicle; Chevrolet pays a maximum

of \$650; and GMC, up to \$500. Some vehicles can pay more. Each Chevy Silverado pickup sold in July is worth \$1,300 — if Flemington hits its overall objective, Alesso said. And some vehicles are excluded from counting toward the target, such as the Chevy Volt and Cruze.

"We have not missed our Buick objective in three years," Alesso said. "Chevrolet and Buick is constantly what I hit month in and month out because they pay the most."

The dealership started the day with 31 new Chevys sold for the month, 10 Buicks, 21 GMCs and seven Cadillacs. By 5 p.m., the store had sold seven more vehicles, but two were Cadillacs and two were used, not

counting toward monthly goals.

"This is definitely slower, one of the slowest months I've seen in the three years that I've been here," said Alesso.

A Silverado sold earlier in the day for \$2,500 below cost, Alesso said. It's one of several money-losing deals the dealership agrees to over the next few days.

8:05 p.m.

Scramble for

stair-steps

Kalafer's stores in

Two of dealer Steve

Flemington, N.J., are

sales targets as July

pushing to hit stair-step

comes to a close. It's a

race that thousands of

dealerships across the

industry contend with

every month.

Flemington Chevrolet-Buick-GMC-Cadillac

The dealership closed five minutes ago, but the show-room still bustles. Four buyers still have to go through the finance and insurance department.

One F&I manager spent 45 minutes trying to work a credit approval with GM Financial for a couple facing \$2,800 in higher payments on their lease because of their credit score tier. Alesso opts to move ahead with the quot-



The Flemington General Motors store focuses on hitting Chevrolet and Buick targets "because they pay the most."

ed lease term to make the sale; he'll deal with the bank tomorrow. A GM Financial manager later called to approve the deal, he said.

A Buick sale was particularly hard this evening.

A woman came in to look at a Cadillac XT5. But after several hours of back-and-forth and multiple test drives — during which she fielded calls from a competing Cadillac store — Flemington finalized a three-year Buick Envision lease with no money down and payments of about \$300 a month. It cost the dealership \$3,000, but managers chose to use \$1,000 in dealer dividends, a kind of rebate it earns from GM Financial, to offset the hit.

The sale is a "\$2,000 loser on the books," Alesso said. But the customer was in the driver's seat — if Flemington didn't make the deal, the other store would have, he said.

Said Izzo: "Making money is not the object; it's put the car on the road."

The dealership ends the day with 15 sales. But there is no celebration. $\,$

"Nobody's so excited because it's not the right mix," Alesso said.

About Flemington Car & Truck Country

- CEO: Steve Kalafer, 70
- Dealer: For 43 years
- Children: Jonathan Kalafer, 43, and Joshua Kalafer, 41, both dealership principals
- **Employment:** 650-plus
- Footprint: 8 dealerships representing 16 brands in Flemington, N.J. The family separately owns Clinton Honda in Annandale, N.J., and Land Rover Princeton, also in New Jersey.
- Getting started: Kalafer launched his business with a 1-car showroom at a gas station in Frenchtown, N.J., in 1976.
- Pushing back: This year, Kalafer established the North American Conference of Automotive Retailers, an invitation-only group of dealers who aim to stand up against stair-step programs and facility mandates.

continued from previous page

Tuesday, July 30, 9 a.m.

Flemington Chevrolet-Buick-GMC-Cadillac

The sales staff meets daily at opening in an upstairs lunchroom. Alesso goes over deliveries scheduled (two for sure) and works to pump up his staff to meet monthend targets with two days left. Today's goal for the eight salespeople working: Deliver 12 vehicles to keep pace with a monthly sales goal of 160 vehicles, new and used.

The general manager updates the staff on the hunt for automaker bonus money. The dealership has sold 34 new Chevrolets, with two deliveries pending, and needs 46.

"Put six Chevrolets on the board today," Alesso pushes. "If everybody here just does one Chevrolet before the end of the month, that's eight of the 10 that we need."

He encourages staff to reach out to lease customers to try to bring them back early.

The dealership also needs three more Buicks, and Alesso wants them today, "so we can focus on Chevrolet tomorrow."

Flemington has sold 22 GMCs but needs 16 more. Alesso doesn't think it's realistic, so he suggests steering shoppers toward Chevrolet, where appropriate. "So people coming in on Sierras, Terrains, Acadias, let's try to push those people into Silverados, Traverses and Equinoxes," he said.

Though Cadillac gives a quarterly target, Alesso wants to sell 12 a month to ensure the store hits the 31-vehicle goal for the third quarter. Nine have sold so far in July, and two deliveries are scheduled.

Alesso reminds sales consultants of the money in it for them. They can earn \$500 from Buick for selling three vehicles or \$1,000 for selling five. Two salespeople already have three sales. "You don't want to leave that on the table. If you two just get your two Buicks, we're home," he said to them. "So let's see if you're hungry for the money."

10 a.m.

Flemington Chrysler-Jeep-Dodge-Ram

Across busy U.S. Route 202 from the GM store, this more dated store is run by Mike Sarullo, who joined Flemington from a competing Lexus store a year ago. He's only been a general manager for a few months after being promoted from sales manager.

As July wanes, the store is in a tough spot to meet Fiat Chrysler's goal.

It met its top-tier target in June, selling 97 vehicles and receiving \$77,500 from FCA. This month, it must sell 85 vehicles to receive a base payout of \$550 per vehicle, or 90 for a substantially higher payment of \$650 per vehicle plus \$400 extra per light-duty Ram pickup sale. Some vehicles, such as the Jeep Gladiator, don't pay the \$550 or \$650, however.

To hit the 85-vehicle target, the store must sell 21 vehicles in two days.

Sarullo is looking for four customer factory orders to arrive in time to use toward his count. "I'm hoping and praying that they show up either today or tomorrow."



Mike Sarullo, general manager of Flemington Chrysler-Jeep-Dodge-Ram, tells staff to follow up on leads and get referrals.

Though the vehicles have reached a rail yard in Twin Oaks, Pa., outside Philadelphia, it could take a day — or two weeks — for them to arrive by hauler at the store.

There's another option to hit the goal. Sarullo could put vehicles into the dealership's service loaner program. They will count toward his overall number, but he won't get the per-vehicle bonus for those particular cars, pickups or crossovers. While he's reluctant to do too many, it's a valid option if help is needed.

"We took some ugly deals."

Dave Alesso, general manager, Flemington Chevrolet-Buick-GMC-Cadillac

"We do have to rotate our service cars to keep them fresh back there, and I don't want them to get too many miles on them," Sarullo said.

Earlier, Sarullo encouraged his team of 11 salespeople to work the phones for deals that hadn't closed, follow up on leads and ask for referrals from previous customers.

"Two Saturdays ago, we did 16 cars," he said. "That's a very good day. But ever since then, it's like somebody turned off the faucet. It's been tough, very tough."

4:30-8 p.m.

Flemington Chrysler-Jeep-Dodge-Ram

Store traffic is light into the evening. "Tuesday's usually your toughest day of the week," Sarullo said.



Sales rep Kim Crotchett, left, delivers a Chevrolet Suburban sale on July 30 — a birthday surprise from Mathieu Nelessen to his wife, Gina Nelessen.

Sales Manager John Freudenberger is working his day off to help out. "We're still trying," he says a few hours later, even as the showroom is fairly empty. A few prospective customers look at used vehicles.

The day ends with three new vehicles sold.

"We're not dead under water yet," Sarullo said. "You know, it's an uphill battle, but it's been done before. We could do it again."

6:30 p.m.

Flemington Chevrolet-Buick-GMC-Cadillac

Back across the divided highway, Alesso's store needs seven more Chevrolets and two Buicks to hit targets for the brands. Those numbers stand at closing time.

Wednesday, July 31, 9 a.m.

Flemington Chevrolet-Buick-GMC-Cadillac

As the final sales day of the month begins, there's chatter among managers about a flash flood watch issued for the area in the afternoon

The dealership sold eight vehicles Tuesday. As staff eat bagels brought in by a sales rep, Alesso opens his meeting by talking about closing ratios on customer leads. The store's average ratio tops 50 percent. The dealership had 20 visitors Tuesday — including eight looking at Chevrolets. If the data is accurate, the store should be able to sell four Chevys today, he said.

He concedes the GMC target (the store is 14 short) and says they are on pace to sell the 12 Cadillacs for the month. But the store must still sell seven Chevrolets and two Buicks to hit goals for those brands.

"How many salespeople are in here? Nine. Perfect math," Alesso declares. "So all I need between the nine people in here, seven people got to commit to selling a Chevrolet, and two people have to commit to selling a Buick."

That's \$50,000 riding on nine cars for the day, said a confident Alesso, telling his sales staff they will hit the numbers.

"We fought all month long. It was a dogfight," he said. "We're not going to give up the last day."

10 a m

 $Flemington\ Chrysler-Jeep-Dodge-Ram$

Sarullo must sell 18 vehicles today and has only one commitment for someone to take delivery on a Ram heavy-duty pickup. He's still hoping that car hauler shows

He also is watching the weather forecast. A light rain could actually help showroom traffic, Sarullo said, but a heavy storm would hurt sales.

With all sales staff working the last day of the month, Sarullo is positive during the morning meeting, though the store has a long way to hit its goal. He urged sales reps to



continued from previous page

get on the phones and follow up on potential buyers who didn't close, including those shopping for used cars.

"We're going back 90 days just to see if anyone's bought," he said. "We're also looking forward 90 days on people coming out of their leases, maturing lease lists, and we're calling all of those to see if there's anything we could do to get them out of their lease early and get them into a new vehicle."

Midday

Flemington Chevrolet-Buick-GMC-Cadillac

Alesso now needs two Buicks and six Chevrolets.

Sales rep Tom Krail sells a Buick Encore around noon

on a customer referral and will get his \$500 bonus from Buick for the month.

Alesso said the store is guaranteed some money from GM. Based on sales so far, it would collect \$300 per Chevy — but one more sale would get him to \$400 a vehicle. The store has sold 10 Silverados so far, and those each will draw a \$1,300 bonus, but only if the store reaches the magic 46 number.

The spread for Buick is wider. Missing the Buick target would cost the store nearly \$11,000.

"The last car, it could be a \$3,000, \$4,000, \$5,000 loser," Alesso explains.

Just after 1 p.m., a severe thunderstorm watch is issued for the area, though actual conditions remain partly cloudy and hot.

Around 2 p.m., the store hits its Buick objective. An hour later, it sells another Chevy, leaving five to go with the store open another five hours.

3 p.m.

Flemington Chrysler-Jeep-Dodge-Ram

The thunderstorm watch has turned into a warning. At 3:15, a light rain is falling, and there are claps of thunder.

The rain and darkness outside match the subdued mood inside the store. Traffic is slow. A few customers are in the store, and one person just finished a test drive.

But Sarullo still needs 16 sales: "We dug ourselves a hole."

6 p.m.

 $\widehat{Flemington\ Chevrolet-Buick-GMC-Cadillac}$

Alesso is still two Chevrolets short. One sales rep is trying to sell a 2020 Chevy Tahoe, a vehicle with no automaker incentives this month. "If we can make this work, it won't be pretty," the general manager said.

The weather has cleared, and the skies are partly cloudy again. Alesso grabs a Mountain Dew for a caffeine kick.

In the showroom, he approaches sales rep Charles Simmons: "Charlie, Charlie. Two more, baby. We can't fall short by two."

With the showroom quiet, Dewar, the former police officer, takes to Facebook and posts about major deals

at the store. "Desperate times call for desperate measures," he says.

7 p.m.

Flemington Chrysler-Jeep-Dodge-Ram

The mood has turned around. There is life and energy in the store. Staffers are running around, working to wrap up deals.

Sarullo seems less stressed, too.

He came up with a way to hit his minimum target of 85 vehicles. How did he erase a 16-vehicle deficit in two hours?

Around 5:30, Sarullo checked the spreadsheet where he enters all sales and compared it to the records in the dealership's computer system. His count was off by two vehicles that sold during the month but weren't recorded on his spreadsheet.

When he realized the store was that much closer, he rallied the sales team. Staffers got on the phone again to try to close hanging deals.

And car carriers did arrive with two of those customer orders Sarullo had been awaiting. One of them was supposed to be delivered Saturday, but "we called up and basically begged, pleaded and did whatever we had to do to get him to come in today," Sarullo said. "They're here right now signing up."

Sales rep Andrew Schneier had a lead on selling four vans to a plumbing company in August, but he convinced the owner to agree to the deal today.

Sarullo opted to put six Jeep Wranglers into his loaner fleet, accounting for six sales. Another salesman, Lou

Final stretch

As July comes to a close, these 2 dealerships across the highway from each other in Flemington, N.J., try to meet automaker new-vehicle stair-step targets.

Flemington Chevrolet-Buick-GMC-Cadillac

- July 30: Needs 12 more Chevrolet and 3 more Buick new-vehicle sales to hit stair-step targets worth \$50,000-plus.
- Final result: Sold 16 new Buicks and 46 new Chevrolets for the month, gaining the payout. A GMC target of 38 was not met. Cadillac sets quarterly targets.

Flemington Chrysler-Jeep-Dodge-Ram

- July 30: Needs 21 more sales across brands to hit base target of 85 new-vehicle sales, worth over \$40,000; needs 26 sales to hit 90, a target worth about \$35,000 more.
- Final result: Sold 85 new vehicles, including 6 the dealership put into its loaner fleet, earning most of the base payout.

A mixed bag

The 2 Flemington stores had uneven results in August and September.

Flemington Chevrolet-Buick-GMC-Cadillac

- August: The store sold 65 Chevrolets, exceeding its target by 9; it sold 20 Buicks, beating its target by 3. It missed its GMC target of 53 vehicles. It received \$45,600 from Chevrolet and \$20,000 from Buick in stair-step money. The dealership made \$80,000 in overall net profit for the month.
- September: The store sold 50 Chevrolets, exceeding its target by 3; it sold 19
 Buicks, surpassing its target by 3. It missed its GMC target of 41 vehicles. It received \$44,850 from Chevrolet and \$19,000 from Buick in stair-step money. It beat its quarterly Cadillac target of 31 vehicles by 7 and received \$148,000 from Cadillac*. The dealership made nearly \$153,000 in net profit for the month.

Flemington Chrysler-Jeep-Dodge-Ram

- August: The store missed its base stair-step target of 95 vehicles, losing out on about \$70,000 from Fiat Chrysler Automobiles. The store overall lost \$19,400 for the month.
- September: The store surpassed its top stair-step target of 73 vehicles by 4, receiving more than \$67,000 from the automaker. The store overall made more than \$36,000 for the month.

*Includes money for CPO sales

Avitabile, persuaded a customer he'd been working with for about a week to come in and pay for the vehicle. And a new customer came in and took delivery on a vehicle. Sarullo said.

The quick recovery came at a cost. Some deals were steep losses for the store, Sarullo said, including a \$3,100 hit on a Jeep Grand Cherokee.

"It's a big, huge turnaround," Sarullo said. "Earlier today, I was giving up."

7:15 p.m.

Flemington Chevrolet-Buick-GMC-Cadillac

Across the street, some sales employees are staring out the door, trying to will would-be customers to come in. Some are overheard saying they are tired and want to see their kids after pulling several long days in a row.

With the showroom still quiet, sales rep David Lucia is able to make the final needed deal of the day over the phone about 7:40 p.m. He sells a Chevrolet Equinox — at a \$1,500 loss for the dealership, Alesso said.

Lucia's customer put a deposit down and insured the vehicle, committing to pick it up the next morning. The transaction helped Lucia sell the most vehicles for the month at the store.

"We took some ugly deals," Alesso said.

At 8:10 p.m., Alesso calls Kalafer to let him know the store hit its targets for Chevy and Buick. For July, the store received \$35,750 in incentive money from GM for its Chevrolet targets. The store wound up selling one more Buick than it needed, 16, bringing in \$16,000. That helped it post an overall profit of \$51,000 for the month, Alesso said.

Thursday, Aug. 1, 9 a.m.

Flemington Chevrolet-Buick-GMC-Cadillac

There's little celebration about achieving July's goals. While Alesso came in early to finish paperwork, he's taken the rest of the day off, and Izzo, the general sales manager, leads the five-minute morning sales meeting. He's tired and admits he just wants to go home and back to bed. But he has the new incentives from GM for August to share.

"The goal was 46 Chevys last month. We hit it," Izzo says. "But this month, it's 56."

'It's destructive. It's disgusting'

One dealer's crusade against reviled stair-step incentives

Melissa Burden

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LEMINGTON, N.J. — New Jersey dealer Steve Kalafer is fed up with stair-steps. Some automakers, such as Infiniti and Fiat Chrysler Automobiles, have made changes to their stair-step target programs that dealers call helpful. But Kalafer, who began selling cars out of a gas station more than four decades ago, argues that the improvement doesn't make up for new-vehicle margins that have steadily eroded in recent years, in part because of the programs.

With stair-steps, automakers pay dealerships a per-vehicle bonus for hitting a monthly or quarterly volume target. Those payments sometimes increase across multiple target levels. Come month end, it means dealerships often sell cars for thousands of dollars below cost to hit their targets. Kalafer — and many other dealers across the industry

Preserving profits

After 43 years as a dealer, Steve Kalafer is worried about the new-vehicle business, at least for some brands, because of the destructive force he says stair-step bonus programs have unleashed on dealership profits and customer relationships.

— say stair-steps violate state franchise laws, hurt the relationship between automakers and dealers and create distrust with consumers.

"It's very destructive," Kalafer, CEO of Flemington Car & Truck Country, told *Automotive News* on a visit here this summer. "What FCA, Infiniti, Nissan and GM have done has created havoc with their dealers, havoc with their customers and havoc with the value of their brands."

The Alliance of Automobile Manufacturers, which represents a dozen automakers, called stair-steps useful tools

that "incentivize sales and reward performance" in a statement to *Automotive News* this year. But automakers can succeed without stair-steps, Kalafer said, pointing to Honda and Subaru. He owns dealerships representing those brands, too.

For now, Kalafer acknowledges he must put up with stairstep programs. Even so, he's fighting back where he can to preserve dealership profitability. His stores are stocking fewer new vehicles and focusing more on selling used vehicles and boosting service and finance and insurance revenue.

"We're now looking at the new-car department very differently. We're only going to be ordering exactly what we need," said Kalafer.

Inventory cuts

Kalafer's renovated General Motors store — Flemington Chevrolet-Buick-GMC-Cadillac — trimmed its new-vehicle inventory more than two years ago from about 500 ve-



hicles to 300. Now, it's about 250. Flemington Chrysler-Jeep-Dodge-Ram also has chopped inventory. Over the course of three months this year, inventory dropped from 450 vehicles to 275. It's even lower now, at 235.

And Flemington Infiniti also now carries a smaller inventory of up to 100 vehicles, down about 20 percent over three months this year, said Steve Kiley, the store's general manager, who has spent his 30-year career selling Nissan and Infiniti. On the flip side, the soft-spoken Kiley, whose brother also works for Kalafer as new-car manager at Flemington BMW down the road, has nearly doubled his used-vehicle inventory.

Financially, many of Kalafer's eight dealerships here, an hour from New York City, rely upon stair-step or other bonus money to turn a profit. Dealers' dependence on the programs has been heightened in recent years as some automakers have trimmed base margins on their vehicles and in turn shifted more of their dealers' profit opportunity to bonuses. Those could be tied to sales volume or other criteria such as customer satisfaction, loyalty metrics or compliance with dealership image stan-

"If we don't take their arbitrary number and hit it, we are penalized."

Steve Kalafer, CEO, Flemington Car & Truck Country dards. It means the bonuses are "the difference between likely profit and loss," Kalafer said.

"We could operate this dealership efficiently — the service department, parts department and the sales department — as defined by your market penetration," Kalafer said, sitting in a glass-walled office in his GM store, looking out at the sales floor on a hot final day of July. "But if we don't take their arbitrary number and hit it, we are penalized."

Dealer dislike

Other dealers echo Kalafer's dislike for stair-steps, and the National Automobile

Dealers Association has criticized the tactic.

Mike Jackson, former CEO of the nation's largest new-vehicle retailer, AutoNation Inc., has railed against the programs for years, calling out certain brands such as Nissan. AutoNation's new CEO, Cheryl Miller, appointed in July, told *Automotive News* last month that as a result of stair-steps, the retailer has fewer Nissan stores than it did five years ago.

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"Oh, shit," one of his salesmen replies.

August, at least, contains five Saturdays, points out Rob Kukla, the dealership's new-car sales manager. Saturday is a dealership's highest traffic day of the week. Kukla, who had previously worked with Alesso, started at Flemington Chevrolet-Buick-GMC-Cadillac just two weeks ago, coming from a Subaru store near Newark, N.J.

August also would include the all-important Labor Day weekend and an extra selling day compared with August 2018.

The store's Buick goal is 17 for August. The GMC target — which in July was 38 and unachieved — jumps to 53 for August, leading to lots of laughter in the room.

"Let's just cross that one off," someone says.

Downstairs, sales rep Lucia is working to wrap up Wednesday's final deal, the one that got the store over the line.

Sheryl Makaron, 74, of Neshanic Station, N.J., is in to sign for the white 2019 Chevrolet Equinox she's leasing for three years.

Did she know the store may be more willing to make a good offer at the end of the month?

"My son-in-law had told me that they probably deal better at the end of the month, but my lease is up on the 10th,"

Makaron said.

A lease on a new Subaru Forester, the vehicle she had been leasing, shot up significantly, to \$463 a month, with no money down. Makaron had been in the GM store a few days earlier to look at the Equinox, but her budget and the dealership's number didn't match up.

That changed with Lucia's down-to-the-wire call.

With no money down, Makaron's payment for the Equinox is \$275 a month, about \$20 more than what she'd been paying for the Forester. It all came down to the monthly payment. "Basically, it's all I care about," she said.

10 a.m.

 ${\it Flemington~Chrysler-Jeep-Dodge-Ram}$

Sarullo reached the store's first payout level by adding the Wranglers to his loaner fleet. He'll get FCA's bonus on 79 vehicles, though the Wranglers count toward his 85-vehicle goal. The move cleared out the store's leftover 2018 Wrangler inventory.

The store's end-of-the-day rally will get it \$41,700 from FCA, even though Sarullo took money-losing deals, including \$2,000 hits on a Ram ProMaster and Jeep Grand Cherokee.

Sarullo also knows he left about \$35,000 in factory mon-

ey on the table by not hitting FCA's top target of 90 vehicles. "It hurts," he admits.

The bonus money helped the new-car department post a gross profit of \$94,000, but it still ended the month with a net loss of \$57,000, Sarullo said. Flemington Chrysler-Jeep-Dodge-Ram overall generated a net profit of more than \$51,000 in July.

Sarullo expects to get targets for August later in the day. He'll go over them at a staff meeting and set monthly goals for sales reps. Sarullo will buy dinner for those who hit their numbers.

With many staffers off that morning (some for working their day off to be there for month end), Sarullo thanks those who are in. He stresses the importance of working every deal like it's their last.

Wednesday "we were pretty dejected because we were off by, call it, a dozen cars," Sarullo said. "You always look back, you know, 12 cars. So if we would have picked up one more new-car deal every other day in the month, we would have been there." [AN]



Melissa Burden covers dealer issues for Automotive News.

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In an age of customer transparency, "we need to continue to stay away from stair-steps," Miller said.

Penske Automotive Group President Robert Kurnick told *Automotive News* last month that the nation's second-largest new-vehicle retailer relies on brand managers to ensure it has the right approach to stair-step targets. The managers track progress daily, and in some cases, Penske may opt out of chasing a brand's target across the company or at the store level, Kurnick said.

"There is risk to it because of the impact on gross when you're trying to move volume without knowing whether or not you're going to get your bonus," he said. "So you have to be very careful."

FCA changes

At Kalafer's Chrysler-Jeep-Dodge-Ram store along U.S. Route 202 in Flemington, new General Manager Mike Sarullo is adjusting to stair-step program changes that FCA made this spring.

The store's new-vehicle sales are down about 20 percent through September.

Sarullo, a straight shooter with a booming laugh who joined Kalafer's team in 2018 from a Penske-owned Lexus store, said he thinks the automaker changed its Volume Growth Program to help dealers reach targets. The Flemington store used to have to hit two numbers — one for Ram pickups and Ram ProMaster commercial vans, and the other for the automaker's remaining brands.

"Dealers had a very difficult time hitting both," Sarullo

Now, Sarullo has one target, though hitting a Ram number is still baked in to get the max payout. The overall pro-

gram pays \$550 per vehicle if he meets the lower target and \$650 if he meets the higher target, and certain vehicles pay extra. If the store meets the higher target, it also gets an extra \$400 per light-duty Ram it sells, Sarullo said.

June was the first month under the revamped program, and the dealership hit 105 percent of goal, the top tier, Sarullo said. It hit the lower target, 100 percent of goal, in July but missed both targets in August. The difference? In July, Flemington Chrysler-Jeep-Dodge-Ram made more than \$51,000; it lost \$19,400 in August.

"You're living by your VGP number," said Sarullo. "Because that's what you're really, really relying on to make sure you show a profit in your sales department. Because without that, it's tough."

FCA, through a spokesman, declined to comment on its program changes.

A rethink at Infiniti

Next to Flemington's FCA store, the sleek Flemington Infiniti store sold 33 new vehicles in July — one more than it needed to hit its monthly target. Still, General Manager Kiley said his store's new-vehicle department lost \$36,000 in July, though the dealership overall ended up \$12,000 in the black.

Infiniti repeated the 32-vehicle target for the store for August, but it sold only 23 new vehicles, Kiley said. The new-vehicle department lost \$39,000 that month, though the store squeaked out a \$4,000 net profit, Kiley said.

Infiniti revised its variable margin program this spring, which Kiley called an improvement. Then this month, the brand gave dealers a reprieve through Jan. 2: They won't have to meet new-vehicle sales targets to earn 1.25 percent back on the sticker price of vehicles sold.

That is a portion of potential bonuses worth up to 5.6 percent of the sticker price of new vehicles sold, Kiley said. Dealerships can earn parts of the sticker price percentage by meeting such criteria as having an up-to-date facility, selling a certain number of certified pre-owned vehicles and hitting customer satisfaction objectives.

"I look at this as a good thing for the dealer," Kiley said of the newest change, adding that Infiniti dealerships, his store included, were selling cars for thousands of dollars less than cost to try to hit objectives. "Now you can run your business in a little bit more of a sane way without having that target on your back you had to hit."

Before Infiniti stair-steps were implemented in 2015, the dealership made about \$1,200 per new-vehicle sale before finance and insurance profits, Kiley said. Now, it is losing about \$1,500 per new-vehicle sale. With these latest



changes to Infiniti's Standards of Excellence program, though, Kiley said he thinks that loss will narrow, improving by \$300 to \$400 per car.

"It's a very, very positive step in trying to right the ship for the dealer body," Kiley said.

'Treat people well'

"You're living by

Because that's

make sure you

your sales

department.

show a profit in

Because without

that, it's tough."

Mike Sarullo, general manager,

Flemington Chrysler-Jeep-Dodge-Ram

your VGP number.

what you're really,

really relying on to

Kalafer, 70, started selling vehicles in 1976 out of a onecar showroom inside a Mobil gas station with seven em-

ployees. Today, he employs about 650 people, and his Flemington Car & Truck Country license plate holders are seen on vehicles across town.

During a visit to his GM dealership, two longtime customers Kalafer greets by name pop into an office to say hello and thank him. One wants to know what Kalafer thinks of the new midengine Chevrolet Corvette — and wants to order a convertible when available.

"If you treat people well, your customers and employees, you will do well," Kalafer said. "And that's been our ethos for all of those years."

Three years ago, Kalafer, a Nissan dealer for 36 years, sold his Nissan store because of the brand's stairstep programs. The final straw: A

longtime customer told Kalafer he couldn't buy his latest vehicle from him because Kalafer's price was \$3,000 more than for a comparable vehicle at a competing dealership on the last day of the month.

"I lost a 30-year customer, and that's been repeated and repeated," he said.

Kalafer said he would have sold his Infiniti store, too, but it sits on property shared with his Chrysler-Jeep-Dodge-Ram store in this small borough, minutes away from sprawling horse farms. Kalafer wrapped up a \$1.6 million remodel of the Infiniti dealership late last year, one that helps him meet part of Infiniti's bonus guidelines.

This year, Kalafer formed the North American Conference of Automotive Retailers, an invitation-only group of dealers who aim to negotiate with automakers on issues such as stair-steps and dealership image mandates. Kalafer said he's close to hiring an executive director, has in-



Flemington Infiniti hit its sales target in July but not August, for which it squeaked out a \$4,000 net profit.

terviewed five dealers (three made the cut) and targets raising about \$50 million for the group's war chest. If negotiations with automakers fail, the conference would consider suing, Kalafer said.

In the meantime, Kalafer is trying to take action.

Infiniti summit

In early July, Kalafer, son Joshua Kalafer, Charlie Smith, Flemington's general manager of brands, and Kiley traveled to Franklin, Tenn., to meet with Mike Colleran, vice president of marketing and sales operations for Infiniti globally. Kiley said they were trying to get an idea of Infiniti's short-term direction and Kalafer wanted to address issues with stair-steps.

Kalafer, who has been an Infiniti dealer for 28 years, said his store lost money four months this year because it didn't hit the brand's objectives. Through September, Infiniti's new-vehicle sales nationally are down 16 percent, according to the Automotive News Data Center. The Flemington store has seen new-vehicle sales slump 31 percent in the first nine months of the year. In September, the store sold just 15 new

Kalafer said he saw pictures of future vehicles but that Colleran offered "nothing constructive" on short-term brand direction or stair-steps.

Jeff Pope, group vice president of Infiniti Americas, told *Automotive News* that while he was not at the meeting, the concerns Kalafer shared were already part of discussions the luxury brand was having with its dealer advisory board, which he meets with every six weeks.

Pope said the amount of the payout tied to dealers' sales targets was reduced in April and more of the dollars became fixed. Infiniti also removed portions to cut complexity and because there was a concern of "bad dealer behavior" in some markets as stores chased sales objectives, Pope said.

"I think there was a point in time where sales objectives across the industry had a purpose and a place, and if they no longer serve that purpose and place, then we need to look at continuing to change with the environment around us," Pope said.

Concerns about GM

Kalafer, a GM dealer since 1982, said he also has tried in recent months to make an appointment with GM CEO Mary Barra to express his concerns about stair-steps but was told that only a regional manager was available.

GM, in a statement to *Automotive News*, called its performance and standards programs in which sales objectives are included a "competitive advantage" and that details of the programs are "trade secrets."

"All four GM brands rank at or near the top of industry surveys of customer satisfaction with dealer sales and service, and we have strong momentum in the fastest-growing segments of the market thanks to the programs we have developed and refined in consultation with our dealer councils," the statement said.

Kalafer contends he and his staff and other dealers are subsidizing automakers' pricing by selling vehicles for less than what the retailers pay the automaker in order to move metal to hit targets.

"That's what we're doing in order to get the pile of money at the end of the rainbow that might or might not happen," he said. "It's destructive. It's disgusting."



The family atmosphere of LaFontaine Automotive Group starts at the top with founders Mike and Maureen LaFontaine, daughter Kelley, vice president, and son Ryan, COO.

TOUGH ON TURNOVER

This group is battling one of the industry's most stubborn challenges — and winning

Hannah Lutz hlutz@crain.com

IGHLAND, Mich. — Bob Simmons began working as a parts driver for LaFontaine Automotive Group as a senior in high school. That was nearly 40 years ago.

As he "caught the bug" for selling cars, Simmons advanced through the ranks and now over-

expanding Michigan dealership group.

"I love what I do right now," Simmons said, sitting in a conference room at LaFontaine Buick-GMC-Cadillac in Highland, Mich. "I absolutely love it."

Beating the odds

By offering mentoring, career growth and competitive pay, LaFontaine Automotive Group has overcome many of the employment challenges that afflict U.S. dealerships.

Engendering that kind of passion for working in dealerships is rare — but it may be the key to solving the turnover and retention challenges that have bedeviled auto retailers for decades. LaFontaine Automotive Group seems to have mastered the employment conundrum, boasting a stellar turnover rate of 16 percent annually for the group. Its flagship Buick-GMC-Cadillac store in Highland is a standout, with 11 percent turnover.

sees three stores for the rapidly

Many employees have been with the group for most of their careers, moving up from entry-level positions.

Passionate owners, competitive pay plans, clear career paths and cross-department collaboration are core reasons employees stick around, according to some of those



Bob Simmons, who has worked for LaFontaine Automotive Group for almost 40 years, runs three stores.

workers and the LaFontaine family.

"We don't turn over people. We have people that grow, that make a very good living and get compensated for the job that they're doing. It's an investment in them," said Ryan LaFontaine, COO of the group that his parents founded in 1980. His sister, Kelley LaFontaine, is vice president.

Their mission: to lead by example. "I can't just say my biggest asset is my employees if I don't treat them that way by my actions," LaFontaine said.

LaFontaine's turnover performance shines against industrywide metrics. The average turnover rate at U.S. new-vehicle dealerships was 45 percent in 2018, according to the National Automobile Dealers Association's 2019 Dealership Workforce Study. While that still pales in comparison with the LaFontaine number, the industry number improved by 1 percentage point from 2017 after years of steadily worsening.

Turnover matters because poor retention leads to slimmer profits, said Ted Kraybill, president of ESI Trends, the Clearwater, Fla., consulting firm that conducts NADA's study

"We know that there is a direct connection between employee retention and gross profit production," Kraybill

§9 billion opportunity

Dealerships with a good track record of retaining employees for at least three years produce higher gross profits, he said. But less than half of U.S. dealership employees stay at the same store for three years.

ESI's studies show that a dealership that improves its turnover rate by 10 percentage points adds nearly a full percentage point to total gross profit as a percent of sales, Kraybill said. For the average dealership, that comes to more than \$550,000 that could be gained each year. When Kraybill extrapolates that across NADA's estimate of 16,753 franchised stores in the U.S., the profit opportunity for the industry exceeds \$9 billion.

"Dealers who don't focus on their three-year retention number, they're leaving money on the table," he said.

Many of the sales reps at LaFontaine's Highland dealership passed the three-year mark years ago, said Paul Jordan, the store's general sales manager until August when he was promoted to a new role.

At least three-quarters of the sales staff has been with the store for a decade. "That's a big deal," Jordan said.

Across the industry, turnover on the sales side is worse than the overall number. Sales consultant turnover was 74 percent in 2016, the last year NADA provided a detailed breakdown of its employment study findings. LaFontaine

Retention at LaFontaine

- 2018 companywide turnover rate: 16%
- 2018 turnover rate at flagship Highland, Mich., store: 11%
- Total number of employees: 1,304
- Average tenure companywide: 6 years
- Longest tenure companywide: 32 years

continued from previous page

didn't share its turnover rate for sales consultants.

With strong retention even in sales at LaFontaine, higher profitability does follow. "People look at their employees as a dead cost, but I don't. I look at them as my biggest asset." Rvan LaFontaine said.

Flagship paradox

The Highland store is a paradox — a sprawling, high-volume dealership in a near-rural community about 50 miles northwest of Detroit. Not far from General Motors' Milford Proving Ground, it is among the top five stores for Buick-GMC new-vehicle sales in the nation.

The 63,000-square-foot dealership employs 300 people and sold about 6,488 new and used vehicles in 2018 in a city with a population of about 20,000. Built in 2008, the store is LEED-certified at the gold level, which means every item involved in its construction and day-to-day operations was inspected to determine how it would affect the water, air and land.

"When I mention Highland, Mich., most people don't know where it's at," LaFontaine said, sitting in the office he shares with his parents and sister in the center of the Highland store. His desk sits alongside a glass wall and faces a 450-gallon fish tank housing dozens of fish. LaFontaine, a certified scuba diver, says looking at the fish relieves stress.

The store attracts customers from outside of Highland in part by offering pickup and delivery services.

"We can't depend on

"We have people that grow, that make a very good living and get compensated for the job that they're doing. It's an investment in them."

Ryan LaFontaine, COO, LaFontaine Automotive Group "We can't depend on customers just in our backyard," LaFontaine said.

Longtime employees help keep those customers coming back.

"If you know, like and trust the person that you buy a house from or a car from, you'll almost always go back to him," said Jordan. "And if your person is in the same place, that helps the company."

Jordan is a prime example. With the company for 14 years after a career in golf course management, he was promoted in August to

general manager of LaFontaine's recently acquired Buick-GMC store in Lansing, Mich.

Planning the path

Employees stay with LaFontaine in part because the company promises to invest in their future.

LaFontaine considers current employees first when a position opens, said one-time parts driver Simmons, now an executive general manager overseeing the Highland store and two others in Lansing and Ann Arbor, Mich.

On a busy midsummer day, Simmons, crisply dressed in a suit and earnest in demeanor, dashes from one area of the Highland dealership to another, stopping for quick, friendly conversations with workers on the way.

Keeping those employees engaged and committed to LaFontaine is a key part of management's mission. Staffers rarely leave, Simmons said, but when they do, Ryan LaFontaine makes a point to ask: "Did we do everything we can to make sure that they could succeed?"

Long commutes or interest in a store selling a different brand lead to those departure conversations most often. LaFontaine, which has 17 dealerships selling 18 brands, plus seven body shops, will transfer employees to locations that are a better fit.



COO Ryan LaFontaine says, "Even though we're a corporation, we run every store like a family-run store."

LaFontaine has added 12 stores since 2012. With that rapid expansion, the company in 2015 hired a corporate trainer to educate employees on business operations and the group's culture and values.

It's "so we don't lose our DNA as we add more stores," LaFontaine said. "Even though we're a corporation, we run every store like a family-run store with some corporate disciplines."

LaFontaine, who works closely with his parents and sister on the dealership group's direction, loves seeing associates rise within the company.

"But if I don't invest in them along the way, they're not going to see that opportunity and growth," he said. "So we also make sure that once they get into sales, they also go through all departments if they want to get to management."

LaFontaine also sends promising managers to NADA's dealer academy. Simmons credits the program with giving him more confidence to run three stores

At all dealerships, when employees see a career path, they are more likely to stick around, said Suzanne Malo, director of executive search at DHG, an accounting and consulting firm.

"The salespeople of today might be the sales manager for tomorrow and the general manager five years from now," Malo said. "So if you're constantly thinking about career development, not only do they feel valued, but then they look to the tenure of the organization and they realize this is a great place to work. Even if that recruiting call came in about a great opportunity, it would be very hard for them to be tempted to leave."

LaFontaine's retention success in part comes from



Ryan LaFontaine says looking at fish in the 450-gallon tank facing his desk helps relieve his stress.

Turnover turnaround

The average industry turnover rate for all positions at U.S. new-vehicle dealerships improved last year — ever so slightly — for the first time since at least 2013.

2018	45.0%
2017	46.0%
2016	43.0%
2015	40.0%
2014	39.4%
2013	36.4%

Source: NADA 2019 Dealership Workforce Study avoiding recruitment mistakes. Ryan LaFontaine and the executive team, which includes the LaFontaine family and two trusted advisers, interview nearly three-quarters of the job candidates seeking customer-facing positions.

"I don't want to know how many cars you sell. I rarely ask that," LaFontaine said. "I want to look at who you are. Do you prioritize family? Do you prioritize your faith? Do you have passion? Do you have heart? Do you have the work ethic?"

Many dealers use competitive pay plans to hold on to employees, said Kraybill. He contends that the industry's average turnover rate improved in 2018 largely because of pay plan changes. More dealerships are offering base pay, plus a volume or customer satisfaction bonus, rather than commission.

"They're focusing more on what it takes to keep the millennials and now this new Gen Z, and I think it's showing up in lower turnover of sales consultants," Kraybill said.

Compensation plans updated

LaFontaine updated its pay plans about two years ago but hasn't abandoned the commission model.

"Anybody in the sales industry would beg, scratch and claw to be on the pay plan that this store has for its sales consultants." LaFontaine General Manager Iordan said.

The group pays commission on the vehicle sale and the sale of finance and insurance products, and pays volume bonuses when the stores hit sales targets. New sales consultants also have the option to choose an hourly wage to start, so they can depend on set hourly pay rather than full commission as they learn the ropes. Hourly employees receive overtime pay and a small commission. Their hourly pay can go down as commission goes up.

Traditionally, a dealer would say, "'Here's your phone; here's a list of names. Go ahead call them.' A small percentage of people can be successful working from that," Simmons said. But the hourly pay plan offers "a longer runway for them to get going, and more people are successful because of it."

Though revamping the pay plan increased costs by an undisclosed amount, it's been worth it, LaFontaine said.

The company aimed to create a compensation plan that employees can "steer and grow with and make a very good living as a support for family and their life outside of work," he said. "I truly think that's why they rally and grind so hard, especially when we need them at month end."

Divides among departments are common at dealer-

Store GM's career track is set at age 43

'I would never leave this place,' says dealership ladder climber

Hannah Lutz

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HIGHLAND, Mich. — Paul Jordan left a golf career to join auto retail. But he lasted in his first dealership job for just a few days; that's because Mike LaFontaine intervened.

In 2005, LaFontaine, founder of southeast Michigan's La-Fontaine Automotive Group and Jordan's neighbor at the time in Milford, Mich., noticed a license plate frame from a competing dealership on the vehicle in Jordan's driveway.

LaFontaine had never met Jordan but asked whether he worked for the competitor. When the answer was yes,

Finding a new career path

Paul Jordan's climb up LaFontaine Automotive Group's company ladder began with his neighbor, group founder Mike LaFontaine. Now a dealership general manager, Jordan doesn't look back to his old life in golf course management. Instead, he is making a lifelong commitment to the oft-derided world of auto retailing.

LaFontaine, always on the lookout for talent. invited Jordan for an interview at his group's Pontiac-Buick-GMC-Cadillac store in Milford. Jordan ended up with the job. Now 43 and playing golf only for fun, he intends to finish his career with LaFontaine's group. His climb up the ladder at LaFontaine Automotive is a testament to the company's ability to get employees to

stick around in the world of car sales that is notoriously fickle. "I would never leave this place," Jordan said.

From that first sales job, Jordan steadily climbed the ladder. The Milford store moved to nearby Highland in 2008 and lost Pontiac when that brand was shuttered.

Jordan eventually became general sales manager for the Buick-GMC-Cadillac operation in Highland.

Company and family

Jordan's hands-on style showed this summer when he was checking in with departments at the Highland store. He spoke with passion about auto retailing and the La-Fontaine group. On topics important to him, such as the company and his family, he would talk slowly and deliberately, emphasizing each word.

In August, the LaFontaine family promoted him to general manager of a newly acquired Buick-GMC store in Lansing, Mich., where he has been charged with the big task of hiring and training. The selling dealership group,



Paul Jordan moved his way up to general manager after starting in the Internet sales department at LaFontaine.

Glenn Buege, moved many of its Lansing employees to its store in Eaton Rapids, about 20 miles southeast.

Jordan's path to dealership general manager had an unconventional start.

After playing golf since he was a child and working at a golf course during his youth, Jordan earned a degree in golf management from Ferris State University in Big Rapids, Mich. The program is designed for students interested in running a golf course.

A career in golf "sounded awesome when I was 18. I liked the golf business from May until September," Jordan said. But he filed for unemployment the rest of the year when Michigan weather made outdoor golf nearly impossible.

"And then I quickly learned that family to me was everything," he said. After he and his wife had the first of their four children, Jordan needed a steadier income, and "the golf business was over."

That's when Jordan turned to auto sales. His first LaFontaine position was in Internet sales, a new department for the group. Ninety days later, he was selling more than 20 cars a month from Internet leads.

He quickly moved to the sales floor and told the general manager he wanted to move up. Six months later, Jordan became a finance manager. After stints as business development center manager and a sales manager, he became the Highland store's general sales manager in 2016.

Financial stability

Jordan's career path demonstrates why LaFontaine's retention track record stands out. And advancing has brought financial stability to Jordan and his family.

"The higher you move up, the quicker you move up, the better you and your family will be at home," he said.

Jordan now works an hour from home vs. six minutes when he was at the Highland store. He wasn't always open to that, since a long commute could keep him from family events. Still, the LaFontaines continued to offer him more opportunities to advance, he said. When the Lansing proposal came, he and his family decided the time was right, now that his children's ages range from junior high to college, with one conveniently at Michigan State University in East Lansing.

Jordan seeks to give employees the same chance to succeed he has had. His No. 1 objective: helping employees earn as much as possible.

"I will help them close. I will help them get as many people in front of them as possible," Jordan said. "I will do anything it takes for them to close every possible customer to make the most income they can for their families and to grow their portfolio." AN

continued from previous page

ships, but an emphasis on communication at LaFontaine Buick-GMC-Cadillac has helped overcome any disconnects between, say, service and sales, managers say.

"We're not always all going to get along. But if there's a problem, I sit people down in the room, and we communicate it out," Simmons said. "It's amazing how easy it really is to fix a problem as long as you don't avoid it."

Longevity on the job can foster such communication. When employees work together for a long time, they tend to make connections and build relationships. For instance, Simmons, also a scuba diver, has gone on dives with one of the group's sales reps.

More interaction wanted

Talking it out fits with employees' priorities, Kraybill said. They want better treatment, respect and for managers to listen to them.

"It used to be that there would be a hierarchy and the traditional idea is to delegate," Kraybill said. But today's workers want more interaction with the leaders of the store, such as the general manager.

"These new employees and the younger employees want to interact with the person leading the ship," he said.

Asking about an employee's weekend doesn't cut it, added Fleming Ford, ESI Trends vice president of workforce optimization.

"They need to invest time in the employees, asking good questions, asking how they can help them in their careers, helping them be better at their skills," she said. It's "helping that employee really become the best they can be."

The family deal

LaFontaine Automotive Group promises customers "the family deal" — a fair vehicle price, aggressive trade-in appraisals, complimentary vehicle inspections, a sales and service concierge and more.

- In business since: 1980
- Family operators: Dealer principals Mike, 74, and Maureen LaFontaine, 73; COO Ryan LaFontaine, 42; Vice President Kelley LaFontaine, 44
- **Scope:** 17 stores in Michigan representing 18 brands, 7 body shops
- Expansion track: 12 stores added since 2012

ESI suggests that general managers hold a lunch with workers from various departments to build camaraderie. An open door at the top is visibly apparent at LaFontaine's Highland store.

All four of the LaFontaines — COO Ryan, Vice President Kelley, and their parents, dealer principals Mike and Maureen — share the windowed office in the store's center. The setup makes the leadership accessible. Employees pass by and chat or exchange hellos. Customers in the nearby

waiting area have a clear view of the company's leaders. Ryan LaFontaine is a fast talker, barely taking a breath between sentences, but he's focused on the people he's with.

He darts from meeting to meeting trying to make time for everyone who needs him. Family especially is important. He blocks off his calendar when one of his five kids has a game or recital. Employees know work has to wait.

For Ryan, who survived Hodgkin lymphoma after a 2008 diagnosis, the dealership group's success comes down to this mission: Building lifelong relationships that connect families, strengthen communities and personalize the vehicle-buying experience.

In just about every LaFontaine ad in southeast Michigan, the company touts "the family deal." It's a marketing slogan, but it also promises a fair vehicle price, aggressive trade-in appraisals, complimentary vehicle inspections, a sales and service concierge and more.

"You know they talk about the family deal, and it's no joke," said Simmons, who stayed close to the LaFontaines even for eight years when he worked for another dealership. "Even when I didn't work here, I'd call Mike LaFontaine and Ryan. I bought my cars from here when I wasn't working here. It is definitely a family environment."

Simmons and other employees credit that environment to passionate, present owners, who instill a drive to succeed within staffers.

Employees "know where the owner wants to go," Jordan added. "And they're willing to follow him, which is why we have a low turnover rate." AN



Hannah Lutz covers General Motors for Automotive News.

Recession hit, and she found another 'family'

Hannah Lutz

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HIGHLAND, Mich. — At just 5 years old, Nicole Welch was mesmerized by cars and number crunching.

With a general manager for a father, Welch grew up in dealerships.

"I was that little kid that would go in and visit my dad and want to hang out the whole time. My mom has pictures of me sitting in his office ... pretending I was crunching numbers," Welch said.

She's not pretending anymore. Today, Welch, 36, runs the

Right offer, right time

Nicole Welch badgered her way into her first dealership job. But when she became discouraged about working in auto retail, another opportunity — and the mentorship that came with it — kept her in the business.

business development center for 17-store LaFontaine Automotive Group based in Highland, Mich.

She joined a competing Chevrolet-Buick-Pontiac dealership in 2007, where her dad was general manager. He initially resisted hiring her.

"I basically begged him to give me a job," Welch recalled. "He flat out told me, 'I will make you work harder than anybody else, and I will fire

you before I'll fire anyone else.'

The dealership was just beginning to receive Internet leads when she started as a sales consultant.

"They gave me these Internet leads that no one knew what to do with, and I kind of created a culture with it where I developed a follow-up process. And then eventually I started bringing people their cars to their homes," she said.

But then the Great Recession hit. Leasing — a staple in Michigan because of automaker and supplier employee discount plans — had vanished. General Motors soon announced it would discontinue Pontiac.

"That was probably the worst time to join the car business," said Welch. She didn't see a path to success at that first dealership, but she wanted to stay in the business.

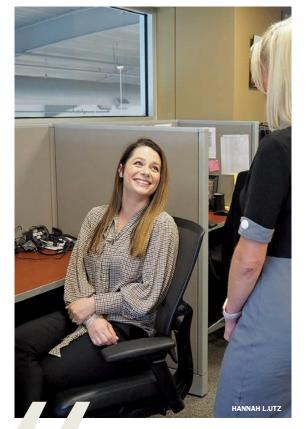
"I was very passionate about it and loved coming to work," Welch said.

But uncertainty loomed — until she interviewed at La-Fontaine in 2009.

"When I came here and interviewed with Ryan [LaFontaine] and had that opportunity, it was kind of like that aha moment where I'm like, 'I can have a career in this,'" she said.

Climbing the ladder

Welch started as a representative at LaFontaine Buick-GMC-Cadillac's business development center in High-



"When I came here and interviewed with Ryan [LaFontaine] and had that opportunity, it was kind of like that aha moment where I'm like, 'I can have a career in this.'"

Nicole Welch, corporate business development center manager, LaFontaine Automotive Group

land, where employees make appointments and follow up on phone and Internet leads. A year later, she was promoted to manager of the center, then quickly became BDC manager for all of LaFontaine's domestic-brand stores. Today, she is corporate BDC manager for the group.

When she started, there were only four employees in the

Highland store's center. With LaFontaine's rapid expansion — it has added 12 stores since 2012 — the BDC employee count has skyrocketed to more than 30.

The BDC is often the starting point for the customer and sets the tone for his or her experience with LaFontaine. Welch aims to convince customers that the drive to the dealership is worth it.

But many consumers today don't want to visit in person.

"There are a lot of people that kind of look at everything like Carvana and want to do it all over the phone," she said, referring to the online used-vehicle retailer. "Obviously we want to get them in the showroom, but we're not going to lose a guest over pushing them to come in."

LaFontaine has developed a home delivery specialty that can appeal to those customers. Welch's brother works at LaFontaine's Highland store and has been part of the home delivery team.

Welch's staffers work with the sales team and act as concierges throughout the sales transactions. They make videos — typically a walkaround of the vehicle in which the customer is interested — to build a more personal experience.

"The salesperson is ... going to go over all the technical things," she said. "We're just there as kind of a safety net, backup to make sure that there's no lost communication."

Mentoring leads to success

Welch credits much of her career success to the guidance of many mentors at LaFontaine. And with the dealership group's emphasis on retention, she likewise aims to be a resource to other employees. Welch encourages BDC reps to move to positions throughout the company, and she helps cross-train sales consultants. All new sales hires spend a week in the BDC, learning to cultivate business, plus a week with LaFontaine's corporate trainer.

A BDC rep transferring to the sales floor last month wrote an emotional Facebook post about moving on that touched Welch. That doesn't happen at most dealerships, she said, where an employee's job progress is "not a huge thing like you're graduating."

In the post, the employee credited Welch for helping her develop the skills to succeed in her new role: "There will never be enough words for me to truly explain how Nicole Welch changed my life in such a profoundly positive way!"

That powerful endorsement shows how mentoring at LaFontaine cascades from the top down to entry-level.

For her own career, Welch wants to continue moving up at LaFontaine.

"I love this career field. I love this organization," she said. "The LaFontaines ... really do treat us like family, which is so incredibly rare." \blacksquare N

The guiding light, across 17 stores

the vision

Corporate controller

Marissa Hunt makes

sure the LaFontaine

management team

gets the direction it

problems and guide

store employees.

needs to tackle

Hannah Lutz

hlutz@crain.com

 $\label{eq:high-lambda} HIGHLAND, Mich. - Marissa \, Hunt \, is \, La Fontaine \, Automotive \, Group's \, communicator \, and \, problem \, solver.$

As corporate controller, she oversees compliance, accounting and human resources, but she also has a seat at the table as the company hones its vision and considers acquisitions. With a dozen dealerships acquired since 2012, there has been a lot of the latter.

"We do a let of helping the scenes discus."

Facilitating

"We do a lot of behind-the-scenes discussions on our road map to success, what the La-Fontaine family vision is," said Hunt, from her post at the dealership group's corporate offices inside its flagship Buick-GMC-Cadillac dealership in Highland, Mich.

Hunt and other managers then help the La-Fontaine family instill that vision in the retailer's 17 stores. "It's a big machine to move, so it takes a lot of people," she said

Hunt, 44, joined LaFontaine in 2015 as a controller for three stores after spending 17

years at a nearby dealership owned by a competitor. She quickly became corporate controller, with eight controllers reporting to her.

"Everyone deserves that opportunity to advance. And those discussions happen all the time," Hunt said. "If they raise their hand and show that desire, then we put them on a path. We teach them. We try to mentor that person."

Every week, Hunt sends an update to the controllers and

general managers outlining topics being discussed with the executive team, issues and concerns in the stores and direction on where the team should focus its attention.

The memo is "a summary to keep everybody together and on the same page," she said. "Communication is key in this place. There's so many moving parts, and we're all spread out so far that if communication falls apart, that's going to be a major hiccup."

As head controller, Hunt also dives into data analytics for the group and carefully examines the company's cash flow.

"I love finding out and dissecting numbers and saying, 'What happened here? What's the problem? What can we do to fix it? What can we do to change and improve?' That's my passion," she said.

e Even with the recent added stores, COO Ryan guide
es. Hunt said. During acquisition conversations,
Hunt gives the leadership team a rundown of current brands' performances to help them assess the business case for potential deals.

The company's family focus resonates with Hunt. When she is not at the dealership, she's at the gym — at 5:45 every morning — or often on the sidelines of high school football games watching her sons in the marching band.

"Family is key," Hunt said. "LaFontaine ... says, 'family, faith and friends.' I have that same motto outside of work as well." Hunt learned to be prepared early in her career from a

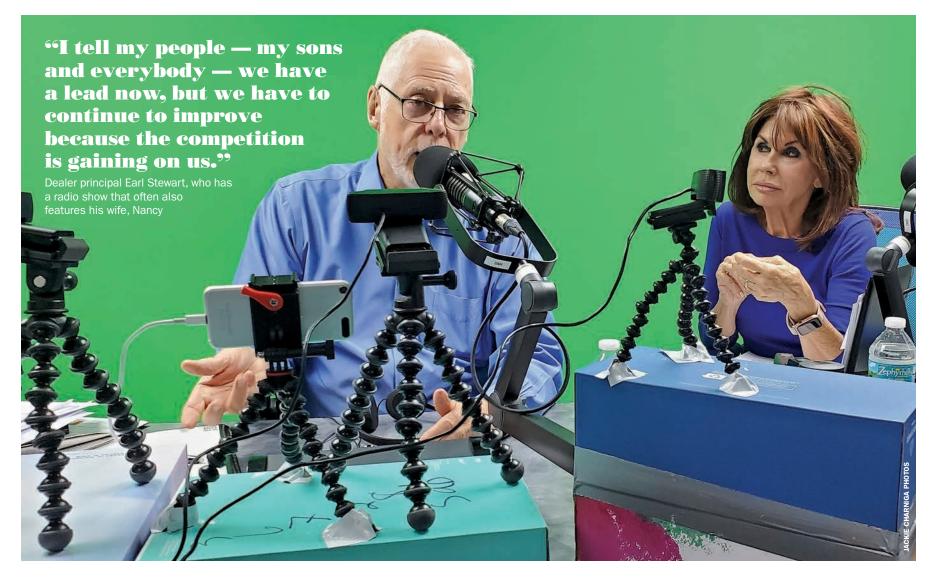


"Everyone deserves that opportunity to advance. ... If they raise their hand and show that desire, then we put them on a path. We teach them."

Marissa Hunt, corporate controller, LaFontaine Automotive Group

mentor, a dealership consultant who worked with her previous employer. Her mentor encouraged her to anticipate questions from her managers, she said.

"I really learned to dig in and understand every aspect of the financial statements," Hunt said. "I never wanted there to be a question that somebody asked me that I didn't know the answer to." AN



THE ANTI-DEALER

For Earl Stewart, the customer comes first, but everyone else is catching on

Jackie Charniga

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AKE PARK, Fla. — Earl Stewart considers himself a recovering car dealer.

For the dealer principal of Earl Stewart Toyota of North Palm Beach, dealership practices that harm consumers are an addiction. He spent decades in

the car business before he broke the habit himself. High-pressure haggling, hidden fees and deceptive tactics are among the "tricks" of the

trade Stewart now eschews. He's also dedicated to helping fellow dealers kick those habits, too, by calling them out on his radio show, "Earl Stewart on Cars."

"Back in the day ... I was a thief and I was surrounded by a bunch of thieves, so I wanted to be the smartest, best thief in

New focus, new worries

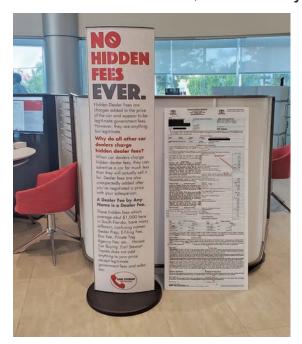
Earl Stewart went from a self-described dealer "thief" to delivering a better consumer experience. But despite that transformation, the Stewart family foresees an auto retailing future with less of a place for them.

the market," Earl recalled in his office Aug. 29. "And I was."

It's hard to imagine Stewart, 78, as a thief. He's about 6-foot-3, with white hair, blue eyes, and a well-defined and deeply soothing radio voice. In a modern-day retelling of It's a Wonderful Life, he would be well cast in Jimmy Stewart's role as

George Bailey. If the Bailey Bros. Building & Loan empire included a car dealership, it would never sell a vehicle above sticker price, regardless of demand. It might also offer an unconditional, seven-day return policy. And, like Earl Stewart Toyota, that Bailey dealership might even talk a customer out of deal if a better one could be secured elsewhere.

Such practices have helped Stewart and his sons sell nearly twice as many new vehicles a month than the average U.S. Toyota dealership. But if any worry rises above the concerns at this dealership, now in its third genera-



Signs in the dealership highlight its policies such as "No hidden fees," which other dealers have criticized.

tion, it's the fear of no longer standing out. As more dealers adopt digital technology, and transparent processes become the norm, the family fears its edge may be lost.

"I tell my people— my sons and everybody— we have a lead now, but we have to continue to improve because the competition is gaining on us," Stewart said.

The reckoning

Stewart's "recovery" started with a Toyota Executive Quality Management retreat in the early 2000s. Earl connected with a mentor whose devotion to customer service prompted Earl to question his practices.

Earl set to work changing the way he did business. He dropped the costs that some dealers list on paperwork as document fees. The vehicle advertising dropped the "fine print" that would change the offer, or require customers to jump through hoops to qualify for the lowest price.

Around this same time Earl survived stage 2 colon cancer. And he became a grandfather.

His public stance, which rival dealers have described as holier-than-thou, has gotten Stewart into trouble. But it also fuels the pipeline of loyal customers.

His radio show was canceled for a time when the station lost its dealership advertisers. Surrounding dealers banded together to stop doing dealer trades, or swapping vehicle inventory, with his store because of his comments. Consumer advocacy has embroiled Stewart in lawsuits with fellow dealers and insurance companies over the years, with Earl as both plaintiff and defendant.

In 2008, Stewart sued Ed Morse Automotive Group over its advertisement claiming Stewart didn't eliminate his dealer fee but hid charges in overall costs.

In 2014, Stewart became involved in antitrust litigation against a slew of insurance companies including Allstate, Nationwide and Geico, alleging conspiracy to suppress reimbursement rates for collision repairs. The case is ongoing.

In 2016, Stewart filed a suit under the Florida deceptive and unfair trade practices act, accusing neighboring dealer Arrigo Dodge-Chrysler-Jeep-Ram West Palm Beach of selling Takata airbags. Stewart lost.

At the time of his recovery, which Earl gauges around 2003, the store sold about 1,400 new vehicles and 900 used a year. Today, the store averages sales of 3,300 new vehicles and 2,000 used a year. Last year's new-vehicle average for U.S. Toyota stores: an industry-leading 1,718.

The Brothers Stewart

Part of what drove Earl Stewart's transformation was the knowledge that his sons abhorred his previous business

continued on next page

tactics. Before they came on board, Earl said, he considered selling the Toyota point. He had already sold his Mazda dealership, his father's Pontiac store and an independent used-car lot.

All three of his sons —Earl Stewart III, 51, who goes by Stu; Jason, 48; and Josh, 43 — are co-general managers. Only Jason was attracted to the business at a young age.

Stu wanted to be an artist. He worked with his mother and her friend, a successful muralist, painting celebrity homes, such as designer Gianni Versace's in South Beach and Cher's on the private La Gorce Island and other ritzy enclaves in downtown Miami. Stu joined Earl Stewart Toyota in 1998, at the age of 29.

As a kid, Josh was oblivious to the reputation car dealers had in American culture. His dad was just a businessman; he left home in a suit and tie, and came home to a martini and cigar every night. But the more he learned about his father's line of work, the less Josh considered it. He wanted to be a schoolteacher, but wound up managing a night-club for a real estate developer. That's when his dad asked him to help with the construction of the new Toyota facility, which was completed in 2004. He was then 28.

"I kind of had a very extended adolescence. I thought the last thing I ever wanted to do was go into the car business. But then Stu did it. And maybe I was a little jealous that they were making more money and having some fun," he said.

Jason, meanwhile, began detailing vehicles and working in the parts department at 13. He officially joined the Pontiac store in 1991 at age 20. He attended Northwood University, and after a brief stint at an Ohio dealership, moved to Earl Stewart Toyota in 2001. "I always had an interest in the business; I don't know why," Jason says of the family enterprise that began as a Pontiac store 82 years ago. "This business is kind of rough on you."

His son, he adds, wants to be a car dealer, too. "And I say, 'Well, you should consider something else because I don't know how long we'll be around."

The Code

Earl Stewart Toyota does little advertising. It relies on its reputation to attract customers. In the showroom, posters advertise The Earl Stewart Code. Among its commandments:

- "Do whatever our customer asks if they believe they're right."
- "Your first loyalty is to our customers, not to Toyota."
- "Always answer all calls, emails, texts, and messages of any kind from our customers ASAP."

Josh Stewart gestures to the messages. "Every one of them is one of our unique selling propositions," he says. "We want to set ourselves apart from the competition, and not with come-ons and gimmicks. You can't put a dollar amount on the red phone — how much value in there is that?"

The infamous "red phone" — actually five landlines throughout the dealership — connects customers directly to Earl's personal cell phone. Calls from customers are never ignored, whether Earl is in a meeting, on the beach — or in the shower.

"He'd say, 'Get that,'" recalls Nancy Stewart, Earl's wife of 16 years. "I'd answer the phone and say, 'I'm really sorry, the recovering car dealer's in the shower. I'm standing right in front of him; can I take your message?'"

Over the years, Nancy's role at the dealership has increased. She is on a mission to abolish sexism in auto retailing through education and empowerment. She spends much of her time on the showroom floor, meeting customers and shooting videos.

Outside the dealership, she hands out business cards at every opportunity. Nancy, 76, is also a natural on the radio show, facilitating listener calls and driving the conversation.

To boost female listenership, she personally gives \$50 to two first-time female callers on each show.

She's an advocate for the store's current goal of staffing as many women as men. Parity, however, has been difficult to achieve. Of Earl Stewart Toyota's 167 employees, 22 percent are women — only a little better than the industry average.

'That's insane'

Earl owns the majority of his business — 56 percent — while the remaining 44 percent is split evenly among his sons. The store's day-to-day operations are managed by the three sons, while Earl remains an active overseer. Occasionally joined by Nancy, the Stewarts meet every Monday to talk shop and come up with ideas for Wednesday management meetings.

"We say there's always a Stewart in the dealership. It's part of our brand," say Earl. "In what other company — much less a dealership — can you always walk in and



Earl Stewart Toyota has a renovated facility, but Stu Stewart says big lots of cars might not be needed because of digital sales.

Road to recovery

Earl Stewart's transformation from unscrupulous car dealer to consumer advocate came after 35 years in the business.

- 1937: Earl's father, Earl Stewart I, opens Stewart Pontiac in West Palm Beach, Fla.
- 1963-64: Earl Stewart II receives physics and industrial administration degrees; begins work at Westinghouse Electric Corp.
- 1968: Earl joins his father's store.
- 1975: Earl opens Earl Stewart Toyota of North Palm Beach in Lake Park, Fla.
- 2004: Earl eliminates dealer fees.
- 2005: Earl is diagnosed with stage 2 colon
- 2006: Radio show "Earl Stewart on Cars" debuts.
- **2012:** Earl's book, Confessions of a Recovering Car Dealer, is published.
- 2013: Dealership adopts a one-price model.

Source: Earl Stewart

speak to the owner?"

While Earl's practices drive business to the store, they are also costly. Once, a Toyota Tundra owner had trouble fixing a mysterious vibration. Earl refunded the entire deal, even paying to transport the 1-year-old pickup back to the store from Pennsylvania.

"Everyone was like, 'No, you're crazy; that's insane.' But that story was like ripples in a pond," Josh said. "Everyone the guy knew who still lived in Florida came here to buy cars from us."

Service technicians occasionally make house calls, or replace items for free. On the morning of Aug. 30, Hillary and Franklin Maldanado called the store seeking help



Customers can order vehicles using kiosks in the store, although online sales haven't caught on as expected.

with their 2-week-old Toyota RAV4 that was on cinder blocks after the tires were stolen. The Toyota Care road-side service denied their claim because, on blocks, the vehicle couldn't be towed.

The Maldanados were desperate. Hurricane Dorian was threatening Florida's east coast, and they hadn't gathered emergency supplies. Jason Lady, one of the store's new-vehicle sales managers, found three more spare tires. Alongside technician Sam Guillaume, Lady borrowed a floor jack from the service department and headed to the Maldanados' home in a loaner vehicle. They jacked up the car and installed the tires.

'Harder to distinguish ourselves'

Yet for all the success that the Stewart name and its strategy has brought, the family worries that it won't be enough to carry it forward as auto retailing transforms. Earl Stewart established his code of ethics in a Wild West era, son Stu says. And like a U.S. marshal on patrol, his dad set out to keep tabs on the worst offenders.

His radio show, in addition to being a branding tool and an extension of his consumer advocacy, operates as a unique tool to track the cultural shift in retailing. For 15 years, Stewart has taken calls nationwide to discuss auto industry trends, lean on employee expertise and chat about what's going on at his store.

Every episode has a mystery shopping report, where an undercover agent goes through the motions of a vehicle purchase at an Earl competitor and reviews the experience.

On a Saturday broadcast in late August, Earl, Nancy, collision center manager Alan Nappier and master diagnostic technician Rick Kearney sat in a small studio a few miles away from the store. At a table cluttered with microphones and laptops, web cameras trained on each of their faces. Each week, the show is livestreamed via Facebook and YouTube.

The group donned headsets in the minutes before the show went live. The theme song to *The Good, the Bad and the Ugly* played as Earl Stewart's prerecorded message filled the studio: "Good morning. I'm Earl Stewart. I welcome you to 'Earl Stewart on Cars,' a live talk show all about how to buy, lease, maintain or repair your car without being ripped off by a car dealer."

Throughout the two-hour program, Earl and the group answered questions from callers across the country. Many of them were local, focused on how to protect vehicles from the hurricane. Later, the group evaluated the mystery shopper report on Wayne Akers Ford in Lake Worth, Fla. Earl read the report in first person, and then the group voted.

Agent Thunder, Earl's spy, was able to procure a Ford EcoSport at the advertised price, earning high marks — despite some dealer fees. By contrast, reports read on the show in the 2000s were unanimously negative, says Stu.

"Every single mystery shop was just a horror show. Lied to by the salesperson, bullied by the manager," he said. "That's becoming much less common. We're actually getting good experiences."

Social media forced dealers to clean up their act, Stu said, in a time where negative reviews and a lack of digital presence can seriously harm a store's reputation.

"It's definitely harder to distinguish ourselves," he said.

Just when sales should be rising ...

Hurricane looms right as store is recovering from renovation

Jackie Charniga

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AKE PARK, Fla. — August was supposed to be Earl Stewart Toyota of North Palm Beach's comeback month.

After its worst July in years, the Stewart family was ready for a reset. Their South Florida dealership had lost \$100,000 on new-vehicle sales that month as it worked to recover its stride from a disruptive and just-completed \$15 million store renovation.

"It should be the inverse of that," lamented Josh Stewart, the store's co-general manager and youngest son of dealership namesake Earl Stewart.

Thanks to service and parts, the dealership still netted a profit of \$32,709 in July. And August's Labor Day sales events were expected to bring the store up to fighting

shape for the fall. Enter Hurricane Dorian.

A comeback thwarted

While simultaneously chasing a stair-step sales target and trying to overcome the disruption caused by a 2-year rebuilding project, Earl Stewart Toyota runs into Hurricane Dorian.

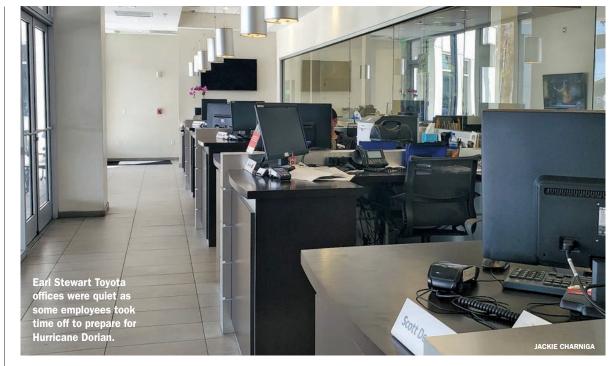
Forecast stress

Earl Stewart Toyota is about a thousand yards from the Atlantic Ocean, and its waters were calm as Labor Day weekend approached. The atmosphere inside the store was anything but.

As Dorian intensifies hundreds of miles off the Florida coast, distracted employees pace the store, asking to leave early to gather supplies, fuel cars and board up homes. Customer traffic slows. As weather forecasters upgrade Dorian's severity — it eventually rates as a Category 5 storm — there is a palpable effect on morale.

Earl Stewart judiciously allows anyone requesting time off to take it — though he notes the resulting pressure on those who remain behind to keep the lights on for potential customers. The Stewart family has been through numerous hurricanes — and they always stay open until a warning is issued, Earl tells a visitor.

In the service center, a newer employee pulls Josh aside. Worried about the storm, she wants to know whether she



will still have a job should she have to leave to take over care of her children from her husband.

"I was like, 'Yeah of course, of course you'll have a job!'"
Josh Stewart said. "We don't want the whole company to
stampede out at once, but we always do the right thing."

Gleaming showroom, no customers

The store's recently renovated showroom gleams on Aug. 29, utterly devoid of customers. Round desks and red chairs and couches sit beneath black monitors suspended from the ceiling like a sports arena jumbotron. Glassed-in offices surround the space, and an expansive control room housing store managers overlooks the showroom floor

"Ask yourself the question: Unless you absolutely needed to buy a car right now, wouldn't you rather wait three or four days after the storm has passed?" Josh said, even as he questions the hype that surrounds hurricane coverage.

On a flat screen in the service waiting area, live Dorian coverage is broadcast all day. Customers come in waves,

sometimes around 10 people, sometimes just one or two, but their eyes all end up locked on the red swirling graphic on the screen.

"This is the August clearance event, it's a Toyota thrust month, it's Labor Day weekend. It's a perfect storm of what should be a fantastic sales close, and instead — Hurricane Dorian is bearing down on us," Josh said.

And the dealership could really use the lift. Traffic suffered during the first half of 2019 as the dealership wrapped up its two-year construction project. Sales took a hit.

Historically, Earl Stewart Toyota had exceeded new-vehicle sales targets set by Southeast Toyota Distributors as part of its stair-step bonus program by a large margin, coming in around 122 percent of objective, Stewart said. But for the past two years, during construction, the dealership has only just cleared its objective — averaging 106 percent.

Once the target is satisfied, a dealership earns \$225 for

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A great customer experience is Earl Stewart's mission, but other dealerships have wised up to the practice.

"The lies are there. The false advertising, but the people have figured out you've got to really treat people well. They're not coming out being jerks, hiding the keys and all the old stuff," Jason Stewart said at a Friday sales meeting.

When consumers shop out-the-door prices online, Earl believes, hefty dealer fees will be harder to swallow. But digital adoption has been slower than expected. The dealership's customers can order vehicles online today, or at one of the kiosks inside the store, but online purchases are not catching on the way Earl had hoped.

"We thought it was going to be maybe 10 percent of our business, and now it's about 2 percent," he said.

Meanwhile, only 7 to 8 percent of online leads translate to a sale, according to Stu. Improving that number to 12 or 13 percent could mean an additional 60 new vehicles sold a month for the store.

Though adoption of digital auto sales has been slow, other forecasts spell a future where physical dealerships will be all but redundant. Florida dealerships are protected through strong franchise laws, Stu said, but it won't be long before those laws are propping up a system that otherwise would have collapsed under marketplace demands.

"We just spent \$15 million on a brand-new facility. That's a heavy capital investment in real estate so we can accommodate large inventories. True online retailing is probably not going to require big lots of cars lined up on display," Stu said.

The growing share of electric vehicles is also among Stu's main concerns, a challenge he considers unavoidable. But it will have serious repercussions for parts and service, the store's main profit generator. Dealerships will

Earl Stewart Toyota

- Location: Lake Park, Fla.
- Dealer principal: Earl Stewart, 78
- Dealer for: 51 years
- Other family operators: Wife Nancy, 76; sons and co-general managers Stu, 51; Jason, 48; Josh, 43

lose revenue as customers wait longer between service and repair visits.

Toyota 'genius'

At a management meeting several weeks before Dorian, Jason later recalled, the discussion over what the dealership landscape would look like in the next decade was grim. One fear: The very idea that brings Earl Stewart Toyota its success — giving customers what they want — could one day put it out of business.

It may also be the key to survival. Disrupters such as Netflix and Amazon are often cited by experts as the models to emulate. But when it comes to interacting with customers, the Stewart family looks to Apple Inc. A large portion of the store's recent renovations was devoted to redesigning the sales floor to resemble a Genius Bar.

Desks on the showroom floor no longer have drawers and offer limited space for employees' personal belongings. Instead, they are given lockers in another area. The offices surrounding the showroom are similarly spartan, save for a few family photos behind desks. The unwritten

message: Customers and their concerns should be the only things on the table at Earl Stewart Toyota.

In a sales meeting, Jason described his experience at an Apple store. While awaiting a repair, he heard an employee give a TED Talk-style presentation on the Apple Watch.

The salesman "is telling me what's wrong with my phone; I can't help but listen to the [presentation on the] Apple Watch. I don't have an Apple Watch. But after half hearing this guy, I'm pretty sure I'm going to get an Apple Watch," Jason said.

He wants to do something similar in the store, where salespeople would demonstrate the technology in Toyota vehicles. His brothers share that viewpoint. "My sincere hope is that we can really become experts because the cars are getting more and more advanced, just like our phones are," Josh said. "We could maintain our relevance in a quickly changing industry, by offering an amazing customer experience." In the meantime, there's a solid, if threatened, foundation to work from.

While the novelty of Earl Stewart's message may have faded over the years, the devotion to the concept — and the man behind it— still resonates.

"He'll actually say, 'I believe in my heart, if people knew what we did, that nobody would buy a car from anybody else,'" Stu said. "He's dead serious when he says that. He's not P.T. Barnum.

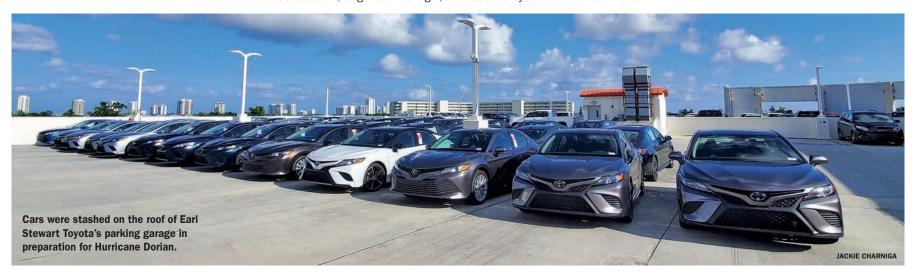
"I think that gives us a little bit of a leg up, the ability actually to achieve some of the things that we hope to achieve — because we've got a true believer at the head of the organization and buy-in from everybody else." AN



Jackie Charniga covers automotive retailing and F&I for Automotive News.

"This is the August clearance event, it's a Toyota thrust month, it's Labor Day weekend. It's a perfect storm of what should be a fantastic sales close, and instead — Hurricane Dorian is bearing down on us."

Josh Stewart, co-general manager, Earl Stewart Toyota of North Palm Beach



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every new vehicle sold, according to the Stewarts. Every vehicle sold beyond the target number earns \$500. It adds

"We've been struggling, and there's a lot of reasons," Josh said.

Plan of action

Managers gather in the control center, dividing the labor of preparing for a storm.

First order of business: Remove customer cars or at least, if they're immobile, try to place them out of harm's way. The store is liable for any damage a customer's vehicle incurs on the property — even from acts of God.

They next pack the dealership's parking garage with inventory vehicles starting with the most valuable — Land Cruisers, used Mercedes and BMWs.

This is the third hurricane for assistant comptroller Sean Gebhard, who helps move those vehicles to safety.

"We're just going to jam them. We can probably squeeze in another 40 cars," he said.

The store carries 600 vehicles — 400 new and 200 used. They won't all fit in the garage, so many vehicles will remain exposed.

Other than securing loose items on the lot, not much more needs to be done.

"Every window is hurricane proof; our doors are hurricane proof — all we have to do is lock up the doors," Gebbard said

'Greedy. Very greedy'

When Dorian began idling over the Bahamas, people were alarmed — though a watch hadn't yet been issued in Palm Beach.

On a normal Friday, the service area at the store has lines of customers snaking around the long hallway. On



A few employees stayed at the store to help customers, even though many places had closed.

Aug. 30, the room is empty but for a few bored service advisers scrolling on their phones.

At the same time, Earl Stewart is being slammed in private messages via a website that allows customers and employees to send anonymous messages directly to the family. Stewart uses the site as a tool for feedback before management meetings. His mandate: One of the Stewarts will always respond.

The missives on this day are a little different.

Whether warning, watch or tropical storm, the dealership should close until the storm clears and heavy rains lift, one messenger argues. "No other job will be open. It truly makes you wonder if Earl Stewart values the safety of his employees in these conditions. You can afford to close for a few I'm sure. What if the hurricane does decide to do a last-minute turn toward us and we are stuck? Nobody wants to be at Toyota. They'd rather be with their families!"

Another implores Earl to be a leader and close. The employees respect Stewart "tremendously," and they'll show up to work just to please him.

"The public doesn't see this as good," the sender went on. "It just looks greedy. Very greedy."

Yet another messenger writes: "Thanks for giving me someplace to go and something to do yesterday. I was bored to tears sitting around the house."

Days before Dorian

As business slumped during the two-year renovation, the Stewarts took a hard look at costs, making significant cuts, particularly in advertising and personnel, said Stu Stewart, Earl's oldest son and co-general manager.

A used-car manager was demoted to sales, and a newcar manager was relocated to the used-vehicle department. The dealership began to work on an extensive pay plan cut.

"We are still struggling how to — without blowing hundreds of thousands of dollars on advertising — grow our volume. We've struggled in our Internet sales department, and we've gone through a revolving door of managers there," Stu Stewart said. "We've watched our F&I numbers get worse."

The storm isn't helping. But even as around-the-clock Dorian coverage inflames locals' fears, it also normalizes them. With home preparations complete and the storm stalled over the Bahamas, some residents begin to venture out to run errands — such as vehicle service appointments.

Christie and Michael Gidos come to the store to fill out paperwork to lease a 2019 Toyota Tacoma. A Facebook ad drew them in.

"I'm not buying anything until after the storm," Michael Gidos said. "I'm pretty caught up at the house right now, so now I'm just waiting to see if it turns."

After the storm

In the end, Dorian shifted north and never made landfall in Florida. But the damage had already been done.

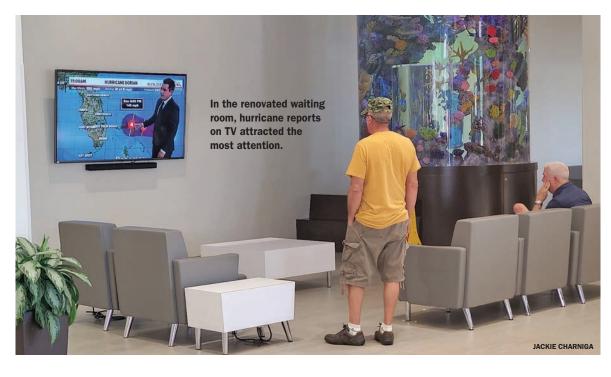
Though better than July's performance, August sales for Earl Stewart Toyota came in far below expectations. The dealership sold 232 new vehicles, 50 less than anticipated, losing \$40,196 in that department. It sold 149 used retail vehicles and lost \$20,356 on them.

For the month overall, the store made 102,356 — about half of what they planned for.

Because of the hurricane, Southeast Toyota Distributors lowered dealerships' incentive objectives for the month, according to the Stewarts, lowering the target for Earl Stewart Toyota by 30 vehicles. This allowed the store to come in at 108 percent of target and earn the bonus money.

Stu Stewart reflected on the storm's "remarkable psychological impact."

"It's not every day that we get a Category 5 hurricane that's bearing down on us," Stu said. "It kills business — even if it's not going to hit us." AN





CAUTION: CARS SELLIN

Brothers make sure construction of showy new store doesn't disrupt business

Amy Wilson

TLANTA — Rising up on a busy stretch of Peachtree Industrial Boulevard in the inner-ring Atlanta suburb of Chamblee is the new home of Hennessy Ford-Lincoln Atlanta.

The showy new dealership will have indoor delivery stations, a 2,300-square-foot technician locker room, coffee courtyard with a fire pit and a 30-foot waterfall when it opens early next year. But in this era of dealer-automaker head-butting, another noteworthy aspect of the multimillion-dollar dealership project is this: There was no argu-

ing that it needed to happen. That's not always the case with dealership renovations,

Renovation veterans

The Hennessy brothers have renovated many a dealership. That practice helped when it came time for their biggest project yet where sales are up 13% despite construction disruption.

where tensions frequently arise when automakers ask retailers to adopt their brands' latest image standards. But with the Hennessy project, both dealer and automaker agreed the decades-old showroom, originally built for an Oldsmobile-Rolls Royce operation, must go.

"It was clear that the current facility couldn't last much longer," said Peter Hennessy, one of three brothers who operate Hennessy Automobile Cos., which has 11 dealerships in metro Atlanta.

When Hennessy bought the dealership in 2014, a renovation was always part of the plan.

It soon became clear just how badly it was needed.

The first heavy rain after the acquisition brought with it 36 roof leaks. The main service shop used to flood. Steve Hennessy, the brother with direct oversight of the store, estimates the company spent more than \$500,000 just to





Hennessy Ford-Lincoln in Chamblee, Ga., is getting a huge makeover, shown in progress, top, and in a rendering.

fix problems and freshen up appearances for employees

Getting the old buildings into fighting shape so employees could maximize sales and service opportunities during the lead-up to the construction foreshadowed how the Hennessys have approached this massive rebuild.

While some disruption is inevitable, the key to successfully navigating the minefields of such a big project essentially comes down to good planning and good people, the Hennessy brothers said. They've brought in experts in both service and sales to pump up those business lines. And they work with a contractor experienced at helping dealerships operate in a construction zone. And the store's sales are up by an impressive degree.

Sales success through construction

Through September, Hennessy Ford-Lincoln's retail vehicle sales rose 13 percent. Gross profit on the fixed operations side of the business is up 29 percent, bolstered by a new quick-service business and a growing commercial truck specialty. The dealership's total revenue for 2019 is on track for a 13 percent jump to \$166 million.

To achieve that in the middle of construction chaos "is just remarkable," Peter Hennessy said.

The Hennessys have done it before. In 2007, they doubled the size of Hennessy Lexus of Gwinnett and recorded the biggest new-vehicle volume in the store's history, a record that stands today, Hennessy said. Hennessy Porsche North Atlanta had a "banner year" during its renovation two years ago.

"Customers will put up with a lot if they know it's temporary and they know it's going to get better," he said.

With the Ford-Lincoln store, the brothers knew the growth potential was there. And they figured they could leverage their company's strong reputation in the market

Contrary to many dealer families, the Hennessy brothers didn't spend much time in the dealership growing up. Their father, Robert Hennessy, got his start working for General Motors' Motors Holding division after serving in World War II. Hennessy was offered a Cadillac dealership in Atlanta in 1964, and it thrived.

The group started to expand in the 1980s. Steve Hennessy, who had forged a career in the investment business, joined his dad and brother Mark in 1986 to help spur that growth. He ended up working with his dad for only six months when Robert Hennessy died of a stroke.

Still, the company took off, adding brands. Steve Hennessy, 63, oversees the Ford-Lincoln store, in addition to the family's Buick-GMC and Mazda dealerships. That's

continued on next page

Ready for a rebuild

The Hennessy brothers have gone from roof leaks to — nearly — a shiny new dealership as Ford retailers.

- **2014:** Hennessy Automobile Cos. buys Malcolm Cunningham Ford.
- **December 2017:** City approves building concept for new dealership.
- April 2018: Used-vehicle sales move to rented building down the street.
- June 2018: Construction begins.
- August 2018: New-vehicle sales start operating out of construction trailers.
- May 2019: New Quick Lane service operation opens.
- January 2020: New dealership building expected to open.
- May 2020: Project expected to be finished.

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where he's usually based, but he's carving out an office for himself in the new Ford building.

Peter Hennessy, 59, who works out of one of the family's Lexus stores down the street, said the brothers saw potential when the former Malcolm Cunningham Ford store hit the market.

"It was underperforming relative to Ford standards, so there was certainly upside," Peter Hennessy said. "We were able to look at the existing earnings and think that we could improve them based on our reputation in Atlanta."

Maybe more important, Ford consolidated its dealer network during the Great Recession. The primary market area that Hennessy Ford is in dropped from three Ford stores to one.

"That's one thing that got our attention," Steve Hennessy said.

And that area is now booming. New apartments and houses are on the rise. The area's population has increased by 10 percent, or about 57,000 people, since 2010, said Kevin Giacomini, Ford Motor Co. regional sales and service manager for Atlanta.

Hennessy Ford-Lincoln's sales have soared in the years since the 2014 acquisition. The dealership sold 1,853 vehicles in 2013 and is on track to sell just more than 4,000 vehicles for all of 2019, according to the Hennessys. In metro Atlanta, the dealership is now No. 3 in new-vehicle sales for both Ford and Lincoln, Ford confirmed.

Ford is excited about the investment Hennessy is making, Giacomini told *Automotive News* in an email.

It's "well known as a family-owned company that cares about their customers, employees and the communities in which they do business," Giacomini wrote. "The new Ford and Lincoln showrooms along with an all-new service department will serve their growing number of customers for years to come."

Project scope: \$25 million?

So just how big is Hennessy's investment in the new dealership? Steve Hennessy declined to share a total.

Bill Heifner, president of Renier Construction Corp. in Columbus, Ohio, which specializes in dealership projects but is not involved in the Hennessy renovation, estimated such a project could cost in the range of \$20 million to \$25 million given its scope.

The dealership is landlocked on 12 acres in the middle of a stretch of dealerships on the northeast side of Atlanta. The site, which started with seven structures and will go to three, moves uphill with a lot of elevation change and rocky soil.

It will be a 30-month project by the time it's done, with new buildings totaling 110,000 square feet. The main dealership alone, a two-story showroom and service building, is 88,000 square feet. An 18,000-square-foot Quick Lane service facility, with commercial fleet service space attached, opened in May. A new car wash and a renovated reconditioning center rounds it out.

If land had been available for greenfield construction, the cost would have been less, and the timeline would have spanned about 15 months, said Scott Daugherity, senior project manager at PRO Building Systems in Atlanta, the Hennessys' longtime contractor.

But rebuilding on an existing site where the dealer must still sell and service cars takes extra planning and time.



"The real challenge is you've got to find a construction company capable of keeping you in business," Peter Hennessy said. "Anybody can do a greenfield site. To have a contractor be able to stay on budget, keep you in business, not cut your power and phone lines, not get shut down by the prevailing authorities because you're putting people in harm's way — there are a lot of challenges you face when you rebuild on your own property."

One snag that slowed this project by a month: Crews encountered "bad dirt" when preparing a portion of the site.

That bad dirt? It included pieces of a burnt house, a washing machine and tires — debris that had been dumped into a pit and paved over decades earlier. It all had to be removed, and trailer loads of fresh dirt were brought in to fill the void.

Fixed-ops focus

The Hennessy family's point person on the site is Sammy Hayes, fixed operations director at the store. Hayes came on board in early 2017 to kick-start the store's parts-and-service business. He also influenced the building plans.

The big change was putting in more capacity to service fleet and commercial vehicles, making the project size even larger than Ford expected, Peter Hennessy said.

But the Hennessys figure the commercial specialty and added service capacity will set their dealership apart in a metro area that still has 22 Ford dealerships and eight Lincoln outlets. Hennessy Ford is the only one inside the perimeter highway ringing Atlanta's core.

When done, the dealership will have 48 bays in the main building, 28 for reconditioning, accessories and detail work, plus 18 in the Quick Lane building, including the commercial fleet space.

For Hayes, 52, this is his second stint at this dealership.

He worked at the store for six months in 2008, two owners ago, when he was in Ford's dealer development program. "Distraught" when that program was shelved during the recession, Hayes, now in the National Automobile Dealers Association's dealer school courtesy of the Hennessys, left for another metro Atlanta Ford dealership.

Fixed operations "is the backbone of a dealership," said Hayes, who grew up working on cars with his dad, a tire



Sammy Hayes, Hennessy fixed ops director and construction point person, says the new facility will help attract techs.

Hennessy Automobile Cos.

Robert Hennessy founded the company as a Cadillac dealership after a career at General Motors as an executive with its Motors Holding division.

■ Year started: 1964

■ Footprint: 11 dealerships in metro Atlanta representing 11 brands and 16 franchises

■ Employees: 1,200

■ Second generation: Brothers Mark, 65; Steve, 63; and Peter, 59; each oversees a chunk of the company.

■ Third generation: Mark's son, Robert, 35; and Steve's son, William, 34

shop operator. He joined the Navy at 17 and became an aircraft mechanic. After a short stint working on planes at Delta Air Lines, Hayes returned to cars and began working his way up the management ranks at a Ford store in his hometown of Greenville, S.C.

The unfailingly polite Hayes, whom the Hennessys have dubbed "the wizard of fixed," is visibly excited as he leads a tour of the under-construction service department. His equipment budget was \$3.6 million, Hayes said, and the resulting modernized department, including air conditioning in the repair bays, will help attract and retain technicians.

Hayes already has done a good job of that, Peter Hennessy said. Employee turnover in service is 12 percent, according to Hayes, a strong number considering the store is in the midst of construction.

"Knowing what was on the horizon, people stuck with us," Hennessy said.

The employees who have stuck it out are excited for the transformation from the leaky-roof days.

Jonathan Chambers, a new-vehicle sales consultant, recalls telling customers "'Hey, watch out, don't step on the water puddle right there.' You had to make a lot of excuses for it being an old building, when you're asking them to pay \$60-70,000 for a vehicle."

The new building will improve the customer experience "100 percent," Chambers said.

For the Hennessys, the project is a long-term play.

"We've been in the business for 55 years. We take a long-term approach to our investments, and we look at our relationships with our manufacturers as a partnership," Peter Hennessy said. "And when you have a great brand in the right location in a market like Atlanta, you can afford to invest for the long run." AN

Lindsay VanHulle contributed to this report.



Amy Wilson is retail editor for Automotive News.

Selling cars without a showroom

Awaiting new store, staff faces challenges, but sales are still up

Lindsay VanHulle

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TLANTA — It's easy to drive past Hennessy Ford-Lincoln Atlanta.

Ford-Lincoln Adama.

Gloria Adams missed the turn twice on her way to trade in her sedan for a 2019
Ford Explorer. Orange-and-white construction barriers line the street leading into the suburban Atlanta dealership, and temporary banners point drivers in the direction of sales and service. Adams, a 72-year-old retiree, had difficulty spotting the store's signs, and she isn't the only customer to pass by.

In place of an attention-grabbing storefront along busy Peachtree Industrial Boulevard in the suburb of Chamblee is the glass-and-steel framework of what will eventually be showrooms for Ford Motor Co's two brands. Hennessy Automobile Cos., the family-owned Atlanta retailer that bought the dilapidated store in 2014, is investing millions of dollars to overhaul the dealership, expected to open this winter.

Until then, the dealership's managers and employees are doing what they can to get people through the door and help them navigate a car purchase or service visit in the midst of construction chaos.

Automotive News spent the final Saturday of September at

Saturday sales solution

Selling cars out of construction trailers isn't easy. But on a bustling Saturday, the sales crew at Hennessy Ford-Lincoln Atlanta stays focused on customers, not the dust and disruption of the surrounding renovation.

Hennessy Ford to see just how that happens on the busiest day of the month.

New-vehicle sales are operating out of a makeshift office inside eight connected construction trailers, the department's temporary home since November. Parking is limited. The dealership pays more than \$45,000 a month to lease off-site space, including a used-vehicle sales building

and four storage lots to hold most of its vehicle inventory. That means sales reps have to shuttle many would-be buyers back and forth just to see a vehicle that might work for them. In Atlanta's congested traffic, a round trip of just a few miles can take 45 minutes at rush hour. The whole buying process takes hours.

Yet even amid the delays and confusion, sales are up at Hennessy Ford.

In August, the dealership was first in its zone among Ford stores within the Atlanta market, fourth in the entire Atlanta region and 11th (out of 440 Ford dealerships) in the Southeast, according to figures provided by Zak Warner, Hennessy's platform sales director.

A focus on setting up customer appointments and converting those visits into sales has contributed to this year's sales growth, Warner said.

"We've continued to try to drive our business," Warner said, "as opposed to waiting on it to show up."

Still, with dust and delays common, some customers do give up out of frustration.

"You can't be mad at those people," Jonathan Chambers, a new-vehicle sales consultant who got into the business seven years ago, told *Automotive News* on a return trip from one of those vehicle overflow lots.

"I always explain to them: 'Listen, I understand,'" said Chambers, who worked at the dealership before Hennessy bought it, left for a few years and returned in 2017. "'We're building this nice dealership to better our service. But ... in the meantime, this is what we have to do, and I'm going to make the rest of the experience as best as I can. Please allow me the opportunity.' Most people will agree with you."

8:30 a.m.

Near the end of a morning sales meeting, Warner, who oversees sales at several of Hennessy's 11 stores around metro Atlanta, holds up \$1,500 in mostly \$10 bills.

"I will be handing all of this out by the end of the day," Warner tells his sales team.

It's what the dealership calls spiff cash, and it incentivizes salespeople to set up customer appointments. An employee can earn \$10 if his or her customer shows up for the scheduled appointment that day, and another \$60 if



LINDSAY VANHULLE PHOTOS

A good rapport with sales rep Crista McMullen, left, motivated Gloria Adams to buy at Hennessy, despite the construction.

that appointment leads to a sale. Warner said he gave out more than \$1,800 that day.

The emphasis on appointments over walk-ins is a process change that Warner says has contributed to higher sales, even as new-vehicle sales decline across the industry. Hennessy's sales employees are encouraged to set up at least two appointments each day.

While Warner said it's an approach he is working to bring to several Hennessy stores, "it's probably even more

"There's no telling how many people just drive past us because they believe we're not open."

Zak Warner, platform sales director, Hennessy Automobile Cos.

important at this store because of the construction."

Bill Plachter, who works in used-car sales, said appointments are also a necessity with limited parking. It saves time by ensuring the customer's desired vehicle is ready when he or she is scheduled to arrive.

September has been a slower month across Hennessy, partly because the lucrative Labor Day weekend sales rolled into August's results this year. While sales are up over last year, Warner said he estimates volume could be 30 percent higher if the dealership was not under construction.

"There's no telling how many people just drive past us because they believe we're not open," he said.

At the morning meeting, Warner tells his team the dealership needs to move 30 cars by the end of the day -15



Zak Warner, Hennessy's platform sales director, gave \$1,800 in employee spiffs on a recent Saturday.

new and 15 used.

"Let's do something big," Warner rallies the sales staff. "Let's have a huge Saturday."

9 a m

The temperature outside reads 72 degrees, but it feels hotter. Humidity is at 90 percent. It has been a sweltering summer and fall in Atlanta, with temperatures hovering in the 90s for much of August and September. One perk of the sales trailer: It's air-conditioned. The same can't be said of the service bays.

Inside the sales office, Warner and a couple of sales staffers launch a video rendering of the new dealership that plays on a loop throughout the day. Images of the new design are displayed on a poster board next to the vending machines, the words "Coming Spring 2019" featured prominently below the photos. The project is behind its original schedule, in part because of zoning and permit slowdowns, plus a rainy spring that affected the construction pace.

"They may want to change that" date on the poster, points out customer Bridget McKenzie, who moved to Georgia from Massachusetts a few months ago and was browsing 2020 Lincoln Aviators.

The first sale of the day comes within the first 15 minutes.

Adams, of Stone Mountain, about 15 miles southeast of the dealership, showed up close to 9 a.m. Saturday, when sales hours began for the day, after spending four hours at the store the previous day.

She bought a new Mercury Grand Marquis in 2006, the year she retired from the Internal Revenue Service. But after a car accident a few years ago contributed to problems in her hip, back and knee, she's now grown tired of crawling in and out of a sedan. She likes the 2019 Ford Explorer's height and safety features — including side airbags, a highlight given the previous accident.

Construction didn't deter Adams from buying — at least, once she found the dealership. She went with Hennessy rather than another store she had visited because of the rapport she established with sales rep Crista McMullen.

When Adams arrived at Hennessy, McMullen approached her right away, offered to fetch vehicles so Adams — who uses a cane — didn't have to walk far and described the purchase process honestly.

"To be building like that, they must be doing well," Adams said of the new dealership. "They're doing something right." McMullen's reply: "You'll definitely get to see it when you bring [the Explorer] for service."

12:30 p.m.

Hennessy Ford's service bays are stifling in the summer heat.

continued on next page

Customer wait

construction at

times have become a

challenge

Hennessy

Ford-Lincoln

Atlanta. Staff

members are

spread out in temporary

offices, so the

sales process

takes longer.

during

continued from previous page

"Like an oven," said Brandon Armstrong, a technician who diagnoses problems with fleet trucks.

Service technicians continue to work out of an older building that won't be demolished until after the new dealership, which includes a 48-bay service facility, is completed.

Air circulation is a struggle in the older bays even with doors open and fans running, Armstrong said. The dealership's technicians are looking forward to the move to the new, modern facility.

"The [air conditioning]'s going to make a huge difference," said Armstrong, who has worked at Hennessy for more than three years. "And it's going to bring up productivity because everybody's not going to be complaining they're hot."

1:30 p.m.

Chambers, the sales rep, drives through an overflow lot and presses the panic button on a key fob to find a 2019 Lincoln Nautilus crossover for Deborah Pace, who lives about 36 miles west in Dallas, Ga. Chambers hands Pace the keys and tells her to follow him back to the new-vehicle office.

"Usually, it's not that smooth," Chambers said on the ride back to the store. $\,$

"Nine times out of 10, it's like that," he said, motioning to a lot where overflow vehicles are double- and triple-parked. Sometimes, a car a customer is interested in is blocked by other vehicles, a scenario that requires a return trip to the dealership for a second set of keys just to retrieve the vehicle the customer wants. On rare occasions, a vehicle battery is dead, prompting another trip back to the store.

"That's all before a customer says they want to buy a vehicle," Chambers said.

He had a sale earlier in the week nearly fall apart because of the hassle of the overflow lot. Chambers said he showed the customers how construction had affected their sales process. In those scenarios, he said, he asks customers to allow him to offer them a positive sales experience, despite the inconvenience.

He saved the deal.

3 p.m.

Rodney O'Rourke's cellphone rings. And rings again. There's a request, he explains, to move finance and insurance managers between the used- and new-vehicle stores to help alleviate wait times.



Communication has become a bigger logistical challenge with everyone spread out. And long wait times pose a particular challenge for F&I, said O'Rourke, the dealership's F&I director.

"To me, time costs deals, and time costs gross," he said. "The longer it takes to get the customer to a sold car, the more chance you have of losing that customer. Once that customer's sold, the longer they sit, the less money you're going to make. So speed is definitely king."

Several employees said the old showroom had a leaky roof, among other ailments, and praised Hennessy for investing in a substantial rebuild.

"It'll be fabulous when we're all under one roof. It'll be so much more efficient," said O'Rourke, who has 25 years in automotive management across multiple dealership roles. He joined Hennessy Ford in November. "Efficiency is just gone right now."

Transactions typically take more than four hours with the delays, Warner said. The average time without construction would be closer to two hours, he said.

5 p.m

Warner wasn't going to sell cars. That's what he told himself, anyway, having grown up around his father's dealership in Asheville, N.C. He played football at Western Carolina University, graduating in 2011 with a business management degree.

But he turned back to the industry after a few months selling copiers to businesses in Tampa, Fla. The catalyst: He went into a meeting with a doctor, who told Warner halfway through the pitch that he'd be more excited if Warner were selling cars.

Warner eventually worked his way up to general manager of a Hendrick Automotive Group Chevrolet store in Buford, Ga., where he was recruited by Hennessy, joining in January.

While construction has caused some turnover, Warner said, it's not much. He tries to boost retention by sharing the vision of a sparkling new dealership where there will be capacity to increase both staffing and the store's share of the Atlanta market.

That day shouldn't be too far off.

But for now, the sales staff is still in the trailer. They missed their goal of 30 sales that day, ending at 24, a dozen new and used each. Still, it was the best Saturday of the month.

"We were overrun in the afternoon," Warner said. "We had more people than we had salespeople to take care of them." AN



Lindsay VanHulle covers automotive retail and retail technology for Automotive News.

Sink profits into upgrades? Some dealers cringe

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ATLANTA — As the auto industry began to emerge from the Great Recession, dealers facing pressure to make pricey updates to their buildings balked. It was too soon, they said; business hadn't recovered enough to invest millions of dollars in glossy new dealerships.

Fast-forward to the present. Sales have rebounded, and dealerships have posted some

Pushing back

When automakers roll out new design standards for dealerships, store owners must decide: Will another upgrade be a waste or money well spent?

of their biggest profits ever in recent years. But unless a store is too small or otherwise in obvious need of refreshing, many dealers are still reluctant to spend on expensive building projects.

Why waste millions, the thinking goes, to update an already-nice building

to satisfy an automaker's latest design whims? Such projects aren't likely to generate a dollar in return on investment, many dealers contend. Moreover, today's dealership designs may not even be the right fit for a future expected to be dominated by digital retailing and other disruptive technology.

Still, automakers continue to push dealers for new and redesigned buildings. And dealers comply because, in many cases, adherence to automaker image program standards is necessary to earn certain payouts.

In 2018, dealer Steve Kalafer spent \$1.6 million to renovate his "perfectly functional" Infiniti dealership in Flemington, N.J. There was bonus money on the line.

"We haven't sold one more car," Kalafer said. "In fact, because the market's turned, we sold less cars. I had to terminate two employees to bring my expenses in line, so I could show people a new coffee machine and a new fascia."

Automakers adjust

Automakers say their programs are reasonable. And some have noted that they've adjusted their requirements.

Lincoln, for instance, paused its program between December and August as brand executives conferred with dealers who objected to an initiative to persuade dealers in certain markets to build standalone showrooms. Hennessy Ford-Lincoln Atlanta is building its new dealership, with a separate showroom for Lincoln, in accordance with that program.

When the program relaunched in August, Lincoln said it was more flexible with regard to showroom size and pared back the margin withheld from dealers who don't build separate showrooms.

Many automakers are dialing back the frequency of updates, too — though dealers argue that's because they have to. A surge of state franchise statutes in the last decade limit how often automakers can demand dealership updates.

Dealers typically are hesitant to spend millions of their own money at an automaker's behest.

"We're no more excited than any dealer in the country" about the broad renovation requests, said Steve Hennessy, one of the owners of Hennessy Automobile Cos., the 11-dealership group in Atlanta building a new Ford-Lincoln store.

But, sometimes, it's worth it.

The need for, and likely return on investment, for the new Hennessy Ford-Lincoln building wasn't in question. The previous dealership was decades out of date.

At the same time, the Hennessy family has some already-modern stores slated for updates. For instance, their tony Lexus store a mile down the street will get its own renovation soon.

"Sometimes these projects are vanity projects for the manufactur-

ers," said Peter Hennessy, another of the three brothers who operate the dealership group. "What I would say with the Lexus project is that they are being very careful about what is required of the dealers."

Before year end, Hennessy plans to launch an \$11 million-plus redo of its Honda store in the Atlanta suburb of Woodstock, Peter Hennessy said.

"I don't know that we're going to sell any more new cars because of it," he said. "We will sell more used. And then we'll do a lot more fixed. So there's value there. ... Is there \$11 million of value? With a Honda franchise—yes."

Future models

It's far from certain what will emerge as the right model for the dealership of the future. But many are betting that stores will have a smaller footprint and carry less inventory.

Inga Maurer, partner with global consulting firm McKinsey & Co., said at a Cox Automotive conference last month that alterna-

tive store formats are likely to emerge as dealerships face the specter of lower profits as sales move online. McKinsey estimates that up to half of used-vehicle sales and up to a quarter of new-vehicle sales will shift online by 2030.

Dealerships also have opportunity in the growing mobility space, such as by servicing ride-hailing vehicle fleets or operating their own vehicle subscrip-

au tion corrigo

The Hennessys are looking to the future. The new Ford-Lincoln store has a substantial commercial fleet servicing operation, and mobile repair units are in the works, too.

But even with the dealership of the future, Peter Hennessy said, "you've got to give a reason for a consumer to come to you."

Melissa Burden, Michael Martinez, David Muller and Lindsay Chappell contributed to this report.



Maurer: Sales will shift online.



NEXT-GEN NAVIGATION

Dealer Tim Smith sketches a road map as succession planning becomes more complex

Laurence Iliff

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ALABASAS, Calif. — Tim Smith loves working with his daughters, helping them prepare to take over the family business. He knows not everyone is so lucky.

The third-generation dealer had a friend whose son who was struggling in auto retailing. "The happiest day of his life was when his son decided to go play in a rock 'n' roll band," Smith said with a chuckle.

But he's also seen real disasters: children cut out of the family business without warning; parents who hand over dealerships to offspring who quickly cash out.

"People say to me, 'It's great to have your daughters in the business.' I say it's great having your kids in the business if they're good at it, and it's the worst thing that can happen if they're not. It's not good for them, it's not good for your employees, and it's not good for you."

While the succession to a fourth generation of Smith auto

From dad to daughters

Succession is getting trickier for dealers, but Tim Smith is figuring out the formula for how to pass the century-old family retailing business down to his daughters.

retailers has mostly gone well, it has taken a lot of planning to keep the business in family hands through wars, recessions and several brand changes. Not everyone is interested in retailing; not everyone is good at it. Sometimes tough decisions have had to be made.

And dealer succession is getting more complicated. Beyond perils such as sibling

rivalry or poor financial planning, dealers today have to worry about a century-old business model that is being challenged by disruptive forces. Electric cars, startups selling vehicles online and the potential for autonomous vehicles to change buying habits all add to the uncertainty.

Here's the story of a family that has seen dramatic shifts in ownership and is determined not to be caught unprepared again.

Early interest

Smith got a glimpse into his youngest daughter's love for the auto business well before she could drive. At 10 years old, Catherine started doing odd jobs at the family dealership, much like Smith himself had done a generation earlier alongside his father.

Smith, whose family has been dealing cars for 102 years, had not been entirely sure himself about the business and enrolled in law school as a young man. Catherine, whose married surname is Andrews, showed none of those doubts.

"She had just graduated from high school," Smith, 73, recalled in an interview at Bob Smith BMW-Mini in tony Cal-

abasas, just west of Los Angeles. "And I said, 'OK, Catherine, you want to sell cars. Here's the deal: You can do full commissions, or half commissions and a \$2,000-a-month salary.' In five seconds, she said, 'I'll take the full commissions.' Now, what 18-year-old does that?"

Andrews, 39, now runs the BMW-Mini store, where she has minority ownership. Smith is in the process of making her dealer principal and eventually transferring control to Andrews and her sister, Anne Boland, 44. The three equally share ownership of a Volvo store next door that opened this year.

"I knew that I liked the business," said Andrews. "I liked that it was a people business, it was team oriented."

Smith's oldest child, Patrick, worked in the BMW store but has since left the business.

Boland, dealer principal at the Volvo store and the numbers cruncher in the family, was, like her father, a little more apprehensive.

After earning an accounting degree from the University of Notre Dame, she worked for consulting firm Deloitte and later for Princeton BMW in New Jersey. Eventually, she came around and moved back to Southern California.

"I kind of wanted to go out and do my own thing," said Boland. "And as I started to work for other people, I thought I'd have to be crazy not to work in the family busi $ness\ with\ these\ opportunities."$

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Tim Smith, dealer principal,

Bob Smith BMW-Mini

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Overcoming entitlement

With the dealer population aging, automakers are concerned about the operational handoff to millennials and Gen Z, who tend to be less excited about traditional retail — and maybe even about autos — than are baby boomers and Gen X. Meanwhile, publicly traded dealership groups as well as large private operations are waiting in the wings

to scoop up attractive franchises and locations.

"My observation of the incoming generations that are in their 20s and 30s, maybe in their 40s: They shop differently; they think differently," said Brodie Cobb, founder and CEO of Presidio Group, an investment bank that specializes in dealership mergers and acquisitions. "I really think that the generations that could potentially go into the business aren't interested in the business as much as before."

Even when the next generation is enthusiastic about taking over, that doesn't automatically translate to success. Dealer kids who have been showered with new cars and cushy jobs may

not be prepared for the hard work needed to run the business. Sometimes their parents ignore the warning signs of apathy and entitlement — and disaster ensues.

Hugh Roberts, a partner with Rawls Group, a succession planning advisory firm, said one of the biggest mistakes comes down to expectations.

"It's a sense of entitlement that got created by parents not holding the children to the same kind of standards that they held themselves to," Roberts said. "The parents can give a child a job, they can give them a title, they can give them a paycheck. What they can't give them is respect.

continued on next page

All in the family

Tim Smith didn't push his kids to join the dealerships named after his father, but 2 have made a career of it.

- **Dealerships:** Bob Smith BMW-Mini, Bob Smith Volvo Cars Calabasas
- Location: Calabasas, Calif.
- Family operators: Tim Smith, 73, dealer principal and partner; Anne Boland, 44, dealer principal and vice president; Catherine Andrews, 39, general manager and partner

continued from previous page

And they can't give them the dealership, because only the manufacturer can. And if by some lucky chance they get the dealership approved when they're not capable, the market will take care of them and weed them out."

Smith, who still maintains a big office in the BMW store full of family photos and awards from a lifetime of entrepreneurship, takes a hard line on merit-based succession.

Andrews and Boland joked that while their father and mother, Judy, provided them with cars from the dealership when they were younger, they weren't the nicest ones on the lot, and both had to work for the privilege.

Boland remembers coming home on a break from college. "I was like, 'I just want one day,' and my mom's like, 'Your dad is writing a tuition check; get to work,'" she said with a laugh. Andrews noted that when she and Boland attended the NADA Academy, they were put on the general manager track rather than the easier one for dealer kids who were less ambitious.

"We're grateful for having that work ethic, and that comes from our parents," said Boland in an interview last month with her dad and sister in Andrews' office at the BMW store.

Working with automakers

The Smith family has positioned themselves well in the market. Calabasas is a favorite outpost for actors, musicians and celebrities, including Kanye West and the Kardashians. The BMW-Mini store sold more than 3,000 new and used vehicles last year. The two Smith dealerships share a hillside along U.S. Highway 101 with a Lithia Audi store, and a Sonic Mercedes-Benz store is down the road.

Smith said that he's had a financial planner and an estate planner for decades, and he's always been concerned about the generational transition. It's not just about tax regulations and a clear division of assets; it's also about working with the automaker to protect control of the franchise.

"It's much better for me to lay down the succession plan in our dealer agreement because if I die abruptly, it's all spelled out," he said. "If I haven't done that and I pass away, then there's a problem because then the manufacturer is much more in control."

BMW of North America asks its dealers to name a successor and have a structure in place for how a handoff will happen, the company said.

"It's a very personal decision for each dealership, and we don't have specific succession requirements or trainings," BMW said in an emailed statement. "We also ask our dealers to think about identifying successors beyond the dealer principal [for] roles that focus on the day-to-day business as well," such as general manager.

Though industry perception is that dealers are getting older, data is scarce.

Toyota Motor North America is one automaker that tracks dealers' ages. The average age of its dealers is 63 for the Toyota brand and 66 for Lexus, the automaker said in a statement provided to *Automotive News*. That's up from 61 for Toyota and 64 for Lexus in 2014. The data represents more than 80 percent of Toyota's dealer network, omitting stores operating under independent distributors and owned by publicly traded dealership groups, the company said.

Toyota encourages dealers to plan ahead and gives them the option to nominate a successor. In 2019, 13 percent of Toyota dealers and 17 percent of Lexus dealers had chosen successors on record, up from 10 percent for Toyota and slightly higher than 10 percent for Lexus in 2014.

Toyota did note a "big concern" is that many dealers mistake estate, tax or wealth planning for succession planning.

"These may be successful strategies for those purposes, but do not ensure the business will remain strong and via-



ble with a qualified, competent operating dealer for the future," Toyota said in the statement. "Unfortunately, many dealers do not have such plans, or may have them in place but not want to disclose them."

History lessons

Smith said he's picked up valuable lessons from his own family's history.

His grandfather, Robert A. Smith, became a Chevrolet distributor/dealer in San Francisco around 1917. The elder Smith's business was wiped out during the Great Depression, but he later opened a Dodge-Plymouth store in Southern California with a partner.

R.A. Smith, as he was known, died unexpectedly of a stroke at 56. His son, Bob, took over his share of the business and eventually bought out the partner. After that, future successions were more carefully planned.

When Bob Smith dropped Dodge and pursued German franchises in the early 1960s, he gave his sons distinct roles. Bob Smith Jr. became general manager of family-owned Sierra Leasing Co. Pete Smith ran a Porsche-Audi store. Mike Smith was general manager at a Volkswagen dealership.

And Tim Smith ran the BMW store when it opened in 1973 at a closed-down burger joint in Canoga Park, not far

dollars on dealership upgrades has shown the strength of the partnership between Smith and his daughters. Boland said of her father: "He's the boss, but since we got into the

moved to its current location in 2004.

the partnership between Smith and his daughters. Boland said of her father: "He's the boss, but since we got into the business, he has been pretty hands off."

Decision by consensus

That was about the time that Boland and Andrews took on

bigger roles at the dealership after selling cars over the summers. Smith, who sits on NADA's board of directors and who

is a former American International Automobile Dealers As-

sociation chairman, ran the dealership without a general

The three partners more recently have taken on the new

Volvo dealership. The facility was once the family's stand-

alone Mini store, but the Smiths got the green light from

the factory to combine BMW and Mini. The Volvo store

the two BMW Group brands and doling out millions of

still bears British decorations while awaiting a remodel.

The process of seeking the new franchise, combining

manager until his daughters rose through the ranks.

Boland said she's the most conservative in terms of launching projects, but generally, the three make decisions by consensus. That's more important than ever in this era of margin pressure and industry disruption. Investment decisions involving brick and mortar, in particular, are increasingly risky. Boland noted the fate of Barnes & Noble — rapidly expanding until it was eclipsed by Amazon's online model.

Smith is optimistic about the market for now: People are still going to buy cars for the foreseeable future. And he trusts his daughters to make the right decisions.

"I found that 90 percent of the time that I disagree with my daughters, they're right and I'm wrong," Smith said. "All I had to do was to get out of the way."

Cobb, from Presidio Group, said communication — or lack thereof — is where a succession usually breaks down. Parents often fail to talk through future roles with their children.

"They're usually told what's going to happen, if they are told at all ahead of time," he said.

"There could be a surprise and a disagreement from the beginning, and potentially lead to some next-generation dysfunction."

Succession planning is often postponed until the last minute, partly because successful entrepreneurs are often focused almost exclusively on building their enterprises, not pulling back from them. Nonetheless, Cobb offered a ray of hope. "There are many success stories of multigeneration families who've grown the business over time."

One reason succession has become more difficult is because the auto retailing business is getting harder.

Roberts, with Rawls Group, said it's tougher to make a profit and dealers have to be more on their game than ever. Still, it remains attractive despite the headwinds.

While it's early for the Smiths to talk about a fifth generation, there are candidates.

Andrews has two young children who won't be ready for the showroom floor for some years, but Boland has three boys who aren't that far off. The oldest is 16.

"Once he has his driver's license, he'll be coming to work, like next summer," Boland said.

But whether he makes a career of it will depend on what's the right fit for him — and for the business.

"My hope is he'll go to college, kind of experience things and decide. Because I kind of feel like my parents did this for me," Boland said. "They didn't make me stay local; they didn't make me feel like I had to do this. So I think it's important for the kids to forge their own path and decide what they want." AN



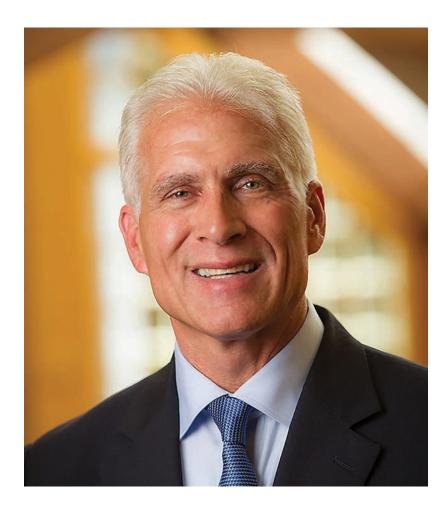
R.A. Smith, left, started the family business in 1917. He died of a stroke at age 56.

Through the generations

- 1917: Robert A. Smith Sr. becomes a Chevrolet distributor/dealer in San Francisco
- 1933: The Great Depression wipes out R.A. Smith's dozen Chevy stores; he moves to Los Angeles, opens Dodge-Plymouth dealerships with a partner
- **1946:** R.A. Smith dies after a stroke; son Bob Smith inherits partnership
- 1953: Bob Smith buys out partner, renames stores, later loses Plymouth franchise
- **1962:** Bob Smith founds one of industry's first independent leasing companies, Sierra Leasing Co.
- 1960s: Bob Smith drops Dodge and adds Volkswagen, Porsche and Audi; his 3 oldest sons run the leasing company and dealerships
- **1973:** Bob Smith BMW opens; youngest son Tim named general manager
- **2001:** Bob Smith dies at 87
- 2004: BMW store moves to Calabasas; it later shares space with Mini
- 2019: Tim Smith is transferring oversight of BMW-Mini store and new Volvo store to daughters Anne Boland and Catherine Andrews



Laurence Iliff is the West Coast reporter for Automotive News.



CORE VALUES ELEVATE THE CUSTOMER EXPERIENCE AT FLOW AUTOMOTIVE



To Flow Automotive owner Don Flow, the dealer-customer relationship is a covenant, not a transaction. That is the foremost guiding principle at the storied auto dealer, which was founded in 1957 and has grown to support 39 franchises in nine cities across the southeastern U.S.

"As dealers, we have to be looking at how we create value in new ways and think about this in much more creative terms than we had to in the past," Flow says.

To create that kind of valuable experience, Flow developed a set of principles that would drive every decision about processes in the company. The company's commitment to the five core values of trust, respect, fun, convenience and choice driving everything they do means that sales process must be transparent, fast, easy, frictionless and enjoyable.

SunTrust has been ready and able to support Flow's innovative approach. "It's extremely important that we have financial relationships that help us develop distinctive and innovative products that address specific desires of customers," Flow says. "That means being thoughtful about the interaction of terms, advances and risk in a way that's quick and easy to do, with an immediate response time. SunTrust has done a great job being a leader with new programs and being innovative in coming to market and crafting solutions."

Through the SunTrust OneTeam Approach®, Flow relies on an assembled team of SunTrust specialists who focus on planning, portfolio management, capital management and insights into the automotive dealership industry to deeply understand his business, the industry landscape and how to structure growth in the right way.

"We are committed to staying in the business for the long-term and growing our company," Flow says. "We need a financial partner that sees the world the same way, wants to invest in our growth, and understands the dynamics of the associated capital that's required for this growth."







Staying ahead of the competition and on top of industry change is complex.

Our SunTrust Dealer Financial Services Group knows what you're up against, and delivers strategies and solutions that can help you meet these challenges. With our SunTrust OneTeam Approach®, we deliver an entire financial suite of solutions, from floorplan financing to M&A, experts who know the industry, and a partnership that helps you take bold steps to meet every challenge.

SunTrust provides a unique combination of dealer-focused corporate banking solutions and M&A expertise from our investment bank. Whether you are looking to expand your current business, or seeking advisory services to optimize your dealership portfolio, SunTrust can help you navigate the complexities with confidence.

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sitetrends

A MONTHLY LOOK AT ECONOMIC DEVELOPMENT IN THE AUTO INDUSTRY

"Today, we're reasonably balanced between supply and demand, but in the next seven years, we may have a shortage if we don't increase the capacity."

Xavier Mosquet, Boston Consulting Group

The billion-dollar part

Industry investing big in battery capacity, and states want piece of pie

Pete Bigelow

his year's contract negotiations between General Motors and the UAW contained a little-discussed bargaining chip from the automaker — the possibility that GM would build a new lithium ion battery factory near its idled Lordstown, Ohio, assembly plant to fuel its planned new generation of electric vehicles.

At a time when the auto industry is undergoing strategic turmoil and technological disruption, battery manufactur-

ing plants have become a bright new promise.

The reason is simple: The entire global industry is hatching plans to introduce battery-powered cars and trucks, and at the moment, there is not enough battery production capacity to support them



Rolfe: Tennessee is "interested."

That has automakers

and suppliers planning factory investments — which in turn has states and cities scrambling to offer up plant sites.

Battery plants are not cheap.

A battery module is essentially just another auto part, like a seat or a transmission or a windshield. But the components are large, heavy, delicate, highly engineered and require a large work force, a big plant footprint and a considerable investment.

"We are very interested in attracting the next generation of the automotive ecosystem with electric-vehicle or electric-vehicle component manufacturers," Bob Rolfe, the commissioner of the Tennessee Department of Economic and Community Development, told *Automotive News*.

Investments have been intensifying in Rolfe's region.



 $\textbf{BMW} \ \text{is investing $10 million in its Spartanburg, S.C., plant to double its battery capacity.}$



Battery producer SK Innovation last year invested \$1.67 billion in its first U.S. plant in northern Georgia. It later said it is considering expanding battery-production operations there by another \$5 billion.

Also in 2018, Mercedes-Benz began con-

struction on a battery production site near Tuscaloosa, Ala., as the main part of a \$1 billion investment there.

Most recently, BMW Group said in July it will invest \$10 million to double battery assembly capacity at its Spartanburg, S.C., plant to supply electrified versions of its BMW X5 and BMW X3 crossovers.

Rolfe's own state, Tennessee, currently holds Nissan North America's "old" battery plant, constructed in 2012 for \$1 billion in Smyrna. This year, Nissan sold its battery operations to Chinese energy supplier Envision. The state, along with Kentucky, is one of the top contenders for another battery plant LG Chem is said to be considering, for an investment of \$1.7 billion.

Automakers across the industry, from Tesla in California to Volkswagen in Tennessee,

see **BATTERIES**, Page **50**

HORIZON WATCH

FREMONT, CALIF.

Tesla has hinted at the possibility of adding U.S. production sites as it expands its electric-vehicle lineup. But so far, the company has stuck with its solitary plant on the east side of the San Francisco Bay, even as it runs out of space there. Earlier this year, CEO Elon Musk said he was

Fremont

considering a new plant near
Reno, Nev., to build the
upcoming Model Y
crossover, which Musk
believes will be Tesla's
biggest volume
product. Instead, Tesla
is tooling up for Model
Y production at
Fremont. To squeeze
more vehicle capacity out
of the site, the EV maker is
thinking outside the box. For starters,
Musk has declared himself a fan of

"sprung structure" architecture as a low-cost solution for manufacturing work. The facilities are basically heavy-duty tents, referred to as tension-fabric buildings, sometimes used to create enclosed sports fields or industrial storage sites. The company used the concept to make room for the Model 3. Tesla also has gained floor space there this year by clearing out large areas of stored production parts. Moving the parts and materials freed up considerable plant floor space, Musk told analysts this summer, and translated to a 90 percent reduction in Tesla's parts warehousing

Kansas City aims to build on auto focus

hris Gutierrez's role as president of Kansas City SmartPort is to attract "freight-based facilities" to the 18-county Kansas City, Mo., region. But his larger role is driving economic development to the region, and that includes recruiting automotive investment. He recently spoke with News Editor Lindsay Chappell about Kansas

City's outlook. Here are edited excerpts.

Q: How critical are the Detroit 3 to your 18-county region as you try to foster the auto industry?

A: My main focus is to attract local investment to the region. We're fortunate to have both GM and Ford there. Automotive is one of our key sectors and it drives our



GUTIERREZ

economy. What they do affects us. GM Fairfax is just outside of downtown Kansas City. Ford just announced a doubling of their stamping capacity in Liberty City, Missouri.

Those are established plants. Do they continue to bring economic growth?

Suppliers are a big part of the benefit. When the Transit van came into Ford's Kansas City plant, for example, we saw a big uptick in suppliers coming in, as well as van upfitters, that still continues. We saw maybe a dozen new suppliers coming in, from headliners to bumpers and interiors. Faurecia just opened a

Can Florida's sunshine bring industry?

State works to cultivate automated-driving growth

Pete Bigelow

outheastern states have been a key region for the auto industry for decades now, with one notable exception: Florida.

The Sunshine State is a leading center for vehicle retailing, finance and shipping. But it is perceived as too far from the country's geographical center to be a logical location for manufacturers.

But state leaders are attempting to change



SunTrax, which opened in August, is attracting companies interested in autonomous testing.

that perception by making Florida a preferred home for self-driving technology research and development. The efforts have already made substantial inroads.

The industry pitch began with Florida's snow-

free weather advantage, but were spurred on this year with business-friendly legislation that Gov. Ron DeSantis signed into law. Among other things, House Bill 311 ensured that AV developers can test on public roads in the state without humans on board.

In August, a new proving ground dedicated to automated-vehicle testing opened halfway between Orlando and Tampa. Similar in design and spirit to the American Center for Mobility in southeast Michigan, Florida's SunTrax is located on a 475-acre site that contains a 2.25-mile oval. Two dozen companies already

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see **GUTIERREZ**, Page **50**

BATTERIES

Industry needs capacity, states want in on action

continued from Page 49

will be making battery sourcing decisions in the next few years.

Delivering capacity

With U.S. battery demand forecast to outstrip supply in the coming years, U.S. states can expect to see more battery production and assembly investments cropping up across the country, says Xavier Mosquet, a senior partner and managing director in the Detroit office of Boston Consulting Group.

Mosquet says U.S. demand for batteries will reach a measurement of about 65 to 70 gigawatt hours in 2025, based on announced vehicle programs. But only 45 gigawatt hours of battery manufacturing capacity is currently planned for that same time frame, the consultant estimated.

"There is a need for more capacity," Mosquet said. "Today, we're reasonably balanced between supply and demand, but in the next seven years, we may have a shortage if we don't increase the capacity."

Expectations that battery cells will become less ex-

pensive to produce are fueling automaker interest in EVs in general, and in battery plants specifically. A battery cell currently costs about \$150 per kilowatt hour, but cell costs could fall by half by 2030. That will lead to price equity between EVs and gasoline-engine vehicles, Mosquet said, further amping up the need for more battery plants.

Where to plant

Rolfe believes that quality of labor will be the leading factor in where battery producers choose to locate. Labor force is the "it" conversation his team has been having with prospective battery producers.

"What trumps the conversation is being able to demonstrate to companies that we can find the work force quantity and quality that is expected by these types of companies," he said.

The projects require plant sites of 200 to 500 acres. But Mosquet says battery manufacturers are also looking for sites that can deliver clean energy.

"Battery manufacturers are concerned that the CO2 required to produce the batteries themselves will be part of how they're measured" for efficiency ratings, Mosquet said. "They'll go to places that have cleaner energy, as opposed to places that have high CO2-intensive types of electricity — so states that have cleaner energy will probably attract more jobs than others."

GUTIERREZ

continued from Page 49

major new interiors plant to support the project.

What's your strong suit when you make an appeal to automotive investment?

It's our distribution network, to a great extent. We're the largest rail center in the country by tonnage. BNSF Railway invested almost \$500 million in a new intermodal facility there a few years ago. That's driven a lot of development of spec buildings there, which are important to auto suppliers. We've added more than 40 million square feet of spec space since 2012, and 7 million to 8 million square feet will be added this year. That's not all automotive, but auto is a significant part. And GM and Ford have been driving it as they try to get their suppliers to locate closer.

It's worth observing that you're essentially marketing a city to the auto industry. We're more accustomed to seeing this effort done

by states such as Michigan, Ohio, Kentucky, Alabama.

That's true. It's a different approach. But of course, we rely on the state. It's the state that takes the lead with the automaker. GM would start by talking to the governor's office. Where we come in is for the supply base. The supplier needs a plant site. They want to understand the local real estate, the work force, the local incentives. They tell us, "We need 150 workers and here are the job descriptions." That's our value-added. That state will do the screening and hiring, and we'd handle the training after the hiring.

You've had success with Detroit automakers. Can you envision recruiting the next plant from Kia or Toyota or Nissan?

We do have some Toyota suppliers in our area, serving Toyota and General Motors and Ford. But I don't think we'll ever get another plant, just because it's pretty saturated to have two plants in one community. The Asians have gone more to the Southeast for their own reasons. More likely you'll see us recruiting startups and technology companies.

FLORIDA

Luring AV industry is a high priority

continued from Page 49

have expressed interest in using the facility, according to state officials.

"It's a differentiator," said Grayson Brulte, a business consultant who specializes in working with states and regional governments on innovation strategies. "In Florida, companies will be able to do complex testing, then go and deploy on the roads around there. It's compelling, and it's a further indicator that Florida is going to continue to invest to attract that industry."

Like Disney

Florida's fascination with automated-vehicle technology began with Jeff Brandes, a Republican state senator from Pinellas County, home of Clearwater and St. Petersburg. After watching a TED Talk by Sebastian Thrun, a co-founder of Google's self-driving car project, he was intrigued by the economic possibilities of artificial intelligence

Brandes views himself as an angel investor who invests in policy, shepherding a fledgling business-friendly environment. He sponsored the state's first automated-vehicle legislation, which was passed in 2012. And he sponsored the most recent legislation, House Bill 311, enacted this year.

In the same way that Walt Disney visited barren swampland in the center of the state and envisioned a tourist mecca, Brandes looks at the state's automotive potential and sees great promise.

"It's the third-largest state, it's a state with no snow, it's relatively flat, we have a strong public-university system, so Florida checks a lot of boxes," he told *Automotive News*. "Florida offers a diverse marketplace, and areas like Miami are really challenging. If you can test there, you develop some

street cred."

Miami is one location where Argo AI, the company developing self-driving systems for Ford and Volkswagen, has been testing. Ford intends to start a commercial delivery business in Miami underpinned by Argo's technology, a development expected in 2021.

Self-driving truck startup Starsky Robotics also has become a regular fixture on the state's public roads. In June, the Silicon Valley-based company used a 9.5-mile stretch of Florida's Turnpike near Okeechobee to conduct the first test of a self-driving truck that had no humans aboard.

Villages

Elsewhere, self-driving shuttle startup Voyage is pioneering transportation for senior citizens in The Villages. In the planned community of Lake Nona, just south of Orlando, mobility provider Beep last month launched two self-driving shuttles that will link a 17-square mile territory. CEO Joe Moye says the fleet could grow to 20 shuttles in the next two years.

In August, Waymo, the former Google self-driving car project, said it will begin testing its vehicles in the Orlando area, in part because the company specifically wants its sensors and software to be tested in the heavy rains common to central Florida.

State officials say automakers and tech companies shouldn't underestimate the existing work force in Florida. Though the end applications are different, Disney World and NASA anchor a region focused on technology and innovation.

"Whether it's going to space or it's modeling simulation for training of the military, those are in-depth experiences, and autonomous vehicles are another level of experience," said Sheena Fowler, vice president of innovation with the Orlando Economic Partnership.

"Our job is to help people understand what powers these experiences, and make the magic happen." AN





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Conti divides its businesses to gain flexibility

RANKFURT — Elmar Degenhart, who has led Continental since August 2009, embarked on his biggest project yet last year. That's when the global supplier announced it will split itself into three units, including a separate listing for its powertrain division, to adapt to industry trends such as electrification, autonomous driving and connectivity.

Last month, Continental announced a 10-year restructuring plan in an effort to cut costs by nearly \$550 million annually, in part by closing plants and cutting thousands of jobs. Degenhart, 60, spoke with *Automotive News Europe* Correspondent Peter Sigal at the Frankfurt auto show about the challenges. Here are edited excerpts.

Q: Continental may spin off its powertrain division as an alternative to a planned initial public offering. What are the pros and cons of each scenario?

A: For an IPO, you need to convince investors that the price you want to establish in the market is reasonable and attractive. As the capital market environment gets more difficult, it's harder to do an IPO at a reasonable price for us and for our investors. Now, unfortunately, the current economic situation doesn't look

very favorable. This will most likely



ELMAR DEGENHART

continue into 2020.

Consequently, we decided that it's a good idea to evaluate a Plan B. For a spinoff, we still need the support of Continental's shareholders, but if this is granted, then we can decide to do the split of the Continental stock and give each of our shareholders stock in Vitesco Technologies, our powertrain busi-

─ Why make Vitesco a sep-

arate company?Last year, we had sales of €7.7 billion (\$8.44 billion) in powertrain that were

predominantly dedicated to combustion technology. We are preparing our business for the transition to electrification. To meet ever-stricter emissions regulations, we expect that many vehicle manufacturers are going to move their share of full-electric drivetrains to above 40 percent over the next decade.

Fortunately, we already have a strong presence in electronics, sensors and software for combustion engines. Our goal now is to translate these competencies to better suit the future electrified powertrain market. To manage this transformation, our powertrain division needs a high degree of independence to make its own decisions, to be agile, flexible and to be able to move very fast.

The other group sectors of Continental will be Rubber Technologies and Automotive Technologies. How will Automotive Technologies develop its business?

We are using our established and successful businesses today to finance new opportunities, especially those that are focused on software. This is a huge market that will explode in the next 10 or 15 years, when the overall value of automotive software will go from \$300 billion to potentially \$2.7 trillion. Today, about 19,000 of our 49,000 engineers have a software background. We will get to a point where more than half of our engineers will be software experts.

In the U.S., there is a divergence on emissions levels between what the government and what automakers think they should be. How does Continental plan for the future when this happens?

It's challenging because we need clarity and transparency for at least the next 10 years. Unfortunately, we have different regulations in North America, in Europe and in parts of Asia. As the regional divergences get wider, it becomes more difficult to provide technologies that fulfill the expectations of our customers. The best for us would be a global standard. It would also be best for the environment.

There's also the prospect of more tariffs. Can Continental pass along the costs to customers? Are you talking to regulators to make your position clear?

We are speaking to European politicians, and we have an office in Washington, D.C. The purpose is to provide background information so that politicians and governments can make reasonable decisions.

If you raise tariffs on short notice, that's poison for the industry because we are not able to react in a timely manner. It only generates an additional financial burden.

We are in favor of eliminating all tariffs completely. This is a clean, simple solution. Nobody should be at a disadvantage. With the imposition of tariffs, our products are getting more expensive, the vehicle is getting more expensive, and the losers are the consumers.

In the last year, some automotive executives have backed away from their most optimistic predictions about self-driving cars. How do you see that market developing?

The typical development for a trend like assisted driving and autonomous vehicles is that people are very skeptical at the beginning, then they get interested, then they get over-interested, causing hype, then people try to make more aggressive statements than others about the timeline, and then all of a sudden, it's cooling down, and finally you can have a realistic discussion.

So we are in the cooling-down phase?

That's exactly right, and this is a good development. In the next 10 years, the bulk of the business will be from driver assistance. Because of the safety benefits, advanced driver-assistance systems will have higher and higher rates of installation in the vehicle. AN



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Pendragon taps Berman as interim leader

U.K. group searching for chairman, CEO

Melissa Burden

mburden@crain.com

Pendragon, a large public auto retailer in the United Kingdom, has named former AutoNation Inc. COO Bill Berman to lead the company as it searches for a chairman and CEO.

Berman, who joined the company's board in April, began as interim executive chairman on Oct. 1, as Chairman Chris Chambers stepped down. The company, struggling financially and working to sell its U.S. stores by year end, also is without a CEO after Mark Herbert left earlier this year.

Berman, 53, said one of the com-

pany's shareholders initially approached him as Pendragon was looking for someone with "transformational automotive experience" to help with future retail projects. Berman said the call to lead the company, however, came as a surprise.

"I love a challenge and this is a challenge," he told *Automotive News* in a telephone interview.

Berman spent 21 years at AutoNation, including almost three years as COO. He left in June 2017 and shortly ran AutoCanada's U.S. operations before joining Pendragon's board.

Pendragon in a statement last month said Berman will "provide



Berman: "I love a challenge."

tion of the company" while it seeks a CEO and to recruit a nonexecutive chairman.

leadership and

strategic

direc-

Berman called Pendragon, which he described as

the equivalent of AutoNation in the U.K., an "exceptional company" with "great assets, great people and great product."

He said it faces some of the same issues auto retailers do in the U.S., such as flattening sales, stair-step incentives and reduced new-vehicle

profit margins. In addition, the company has reported setbacks in its used-vehicle business. Berman is charged with growing Pendragon's dealer management system company, leasing business, standalone used-vehicle brand and franchised business.

For the "foreseeable future, I'm going to continue in this role," Berman said

Berman said the majority of his time will be spent in the U.K. "I don't get to phone it in," he said. "You've got to be there in person to get it done."

Berman said Pendragon will continue with its plans to sell its U.S. dealerships, which are in Southern California.

"I don't get to phone it in. You've got to be there in person to get it done."

Bill Berman, new Pendragon boss, on plans to spend the majority of his time in the U.K.

The company said in a financial update last month that deals are "progressing well" to sell Jaguar-Land Rover Newport Beach to US Auto Trust for about \$38.7 million and Chevrolet Puente Hills in City of Industry for about \$21.2 million.. A buyer wasn't disclosed for that store.

Pendragon, which in 2017 announced plans to sell its U.S. dealerships, already has sold two U.S. stores.

On July 1, Lithia Motors Inc. bought its first Jaguar-Land Rover store, Jaguar-Land Rover Mission Viejo. Pendragon said it netted \$35.7 million in the deal. On July 2, 2018, Pendragon sold its Aston Martin store in Newport Beach to US Auto for about \$4.1 million.

Last month, Pendragon said it expects to make about \$124.7 million on the sale of all U.S. dealerships. The company said it expected a buyer could be found to complete the sale of the remaining U.S. business by year end, which also include Hornburg Jaguar-Land Rover in West Hollywood and Hornburg Jaguar-Land Rover in Santa Monica.

Pendragon, which formed in 1989, entered the U.S. market in 2000 when it acquired Bauer Jaguar.

Its most recent acquisition came in 2017, when it bought Chevrolet Puente Hills from Tom Hoffman and Gary Campbell. In December 2017, Pendragon announced it would sell its U.S. dealerships. "Given the strong performance of this division, we have concluded it is economically right to sell the business at this time to realize its value," the company then said.

While Pendragon is exiting the U.S. market, Erin Kerrigan, a sell-side adviser, said her firm continues to see interest from international firms in buying U.S. dealerships. More than 400 people from 35 other countries receive her firm's quarterly Blue Sky Report on the buy-sell market and many have contacted the firm about their interest in acquiring U.S. dealerships.

Kerrigan Advisors, based in Irvine, Calif., represented the sellers in the Chevrolet Puente Hils deal with Pendragon.

"We do not think the trend of international capital seeking investment in the U.S. auto retail sector will slow anytime soon," Kerrigan wrote in an email to *Automotive News*.

"One of the reasons that U.S. dealerships are so attractive is because they are protected by the strongest franchise laws in the world — which serve to maintain franchise value and make investing in auto retail less risky in the U.S., relative [to] other countries."

Pendragon is Europe's third-largest dealership group by revenue, according to *Automotive News Europe*'s 2018 Guide to Europe's Biggest Dealers. It has 177 new-vehicle franchise points in the U.K. AN



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Legal Notice

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN

In re Automotive Parts Antitrust Litigation, No. 12-md-02311

If You Are an Automobile Dealership that Purchased New Vehicles or Purchased Certain Parts for a Vehicle in the U.S. Since 1990

You Could Receive Money From Settlements of Class Actions

Lawsuits involving the prices of certain vehicle component parts have been settled with certain Defendants in various class actions in this litigation ("Settling Defendants"). The Settling Defendants are identified below. The cases are separate class actions within the lead case known as In re Automotive Parts Antitrust Litigation, 12-md-02311 (E.D. Mich.), which is currently before United States District Judge Marianne O. Battani.

You can make a claim for money benefits if you are an automobile dealership that indirectly purchased certain component parts and/or purchased new vehicles containing these parts ("Dealer") in the District of Columbia or one or more of the following states: Arizona, Arkansas, California, Florida, Hawaii, Illinois, Iowa, Kansas, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Utah, Vermont, West Virginia, and Wisconsin.

These Settlements may affect your rights. Read on for more information.

What Are The Lawsuits About?

The separate lawsuits claim that the Defendants in each lawsuit engaged in unlawful agreements that had the effect of impacting the price of certain vehicle component parts. The lawsuits claim that, as a result of the relevant Defendants' conduct, Dealers paid more than they should have for the parts at issue and paid more for the new vehicles in which those parts are contained. The lawsuits also allege that Dealers were unable to pass on all of these increased costs to their customers.

These cases are proceeding as class actions for monetary recovery for Dealers in the states listed in this Notice and the District of Columbia. The lawsuits also seek nationwide injunctive relief. Although the Settling Defendants have agreed to settle, the Settling Defendants and certain affiliates deny that they engaged in any wrongdoing or are liable and owe any money or benefits to Plaintiffs. The Court has not yet decided who is right. The Settling Defendants have settled to avoid the cost and risk of trials.

The Court has appointed the law firms of Cuneo Gilbert & LaDuca, LLP, Larson • King, LLP, and Barrett Law Group, P.A. as interim class counsel ("Class Counsel") in these lawsuits to represent your dealership and all other members of the Dealer class actions. Your dealership will not be charged directly by these lawyers, and any fees that they are paid will come from any settlements or recovery in these lawsuits. If your dealership wants to be represented by its own lawyer, it may hire one at its own expense.

Who's Included In The Settlements?

Your dealership is part of one or more of the Settlements if it is a Dealer and falls within the definition of one or more of the settlement classes ("Settlement Classes") approved by Judge Battani. The class definitions are set forth in the full-length Notice, which is available at www.AutoDealerSettlement.com. The term "Dealer" or "dealership" means an entity or person authorized to engage in the business of selling and / or leasing new vehicles at retail in the United States. A list of the parts included in these Settlements and their manufacturers can be found at www.AutoDealerSettlement.com.

Who Are The Settling Defendants?

Who Are The Settling Defendants?

The Settling Defendants involved in this Notice are: ALPHA Corporation and Alpha Technology Corporation (collectively, "Alpha"), Bosal Industries-Georgia, Inc. ("Bosal"), Brose Schließsysteme GmbH & Co. Kommanditgesellschaft and Brose North America (collectively, "Brose"), Calsonic Kansei Corporation and CalsonicKansei North America, Inc. (collectively "Calsonic"), Continental Automotive Electronics LLC, Continental Automotive Korea Ltd., and Continental Automotive Systems, Inc. (collectively, "Continental"), Corning International Kabushiki Kaisha and Corning Incorporated (collectively, "Corning"), Delphi Technologies PLC and Delphi Powertrain Systems, LLC (collectively, "Delphi"), Faurecia Abgastechnik GmbH, Faurecia Systèmes d'Échappement, Faurecia Emissions Control Technologies, USA, LLC, and Faurecia Emissions Control Systems, N.A. LLC fl//a Faurecia Exhaust Systems, Inc. (collectively, "Faurecia"), Green Tokai Co., Ltd. ("Green Tokai"), Keihin Corporation and Keihin Norther America (collectively, "Keihin"), KYB Corporation (fl/ka Kayaba Industry Co., Ltd.) and KYB Americas Corporation (collectively, "KYB"), MAHLE Behr GmbH & Co. KG and MAHLE Behr USA Inc. (collectively, "Maruyasu Industries, Co., Ltd. and Curtis-Maruyasu America, Inc. (collectively, "Maruyasu"), Meritor, Inc. fl/ka ArvinMeritor, Inc. (collectively, "Meritor"), Mikuni Corporation ("Mikuni"), Mitsubishi Heavy Industries, Ltd. and Mitsubishi Heavy Industries Climate Control, Inc. (collectively, "Mitsubishi"), Nachi Fujikoshi, NGK Spark Plug Co., Ltd. and NGK Spark Plugs (U.S.A.), Inc. (collectively, "NGK"), Panasonic Corporation and Panasonic Corporation of North America (collectively, "Panasonic"), Sanden Automotive Climate Systems Corporation, and Sanden International (U.S.A.) Inc. (collectively, "Sander"), Sanoh Industrial Co., Ltd. and Sanoh America, Inc. (collectively, "Sanoh"), Showa Corporation and American Showa, Inc. (collectively, "Showa"), SKF USA Inc. ("SKF"), Stanley Electric Co., Ltd., Stanley E through Joseph J. Farnan, Jr. as the trustee of the Reorganized TK Holdings Trust (collectively, "TKH"), Tenneco Inc., Tenneco GmbH, and Tenneco Automotive Operating Co., Inc. (collectively, "Tenneco"), Tokai Rika, Co. Ltd. and TRAM, Inc. d/b/a/ Tokai Rika U.S.A. Inc. (collectively, "Tokai Rika"), Toyoda Gosei North America Corp., TG Missouri Corp., TG Kentucky, LLC, and TG Fluid Systems USA Corp. (collectively, "Toyoda Gosei"), Usui Kokusai Sangyo Kaisha, Ltd. and Usui International Corporation (collectively "Usui"), Valeo S.A. ("Valeo").

A list of the Defendants involved in this Notice, their affiliates, and the alleged co-conspirators for each case involving the parts described in the Settlement Class definitions and settlement agreements is available at www.AutoDealerSettlement.com.

What Do The Settlements Provide?

Dealers in the United States who indirectly purchased certain component parts and/or purchased new vehicles containing these component parts, listed in the Settlement Class definitions, in the states listed in this Notice or the District of Columbia may receive money benefits from the Settlements. Dealers in the United States who indirectly purchased certain component parts and/or purchased new vehicles containing these component parts, listed in the Settlement Class definitions, may receive other, non-monetary benefits from the Settlements as explained in further detail at www.AutoDealerSettlement.com.

The settlement funds (the "Settlement Funds") for Dealers in these Settlements total at least \$88 million. A table detailing the respective Settlements and the parts involved can be found in the full-length Notice, which is available at www.AutoDealerSettlement.com. The amount of money your dealership may receive, if any, will depend upon where the dealership purchased the affected vehicles or component parts, the type and quantity of vehicles and parts the dealership purchased in the states listed above and the District of Colombia, and the total number of claims made by eligible Dealers. Attorneys' fees and expenses and class representative awards will be requested and may be awarded by the Court.

Under all of the Settlements, the Settling Defendants will provide certain cooperation in the Dealers' continuing litigation against the Non-Settling Defendants. Some of the settlement agreements give the Settling Defendants the right to reduce the amount they are required to pay and/or to withdraw from their respective Settlements in the event that certain percentages of Settlement Class members elect to exclude themselves from the respective Settlement(s). The final judgments and/or settlement agreements with respect to certain of the Settling Defendants will provide for additional non-monetary relief in the form of an agreement not to engage in certain conduct with respect to the identified parts for a period of two years from the date of entry of the final judgment. These terms are all contained in the proposed final judgments and/or settlement agreements relating to these Settling Defendants, and may also be viewed at www.AutoDealerSettlement.com.

What Are My Rights And Options?

1. File a Proof of Claim to participate in the Settlements

If your dealership filed a valid Proof of Claim in either of the first three rounds of dealership settlements in this litigation, you may rely on that Proof of Claim and do nothing further to participate in the current settlements. If you choose this option, the information you provided in the prior Proof of Claim will be used to determine your dealership's share in the net proceeds of the current proposed Settlements

To remain in the Settlement Classes, you do not need to take any further action at this time. However, to share in the Settlement Funds, and only if your dealership did not submit a Proof of Claim form in the prior dealership settlements in this litigation, your dealership must submit a Proof of Claim form that is available at www.AutoDealerSettlement.com. Proof of Claim forms must be filed by midnight Eastern Standard time on April 17, 2020 at www.AutoDealerSettlement.com or sent via USPS Mail, postmarked by April 17, 2020 to:

Auto Dealer Settlement Administrator

PO Box 404000 Louisville, KY 40233-4000

If you choose the File a Proof of Claim option, your dealership will share in the net proceeds of the Settlement Funds if: (1) your dealership's Proof of Claim is timely and valid; (2) your dealership is entitled to a distribution under the Plans of Allocation that have been or will be approved by the Court; and (3) the proposed Settlements are finally approved by the Court. Your dealership will be bound by the judgments and releases to be entered by the Court as described in the full-length Notice.

2. Opt your dealership out of the Settlements

If your dealership does not want to be included in one or more of the following settlements: Alpha of the claims in the Access Mechanisms Action; Bosal of the claims in the Exhaust Systems Action; Brose of the claims in the Side Door Latches Action; Calsonic of the claims in the Radiators Action; Calsonic of the claims in the ATF Warmers Action; Calsonic of the claims in the Air Conditioning Systems Action; Continental of the claims in the Instrument Panel Clusters Action; Corning of the claims in the Exhaust Systems Action; Delphi of the claims in the Instrument Panel Clusters Action; Corning of the claims in the Exhaust Systems Action; Green Tokai of the claims in the Body Sealing Products Action; Keihin of the claims in the Fuel Injection Systems Action; KYB of the claims in the Shock Absorbers Action; MAHLE Behr of the claims in the Air Conditioning Systems Action; Maruyasu of the claims in the Fuel Injection Systems Action; Maruyasu of the claims in the Automotive Steel Tubes Action; Meritor of the claims in the Exhaust Systems Action; Mikuni of the claims in the Fuel Injection Systems Action; Mikuni of the claims in the Valve Timing Control Devices Action; Mitsubishi of the claims in the Air Conditioning Systems Action; Nachi of the claims in the Bearings Action; NGK of the claims in the Spark Plugs Action; Panasonic of the claims in the Automotive Steel Tubes Action; Showa of the claims in the Electronic Power Steering Assemblies Action; Showa of the claims in the Shock Absorbers Action; SKF of the claims in the Automotive Bearings Action; Stanley of the claims in the Automotive Lamps Action; Stanley of the claims in the HID Ballasts Action; TKH of the claims in the Occupant Safety Restraint Systems Action; Tenneco of the claims in the Exhaust Systems Action; Tokai Rika of the claims in the Heater Control Panels Action; Tokai Rika of the claims in the Occupant Safety Restraint Systems Action; Tokai Rika of the claims in the Switches Action; Tokai Rika of the claims in the Steering Angles Sensors Action; Toyo Denso of the claims in the Ignition Coils Action; Toyo Denso of the claims in the Power Window Switches Action; Toyoda Gosei of the claims in the Occupant Safety Restraint Systems Action; Toyoda Gosei of the claims in the Constant Velocity Joint Boots Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the claims in the Body Sealing Products Action; Toyoda Gosei of the Claims in the Body Sealing Products Action; Toyoda Gosei of the Claims in the Body Sealing Products Action; Toyoda Gosei of the Claims in the Body Sealing Products Action; Toyoda Gosei of the Claims in the Body Sealing Products Action; Toyoda Gosei of the Claims in the Body Sealing Products Action; Toyoda Gosei of the Claims in the Body Sealing Products Action; Toyoda Gosei of the Claims in the Body Sealing Products Action; Toyoda Gosei of the Claims in the Body Sealing Products Action; Toyoda Gosei of the Claims In the Body Sealing Products Action; Toyoda Gosei of the Claims In the Body Sealing Products Action; Toyoda Gosei of the Claims In the Body Sealing Products Action; Toyoda Gosei of the Claims In the Body Sealing Products Action; Toyoda Gosei of the C Toyoda Gosei of the claims in the Interior Trim Products Action; Toyoda Gosei of the claims in the Brake Hoses Action; the Settlement by Usui of the claims in the Automotive Steel Tubes Action; and/or the Settlement by Valeo of the claims in the Access Mechanisms Action. (as defined in the full-length Notice), it may request to be excluded. If your dealership timely submits a valid request for exclusion, it will not share in the Settlement Funds from the corresponding Settlement, and it will not be bound by the corresponding Judgment(s). It will then be your dealership's responsibility to pursue any of the claims that it preserves by opting out of one or more of the Settlement Classes. To be valid, the request for exclusion / opt out must follow the instructions set forth in the full-length Notice and be postmarked by November 22, 2019. The full instructions and requirements for opting out may be viewed at www.AutoDealerSettlement.com.

3. Object to the Settlements

If your dealership wishes to object to one or more of the Settlements or the request for attorney's fees, expenses, and service awards, it may (as discussed below) write to the Court and counsel about why it objects. It is possible that the Settlements and request for fees, expenses, and service awards will be approved despite your objection. To be considered, your dealership's objection must be filed according to the procedures set forth in the full-length Notice and postmarked no later than November 22, 2019. The full instructions and requirements for objecting to one or more of the Settlements may be viewed at www.AutoDealerSettlement.com.

4. Attend the Final Approval Hearing

The Court will hold a Final Approval Hearing on December 10, 2019 at 10:00 a.m. at the United States District Court for the Eastern District of Michigan, Theodore Levin U.S. Courthouse, 231 W. Lafayette Blvd., Courtroom 272, Detroit, MI 48226 to decide whether to approve the Settlements and the request for attorney's fees, expenses, and service awards. You may attend and ask the Court's permission to speak, but you don't have to participate in the hearing in order to attend. To request to speak at the Final Approval Hearing, you must follow the procedures set forth in the full-length Notice no later than November 29, 2019.

This notice is a summary only. The complete terms, including the definitions of what parties and claims are being released are set forth in the full-length Notice, settlement agreements, and the Court filings which may be obtained at www.AutoDealerSettlement.com.

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finance insurance

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Key to unlocking value: Enhanced VIN data?

Power says more precise info could boost used valuations

"More and more,

it's difficult to

the newer

vehicle."

Kelley Blue Book

Fric Ibara

detect some of

features on the

Jackie Charniga

uto lenders using standard vehicle identification data could be misvaluing their used-vehicle portfolios by as much as \$35 million, J.D. Power says. Enhanced VIN data, which auto manufacturers are increasingly sharing with third-party valuation services, could not only rectify that gap for lenders, but also create powerful profit ripples across the auto retail industry.

Enhanced VIN data, which yields more vehicle-specific information than a standard VIN, isn't new to the industry. Some automakers have been sharing it for decades, according to leaders at several valuation companies.

But more automakers than ever are interested in sharing enhanced VIN data to improve the residual value of those cars in the aftermarket, says Jona-

than Banks, vice president of vehicle valuations and analytics at J.D. Power. Stronger valuations also help with their new-car sales.

Automakers "want us to be able to provide better information to our customers on the actual value of the vehicles," Banks said. "They want to see the best proceeds and accurate values for their used vehicles because it's better for their residual values."

The benefits for auto lenders using enhanced VIN data are substantial.

A recent J.D. Power study of five auto lenders showed that a portfolio of 100,000 vehicles that relies on a standard VIN decoding process could have a valuation error margin of 6 to 13 percent when compared to a vehicle valued with enhanced VIN configuration data.

This, according to J.D. Power, could translate to between \$25 million and \$35 million of lost value.

Before funding a loan, financial institutions need to quickly validate the features of the vehicle in question. The more data at an auto lender's disposal, the better it can determine the value of its portfolio at a given time. Yet understanding a vehicle's value has never been more complicated.

A standard VIN contains information about a ve-

hicle within a 17-digit sequence, including the make of the vehicle, the factory where it was built, and its driveline, engine, transmission and, possibly, the trim level. Enhanced VIN data includes codes for the exact trim level and options that the vehicle contains when it rolls off the assembly line.

Depending on the automaker, certain high-level information may already be encoded within the VIN. But even with the most forthcoming manufacturers, determining accurate valuation amid these variables can be challenging.

Customization options, such as trim levels, paint colors, safety features and entertainment packages, are additional complications.

Brian Finkelmeyer, senior director of Conquest at Cox Automotive brand vAuto, said there are hundreds of unique vehicle models for sale between new and used vehicles, with millions of combinations. For example, a Ford F-150 could have as many as 4.1 million possible configurations.

> A Ford Motor Co. spokesman validated the figure, and added that before considering mirror options, an F-150 could have two possible transmissions, six engine choices, seven model types, approximately 14 paint colors and about 18 wheel choices, plus special appearance, towing and off-road packages.

> "You can see where this data set becomes almost unruly." Finkelmeyer said. "It would be very difficult to get your arms around that."

Eric Ibara, director of residual value and cost to own at Kelley Blue Book, said a number of valuation companies are poring over newly released VIN data. Kelley Blue Book has not yet incorporated enhanced VIN data into its products, he says.

Manufacturer motivation for releasing "exploded" VIN data is to increase the value of their cars in the aftermarket, Ibara said.

"In the old days, you could just walk around the car and see that it has a moonroof and leather upholstery. But more and more, it's difficult to detect some of the newer features on the vehicle," Ibara said.

Valuation companies such as J.D. Power are working to do just that, comparing VIN configuration data shared by manufacturers against Web

see DATA, next page

Compliance, dealer profitability key for Ford Credit CEO

been strong for Ford Motor Credit Co. this year, and despite rumors of a recession, CEO David McClelland doesn't see the captive finance company's momentum fading in 2020.

Ford Credit's earnings rose 27 percent to \$1.6 billion in the first half of 2019. In its latest earnings, the lender pulled in \$831 million, an increase of 29 percent from the second quarter of 2018, from better-than-expected auction performance and adjusted depreciation on its lease portfolio, among other factors.

McClelland, 50, took the helm as Ford Credit's top executive at a time when the company is contemplating where to best invest those profits to remain competitive and provide resources to its dealer partners looking to adapt to a changing retail environment.

Under McClelland's leadership, the company acquired Canvas, a vehicle subscription company, and

subsequently sold it. McClelland also led the investment in fintech company AutoFi, which Ford dealers are increasingly adopting for digital retailing initiatives.

However, challenges remain for the captive. Last month, Moody's Investors Service cut parent company Ford Motor Co.'s credit rating to junk status, a rating it said reflected "considerable operating and market challenges facing Ford, and the weak earnings and cash generation likely as the company pursues a lengthy and costly restructuring plan."

McClelland spoke with Staff Reporters Jackie Charniga and Michael Martinez last week about where captive finance companies are positioned within the mobility space and what lies ahead for the lender. Here are edited excerpts.

Q: How do you feel about Ford Credit's performance this year and how the company will be positioned in 2020?

A: From a Ford Motor Credit point of view, 2019 has been pretty strong. You've seen the results that we have published so far; I can't say much more than we'll be very profitable again. It's a portfolio business, so you know as long as one keeps doing the right thing, being consistent and prudent with what you purchase, that tends to flow through

Used-vehicle values will be a variable, interest rates will be a variable, and obviously, the overall reading of the company is a variable. But when I look at the underlying key operating metrics for Ford Motor Credit in terms of our operating cost, the performance of the portfolio, it continues to be strong, and I'm comfortable with what we're originating.

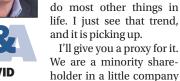
And then that flows into 2020.

What major auto finance trends are you seeing in the market right now?

The economy is holding up. If I look at our leading indicators, we don't see any negative trends on our 30-, 60- or 90-day delinquencies.

We actually see some good news on new vehicles, which I know is an indicator of the strength of the economy. I feel like everything's in pretty good shape at the moment.

Has there been any progress with Ford **Credit moving toward** online transactions? Customers increasingly want to research and ultimately purchase motor ve-



AutoFi, and just for full disclosure. I sit on the board. The number of dealers that they're working with is exponentially increasing. It's bumped along for quite a while, but it's really taking off. They've got just short of 400 dealers now on board - 375 at the end of last month - and the majority are Ford dealers. So that tells me that something's happening. You read a lot in the press about others in this

My rule is to find a way that you can scratch that itch for a customer that they can transact to the extent they want to online and it involves the dealer in the fulfillment of that.

space, so I feel like there is momen-

More than just a lead, the customer is able to go on and see the vehicle inventory- probably used to start off with- but then flow through and get a seamless interaction between the online and offline at the dealership. So anything that we're talking about, we're talking about the dealer council. We're working with them. And I don't see a world where the online solution is at odds with the dealership solution. They sort of fit hand in glove. Now, there are others that are not captives that feel differently, but my rule is to make sure I can work out how this works with

What's the role of a captive finance company in emerging ownership models, particularly in the mobility space?

We're in the mobility space today. When people lease cars, we finance the leases. I'm not trying to be obtrusive; there's a lot that involves our ability to issue billing, provide customer service, receive payments and



DAVID **McCLELLAND**

see **FORD**, next page

DATA

Info helps lenders gauge car's value

continued from previous page listings to value vehicles.

For the past year, J.D. Power has developed a database of more than 120 million VINs from models stretching back 11 years, each with 60 possible attributes that could alter the vehicle's value, including adaptive cruise, leather interiors, Bluetooth capabilities and heated seats.

The result is staggeringly large.

Finding the figures

Autodata Solutions, which supplies data and software services to the automotive industry, has been mining enhanced VIN data from manufacturers for 30 years, says President Craig Jennings. Some automakers, such as Ford Motor Co., try to prevent granular VIN data from reaching valuation services out of competition concerns. Automakers such as Toyota Motor Corp., on the other hand, don't release VIN data simply because they can't find it, according to Jennings.

"The first barrier to entry is finding it, and that's not a joke. It's finding it within the manufacturer," Jennings said.

Often referred to as build sheet data, which includes the VIN and a list of codes of all the options on the vehicle, it starts at the plant and is stored there, Jennings said. From there, how each manufacturer moves and stores

that data varies widely.

Most times, the data doesn't sit in a central database, Jennings said. Many times, manufacturers have to go to every plant and get a download of the vehicles that were built. The data also could exist in warranty systems.

"After it hits a window sticker and that vehicle is sold, that data, where does it go? It's in the plant," Jennings said. "[Automotive retail] is the only industry that I can think of that we can't describe our products accurately after they leave the dealer's lot."

Value for lenders

For lenders, this data is highly desirable. Incorporating enhanced VIN information into automated decisioning software would allow lenders to gauge the full value of a vehicle instantly, according to Banks, while potentially reducing the loan-to-value ratio.

Accurately identifying vehicle content can also help lenders better predict financial performance, J.D. Power says. Lenders periodically value their auto loan portfolio and set aside cash to cover losses from any residual value declines.

"Each bank needs to accurately forecast what the state of the market will be. If the losses do not materialize, you can relieve those losses," Ibara said. "If the market turns lower and losses are larger than expected, it hurts the bottom line."

Validating a vehicle's worth will also help lenders who unexpectedly claim those vehicles due to defaults and collections. If a used-vehicle loan is funded above or below its worth, auto lenders are at a disadvantage when they bring the vehicle to auction.

In the study, J.D. Power determined 39 percent of vehicles were subject to a value increase once all the variables were accounted for.

Nearly a fifth of the vehicles reviewed were funded higher than their worth, containing less features and content than assumed. Only 45 percent of the vehicles in the lenders' portfolios were funded relative to their worth, J.D. Power found.

Adjusting for the content on these vehicles raised lender portfolio values between 1.3 and 3.4 percent.

Using the most accurate data possible in valuing vehicles also reduces risk of fraud from dealerships. Powerbooking, when dealerships inflate a vehicle's value by adding features to loan applications that aren't actually on the vehicle, wouldn't be possible at a lending institution using enhanced VIN data, Banks said.

"If a VIN's in our database, it would eliminate that possibility," he said.

Enhanced VIN data can also help dealers and lenders in the auction lanes. Without more specific data, Kelley Blue Book relies on estimates, which are then used industrywide.

Ten years ago, manufacturers would have considered build data borderline confidential, Ibara said.

"The thinking has only recently shifted to considering how it might enhance their brand by having this level of information go out. I'm struggling to think of how this data could be used for nefarious purposes," he said. "It's a way to get a better result, not a way to game the system." AN

FORD

continued from previous page

process payments in its simplest form. And a lot of what Ford and others are exploring in the mobility space requires those underlying fundamental financial services, the ability to manage billings, to provide customer service, to accept process payments and to perform collections activities as well as the underwriting. That sort of core competency that Ford Credit possesses today are equally applicable — probably with a little bit of a skew — in this future mobility world.

Credit rating company Moody's recently downgraded Ford stock to junk status. What impact has that had on the forward credit side, if any?

Well, it's tough to hear, I mean, you don't want anybody to tell you that. Moody's statement is very clear about why they did what they did. They recognized - I'm talking broadly about Ford — that the underlying business is strong. They recognize the strength of our balance sheet and the fact that we've lots of liquidity, and the fact we were taking actions in terms of ... the operating efficiency. And they pointed out, "You've got to turn around your China business." But the credit company, we came into this with pretty diverse funding sources, so we get asset-backed and unsecured. We got plenty of liquidity. So I'm more than confident in our ability to continue with what we were doing. It's not good news, but it's not overly concerning.

Consumer data protection has been an important topic in the financial services industry. In addition to the data transmitted to Ford Credit through funding auto loans and leases, you accumulate customer data through the Ford Pass app. How has that been going?

Increasingly, customers are going to want to interact with us online at the time that suits them. So, increasingly, we need to have the competencies to allow them to do that, including things like online chat, which I think is a huge opportunity for us to provide better service or improved service.

We aspire to be the world's most trusted company. And underneath that umbrella, it's really important that we manage customer data appropriately so everything is done with the customer's permission. You've got to give us permission. But if you give us permission, we'll be able to see the miles [on a leased vehicle], and if we can see the miles, we can tell you whether you're likely to go over.

In terms of customer data and our compliance, with whatever regulatory body we have, whether it's in the U.S., the [European Union's General Data Protection Regulation], the [California Consumer Privacy Act] and what I think up to 10 other states are saying they're going to do, we're going to be compliant with all of the laws. We treat consumer data, with the utmost level of security. With all regulators — U.S. regulators, European regulators and even China regulators — we've passed every test that they've put us through.



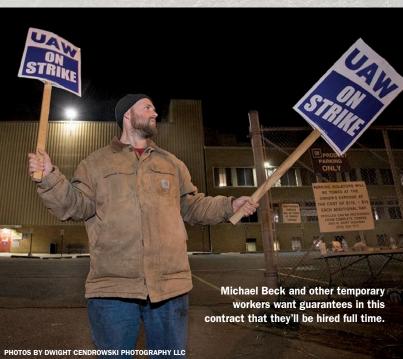
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Michael Martinez

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Editor's note: This report was originally published Tuesday, Oct. 8, on autonews.com and went to press earlier than other pages in this issue. Visit autonews.com for the latest updates on UAW contract negotiations.

LINT, Mich. — It's nearing 4:30 a.m. when the driver of a white Chevrolet Tahoe flicks on red emergency lights and approaches Gate 6 of General Motors' Flint Assembly plant.

"A cop?" Michael Beck wonders aloud. The 31-year-old temporary worker from Chassis 4 questions how he and his coworkers had drawn attention to their patch of curb along five-lane Van Slyke Road.

The relatively small band of third-shift employees staffing picket lines from 3 to 7 a.m. hasn't seen much action since the strike against GM began in mid-September. The hours typically bleed into one another, with a mundane quiet broken only by the rumble of a passing car or occasional small talk.

Are the flames of the burn barrel too high? The

wood inside had been generously stacked in anticipation of the night's low temperature of 42 degrees — the coldest of the strike to date.

Or is the nearby dark blue Dodge Journey, belonging to a coworker, parked too closely to official GM property?

Beck quickly gets his answer.

'You guys need some wood?" the Tahoe driver asks as he hops out, opening a rear door to reveal a plastic trash can full of chopped up pallets.

The good Samaritan identifies himself only as a member of UAW Local 651, which represents workers at GM's nearby Davidson Road Processing Center. The flashing lights came from his side job as a volunteer firefighter.

He helps the group restock their dwindling wood pile, shakes workers' hands and drives away.

"See that?" Beck says. "It's people like that who keep us going."

Third shift

If there were a limit to solidarity, you might expect to find it in the chilled faces of third-shift workers picketing in the early-morning dark, when the national walkout is the least glamorous.

No presidential candidates pose for photos

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during these workers' four-hour stints on the picket lines. There are no TV reporters standing nearby prepping for live shots. On this particular night, the food donated the previous day has mostly vanished, save for a stale slice of Little Caesars Hot-N-Ready pizza and a couple loose hot dogs that had escaped their packaging and become bloated from hours soaking in a cooler of ice water.

Temperatures since the strike began have dipped about 20 degrees, but there's little wind on this brisk autumn night. Leah De Mand, 19, doesn't think the workers have it so bad.

She and her boyfriend, Chad Guenther, had finally remembered to bring fold-up camp chairs so they'd have somewhere to sit. Their shift the prior week was much tougher.

"It was cold and rainy," she says.

It's been nearly a month since Vehicle City, as Flint is known, has churned out any vehicles

The initial hype of the first strike against a Detroit 3 automaker in more than a decade has faded, but rank-and-file continue to show up here, at all hours of the night, to fight for what they believe are fair demands focused around wage gains and protections

for younger workers.

Their mood hasn't shifted, even if the weather has.

"Rain, snow, darkness — it doesn't matter," Beck says as he tosses another log on the fire, sending a burst of embers scattering into the overcast sky. "We'll go as long as it takes."

Job security

Joining Beck at Gate 6 this night are De Mand, who hired in as a temp in April at the urging of her cousin; Guenther, who's not a GM employee but wanted to support his girlfriend; and Gary Brown, a 42-year-old temp hired 11 months ago, the same time as Beck

Their setup is relatively modest: a blue tarp shielding the firewood from the elements, a smattering of fold-up chairs and "UAW on strike" picket signs and a tent canopy covering a fold-up table and plastic tubs full of napkins and plastic foam plates. An American flag hangs from the chain-link fence separating the curb from plant property. There's a propane grill at the far end of the gate, even if there's no food to cook on it.

De Mand works containment, checking heavy-duty Chevy Silverado and GMC Sierra pickups for flaws, while Beck and Brown install harnesses on the vehicles' chassis. All three want guarantees in this contract that they'll be hired full time.

"We're working just as hard as everyone else," says Brown, a Florida native who moved to Flint a few years ago and originally avoided applying to GM because he heard it had a high layoff rate.

Temp work can be demanding, they say, if not occasionally demeaning. Beck says he lost 20 pounds on the line since he was hired in, while De Mand recounts one night when she and other temps were or-

dered to clear sea gull eggs off the roof of the plant.

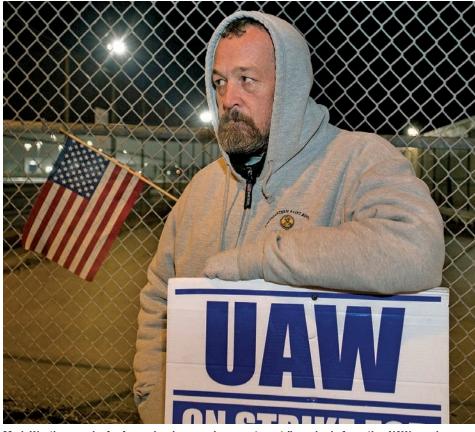
Temporary workers top out at around \$19 per hour, while full-time legacy employees earn about \$30. Temps also have fewer health care benefits — no vision or dental — and get no paid time off.

For De Mand, a full-time job would mean not only

for would find the solid formulation of a family tradition. Her cousin — the one who persuaded her to join GM — recently was hired full time at another facility. Her grandfather, now retired, used to work at Flint Ascembly.

"He's happy we went on strike to try and make a change," she says. "He wants us to have a better life."

The fight for long-term security is causing



Mark Weathers works for Aramark, whose workers went on strike a day before other UAW members.

some short-term pain.

"Rain, snow,

as it takes."

darkness — it

doesn't matter.

We'll go as long

Michael Beck, a temporary

worker from Chassis 4

Workers are required to sign up for one four-hour shift on the picket line per week to qualify for their \$250 strike check, the only compensation they'll get from the union as long as the walkout lasts.

For many, that means wondering how to feed their family or just how far they can go

on a tank of gas. Workers here say they've seen colleagues bring their children to the picket line because they can't afford babysitters.

De Mand lives about 45 minutes from the plant but recently gave up her car because she couldn't afford the insurance.

She's borrowing her brother's white Silverado Duramax. She's grateful to have transportation, but not so much for the \$60 in gas she has to pump into the tank every two or three days.

Guenther, who works at a metal painting factory, says he's been donating plasma when he can to help the couple keep up with bills.

see **STRIKERS**, Page **60**



Guenther supports girlfriend De Mand, a UAW member. They were grateful they remembered chairs — and that it wasn't raining.





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David Ramirez, a full-time worker, pickets at Gate 6 at the Flint plant. Ramirez knows the city's importance to both the UAW and GM. "When we walked out." he said, "it felt historic.



continued from Page **59**"It gets to be a bit of a struggle," De Mand admits.

Even picking up the strike check can be a challenge. De Mand normally works the picket line early Saturday morning, but the checks aren't ready to be picked up at the union hall until Sunday. That means either waiting nearly another full week for her earnings or hopping in the pickup for another costly round-trip drive.

'Like a carnival'

Shortly after the volunteer firefighter's visit, the group is joined by 46-year-old full-time employee David Ramirez and 53-year-old temp worker George Kapellas, who've

see what the flashing lights were about. Both work in trim, installing doors, airbags, seat belts and other parts on the large pickups.

Ramirez, who joined GM in 2006 and is now on his fourth plant, says Flint Assembly is his favorite. He likes his co-workers but is also aware of the city's importance to both the UAW and GM.

Flint, aside from being the birthplace of what became the country's largest automaker by volume, was home to the sit-in strikes during the 1930s that helped cement the UAW's status as a top-tier union. A 54-day strike in 1998 at the metal-fabricating plant down the road helped win the site new equipment and work.

Now, Ramirez said, they're writing their own chapter.

"When we walked out," he says, "it felt historic."

The temps among the group say they were less in awe over their place in history as they were annoyed about having to report to work for two hours that first Sunday night, and in the process cross a picket line of UAW-represented Aramark custodial workers who went on strike against GM the day before.

For her efforts that evening, De Mand received a \$38 check. The mood inside the plant was tense, but it shifted at 11:59 p.m., when the strike against GM started.

"There were so many people running around and chanting," she recalls. "It was like a carnival."

Waiting game

If the party started just before midnight Sept. 16, Beck is determined to keep it going three weeks later.

Instead of sitting around the fire, he grabs a picket sign and dances to Cardi B, Drake and whoever else blares from the radio of Brown's Dodge Journey, tuned to Flint's 93.7 (WRCL-FM).

Beck was that way inside the plant, too, Brown says — always keeping the mood loose and entertaining.

"You have to keep it going," Brown says. "It's the graveyard shift. These are the longest nights."

Most of the crew keeps close to the fire, chatting about union-friendly bank loans they've read about or wondering how long a burn barrel can last before its sides buckle from the intense heat within.

Ramirez says he likes to pass the time listening to podcasts. He and Kapellas grab picket signs and stand alongside Beck for a time before heading back to tend to the fire at their own gate.

Another favored pastime on the picket line? Stopping contracted workers from entering the plant.

Workers say they've been told they can block vehicles from entering for no more than 10 minutes, and Beck says sometimes the cars get backed up down the road, waiting for the mass of pickets to part.

On this night, though, only a handful of security guards try to pass the gate. The group doesn't hold them up.

At precisely 7 a.m., as the first faint traces of sunlight peek out of the east, De Mand, Guenther and Brown all stand up to leave. Another shift down, an untold number left to go.

Beck, still standing in front of the gate with a picket sign, doesn't feel quite right leaving just yet. He'd hate to leave their post unguarded, even for a few minutes.

"I'll wait around until some other people show up," he says. "This is important to me." AN



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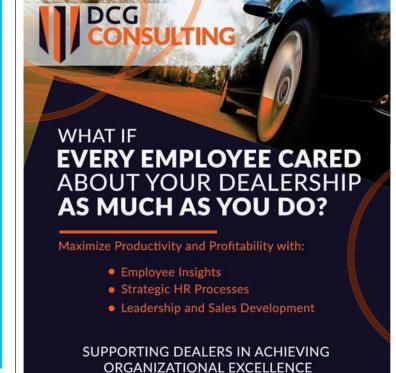
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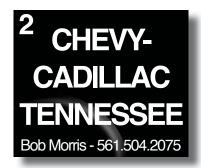
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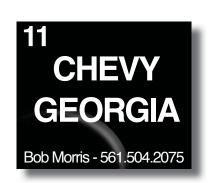


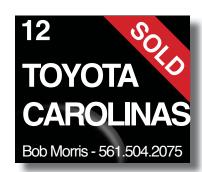












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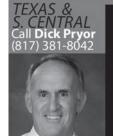
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TOKYO

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by a divided roof. Oversized fenders lend a sturdy, planted feel.

Mitsubishi is trying to leverage its traditional strengths in crossovers and SUVs as it plots a future-product strategy centered on electrification. The concept embodies both priorities.

Also making its debut in Tokyo will be the Super Height K-Wagon Concept. With a rugged, SUV-inspired design, this entry may foreshadow a next-generation tall-wagon Japanese minicar in the spirit of Mitsubishi's eK Wagon or eK Space runabouts.

Nissan

Nissan Motor Co. will tout its technological prowess with a full-electric, self-parking pint-sized city car concept called the IMk. The vehicle's name comes from Nissan's series of Intelligent Mobility concept vehicles, with the "k" being a nod to the so-called *kei* class of minicars that are popular in Japan.

The outward stance of the IMk reflects the tall-wagon look of the current Nissan Dayz minicar. But the IMk rides on a new dedicated electric-vehicle platform.

Intelligent Mobility, the "IM" in IMk, is the Nissan marketing term that encompasses its strategy of promoting electrification, autonomous driving and connectivity to consumers.

A smartphone-enabled feature is envisioned as enabling valet parking and can search for a parking space automatically after the driver and passengers get out. A tap of a button brings the car around to pick you up afterward, Nissan says.

Nissan may have other product surprises in store for the show.

■ Subaru

Japan's all-wheel-drive specialist is turning its focus to the home market this year, previewing the next generation of its popular Levorg wagon and a special-edition WRX STI, both for the Japan market. A teaser shot of the Levorg shows a sportier stance with muscular rear fenders, and an upswept rear side window reminiscent of the styling of the Ascent and Outback crossovers.

Subaru has offered scant details for the car, except to call the show car a "prototype" for the redesign.

Subaru also will unveil a special-edition WRX STI performance

sedan to count down to the discontinuation of its 2.0-liter, turbocharged four-cylinder EJ20 engine, a powerplant that has been offered in various forms in Japan since 1989.

Suzuki

Japan's small-car maestro wants to wow with no less than five global premieres. The package of wacky runabouts, all of them concepts, highlights Suzuki's technological ambitions in electrification and autonomous driving, areas where the company is playing catchup.

The Waku Spo is a plug-in hybrid three-box minicar imbued with a sporty vibe. Suzuki says its body shape and front fascia can be altered with the push of a dashboard button.

The Hanare, meanwhile, is a rounded one-box autonomous-driving van that delivers an experience like a "detached cottage," according to Suzuki. The automaker envisions the van making use of artificial intelligence.

Suzuki also plans some concept spinoffs of existing nameplates. There will be two versions of the Hustler Concept, a mini crossover wagon for everyday use, and a more rugged urban-outdoor variant for recreational use.

And Suzuki is planning what it is calling the "Every go-anywhere baby room." It takes Suzuki's Every minivan and reimagines it as a mobile breast-feeding and diaper-changing station for outdoor events, or for use as an evacuation relief center during natural disasters.

■ Toyota

A sleek, seductive redesign of the Mirai hydrogen fuel cell vehicle will be Toyota's top eye candy this year. A near-production concept of the second-generation green car is a rearslung, five-seat coupe-style sedan. It is a radical departure from the dowdy first-generation four seater.

The car goes on sale next year, and Toyota says the redesign was done expressly for the purpose of using design to draw people to the alternative fuel car. Toyota says it was able to reduce the cost and boost the driving range 30 percent with the upcoming remake.

It rides on the same modular vehicle platform as the Lexus LS flagship luxury sedan, making it lower, longer and wider for a more planted feel than the first generation.

The so-called GL-A platform was designed to accommodate a variety of

powertrains, including hybrids and fuel cells.

Going even more futuristic, Toyota will also unveil an updated and close-to-production version of its futuristic Concept-i pod car, now labeled the LQ. The concept previews a self-driving electric vehicle equipped with a digital assistant for a "personalized mobility experience."

The LQ is a four-seat electric vehicle with a cruising range of 186 miles. It builds on the Concept-i that was first exhibited at CES in 2017. Toyota said it will have a working version of the LQ ready for public test drives next summer. The car envisions a self-driving future in which an onboard digital assistant called Yui helps with everything from car navigation to safety and comfort.

Also in the show will be the Granace, a large new luxury van for Japan and some overseas markets that goes on sale later this year. The van is intended to offer plush rides in a spacious wood-trimmed interior that can be configured with leather captain's chairs, either as a threerow six seater or four-row eight seater. The Granace is 17 feet 5 inches long and features a massive, imposing grille. AN

MINORITIES

Japanese automakers poised to capitalize

continued from Page 4

"How can the majority of analysts continue to scream out that cars are dead?"

Cars and crossovers

The Detroit 3 continue to dominate the lucrative pickup segment and churn out crossovers but have mostly pulled back from the car market. This leaves Honda, Nissan and Toyota to capitalize on those openings among minority shoppers.

The most popular car in the industry this year is the Civic, which is the No. 6 overall vehicle, according to IHS Markit new-vehicle registration data through June. The Camry, the Honda Accord and the Corolla also rank in the top 10 industrywide, but cars index even higher among minority groups.

Four of the top six vehicles registered by

Asian Americans are cars, with the Tesla Model 3 coming in at No. 1 through June. The Camry, Civic and Accord rank fourth through sixth, respectively, for Asian consumers.

The Civic leads among Hispanic buyers, with the Corolla coming in second. The Camry ranks fourth with Hispanics, while the Accord is at No. 6.

For African Americans, cars account for the top three slots, led by Camry. The Accord is second, and the Civic is third. The Nissan Altima ranks seventh.

With U.S. Census data pointing to minorities becoming a majority in the future, Bland said, it makes sense for the Japanese companies to continue to stick with their household-name

While the Japanese brands invest in cars, they're also a force in the crossover market, outperforming the domestics in the crossover race on an overall basis as well as with ethnic consumers. The Chevrolet Equinox is the only domestic crossover in the top 10 industrywide — at seventh, it trails the No. 4 Honda CR-V and No. 5 Toyota RAV4 — but no domestic

crossovers have cracked the top 10 among ethnic buyers in 2019. Bland thinks the stylish Chevy Blazer could make a move into the upper tiers at some point.

Pickup competition

Ram has overtaken the Ford F series as the top pickup choice among African Americans.

Bland attributes this to the redesigned Ram's styling and plush, technology-filled interiors that are commanded by an available 12-inch touchscreen.

The previous-generation Ram 1500 is still around, giving buyers such as young people in the construction business "freedom of choice," Bland said.

"If you cannot step up to the new price point of the new-and-improved Ram, and you still want to be part of the Ram family and you need a pickup truck that can get you from Point A to Point B, then you can get financed on one of those," he said.

Automakers are vying for multicultural consumers in a tight pickup race among the Detroit 3, with the midsize Toyota Tacoma also

making its presence known. The Silverado was their pickup of choice in the first half of the year, sitting at No. 7 overall among ethnic buyers. Ram and the F series are eighth and ninth, respectively, followed by the Tacoma at No. 10.

The Tacoma is the most popular midsize pickup among the fast-growing Hispanic demographic.

Model 3

Within the Asian community, Tesla's Model 3 was No. 1 in the first half of 2019 with 19,346 of the electric sedans registered, according to the IHS Markit data.

Asian Americans, the highest-earning group in the country according to Pew Research, have two luxury cars in their top 10 vehicles with the Model 3 and the Lexus RX crossover, which ranked eighth at 8,523 vehicles registered.

"Asians are the luxury leaders in this country," Bland said. "People need to take note of that. When your No. 1 vehicle overall is a luxury electric vehicle at 19,000 units? [Asians are] buying more Tesla Model 3s than ... RAV4s, CR-Vs and Camrys? That should make the news." AN

GENESIS

Dealer network recovering in U.S.

continued from Page **4**Part of that increase is attributable

to the fact that Genesis is rebuilding its dealership network. In Genesis' early days, Hyundai dealerships could sell and service the luxury vehicles. But Genesis wanted to offer a luxury experience to customers, so standalone stores were required. Many dealers bowed out, and the number dropped nearly in half last year.

But the network is recovering quickly. At the beginning of 2019, Genesis had 178 U.S. franchises, according to *Automotive News'* annual dealership census. It currently has 355.

Genesis in 2018 added the G70 in the U.S. The compact sport sedan was named 2019 North American Car of the Year. It competes with the likes of the segment-leading Mercedes C class, BMW 3 series and Audi A4. Through September, Genesis has sold 8,506 G70s, which account for about 57 percent of the brand's volume. The G70 has so far this year outsold the competing Mercedes CLA, BMW 2 series, Audi A3, Infiniti Q40/Q60 and Lexus RC.

However, Genesis is swimming upstream in a slowing market. Total U.S. luxury-vehicle sales slipped 1.5 percent through September, according to the Automotive News Data Center. And its first crossover, the GV80, enters an already-crowded field when it

debuts next year. The smaller GV70, which shares a platform with the G70, is expected in 2021.

Del Rosso in May stepped down from Audi of America less than six months after he became its president. At the time, Audi would not elaborate on the reason for his departure. He previously headed Bentley's Americas division and spent nine years as COO of Audi of America.

During Del Rosso's tenure as COO, the company recorded seven consecutive years of record volume. The brand saw 107 consecutive months of U.S. sales gains in a streak that ended in September last year. At the time, Audi said he strengthened the financial health of the dealer network and managed profitable growth to ensure greater franchise value.

Before joining Audi, Del Rosso spent 17 years with Toyota Motor Sales U.S.A. Among his colleagues there: Brian Smith, now COO of Hyundai Motor America, and Michael O'Brien, a Hyundai vice president in charge of product planning.

NADA

Threat of 25% tariffs stokes fears

continued from Page **4**

vehicle transaction prices keep climbing, raising average monthly payments and extending borrowing terms.

In May, the administration lifted tariffs of 25 percent on steel and 10 percent on aluminum on Mexico and Canada, so the countries' legislatures could ratify USMCA. Ford Motor Co.

and General Motors estimated the financial hit from the tariffs at \$1 billion.

Gilchrist told reporters that some automakers absorbed the higher costs without passing them down to consumers. When asked whether automakers could sustain that, he said he hoped a deal on USMCA would resolve the issue.

In addition, Trump could decide next month to impose 25 percent tariffs on imported vehicles and auto parts over national security concerns, which has further stoked fears that shoppers will be excluded from the market by high prices. The average price of a light-duty vehicle in the U.S. would rise by \$2,750, assuming a worst-case scenario that includes those tariffs on imported autos and parts except from Canada, Mexico and South Korea, according to a February briefing for NADA by the Center for Automotive Research in Ann Arbor, Mich.

CAR estimated that new-vehicle dealerships could lose as many as 77,000 employees in that scenario. That's fewer than the 117,500 estimated in 2018, before the paper was updated to include more details

about how the percentage of parts sourced in North America would be counted, Kristin Dziczek, vice president of industry, labor and economics at CAR, told *Automotive News*.

NADA CEO Peter Welch told *Automotive News* last week that he anticipated legislation to implement the agreement could reach Congress this month, setting up a possible House vote by Thanksgiving. Yet that may be optimistic: Richard Trumka, president of the AFL-CIO labor union, raised doubt about the prospect in an interview last week with

The Washington Post, saying the deal "would be defeated." How labor provisions would be enforced, particularly in Mexico, reportedly remains an ongoing discussion.

Talks on USMCA also are happening amid House Democrats' impeachment inquiry into Trump and as the clock ticks closer to the 2020 presidential election.

That backdrop doesn't mean a deal can't happen, Dziczek said, but "they're trying to thread a very narrow needle this fall to get it passed this year." AN

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VALUES

German-brand buyers also interested in Tesla

continued from Page 3

And Tesla is complicating the situation by chipping away at the traditional luxury customer base. Tesla's \$40,000 midsize electric sedan was the most considered model among luxury shoppers in the second quarter, according to the KBB Brand Watch Survey. And much of that interest came from BMW and Mercedes-Benz customers. Tesla receives European vehicles as trade-ins 22.2 percent of the time, more than double the industry average of 10.9 percent, according to Capital One.

"We're calling this The Tesla Effect," the financial institution noted. "It's strong enough to cause prices to plummet, because the market has an excess supply of used luxury cars."

Sliding residuals

A bigger supply of used German-brand luxury vehicles is hurting residuals. Values for 3-year-old vehicles, 2nd quarter:

	BMW	MERCEDES-BENZ	AUDI
2015	59%	59%	63%
2016	56%	56%	60%
2017	56%	57%	59%
2018	53%	57%	55%
2019	53%	55%	55%
Source: Edi	munds		

Tesla is a growing brand that is directly targeting the heart of the German luxury market — compact sedans and crossovers, said Jessica Caldwell, executive director of industry analysis at Edmunds.

"German brand customers are closely aligned with Tesla buyers," Caldwell said. "The

demographic shares a sensibility for performance, design and brand consciousness."

The Model 3's performance specs and technology-first design propelled it to the top-selling luxury model in the second quarter of this year, according to Kelley Blue Book.

Among the German luxury brands, BMW lost the largest share of customers to Tesla, according to research firm AutoPacific. Eight percent of new Tesla buyers traded in a BMW; 5.7 percent traded in a Mercedes; and 2 percent swapped an Audi.

Through September this year, Tesla delivered an estimated 67,000 Model 3s, according to the Automotive News Data Center. Meanwhile, BMW delivered just 32,837 of its 3-series flagship sedan, Mercedes sold 38,174 C-class sedans, and Audi delivered 20,049 A4 sedans.

Oversupply

But Tesla isn't the primary driver for the slide in residual values, analysts say. The German

luxury brands were doing poorly in the used market well before Tesla entered the equation, said Jonathan Banks, J.D. Power vice president of vehicle valuations and analytics.

"I'm not saying that Tesla isn't an additional disrupter, but I wouldn't say it's the catalyst," Banks said.

The oversupply of used BMWs, Mercedes and Audis can be attributed to the automakers' high leasing rates.

Leases accounted for 61 percent of BMW's new-vehicle sales in September; compared with 53 percent for Mercedes and 49 percent for Audi, according to Edmunds data.

As more mass-market vehicles have technology and comfort features once reserved for luxury nameplates, price-sensitive consumers are less likely to splurge for the luxe badge.

"The equation doesn't really pencil out so well" when comparing a luxury model with a mainstream model that has similar features, Banks said. AN

BOLT

'20 model includes lessons learned

continued from Page 3

13,111 Bolts, up 11 percent from the same period last year, according to the Automotive News Data Center.

GM has said it would launch 20 new all-electric and fuel cell vehicles globally by 2023.

In March, GM CEO Mary Barra said the company would invest \$300 million to build a new fully electric Chevy vehicle at the Bolt plant in Orion Township, Mich., over the next two to three years.

The 2020 Bolt was engineered and designed based on what GM has learned from earlier versions of the Bolt, the former Spark EV and the company's hybrid vehicles.

Chevy officials say EV sales will take off only if there is a commitment at the dealer level.

Of Chevy's nearly 3,000 U.S. dealerships, more than 1,300 are Bolt certified, which means the dealer and the sales team have completed training for selling EVs and installed a 240-volt charger and a fast charger on site.

GM also encourages dealerships to install additional charging stations for public use, and Chevy sends product specialists to dealerships to teach them about the Bolt.

"That's critical for us because that means the dealer is invested and dedicated to this product," Hayes said. "Everything we do is to make sure that this is a consistent experience."

According to a study by Cox Automotive, more than half of consumers who would consider buying an EV said they expect dealers to provide a

gasoline vs. EV cost comparison, a tutorial on operating an EV and tips for taking care of an EV. Fewer than half of dealerships offer those services. Nearly half of respondents said they expected a map of charging stations and a charging station installed at their home.

Lack of understanding

Battery-electric vehicles made up only 1.6 percent of U.S. retail sales this year through July, according to J.D. Power. Much of the customer and dealer resistance to EVs comes down to a lack of understanding.

Chevy aims to simplify the EV ownership and driving experience in part by getting more of them into EVs. "In a lot of scenarios, we get way too technical for our own good," Hayes said.

Many dealers assume driving an EV feels different from driving a ve-

hicle with an internal combustion engine, Hayes said, but after driving it understand that "it's not this exotic technology that I need to completely rewrite the script on. I can adjust to this and I can make it part of my overall sales experience."

In 2016, Chevy launched a website to educate consumers about driving an EV. The website has since been integrated into Chevy.com.

But the deepest understanding often comes from actually driving the vehicle. Chevy has offered auto show test drives and has included EVs in GM's Maven car-sharing fleet.

"A hundred people riding or driving the car is better than 1,000 people talking about it," Hayes said.

Chevy also has partnered with Qmerit, which provides customers with charging station installation quotes from multiple companies.

EV owners tend to have passion for

their vehicles similar to Corvette and Camaro owners, said Hayes. They probably know more about the vehicles than 98 percent of GM employees, he added, so they are hungry for intricate details.

For enthusiasts and current EV owners, Chevy created a Facebook group about two months ago. So far, the group has about 1,900 members. Chevy hasn't posted much content yet, but within about a month, Chevy plans to introduce new features and bring its engineers into the conversation.

"We always try to integrate as much of the expert knowledge that we can." Haves said.

"As a marketer, I can tell you everything about the vehicle, but I didn't design it. I didn't build it. I can help translate that message, but it's always better to hear it from the source." AN

STRIKE

Retailers struggle as sides trade barbs

continued from Page **1**

that some repairs couldn't be done because parts weren't available. They were also running out of loaner vehicles to help those customers get around while they waited.

Although most dealerships still had plenty of vehicles on their lots to sell, some said fixed operations profits were being strained. Even if the strike were to end quickly, stores could start to miss out on monthly bonuses tied to vehicle or parts sales, and deliveries might not return to normal until after the busy year-end shopping season begins next month.

"We feel like we are collateral damage that neither GM or UAW cares about," Jay Frye, director of fixed operations at Young Automotive Group in Layton, Utah, told Automotive News. "The sad thing is that at the end of the day, GM and UAW will eventually come to an agreement and will be able to go forward better than before — but the dealer body will have paid a substantial price in profits, employee earnings and customer perception."

As union members continued picketing around the clock, UAW and automaker leaders exchanged public barbs last week in the form of terse statements and videos accusing each other of stalling negotiations. The UAW claimed GM was using the media to spread "half-truths."

GM CEO Mary Barra waded into negotiations for the first time last week, summoning UAW President Gary Jones, the union's top GM negotiator and other officials for a private meeting aimed at speeding up discussions.

"The strike has been hard on you, your families, our communities, the Company, our suppliers and dealers," GM said in a statement. "We have advised the Union that it's critical that we get back to producing quality vehicles for our customers."

Warranty work stymied

Many retailers were struggling to keep repair parts in stock, although some continued to service customers by obtaining parts from other dealerships.

Rick Ford, CEO of RFJ Auto Partners, said getting GM-branded parts — needed to complete warranty work on vehicles his dealerships have sold — had been a problem for weeks. RFJ Auto Partners has two large GM stores: Dave Smith Motors, with Chevrolet, Buick and GMC franchises in Kellogg, Idaho, and Vernon Auto Group, with all four GM brands in Vernon, Texas.

Ford said his company last week tried to order nine cases of 12 AC-Delco oil filters but could only get nine filters total.

"The parts hold is our single biggest issue," Ford told *Automotive News*.

About 15 vehicles were waiting at the service department of Fairway Chevrolet in Hazle Township, Pa., with no parts delivery estimate.



GM CEO Mary Barra met privately with union leaders last week.

"We have a lot of big jobs here that need parts," said Jim Corazza, dealer principal at Fairway Motors. "You can send the order in, but nothing happens. So these cars are all just sitting here."

Loaner shortages

Fairway Chevrolet leaned on Fairway Motors' Subaru store and Enterprise rental cars to expand its loaner fleet. The dealership's usual fleet of 10 loaner vehicles had been "depleted" because of the strike, Corazza said. The store needed at least 10 additional loaners.

Casa de Cadillac in Sherman Oaks, Calif., had about 60 outstanding repair orders.

"Those are [repair orders] we can't close and pay on," said Howard Drake, dealer principal of Casa Automotive Group. "If it's a trim piece or something, the customer is still driving around the car. Anything safety related, we have beefed up our loaner fleet pretty significantly for both Cadillac and Buick-GMC."

Most customers with loaner vehicles hadn't complained, dealers said. But others who had been waiting for more minor repairs became impatient.

"It's hard for a customer to understand that because UAW is on strike, they can't drive their \$75,000 Silverado," Frye said.

Dealer bonuses

GM has a parts incentive program that dealerships rely on for profit. GM temporarily adjusted the program but was still reducing rebates to stores that didn't meet loyalty metrics, Frye said.

"Most dealership staff relies on commissions generated from gross profits for their personal earnings," Frye said. "Since costs are higher and margins are lower due to the strike effect, lower paycheck amounts are being earned by these folks, and the longer the strike goes, the lower their pay will be."

Casa Automotive's GM stores typically buy GM parts, but Drake advised his service departments to put the customer first. That means they had to buy from other parts providers.

"I'm going anywhere and everywhere," Drake said. "Wherever I've got to go to buy a part — Amazon or some parts distributor — that's where we're going to go."

Workers have been laid off at suppliers including Adient, Cooper-Standard, American Axle & Manufacturing, Lear Corp., Magna, ZF North American, Busche Performance Products, Android Industries and others.

Phoenix Transit & Logistics, a trucking company in Dearborn, Mich., laid off almost its entire staff, owner Wael Tlaib told *The New York Times*. Tlaib said he pulled from his personal savings to keep the company running and was afraid he could lose the business as early as this week, the newspaper reported.

A manager at a Michigan supplier that has laid off more than half of its work force because of the strike told *Automotive News* that Anderson Economic Group's estimate of 75,000 supplier layoffs as of last week might be understated. The vast majority of the supplier's business is from GM.

The strike has created "a stain on the economy that no one will be able to clean up," said the person, who asked not to be identified. "Any sales that would have been generated during those four weeks has been severely compromised. We will survive, although we will have a serious stain on the year's performance."

For suppliers that are highly dependent on GM, one-twelfth of the year has been wiped out, the person added. "That would take what might have been a good or a very good year and blow it up. The trickle-down effect of this is massive." AN

Melissa Burden contributed to this report.

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NISSAN

Fresh start sought after difficult year

continued from Page 1

headquarters machine," the associate said. "He always says the regions deliver the results and headquarters should support the regions. He has the strength and experience to try something different. He is going to be a very different type of CEO."

What's to come

The glimpse of Uchida in action may signal what's in store for a struggling Nissan and its businesses in North America, South America, Europe and elsewhere. Insiders say Uchida, a theology student in his vounger days, is a pragmatic stickler for profitability who is leery of lofty numerical targets and ready to rock the boat for regional independence from headquarters.

That has been a trouble area for Nissan in recent years. Under the powerful, visionary leader Carlos Ghosn for 19 years, and even under his short-termed successor, Hiroto Saikawa, local markets did what they were told. Nissan's biggest market the United States - pursued and even achieved an aggressive market share goal set by the home office. In addition to being costly, the exercise soured many retailers and managers on the company.

Last week, Nissan named Uchida as part of a trio of lesser-known executives to bring about what Nissan board Chairman Yasushi Kimura called "a new Nissan."

Uchida, 53, along with newly named COO Ashwani Gupta, 49, and vice COO Jun Seki, 58, will make up a management team that is younger, internationally minded and newly committed to working with Nissan's French partner Renault. And maybe more important, a year after Ghosn's controversial arrest and the ensuing implosion of Nissan's executive ranks, it is a team untainted by scandal.

Uchida's first test might be to once again balk at home office expecta-

The new CEO inherits a midterm plan created by Saikawa before he

Nissan's new triumvirate

Makoto Uchida

New position: CEO

Current position: Senior vice president, Nissan Motor Co., and

president, Dongfeng Motor Co.

Age: 53

Joined alliance: 2003 at Nissan Previous experience: Nissho Iwai Corp.

Education: Doshisha University, faculty of theology

Ashwani Gupta New position: COO

Current position: COO of Mitsubishi Motors Corp.

Age: 49

Joined alliance: 2006 at Renault

Previous experience: Head of model development

at Honda Cars India

Education: Jawahar Nehru Engineering College, production and industrial engineering

Jun Seki

New position: Vice COO

Current position: Nissan senior vice president,

performance recovery

Joined alliance: 1986 at Nissan

Education: National Defense Academy of Japan,

mechanical engineering



Uchida's challenges

Nissan's next CEO faces a daunting to-do list:

- Restore profitability and earnings growth
- Repair relations with partner Renault
- Rekindle U.S. sales
- Realize synergies with partner Mitsubishi
- Roll out new electrified and autonomous technology
- Raise company morale

resigned as CEO last month. But last week, Kimura made it clear that the new team has free rein to chart its own recovery course for the troubled carmaker. Some directors think an all-new midterm business plan is needed, said a person familiar with the board's thinking.

"The new CEO may have to develop a new plan because the current one may no longer hold," the person said. "A review of that will be one of the first questions that will be asked

Indeed, Uchida and Gupta were specifically picked in large part to make a fresh start, to break from a year marred by former Chairman Ghosn's arrest on charges of financial misconduct and Saikawa's sudden departure under the cloud of his own pay scandal.

"We selected people who could represent a new Nissan in a strong way." Kimura said.

Critics say not being able to say "no" to HO is what landed Nissan in its current financial troubles, marked by profit-draining incentives and fleet sales that ultimately undercut global earnings. The whiplash in North America resulted in a squeeze that virtually wiped out corporate profits in the most recent quarter.

In China, Uchida also pushed back on electric-vehicle sales goals sent from Yokohama, which locals in Chi-

na knew were unrealistic.

"We all knew it was not executable," the China associate said of meeting the sales goal from HQ. "Or if we did, we'd have to sacrifice a lot

focus on profitable, sustainable growth." Masakazu Toyoda, the director in charge of Nissan's nomination com-

of profitability. He convinced the

company to move back the electrifi-

cation market share in order for us to

RENAULT

mittee, said of the work ahead, "The most important thing for the company is the recovery plan. Performance recovery should be completed, and this is the biggest challenge that we are addressing."

The road map laid out by Saikawa in May calls for trimming the vehicle lineup, cutting capacity and slashing thousands of jobs in an effort to reverse imploding profits over the next

It also aims to restore parent company operating profit margin to 6 percent in the fiscal year ending March 31, 2023. It languished at 0.1 percent in the quarter ended June

But it could be a while before Uchida and Gupta make any course corrections. They will take their new posts no later than Jan. 1. Interim CEO Yasuhiro Yamauchi continues until the handover.

They will need time to reassess the situation.

Both men break with traditional Japanese corporate culture in notable ways. They are relatively young, internationally minded, and both are midcareer transfers into the company - not lifers recruited straight out of college. Uchida joined in 2003 and Gupta, a former Honda executive in India, in 2006.

Teamwork

Crucially, both bring a working knowledge of Nissan's estranged alliance partner Renault.

Uchida was corporate vice president for alliance purchasing and also did a stint at Renault Samsung Motors, the French automaker's South Korean unit.

Gupta, a native of India, joined the alliance as a general manager of purchasing for Renault in India and was global head of the alliance's joint light commercial vehicle business. Gupta is COO of Mitsubishi Motor Corp., the third major partner in the Renault-Nissan alliance.

Gupta was dispatched to Mitsubishi only this year, replacing Trevor Mann, another former Nissan executive who left the company in the wake of the Ghosn upheaval.

Adding a thread of continuity to Nissan's top brass will be Vice COO

Seki was also a chairman of Nissan's China operations before being tapped by Saikawa this year as the top officer in charge of performance recovery.

Among the triumvirate, Seki has the deepest Nissan roots.

The three leaders face a daunting to-do list. They must reboot imploding profits, rebuild frayed relations with Renault, which is undergoing its own challenges, and revive Nissan's flailing business in the United States.

Critically, neither Uchida nor Gupta have ever had a posting to Nissan's all-important U.S. business. That might be seen as a handicap in some quarters. But not necessarily in the case of Uchida, who values regional autonomy.

"He wants to really, really understand the details of every decision he makes," said his China associate. "But he gives a lot of latitude to the experts on the ground." AN

BOLLORE

Departures thin executive bench

continued from Page 3

within the alliance and redistribute the balance of power, which has been solidly in Renault's hands since the French automaker took a controlling stake in a then-ailing Nissan in 1999. Investors seemed to relish the prospect, and perhaps even the revival of the failed merger with Fiat Chrysler Automobiles: Renault shares rose 5 percent for the week.

The first task is to find Bollore's successor, but Renault's executive talent pool has been thinned by a number of recent high-profile departures - some to crosstown rival PSA Group — and Ghosn's reluctance to share power.

Renault will be led on an interim basis by CFO Clotilde Delbos, with assistance from Olivier Murguet, head of global sales, and Jose-Vincente de los Mozos, deputy alliance vice president for manufacturing and supply chain.

Any outside candidate will need to have a thick skin to handle the fickle French government — which holds a 15 percent stake and wields outsize influence over strategy, especially in any areas that could touch employment — as well as the physical and mental stamina to endure long flights to and from Tokyo.

Perhaps most important, that person must have Nissan's approval, much as Senard is said to have given his blessing to the Japanese automaker's new governing tribunal of CEO Makoto Uchida, COO Ashwani Gupta and Deputy COO Jun Seki. On Friday, Senard described Nissan's new management team as "extraordinarily pro-alliance."

Senard said Renault would take its time seeking a permanent CEO, but he said that person would "need to have the ability to comprehend the alliance's imperatives in an international context."

Whether Renault picks a caretaker CEO or someone with a long-term future, that person will inherit an automaker with relatively solid fundamentals, although profits and sales have slumped this year.

Renault is not alone in feeling the effects of a slowdown in European and global auto sales. It has suffered in the past 18 months from an aging lineup, but replacements for Renault's two global bestsellers, the small Clio hatchback and Captur SUV, are going on the market this autumn.

Thanks to Ghosn's aggressive and costly - push for electrification early in this decade, Renault is expected to meet Europe's increasingly stringent emissions targets without paying penalties, and it has been amortizing EV development costs for years.

Renault is also globally diversified, with operations in more than 150 countries, another Ghosn hallmark. allowing it a hedge against currency and economic fluctuations, although it has been hit hard this year by Argentina's financial collapse.

It is not heavily invested in the

slumping Chinese market, where it has a relatively small joint venture with Dongfeng Motor that produces SUVs, and it controls a domestic maker of minibuses and minivans, Jinbei-Brilliance.

Nonetheless. Renault needs a strong alliance with Nissan to help share development costs, drive hard bargains in purchasing (another Ghosn obsession) and finance expensive future technologies such as autonomous vehicles. As examples, Renault's new models rely on Nissan's ProPilot Level 2 advanced driver assistance system, and the alliance is close to rolling out a common EV platform, which critics have said is long overdue.

But Senard was adamant on Friday that those waiting for swift, radical change in the Renault-Nissan relationship shouldn't hold their breath. Nissan and Renault first needed to get used to new management teams, he said. And after being in crisis mode for 11 months, he added, "there's a need to take the time to relax and reflect." AN

Plant overtime

Week ending Oct. 19

FCA NA

Jefferson North (Detroit) truck Sterling Heights, Mich. truck Toledo (Ohio) North truck Warren, Mich.

Ford Motor Co.

Chicago truck Dearborn, Mich truck Kansas City Truck (Mo.) truck Kentucky Truck (Louisville) Louisville (Ky.) Assembly truck

Note: Overtime could be daily, Saturday or both.

Plant downtime

Hyundai Montgomery, Ala.

Resumes

Ford Motor Co. Hermosillo, Mexico

Nov. 18

General Motors

Through Oct. 11, all U.S. plants were down because of the UAW strike. The strike has also forced production to stop at the Oshawa, Ontario, and Silao, Mexico, plants

Source: Automotive News Data Center

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Days Days

supply supply Oct. 1 Sept. 1 2019 2019

11,000 33,000 13,000 **11,000**

46,000 57,000 14,000 46,000 2,000 1,000 2,000 5,000

5,000 7,000

5.000

9,000 11,000

6,000 **38,000 43,000** 3,000 12,000

6,000

3,000 9,000

15,000 2,000 5,000

50,000 5,000 55,00030,000
27,000
75,000
16,000
10,000
21,000
26,000
38,000

38,000 409,000 459,000 5,000 21,000 10,000

3,000 73,000

29,000

8,000

300 6.500

10.900

24,600 35,200 300 35,500 55,900 44,100 13,700 57,800 1,400

9,600 4,600

79.600

2,800 82,400

34,700 24,800 14,800 33,300 8,100

.. 2,800 ..198,100

9.700



Ford will continue to make road versions of the GT until its allotment of 1.350 cars is complete.

RACING

'Made a statement to win that early'

continued from Page 8

was the GT's first victory at Laguna Seca in May 2016.

"It really made a statement to win that early in the program with a brand new car," he said. "What the team really needed was something to pick up their spirits and keep everybody fighting to go to Le Mans after that.

Roughly a month later, with Executive Chairman Bill Ford and then-CEO Mark Fields watching, Ford placed first, third and fourth in its class at Le Mans. Ferrari finished second.

Ford, Fields and other executives popping in during the 24-hour race even in the early morning hours, which he saw as a sign of their commitment to the program. The end of the race, he said, felt surreal.

gram.

Ford will continue to make road versions of the GT through the 2022 the allotted 1,350 cars is complete.

On the racing side, Ford will continue to compete in NASCAR and other series.

"Our focus is not to be in racing just to be in racing," Rushbrook said. "Our focus has been to be on the track in the series and championships that matter and are important,

tions to electric vehicles. Ford will look to that technology in racing as

ever it's resurrected again, will come with a battery instead of a gas engine?

"It's honestly too early to say," he said. "There's a lot of technology developments out there. Any of those decisions will be based on what we think the best tech is and the right

POSTAL NOTICE

94th year, No. 6903

AUTOMOTIVE NEWS (ISSN 0005-1551) is published weekly at 1155 Gratiot Ave., Detroit, MI 48207-2997. Periodicals postage is paid at Detroit, MI and at additional mailing offices POSTMASTER: Send address changes to AUTO-MOTIVE NEWS, Audience Development, 1155 Gratiot Ave., Detroit, MI 48207-2912.

Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agree-ment #40012850, GST#136760444. Canadian return address: 2-7496 Bath Road, Mississauga, ON L4T 1L2 Printed in the U.S.A.

Inventory - U.S. car and light-truck, on Oct. 1

Enclave... Encore (I)

Buick (D)...

Buick (I).... Total Buick

Escalade ESV.

Total Cadillac trk.

Total Cadillac Bolt......

Corvette

Cruze

Impala Malibu

Spark (I)

Colorado.

Traverse.

Total Chevrolet trk.

Chevrolet (D)... Chevrolet (I)... Total Chevrolet

Savana van.

YUKON XL.

Total GMC trk...
GM car (D)...
GM car (I)...
GM car
GM trk. (D)...
GM trk. (I)...
GM trk.

GENERAL MOTORS†* ..

Acura (D)
Acura (I)
Total Acura

Accord.... Civic (D) Civic (I)...

Total Civic

Clarity (I)

CR-V (D).... CR-V (I) Total CR-V ..

HR-V

Odyssey Passport Pilot..... Ridgeline

Acadia . Canyon

Sierra. Terrain.

ILX... NSX.

53 104

Equinox Express van. Silverado Suburban

Chevrolet car (D)...

Total Chevrolet car

Buick trk. (I) Total Buick trk. ...

Days Days 2019 2019 63 49 54 50 54 42 38 39 46 40 6,000 **6,000** 20,000 **20,000** Total Chrysler car...... Total Chrysler trk..... Total Chrysler 14,000 13.000 Total Dodge car Total Dodge trk..... 71,000

65 64 54 56 56 56 39 46 41 37 84 45 40 119 91 86 70 92 288 99 288 99 288 204 293 290 209 11,000 4,000 . 201,000 . **212,000** Ram trk. (I) ... Total Ram trk 4,000 216,000 Total Dodge/Ram 287,000 1,000 2,000 **1,000** 2,000 3,000 1,000

Fiat car (I)...... Total Fiat car 500L (I) 500X (I) Total Fiat truck (I)...... Fiat (D)..... **4,000 5,000** 51,000 Fiat (I).... Total Fiat. 888 511 1011 73 105 800 76 105 78 50 72 51 74 110 62 76 82 82 115 64 64 64 61 61 115 86 84 115

38,000

41,000

25.000

77,000

28,000

43,000 21,000

54 000

265,000 5,000 39,000

32,000 15,000

496,000

. 36,000 . 532,000 . 573,000

36,000

11,000 4,000 9,000

1,000

9,000

. **649,000** . 1,000

3,000

Note: Numbers may not add due to rounding; (D) = produce

609,000

1,000

28,000 23,000 56,000 32,000 Renegade (I)... 60,000 Rushbrook said he remembered . 218,000 . 32,000 . 250,000 . 34,000 . 2,000 . 36,000

FCA US trk.FCA US*

Fiesta.

Fusion .

Edge

Mustang

Total Ford car

E-series van. EcoSport (I).

Expedition Explorer. F series... Flex.....

Ranger

Transit

Transit Connect (I).

Continental

Aviator... MKC

Nautilus/MKX

Total Lincoln Ford Motor Co. car

Total Lincoln car

Navigator.....

Total Lincoln trk.....

Total Buick car

'For me, we were so focused on the task, you're not paying attention to anything else that's going on around you," he said. "When you do deliver it, the relief and the joy of celebrating with team members that have been along on the journey was one of the best moments of this whole pro-

What's next

model year, or until production of

and to win those"

He said that as the industry transiwell.

Does that mean the next GT, when-

time to introduce it." AN

Stock by brand Days supply on Oct. 1, 2019

based on the previous month's daily selling rate

Smallest

1.	Subaru†	19
2.	Kia Motors*	37
2.	Mercedes-Benz†*	37
4.	BMW†*	39
5.	Dodge*	45

Largest	
1. Fiat*	209
2. VW	135
3. Mitsubishi	107
4. Genesis†*	103
5. Lincoln*	102

†Dealer stock and in-transits *E Source: Automotive News Data Center

Stock by maker

Honda trk. (D) 195,300

Days supply on Oct. 1, 2019

Smallest

Honda trk. (I) Total Honda trk. . .

1. Subaru of America†	19
2. Mercedes-Benz USA†‡*	37
3. BMW of N.A.†*	40
4. Volvo Car USA†	47

5. Hyundai-Kia	50
Largest	
1. Mitsubishi Motors N.A.	107
2. VW Group	105
3. Ford Motor Co.*	86
4. General Motors†*	79
5. FCA US*/American Honda	73

†Dealer stock and in-transits *Estimate mart inventory is not included. urce: Automotive News Data Center

Days Days

Vehicles are domestic unless noted.

Inve	ntory	supply Oct. 1	supply Sept. 1
	units	2019	2019
Honda (D)	,500 .900	74 64	57 51
Honda (I)	400	73	56
Am. Honda car (D) 124 Am. Honda car (I) 15	,800 .400	64 64	50 51
Am. Honda car (l) 15 Am. Honda car 140	200	64	50
Am. Honda trk. (D) 219 Am. Honda trk. (I) 2	,900 ,800	81 67	62 52
Am. Honda trk 222	700	81	61
AMERICAN HONDA 362 Total Genesis car (I)†* 7	,900 nnn	73 103	57 127
Hyundai car (D/I) 64	400	60	67
Hyundai trk. (D/I) 71 Total Hyundai (D/I)† 135	100	60 60	51 58
Total Hyundai Motors (D/I)† 142	,500	61	60
	,000	45 28	37 27
Total Kia Motors (D/I)* 71	,000,	37	32
Hyundai-Kia car (D/I) 115	,400	55	53
HYUNDAI-KIA213	,100 .500	45 50	41 47
Jaguar car (I) 1	,900	88	109
Jaguar trk. (I) 5 Total Jaguar (I) 7	,200 ,100	80 82	70 80
Total Land Rover trk. (I) 15	,800	49	55
JAGUAR LAND ROVER N.A.† 22 Mazda car (D/I) 15	,900 ,900	56 71	61 76
Mazda trk. (I) 40	,800	68	56
	,700 .000	69 46	61 61
Mercedes-Benz trk. (D/I) 27	,000	31	35
MERCEDES-BENZ USA†‡* 51, Mirage (I) 8	, 000 ,200	37 86	44 87
Total Mitsubishi car (I) 8	,200	86	87
Eclipse Cross (I)	008,	90 149	155 142
Outlander (I)	,300	108	115
Total Mitsubishi trk. (I) 27	,900	116	132 117
Infiniti car (I)	,100 ,000	107 76	69
Infiniti trk. (D/I) 17	,900	84	72
	,900 ,400	81 50	71 50
Nissan trk. (D/I)142.	,000	56	51
Total Nissan`	,400 ,400	54 52	51 51
Nissan Group trk. (D/I) 159	,900	58	52
NISSAN GROUP†245 Subaru car (D)10	,300 ,600	56 29	52 30
Subaru car (1)	.700	41	42
	300 200	31 21	32 18
Subaru trk. (I) 15	,200	14	15
	,400 ,700	17 19	16 19
Lexus car (I) 19	,600	88	63
Lexus trk. (D/I)	,400 nnn	71 76	52 55
Total Lexus (D/I)	900	64	52
Toyota trk. (D/I) 251 Total Toyota/Scion (D/I) . 398	,400 300	59 61	48 49
TOYOTA MOTOR N.A.† 460	,300	62	50
Audi car (I)	,900 ,900	101 57	96 51
Total Audi (I) 51.	.800	74	67
Porsche car (I) 4	,000	59 57	110 64
Total Porsche (I) †* 13	000	57	75
VW car (1)/1) 83	200	149 122	139 138
VW trk. (I)	100	135	138
VW Group car (D/I) 114 VW Group trk. (D/I) 108	,100	126 90	123 97
VW GROUP222	,900	105	108
60 series (I) 3	,600 400	43 7	70 150
90 series (I)	,000	30	77
XC40 (I) 2	,300	48	47
	,600	57 55	59 65
Total Volvo trk. (I) 14	,000 , 900	54	59
	900	47 61	62 59
Total truck 2,825.	300	70	65
TOTAL## 3,728,	200	68	63
†Dealer stock and in-transits			
*Estimate			

*Estimate

\$Smart inventory is not included

##Includes Automotive News Data Center inventory and

days supply estimates.

Source: Automotive News Data Center

Days supply: Number of days needed to sell all vehicles in invento Inventory: Unit count of vehicles on hand at dealerships, factory lots, ports of entry and in transit on a specific date

Perspective

Total industry day	s supply on Oct. 1
2015	60
2016	64
2017	65
2018	65
2010	60

Source: Automotive News Data Center

Domestics vs. imports

	Days supply Oct. 1 2019	Days supply Sept. 1 2019		
Detroit 3	79	77		
European	64	75		
Japanese	60	50		
Korean	50	47		
Total industry	68	63		
Source: Automotive News Data Center				

U.S. sales per franchise, Sept.

-	Car Sept. 2019	Truck Sept. 2019	Total Sept. 2019	Total Aug. 2019
Toyota	43	79	122	176
Honda	45	53	98	151
Nissan	33	54	87	108
Mercedes-Benz	31	53	84	79
Subaru	15 32	66	81	111 74
BMW	21	47 57	79 78	125
Lexus	29	33	62	76
Hyundai Kia	29	29	58	79
Ford	7	47	54	66
Audi	20	33	53	71
Chevrolet	8	40	48	67
Land Rover	0	40	40	37
VW	20	22	42	55
Acura	11	30	41	56
Infiniti	10	23	33	44
Mazda	9	24	33	48
Jeep	_	31	31	40
Volvo	10	21	31	31
Mini	14	13	27	30
Porsche	8	19	27	24
GMC	-	24	24	32
Ram	-	24	24	28
Mitsubishi	6	15	21	23
Dodge	6	9	15	17
Cadillac	1	12	13	17
Jaguar	3	9	12	12
Lincoln	3	8	11	12
McLaren	9	_	9	9
Buick	1	7	8	9
Lamborghini	4	3	7	7
Maserati	5	2	7	7
Alfa Romeo	3	3	6	10
Ferrari	6	-	6	6
Genesis	6	-	6	7
Chrysler	1	4	5	4
Bentley	2	2	4	4
Aston Martin	3	-	3	3
Rolls-Royce	3	-	3	3
Fiat	1	-	1	3

Source: Automotive News Data Center

Inventories still flush amid strike against GM

Larry P. Vellequette

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The midmonth UAW strike at General Motors bled off some excess inventory in September, but a weaker selling rate last month left the days supply higher than it was a month ago and at this time last year.

Dealers and automakers held an estimated 3,728,200 unsold cars and light trucks at the beginning of October, representing a 68-day supply. The figure was about 20,000 vehicles lower than it was at the same point a year ago, but still about 7,500 higher than at the start of September, according to estimates by the Automotive News Data Center.

Production stoppages at GM because of the strike have impacted the automaker's U.S.-assembled products. while parts shortages have hindered production in Canada and Mexico, However, even with the lost production, GM was estimated to have a nearly 80-day supply.

Industrywide, the number of unsold cars continues to drop. Over 100,000 vehicles have been shed since the beginning of July to 902,900, a 61-day supply, while the number of unsold light trucks climbed to 2,825,300, a 70-day supply. Cars represented about 24 percent of the vehicles in inventory across the U.S. and almost 27 percent of industry sales in September.

Volkswagen of America and Mitsubishi Motors North America were the only two automakers with more than a 100-day supply of inventory on hand to start October, while Subaru of America was the only automaker to turn over its entire inventory in less than a month. AN

Customer incentive Incentives in this table are a su		retail nrograms offe	ered Progra	me may y	ary by region and mo	ndel	
Cash	Finance	i retaii programs om	Cash	Finance	ary by region and inc	Cash	Finance
rebate BMW GROUP	rate	GMC Savana 2500,	rebate	rate	MITSUBISHI	rebate	rate
BMW expires Oct. 31. Mini expires Dec. In lieu of rebates, cut-rate financing is a		Savana 3500 Sierra 1500	\$3,500 \$750-\$2,500	0.9-4.9%	Expires Oct. 31. In lieu of is available.	rebates, cut-rate	e financing
2020 models	1.1-9.9%	Yukon, Yukon XL Terrain Acadia, Canyon	\$750-\$2,000 \$1,500 \$750-\$1,000	0-4.9%		models e G4	
X1, X2, X3, X3 M, X4, X4 M, Z4 \$1,000-\$2,500		2019 Buick Cascada, LaCrosse	models	0-4.9%	Outlander, Outlander PH Outlander Sport		0-8.9%
230, 430, 430 Gran Coupe, 440, 440 Gran Coupe,		Encore, Envision Regal TourX	\$0-\$4,000 \$0-\$4,000	0-3.0% 0-4.9%	Eclipse Cross 2019 i	models	1.9-5.9%
M240, M4 \$2,000 330, 530, 530e, 540, 740,	1.1-9.9%	Regal Sportback Enclave	\$0-\$3,500 \$0-\$3,250	0-4.9% 0-5.9%	Mitsubishi Eclipse Cross Outlander Sport	\$1,000	0-8.9%
745e, 750, 840, 840 Gran Coupe,		Cadillac Escalade, Escalade ESV	\$8,000	0-2.9%	Outlander Outlander PHEV	\$750	0-8.9% 0-7.9%
Alpina B7, M2, M5, M550, M760, M8, M850,		CT6, CTS CTS-V	\$3,500-\$4,000 \$3,500	0-2.9%	Mirage, Mirage G4 NISSAN GROUP		0-9.9%
M850 Gran Coupe, X2, X5, X6, X7	1.1-9.9%	XT4, XT5, XTS CT6-V	\$1,000	0-2.9% 0-2.9%	Expires Oct. 31. In lieu of is available.	rebates, cut-rate	e financing
Mini Cooper*, Countryman, E Countryman 2019 models	1.1-9.3%	Chevrolet Bolt EV Express 2500, Express 3500	\$2,000-\$4,500	0-4.9% 0.9-4.9%		models	1.9-4.4%
BMW i3 \$7,500 440, 440 Gran Coupe,	0-7.0%	Silverado 1500 Suburban, Tahoe	\$250-\$3,250 \$3,000	0-7.9% 0-6.9%	QX50 Nissan Armada	\$2,000-\$3,500	2.4-3.4% 0.9-9.9%
M4, X6, X6 M \$4,250-\$6,000 230, 330,	1.1-9.9%	Silverado 2500HD, Silverado 3500HD	\$1,000-\$2,500	0-6.9%	Murano	\$1,000-\$3,000 \$500-\$3,000	0-9.9% 0-9.9%
330 Gran Turismo, 340 Gran Turismo, 430,		Trax, Volt Silverado 1500 LD	\$750-\$2,500 \$1,000-\$2,250	0-9.9% 0-9.9%	Pathfinder Altima Maxima	\$2,000 \$500-\$2,000 \$750-\$1,000	0.9-9.9%
430 Gran Coupe, 530, 530e, 540, M 240,		Malibu (incl. Hybrid) Traverse, Blazer	\$750-\$2,000 \$750-\$2,000	0-9.9% 1.9-5.9%	Maxima NV200	\$750-\$1,000 models	0-8.9% 0.9-9.9%
M550, X1, X2, X3, X4, X5, X7, Z4 \$1,000-\$5,750	0.9-9.9%	Colorado, Impala Equinox, Sonic	\$250-\$1,750 \$1,000-\$1,500	0-9.9%	Infiniti QX80 Q50, QX50	iioueis	0-2.4% 1.9-3.4%
640 Gran Coupe, 640 Gran Turismo,		Cruze, Spark Camaro GMC Sierra 1500	\$750-\$1,250 \$1,000 \$0-\$6,000	0-9.9% 0-9.9%	Q60 Nissan Titan XD	\$1,000-\$5,000	2.9-4.4% 0-8.9%
650 Gran Coupe, 740, 740e, 750, Alpina B6 Gran Coupe,		Acadia Terrain	\$0-\$3,750 \$0-\$3,750 \$0-\$3,500	0-5.9% 0-5.9%	Armada	\$3,000-\$4,500 \$1,000-\$4,000	0-9.9% 0-8.9%
Alpina B7, i8, M2, M5, M6 Gran Coupe, M760, M850	1.1-9.9%	Sierra 1500 Limited Savana 2500,	\$750-\$2,700	0-9.9%	Frontier Rogue (incl. Hybrid),	\$500-\$4,000	0.9-9.9%
Mini Cooper*, Countryman, E Countryman	1.1-9.9%	Savana 3500 Yukon, Yukon XL	\$0-\$2,500 \$0-\$2,250	0-6.9%	Rogue Sport Altima, Pathfinder	\$500-\$3,500 \$500-\$3,000 \$250-\$3,000	0-9.9% 0-9.4%
FCA US	1.1-3.3%	Canyon Sierra 2500HD,	\$0-\$2,250	1.9-5.9%	Murano Maxima	\$250-\$3,000 \$750-\$2,500 \$500-\$2,500	0-8.9%
Expires Oct. 31. In lieu of rebates, cut-rat is available.	e financing	Sierra 3500HD AMERICAN HONDA	\$500	2.9-5.9%	Sentra Leaf NV Cargo NV1500,	\$500-\$2,500 \$1,000	0-9.9% 0-8.9%
2020 models Chrysler Pacifica Hybrid \$1,750		Expires Oct. 31.	models		NV Cargo NV1500, NV Cargo NV2500 HD, NV Cargo NV3500 HD	\$1,000	
Pacifica, Voyager \$750-\$1,000 Dodge Durango \$750-\$3,500	0-3.9% 0-4.9%	Acura MDX, MDX Sport Hy RDX. TLX		0.9-1.9%	Kicks Versa	\$500-\$1,000 \$500	0.9-9.9% 0-9.9%
Jeep Compass \$750-\$2,000 Cherokee \$750-\$1,750	0-3.9%	RLX, RLX Sport Hybrid Honda Odyssey, Pilot		1.9-3.9% 1.9-6.9%	NV Passenger NV3500 HD Versa Note	\$500	0-8.9%
Grand Cherokee \$500-\$1,000 Ram 1500 \$500-\$2,000			models rt Hvbrid	0.9-1.9%	NV200 NV200 Taxi		0-9.9% 1.2-8.5%
ProMaster 1500, ProMaster 2500*,		Honda Accord, Civic, Civic CR-V, Fit, HR-V, Odyssey,	c SÍ,	1.9-7.9%	SUBARU		
ProMaster 3500* \$1,000 2019 models Alfa Romeo Giulia,		HYUNDAI-KIA			Expires Oct. 31.	models	
	1.9-5.9% 0-3.9%	Expires Oct. 31. In lieu of is available.		tinancing	Subaru Ascent, BRZ, Fore Legacy, Outback, WRX, W	RX ŠTI	2.9-7.9%
Pacifica Hybrid \$500-\$3,250 Pacifica \$250-\$3,000		Genesis G70, G80	models	2.9-8.9%	Subaru Legacy, Outback Impreza, WRX, WRX STI	models	0-7.9% 0.9-7.9%
Dodge Challenger \$500-\$7,970 Charger \$500-\$7,070	0-4.9%	Hyundai Tucson Elantra, Santa Fe Kona, Veloster	\$500-\$2,000 \$250-\$1,750 \$500-\$1,500	0-8.9% 0-8.9%	Ascent, BRZ, Crosstrek (incl. Hybrid),		0.5 7.570
Durango, Journey \$500-\$4,750 Grand Caravan \$500-\$1,750	0-4.9%	Accent, Veloster N Palisade	\$500-\$1,500	0-9.9% 1.9-7.9%	Forester TOYOTA MOTOR NOR	TH AMEDICA	2.9-7.9%
Fiat 500e \$7,250 124 Spider, 500L \$500-\$2,000	0%	Kia Sedona Optima, Sportage	\$3,000-\$4,000 \$2,000-\$2,500	0-7.0% 0-8.0%	Expires Nov. 4. In lieu of I		e financing
500, 500C, 500X \$500 Jeep Cherokee \$500-\$3,000	0-3.9%	Optima Hybrid, Optima Plug-In Hybrid,				models	0.0.0.00/
Grand Cherokee \$500-\$2,500 Renegade \$500-\$2,250	0-3.9%	Sorento Forte, Rio, Soul	\$2,000 \$500-\$1,000	0-8.0% 0-9.0%	Lexus LC 500, LC 500h RC F, LX 570 GX 460	\$3,000 \$2,500	2.9-3.9% 2.9-3.9% 2.9-3.9%
Compass \$500-\$1,750 Wrangler,		Telluride 2019	models	0.9-9.0%	NX 300, NX 300h ES 300h, ES 350, RX 350,	\$1,000-\$1,500	1.9-2.9%
Wrangler Unlimited \$500-\$1,000 Ram 1500, 1500 Classic \$250-\$4,250	0-1.9%	Genesis G70, G80, G90 Hyundai Santa Fe XL	\$500-\$4,000	1.9-7.9% 0-9.9%	RX 350L, RX 450h, RX 450hL	\$1,000	2.9-3.9%
2500, 3500 \$500-\$3,000 ProMaster 1500, ProMaster 2500*,	0-5.9%	Santa Fe, Sonata Elantra, Tucson Ionig Plug-In Hybrid	\$750-\$3,250 \$500-\$2,750	0-7.9% 0-6.9% 1.9-8.9%		\$1,500-\$2,000 \$750-\$2,000	3.9-8.9%
ProMaster 3500* \$500-\$2,000 ProMaster City \$500-\$1,500		Elantra GT Sonata Hybrid,	\$2,000	0-6.9%	Tundra Corolla	\$1,000-\$1,500 \$750-\$1,500 \$500-\$1,500	0-8.9%
FORD MOTOR CO.		Sonata Plug-In Hybrid Kona, Veloster	\$500-\$2,000 \$250-\$2,000	0-6.9% 0-9.9%	Corolla Hybrid Avalon (incl. Hybrid)	\$500-\$750	
Ford expires Oct. 15. Lincoln expires Oc In lieu of rebates, cut-rate financing is a		Ioniq Hybrid Accent	\$500-\$1,750 \$500-\$1,000	1.9-8.9% 0-8.9%	Camry (incl. Hybrid), Prius Tacoma, Yaris, Yaris Sedan	\$500	2.9-8.9%
2020 models Ford Fusion \$750-\$2,000	0-9.9%	loniq EV, Kona EV, Nexo Kia Sedona	\$4,000-\$5,000	1.9-8.9% 0-7.0%	Lexus LS 500h LC 500, LC 500h	models \$5,000-\$8,000 \$7,000	0.9-1.9%
	1.9-9.9% 0.9-9.9%	Cadenza, Optima, Sorento Sportage	\$2,500	0-7.0%	GS F, LS 500 IS 300, IS 350, LX 570	\$4,000-\$5,000 \$3,000-\$3,500	0.9-3.9%
Edge, Escape, Explorer, F-250, F-350, F-450, Ranger \$500-\$1,000		Forte, Niro, Rio K900, Niro EV, Stinger	\$1,250-\$2,000	0-9.0% 0-9.9%	GS 300, GS 350, GX 460 RX 350, RX 350L, RX 450h,		
Fusion Hybrid \$750 Transit 150*, Transit 250*, Transit 350*,	0.9-9.9%	JAGUAR LAND ROVE Expires Oct. 31. In lieu of		e financina	RX 450hL ES 300h, ES 350	\$2,250-\$2,500 \$500-\$2,250 \$1,000-\$2,000	0.9-1.9% 0.9-1.9%
Transit Connect \$750 EcoSport, Expedition,		is available. 2020	models		UX 200, UX 250h RC 300, RC 350	\$1,500	2.9-3.9%
Expedition Max \$500 Mustang \$250		Jaguar F-Type, XF E-Pace, I-Pace	\$5,000-\$8,000 \$2,000-\$5,000	1.9-5.1%	Toyota Sequoia Avalon	\$750-\$5,000 \$3,500-\$4,000	0-8.9% 0-7.9%
Continental \$1,000-\$2,000	0-7.9% 0-7.9%	F-Pace, XE Land Rover Discovery,	\$1,000-\$1,500	1.9-5.1%	Avalon Hybrid	\$2,000-\$3,500 \$3,000 \$500-\$3,000	0-7.9% 0-9.9%
MKZ Hybrid, Nautilus Aviator, Corsair,	0-7.9%	Range Rover Evoque, Range Rover Sport,	¢1 000	0.0.5.40/	Highlander, Prius Camry (incl. Hybrid) C-HR, Corolla Hatchback	\$500-\$3,000 \$500-\$2,500 \$1,000-\$2,000	0-8.9% 0-8.9%
Navigator, Navigator L 2019 models	0.9-9.9%	Range Rover Velar Discovery Sport, Range Ro		2.6-5.1% 2.6-5.1%	Highlander Hybrid 4Runner, Tacoma	\$1,000-\$2,000 \$1,000-\$2,000 \$500-\$1,750	
Ford Explorer \$500-\$6,000 EcoSport, Edge, Fusion \$500-\$4,500 Expedition Expedition Max \$1,000-\$3,750	0-9.9%		11,000-\$13,000 \$4,000-\$7,000	0-2.5% 0-2.5%	RAV4 Yaris Sedan	\$500-\$1,500 \$1,000	0-8.9%
Expedition, Expedition Max \$1,000-\$3,750 Escape, F-150, Fiesta \$500-\$3,500 Transit 150, Transit 250,		F-Pace, XE, XE SV Land Rover Range Rover	\$3,000	0-2.5%	Mirai, RAV4 Hybrid VW GROUP OF AMERI	. ,	1.9-7.9%
Transit 350,	0.9-9.9%	Velar Range Rover,	. ,	1.9-4.4%	Expires Oct. 31. In lieu of		e financing
Flex, Mustang \$500-\$2,750 Fusion Energi, Fusion Hybrid \$500-\$2,000	0-9.9% 0-6.9%	Range Rover Sport Discovery, Discovery Sport	\$2,000-\$4,000 \$3,000	1.9-4.4% 1.9-4.4%	is available. 2020 I Audi Q3	models	1.1-9.9%
Ranger \$500-\$1,500 F-250, F-350, F-450 \$750-\$1,250	0-9.9%	MAZDA Evnires Oct 31 In lieu of	rehates out ret-	financina		models	1.1-9.9%
Lincoln Continental \$500-\$2,500 MKC, MKT \$750-\$1,500	0-5.9% 0-5.9%	Expires Oct. 31. In lieu of is available.	models	тпаныну	A3, A4, A4 Allroad, A5, A6, A7, A8, e-Tron, Q3,		1.5 0.0 /0
MKZ (incl. Hybrid) \$500-\$1,500 Nautilus \$500	0-5.9% 0-5.9%	Mazda Mazda3	models	0.9-7.4%	Q5, Q7, Q8, S3, S4, S5, SQ5, TT, TTS		1.9-8.9%
Navigator, Navigator L GENERAL MOTORS	0-5.9%	Mazda CX-3, CX-9 CX-5, Mazda6	\$250-\$2,000 \$250-\$1,000	0.9-8.9%	Volkswagen Jetta GLI Arteon, Beetle, e-Golf, Pa	ssat	1.0-9.3% 0-9.4%
Expires Oct. 31. In lieu of rebates, cut-rat	e financing	MX-5 Miata, MX-5 Miata RI Mazda3	=	0.9-5.9% 0.9-7.4%	Atlas, Golf, Golf Alltrack, Golf SportWagen, Jetta,	Golf GTI,	1.9-9.4%
is available. 2020 models Puick Englave Envision \$750.\$2,000	10.600/	MERCEDES-BENZ			VOLVO	·	
Buick Enclave, Envision Chevrolet Express 2500, Express 3500 \$3,500	0.9-4.9%	Expires Oct. 31. In lieu of is available.		tinancing	2020 ו	models	0.0.00
Silverado 1500 \$1,000-\$2,500		Mercedes-Benz C300	models models	1.9-3.9%		models	2.9-3.9%
\$2,000 Blazer, Suburban, Tahoe \$1,000-\$1,500 Equinox, Traverse \$750-\$1,500		Mercedes-Benz Metris, Sp.		0-4.9%	Volvo XC90 (incl. Hybrid) *Applies to select models	only	2.9-3.9%
		A 220, AMG C 43, AMG E 5 AMG GLC 43, AMG GLE 4	3 Coupe,		*Applies to select models	UIIIY	
Colorado, Impala \$1,250 Malibu (incl. Hybrid) \$1,000-\$1,250			RNN ' '				
Malibu (incl. Hybrid) \$1,000-\$1,250 Sonic, Trax \$750-\$1,000 Camaro \$500-\$1,000	0.9-4.9% 0.9-4.9%	AMG GLE 63 S Coupe, C 3 CLA 250 Coupe, E 300, E 450, GLA 250, GLC 300			Cox	AUTOMO:	TIVE™

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final assembly



UAW-GM: Go to <u>autonews.com</u> for ongoing coverage of the UAW-GM contract negotiations.

Sports radio host starts his own Toyotathon

The roof of a **Toyota** dealership in Knoxville, Tenn., became the temporary home of a local sports radio host last week.

At least he hoped it would be just temporary. Tyler Ivens of station WNML promised to stay atop the store overlooking Interstate 40 until the University of Tennessee football team

got its next win.

The Volunteers, just 1-4 on the season when Ivens started his test of endurance, were touchdown underdogs against Mississippi State on Saturday, Oct. 12. This week's opponent is No. 1 Alabama.

Ivens has two tailgating tents set up on the roof of Toyota Knoxville, one to sleep under and the other to remotely co-host his daily morning show.

The dealership also drove a new Toyota 4Runner TRD up to the roof as extra shelter in case of bad weather or when noise from the adjacent highway gets too loud for his show.

Other local businesses have brought him food, a hammock and a cornhole set.

After Tennessee got blown out Oct. 5 by Georgia, and his co-host predicted that the

team would lose every game this month, Ivens said he'd climb a building in town and stay until the next victory.

Toyota Knoxville's general manager, Jason Carson, called in to the station to offer the store as a safe, high-visibility space for Ivens to make camp, The Athletic reported.

"I mean, it's not the Ritz-Carlton," Ivens said. The dealership was enjoying the publicity that came with its new resident last week, posting daily updates on its Facebook page. "He's going to be there quite a while," one commenter wrote.



Tyler Ivens, Toyota rooftop volunteer



Holoride is using navigational and driving data to give riders an immersive experience that adapts to vehicle movement.

Real Explorer, fake monsters

oloride, a German technology company spun off by **Audi**, has teamed up with **Ford Motor Co.** and Universal Pictures to offer what it says is the first in-vehicle virtual reality experience available to the public.

The experience is being offered for free from Monday, Oct. 14, through Nov. 9 at Universal CityWalk Hollywood in Los Angeles to promote the upcoming remake of *Bride of Frankenstein*. Riders in a fleet of 2020 Ford Explorers wear a virtual-reality headset that uses navigational and driving data to create an immersive



experience that adapts to the vehicle's movement.

Holoride said riders will face virtual monsters and obstacles on a journey to

deliver a message to the Frankenstein monster. The Explorers have advanced connectivity added specifically for the experience and share steering, acceleration and speed data that's used by the virtual-reality technology to create "elastic content."

Said Brett Wheatley, Ford's vice president of mobility marketing and growth: "This collaboration allows us to showcase the promise of the connected vehicle and get essential customer feedback on what they want and don't want in terms of immersive in-car entertainment experiences."

A chicken in every pot, and a Dr Pepper in every cupholder

merica's cupholder war, meet America's soft drink war. Ford Motor Co. enlisted Dr Pepper to highlight the 15 cupholders in its Expedition SUV by creating a limited-edition 15-pack of cans. It planned to give away boxes Saturday, Oct. 12, at the Texas-Oklahoma college football game in Dallas.

"We're solving one of Expedition's last unsolved big customer needs — what to do with 15 cupholders," Adam Longarzo, the Expedition's consumer marketing manager, said in a statement that raised more questions here at *Automotive News* than it answered.

Of course, despite Ford's claim that it "has yet to find drinks packaged with enough cans to fill [the Expedition's] wells," plenty of soft drinks and beers are sold as 24-packs, and several beers still come in 15-packs today (not that we recommend them for demonstrating cupholder capacity).

We also were curious how Dr Pepper packaged an odd number of cans in a box no taller than a standard 12-pack. Fortunately, Ford sent one to our office, and we opened it to find a very unrefreshing piece of cardboard and plastic filling the space for would-be can No. 16.

We'll concede that 15 cupholders is a lot — and caution that bringing 180 ounces of Dr Pepper along on your next road trip is a recipe for more frequent bathroom breaks — but note that there are some vehicles out there with more. *Car and Driver* identified three last year: the Honda Pilot with 16, the Volkswagen Atlas with 17 and the Subaru Ascent with an unprecedented 19.



Enough cans to fill 15 cupholders. Finally?

Jeep celebrates: No more offensive emoji

Apple makes clear that Jeeps are not cars

Jeep, which fiercely protects its trademarked name, is celebrating the demotion of an emoji that it says falsely represented its rugged

Until Apple's most recent iOS update, iPhone users typing the word "Jeep" in a text would see an auto-populated emoji of a boxy blue car.

This did not sit well with the automaker, which referred to the emoji as "imposter Jeep." But with the Apple update, the connection between "Jeep" and the emoji has been

removed; it still appears when generic phrases such as "SUV," "car" and "automobile" are typed.

Jeep is now seizing on the victory with a lighthearted social media campaign by Huge Detroit called "#ThisIsNotJeep." On its Twitter and Instagram channels, the brand is imagining the frustration of Jeep enthusiasts when the pesky rogue emoji appeared.

Jeep did not formally lobby Apple to be delinked from the emoji, according to a brand spokesperson.

"The Jeep brand is opposed to this emoji being connected with its name and we're happy the association has been removed from the latest iOS update," Olivier Francois, chief marketing officer of Fiat Chrysler Automobiles, said in a statement. "We're good-natured-ly celebrating its demise with our owners and fans through this social media campaign, while firmly making it known that any SUV that does not carry the Jeep brand name cannot pass itself off as one of our vehicles."

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