

DEPENDENT MAGAZINE

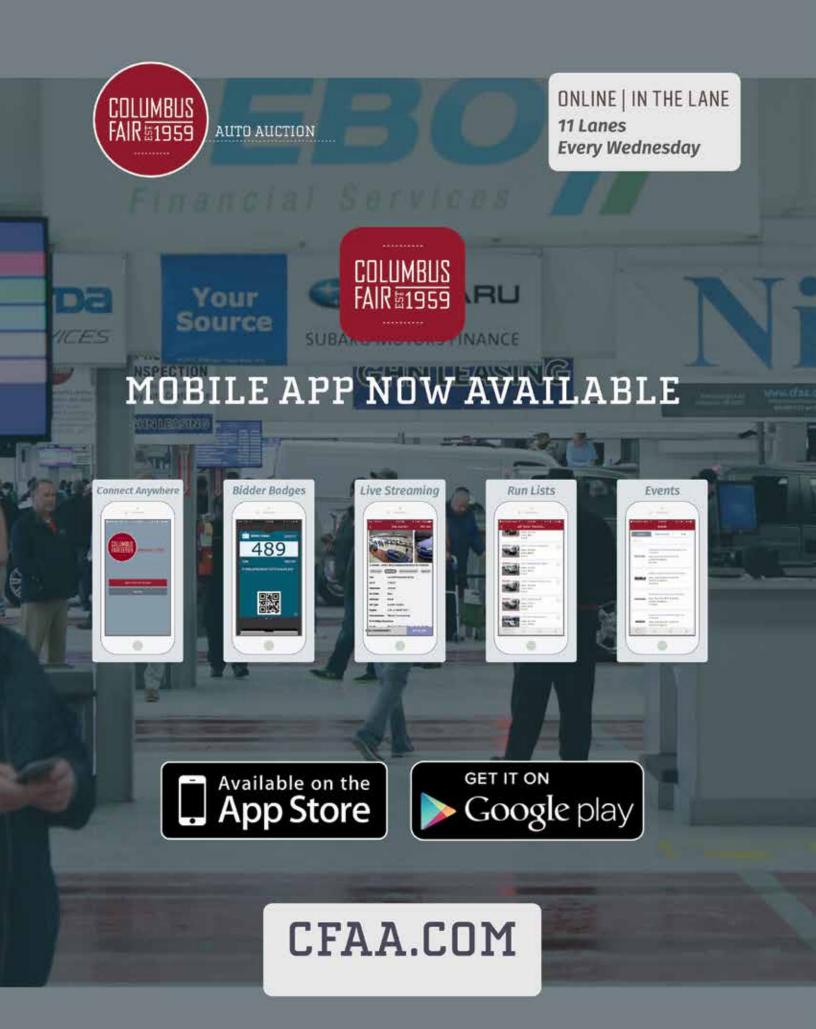
(MIADA **State Affiliate**

OHIO INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION MAY/JUNE 2017



PRSRT Standard

See page 13 for more information.



2017 DINNER & TEXAS HOLD'EM TOURNAMENT

Great Turnout

On Friday, March 10, OIADA held its annual dinner and Texas Hold'em tournament at the York Golf Course in Worthington, Ohio. We had more than 100 attendees come and enjoy grilled steaks, door prizes, a 50/50 raffle, and a fun filled evening of Texas Hold'em.

a fun filled evening of Texas Hold'em.
We'd like to thank all the sponsors and everyone who came out for making this year one of the best tournaments ever!





























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WHAT'S NEW
Tire Safety Week Dates Announced
The dates for National Tire Safety Week 2017 are May 28-June 3. An initiative of the Rubber Manufacturers Association, the event promotes tire safety among consumers. Auto dealers join the tire and auto industry to encourage drivers to "be tire smart."

For more information, or to request print materials, visit www.betiresmart.org.

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2017 EVENTS

Upcoming Events

JUNE 12-15 **NIADA Convention & Expo**

The Mirage

Register online: www.niadaconvention. com

JULY 14 Annual Golf Outing

York Golf Course 7459 N High St, Columbus, OH 43235 Register online: www.ohiada.org

SEPTEMBER 24-27 **National Leadership Conference** & Legislative Summit **DuPont Circle Hotel** Washington, D.C.

NOVEMBER 4 OIADA Expo & Convention

Nationwide Hotel & Conference Center 100 Green Meadows Dr. S Lewis Center, OH 43035

Register online: www.ohiada.org

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EXECUTIVE DIRECTOR'S

MESSAGE Industry Update

Happy Spring, everyone! The dealer licensing division of the Bureau of Motor Vehicles is reviewing all 32 current administrative rules along with five new administrative rules in Chapter 4501:1-3 of the Ohio Administrative Code. OIADA, along with the new car association, has offered suggestions to make some of the rules easier to understand and better for dealers.

You can go to the BMV website (ohioautodealers. com) and see the codes being reviewed. There are several steps in this process, so please reach out to our office with any comments or concerns so we can make sure your voice is heard during this review.

Check out the calendar of events and make sure you register for the



annual convention and expo being held on November 4 at the Nationwide Hotel and Convention Center. We're still working on some details, but I can tell you this year is going to be spectacular! Look for your invitation and register early so you don't miss out!

I hope our new website will be up and running by the time you read this message. As you may have noticed, our old site wasn't very user friendly or responsive to mobile devices. If it's not up and running yet, it should be any day now! Please let us know how you like it and what suggestions you have to make it better.

NEW AND

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ADESA Cleveland Auto Auction

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BY KATHI KRUSE

TOP 10 FACEBOOK MARKETING KPI'S

Key Performance Indicators

Facebook marketing done right communicates your store's core message and personality, attracts and engages your target customers, and converts fans into customers. Too often dealers jump onto Facebook without a plan or clear idea of what success really means for *them*.

Most of us have experienced how planning improves our endeavors, and marketing is no exception. A solid social media strategy plan saves time, money and precious resources. It also puts the company in touch with target customers on a more meaningful level. Time spent on strategy planning is evident in the results.

"Tactics without strategy is the noise before defeat." - Sun Tzu

In my everyday travels, I see a lot of dealers using the "trial and error" method of Facebook marketing. Example: "Let's post this random picture of a vehicle for sale so everyone will see how fantastic it is!" The number one reason they use this tactic is because they've seen another dealer do it.

Random pictures of cars have been posted by dealers throughout the country for years. Isn't it time to hold up on that and do something unique?

There's nothing about benign vehicle photos and "sales jargon" that promises value to the customer.

Now, if there was a story behind the image that told of a fantastic customer experience, then telling that story would bring you a big step closer to a quality post. Otherwise, it's just noise, and noise is something we can all do with less of these days.

The ability to recognize the difference between a random, useless post and a quality piece of content is rooted in strategy. Specific goals and their corresponding strategies make Facebook marketing click.

What you post is governed by why you post.

Defined within your social media strategy plan should be:

- · Goals you want to reach.
- A timeframe to reach those goals.
- A roadmap of how you'll achieve goals.
- Definitive metrics.

Look for success markers along your Facebook marketing journey.

Just like the maps app on your phone shows the best route to take toward your

destination, key performance indicators guide you to what success looks like for your Facebook marketing. KPI's give you a solid foundation from which to measure results.

TOP 10 FACEBOOK MARKETING KPI'S

Every social media strategy plan should outline the metrics you'll analyze for best results. These are Kruse Control's top 10 Key Performance Indicators we use with our clients:

1. Audience Growth

- · How quickly are your fans growing?
- What are you doing to increase growth?
- Are you setting growth goals?
- Are you achieving those goals?

2. Audience Profile

- Have you defined your target audience?
- What type of audience are you building?
- How close is the audience you're building to your target audience?

3. Audience Engagement

- Is your audience interacting with your content?
- If so, how are they engaging (i.e. comments, likes, shares)?
- If they're not engaging, why not?
- Are you responding to comments on posts?
- Are you equipped to engage leads when they comment on posts?

4. Content Reach

- How many people are seeing your content each week?
- · What are you doing to improve reach?
- What's the optimal time of day to reach fans/followers?
- Are you getting "referral traffic" (website visits) from Facebook (especially blog posts)?
- Is referral traffic being tracked for remarketing?

5. Engagement by Content Type

- What types of content are getting the best results?
- Have you tried different types of content that you haven't before (example: live vs. recorded video)?
- Are you prepared internally to produce that new type of content?
- What organizational changes need to happen to produce content?

6. Leads

- What is the click through rate to each vehicle display page or landing page?
- What is the CTR from each social media channel?
- Number of leads per landing page (how many filled out lead form)?
- Number of clicks to landing page that did not fill out the lead form?
- Paid vs Organic Leads (organic leads are the result of networking and relationship building)?

7. Conversions

- What's your conversion rate? How many leads converted on landing pages?
- Number of "organic" leads that converted (leads earned, not paid for)?
- · Which landing pages had the highest

conversions?

8. Response Rate & Quality

- How quickly are you responding to comments and messages? Facebook grades your page for response time.
 - Is your lead form response time (follow up to lead form inquiries) reasonable?
 - How effective are you at social customer service? Currently, 92.5 percent of brands fail to meet customer expectations on social media and these failures can have big implications.

Bad social customer service isn't just embarrassing. It's bad for business:

- 38 percent will feel negatively toward the brand without a response, and a full 60 percent will tweet about their negative experiences.
- Two thirds of customers with poor customer experience reduce their spending with a brand.
- 55 percent of Americans have switched brands due to poor customer service.

Customers turn to social media when issues arise, expecting a response. Thirty-three percent prefer to contact brands using social media rather than the telephone. How equipped are you to embrace social media as a customer service channel?

Any opportunity to hear customer feedback is a gift.

9. Sales

Marketing's job is to serve up leads. Conversions are tracked to determine if the message is resonating. Marketers, however, rarely track sales, because it's a hand off of sorts. Other organizational processes come into play and many on both sides of the equation don't bother communicating about sales results.

As a company leader myself, I've always thought of marketing and sales holistically. Tracking marketing through to sales results will only improve both.

10. Negative Feedback

- How much negative feedback have you received?
- Do you know how much is to be expected (i.e. unfollows, hide posts, etc.)?
- What is your process for dealing with negative Facebook reviews? Facebook, at this point, doesn't offer even a rudimentary process for appealing a review. Your 4.8 stars can quickly become 2.0 with a few negative reviews, regardless of whether they're real.

Next Steps

Examine your own Facebook marketing results using these top 10 KPI's. If you haven't yet determined your social media strategy, we're here to help. There's no sense in waiting. A solid plan with proven strategies takes the guesswork out of social media so you can engage more customers.



Kathi Kruse is an automotive social media marketing expert, blogger, consultant, author, speaker and founder of Kruse Control Inc. Kruse Control coaches, trains & delivers webinars focused on integrating social media and online reputation management into dealership operations.

LEGAL NEWS
BY ALLISON L HARRISON LAW LLC

FTC CHARGES SAGE AUTO

Alleged Deceptive and Unfair Sales and Financing Tactics

Summary

The Federal Trade Commission has charged nine Los Angeles-area auto dealerships and their owners with using a broad range of deceptive and unfair sales and financing practices.

The FTC's action against the auto dealers addresses "yo-yo" financing tactics: using deception or other unlawful pressure tactics to coerce consumers who have signed contracts and driven off the dealership lots into accepting a different deal. The FTC claimed the defendants packed extra, unauthorized charges for "add-ons," or aftermarket products and services, into car deals financed by consumers.

Advertisements

According to the FTC's complaint, the defendants entice consumers into their dealerships with print, Internet, radio and television ads that make an array of misleading claims. These claims include vehicles being generally available for the advertised terms and that consumers can buy vehicles for low prices, finance with low monthly payments, or make low down payments. Other allegedly misleading claims include that consumers can finance the purchase of vehicles, when in fact they are lease offers.

Online Reviews

The FTC also alleges the defendants use phony online reviews to tout their dealerships and discredit negative reviews that highlighted their unlawful practices. They and their employees or agents allegedly posted positive, five-star online reviews that purport to be from objective or independent reviewers without disclosing their relationship to the dealerships.

Yo-Yo Tactics

The FTC alleges the defendants have violated the FTC Act by charging some consumers for add-ons without their consent or falsely claiming the products were required or were free. Further, the FTC has charged that several financing tactics of the defendants are deceptive and unfair. As part of the sales and financing process, the defendants offer add-ons such as extended

In some instances, after the consumers had signed contracts, the defendants falsely represented that consumers were required to sign a new contract with different terms.

In other cases, the defendants told consumers who had completed finance contracts the contracts were canceled and falsely represented the defendants were permitted to keep customers' down payments or trade-ins.

When consumers request compliance with the terms of the contract or refuse the defendants' demands, the dealers, in some instances, have falsely represented consumers will be liable for legal action.

Conclusion

The proposed settlement order will prohibit the defendants from making misrepresentations relating to their advertising, add-on products, financing, and endorsements or testimonials. Additionally, it prohibits them from violating the Truth In Lending Act, Regulation Z, and the Consumer Leasing Act and Regulation M.

The proposed order will also bar the defendants from engaging in other unlawful conduct when a sale is canceled, such as failing to return any down payment or trade-in or seeking legal action, arrest, repossession or debt collection unless the action is lawful and the defendants intend to take such action.

For a copy of the complaint and examples of Sage Auto's deceptive advertising please visit https://www.ftc.gov/system/files/ documents/cases/160929sagecmpt.pdf.

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ASSOCIATION NEWS

MORE WHERE THAT CAME

NIADA Plans Bigger and Better Convention

The 2016 NIADA Convention and Expo was the largest in the event's 70-year history. It was incredibly well received by attendees - 94 percent of those surveyed said the information they took away from the Convention was very useful, and 99 percent said they are likely to attend again

There's only one way to follow a tough act like that.

Make it bigger and better.

NIADA's 2017 Convention and Expo, coming up June 12-15 at The Mirage in Las Vegas, aims to do just that, helping you Chart Your Course toward success with a packed agenda that includes even more extensive education offerings than those of last year - which were NIADA's largest and most diverse ever.

Last year's expanded Buy Here-Pay Here agenda has been expanded again for 2017, featuring NIADA national director of 20 Groups Chuck Bonanno, NIADA 20 Group moderator/consultants David Brotherton and Mark Dubois, and some of the top operators and trainers of the BHPH sphere offering training on everything from inventory acquisition and recon to underwriting to collections.

Plus, for the first time ever, NIADA presents an industry exclusive: BHPH industry benchmarks for 2017, provided from NABD and NIADA industry data.

That's not the only new item on the agenda. In fact, in addition to Retail, BHPH and Operational Standards, there's an entire new educational area of focus for the 2017 Convention.

Certified pre-owned is the hottest thing in the used vehicle market. CPO sales set a record for the sixth consecutive year in 2016 and are on pace to break that mark again this year, and thanks to programs like NIADA Certified, independents can now get in on the action.

Find out how to get your share of the red-hot CPO market and learn its best practices in an array of sessions led by industry experts and some of the nation's top CPÓ dealers, including 2016 NIADA CPO Dealer of the Year Todd Hoagey.

Everything begins Monday with an in-depth look at the many training opportunities offered year-round by NIADA. Bonanno gives dealers a chance to "test drive" NIĂDA Dealer 20 Groups, as well as Bootcamps, consulting and more, in his workshop "The Power of 20." That's followed by a "Power Through Education" workshop, as acclaimed sales and leadership trainer/consultant Dave Anderson of LearnToLead shows how the best performing independent dealers are achieving success.

While providing dealers the education they need to thrive in the rapidly changing used vehicle industry is a primary focus of the NIADA Convention and Expo, there is far more to it than that.

Start with the keynote speaker, Captain Richard Phillips, whose dangerous and dramatic encounter with Somali pirates as skipper of a merchant ship in 2009 inspired a best-selling book and the hit movie Captain Phillips. He'll be on hand to tell his story Tuesday afternoon, courtesy of Carfax.

Capt. Phillips will also appear for autographs at Carfax's booth in the Expo Hall, which is again sold out and will include more than 165 exhibitors representing the latest cutting-edge technology, products and services designed to help your dealership stay on top of the ultra-competitive used car market.

As always, we'll honor the industry's best at Wednesday night's National Leadership Awards banquet - including Crystal Eagle membership awards, the coveted Ring of Honor and the NIADA and Cox Automotive Community Service Award – leading up to the climactic announcement of the National Quality Dealer of the Year on Thursday.

Of course, there's also time for fun, beginning with the popular Cigars and Martinis welcome reception Monday night, with a "Havana Nights" theme and the band South Beach. And we'll close the event in style in Treasure Cove with a rocking After Party featuring live music.

All of this is happening at the spectacular Mirage, with its 17 restaurants, eight bars and lounges including the exclusive 10AK nightclub, Cirque de Soleil's Beatles LOVE show, the Secret Garden and Dolphin Habitat, a tropical pool with waterfalls, lagoons and cabanas, and the famous Volcano.

To be a part of the used vehicle industry's event of the year - and NIADA's biggest event ever - register online at www.niadaconvention.com. Use the promo code VOYAGE17 before May 31 for a discounted rate of \$449 - a \$200 savings.

Be sure to click on the "Travel & Accommodations" tab to book your hotel now at our discounted room rate of \$150 per night, which includes the nightly resort fee, in-room Internet and fitness center access. Rooms are limited, so don't wait.

You can also get the discounted rate by calling The Mirage at 800-627-6667 and mentioning "NIADA Annual Convention 2017."

For more information about the 2017 NIADA Convention and Expo, visit www.niadaconvention.com or call 800-682-3837.

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NIADA. IV TO STREAM WORLD AUTO AUCTIONEERS CHAMPIONSHIP

For the sixth consecutive year, NIADA.TV will webcast the World Automobile Auctioneers Championship live, courtesy of the National Auto Auction Association and co-sponsor NextGear Capital.

The competition will be held May 12 at Manheim Pennsylvania in Manheim, Pa. NIADA.TV's coverage will begin at 8 a.m. EDT.

Watch the rapid-fire action as the best auctioneers, ringmen and teams in the business compete for prize money and the coveted titles of World Champion.

Michael Riggins is the defending champion auctioneer, while Aaron Brown won the 2016 ringman title and Blake McDaniel and Dustin Taylor earned



the team championship.

This year's judging panel consists of the following industry executives:

- Eric Authenrieth, general manager of Carolina Auto Auction, ServNet vice president and treasurer.
- Brad Bollman, vice president of remarketing solutions at GM Financial.
 - Kevin Brown, president and owner of Missouri Auto Auction, president of ServNet.
 - Frank Hackett, CEO of National Auto Auction Association.
 - Grace Huang, Manheim senior vice president of inventory services.
 - · Lori Jones, Texas Auction Academy

vice president.

- Shane O'Dell, president of Cox Automotive Financial Solutions and NextGear Capital.
- Rich Perkowski, national auction manager at BMW Financial Services.
- Frank Stapleton, 1991 Reserve World Champion Auto Auctioneer.
- Stephane St-Hilaire, ADESA president and CEO.
- Laura Taylor, Charleston Auto Auction general manager.
- KAR / ADESA Judge
- Alternate Judge: Chad Bailey, general manager of Akron Auto Auction and vice president of NAAA.

ONLINE MARKETING

BY JEREMY ANSPACH

MAKING THE MOST OF LOCATION-BASED DATA

Drive Mobile Shoppers to the Lot

Now more than ever, dealers must make an effort to meet consumers across all channels. Thanks to the growth of mobile, consumers make major purchase decisions on the go, and often on impulse. While low-funnel car buyers aren't yet actually purchasing cars via mobile devices, they do conduct the majority of their auto research on smartphones and tablets.

Serving relevant, targeted ads to consumers is crucial across every industry, but it holds especially true in automotive. With over 75 percent of the car buying process spent online, it's increasingly important to keep the ads and content relevant across devices. When added to a dealer's larger digital marketing strategy, mobile can help them in such scenarios. By leveraging location data to serve real-time,

contextual ads, dealers have the power to drive mobile car shoppers from their phones to the lot.

Discover Shopper Preferences

To better service mobile car shoppers, dealers must understand their shopping habits. Is a consumer on the hunt for an SUV or a sedan? Does she have a color preference?

Dealers can use an online car shopper's search and browsing behavior to serve more tailored ads on the go. If a consumer is repeatedly searching for a red Jeep, for example, ads across all devices should reflect this with relevant content.

In addition to relevancy, highly targeted ads are not productive if they're not in line with your dealership's inventory. A car shopper could be served a retargeted ad for the red Jeep she's been eyeing, but if the model is out of stock by the time she actually visits the dealership, she won't be a happy customer.

Utilize Location Data

Along with effective display advertising and retargeting, location-based mobile behavior can help dealers improve their personalization efforts even further. Desktop marketing efforts are limited by a car shopper's permanent location, allowing

dealers to only advertise based on where a computer is.

The percentage of auto shoppers using mobile to shop for a vehicle is expected to increase to 80 percent by 2020. With the growth of mobile, relying solely on desktop is not an accurate representation of consumers' browsing habits.

Location-based mobile advertising allows dealers to interact with shoppers anywhere and at any time. For example, a shopper who has been on the hunt for a red Jeep is about to pass a dealership that has one on the lot. Your dealership can reach that consumer by serving her a targeted ad as she drives by, enticing her to visit the dealership.

Dealers can make their marketing efforts stand out among competitors by applying digital behavior to realworld context. In doing so, they'll keep car shoppers engaged and generate immediate ROI from their digital campaigns. As shopping on smartphones and tablets quickly becomes the norm, dealers must adjust to the trend and integrate a digital solution that keeps mobile top of mind.

Jeremy Anspach is CEO of PureCars.

5 FACTS YOU DIDN'T KNOW ABOUT COST OF REPAIRS

A Fresh Approach

Most dealers have talked cost of repairs when attempting to close a vehicle service contract sale. But has talking about the price of parts and labor returned a mixed bag of results? What if there was a different approach you could take when presenting cost of repairs that would be more effective?

In the interest of taking a fresh, new approach with the cost of repairs presentation, let's take a step back from the price of a new transmission or the labor costs at the repair shop down the road. Let's rather take a look at some supporting data and approaches that make the cost of repairs discussion more relatable and more effective.

Nearly half of all Americans can't afford an unexpected \$400 expense.

The Federal Reserve just conducted research that found 46 percent of Americans do not have enough money to cover an

unexpected \$400 expense. Chances are if you're selling a used vehicle, or perhaps one with higher mileage to a subprime customer, that they would fall into this category. With this knowledge on hand, it should help justify a few extra dollars each month to have a service contract on a vehicle.

Age of ownership is changing rapidly.

Edmunds research has discovered trade-in volume will likely dip below six million this year. It's the first time this has happened in five years. Why? Because drivers are hanging on to their cars longer.

The same Edmunds report showed that 8- to 15-year-old vehicles had higher value retention than one year prior. If your customers plan on holding onto their cars longer and protecting the value these vehicles retain, a service contract becomes a much easier sell.

Expenses from a breakdown don't stop at parts and labor.

Anyone who has had a broken down vehicle knows the process. There's a tow truck involved. If you're away from home, you'll need to find lodging.

Parts and labor can be expensive on their own, but when you factor in hotel stays, roadside assistance and towing services, the cost from a breakdown starts to skyrocket. A service contract resolves these fears by



covering more than just parts and labor.

Customers are basing their car purchase decisions on parts costs.

A recent AutoMD survey reported 15 percent of car buyers factor in costs of repairs when buying a vehicle. It's one of the leading considerations of recent car buyers – right behind price, longevity and utility. If this is such an important point of emphasis for customers, it would only make sense they would be interested in protecting themselves from such out-of-pocket expenses.

Video can tell this story for you and bring it home.

According to global media measurement company ComScore, after watching a video, 64 percent of customers are more likely to buy a product. After (or perhaps even before) you've made your case about cost of repairs being the reason a customer should buy a service contract, show them a video that tells the story in a succinct manner. It might just be the piece that brings your presentation together and gets your customers to their purchasing decision.

SALES MATTERS

BY GEORGE DANS

CLOSE OR LOSE What If They Say No?

How many times have you heard the dreaded phrases, "We need to go home and think about it," "This is our first place," or, "I need to go home and talk to my wife"? According to Internet statistics, the average customer is spending over 15 hours of research when it comes to buying a vehicle. Doesn't that mean they have accomplished all of their pre-game activities prior to buying a car? Then why do they come in and say they're just looking?

The dreaded word "no" has destroyed so many good people because they haven't been professionally trained, developed or maintained to overcome it. My best advice is to set your sale up the right way so you can close the right way.

Follow and execute the basics of selling with every single customer, every day, and I know you will sell more, close more, net more and profit more, and more success will follow you right to the bank.

Closing is when you do something positive that is leading your prospect through the sales process. Every time your prospect says "yes" to you that's a minor commitment toward the ending commitment, when you finally ask for the sale.

When is the best time to ask for the sale? It's when you have built the value higher than the price in the prospect's mind. One of the easiest closes to use is the summary close, which is like a designed play in sports.

Three "yes" questions or minor commitments:

- 1. You did like the car, didn't you?
- 2. Didn't this have all the room you need?
- 3. Won't this car save you money on gas in the long run?

Positive statement: Steve, it sounds like you and I found the perfect car!

Close: Will you be registering this in one name or two?

Shut up.

Like most great salespeople, when you ask for the close you have to make sure you shut up! Don't over talk, don't talk, just shut up. When you ask for the sale, let the prospect come back with an answer.

Example if the answer is no:

Flush out the objection – "Is it the car, make, model, equipment or the price?" Then shut up.

"It's the price!"

Ask, "Are you writing a check or making payments?" Then shut up.

"Payments."

"Sounds to me like you want to make sure it fits your needs and in your budget. Am I right?" Then shut up.



"Yes."

"Other than fitting this into your budget, is there any other reason why we couldn't wrap it up right now?" Then shut up.

"No.

"Congratulations. Are you going to be registering this in one name or two?" Then shut up.

"Two names!"

"Follow me and let's go write it up!"
If you are an amateur, I'm sure you won't practice or take the time to learn, absorb, repeat and master the above scripts. If you are a real professional, or on your way to becoming a professional, you know you have to practice the scripts so they don't sound like a script. Pros practice until they can't get it wrong. Read it, role play it, record it and watch how easy it is to close more sales.



MANAGEMENT MATTERS

BY DALE POLLAK

RETHINK HOW YOU SOURCE AUCTION VEHICLES

Adapt to Market Shifts

How has your auction-sourcing process changed in the past 12 to 18 months?

About a third of dealers say things are pretty much the same when it comes to sourcing auction vehicles. In many instances, dealers believe their used vehicle managers and buyers could do a better job, but they don't feel a compelling need to make any dramatic changes.

These are dealers who've expanded their wholesale acquisition net beyond local sources. Their focus is at least regional, if not multi-state. Managers and buyers are traveling further to find the right auction inventory for their dealerships.

Other dealers are buying more online. These dealers fall into two categories: those who are learning the ropes of acquiring auction vehicles through online channels, and those who want online purchases to make up a majority share of their wholesale acquisitions. In both cases, dealers say they see online auctions as more cost-effective and efficient than sending managers to auctions to acquire wholesale inventory.

I'd estimate about 20 percent of dealers have transitioned to buying solely online. Typically, the shift involves the hiring and/or training of acquisition specialists – tech-savvy individuals who spend the majority of their time researching vehicles and managing live and proxy bids to acquire cars. Here again, dealers say the change resulted from a desire to make auction sourcing less costly and more efficient.

I worry the most about dealers who fall in the first group.

If auctions were like fishing, these dealers would be the guys who are basically bringing the same bait and tackle to the same fishing holes, hoping to bring home the best fish. They see enough occasional success to maintain the same routine, even as the law of diminishing returns erodes their potential for success. They may even justify less-than-optimal results with a purist-type position – the guys with the fancy baits, high-tech fish finders and tackle aren't really "fishing," at least not in the traditional sense.

But today's wholesale market is anything but traditional. Consider the following factors.

Increased Supply

Not long ago, dealers bemoaned what they considered a dearth of decent cars available at auctions. Today, we have the opposite problem – an unprecedented, and growing, level of wholesale supply that will bring a commensurate rise in vehicle value volatility and risk.

Increased Competition

In the months ahead, analysts say dealers



will see fewer trade-in opportunities from new vehicle customers – a by-product of rising levels of leasing in recent years. Edmunds reports that fewer than half of new vehicle deals involved a trade-in. This market dynamic means more dealers will look to auctions to acquire the inventory they need to drive their retail sales and profit objectives.

Increased Market Insight

New technologies and tools are helping dealers efficiently pinpoint the auction vehicles that offer best retail potential for their dealerships, based on the front-end gross profit the vehicle might generate as well as how fast it will sell, given the number of competing units available in the market. For these dealers, there's little, if any, guesswork involved when they make a decision to acquire an auction vehicle.

Increased Margin Compression

Unfortunately, the trend of the past several years will continue in the months ahead – pricing transparency and rising costs will continue to erode used vehicle profit margins. Add in the aforementioned volatility due to increased wholesale supply, and it is an ever-greater imperative to consistently buy the right auction car on the money.

To me, these factors indicate a wholesale market where change is ever-present, and tomorrow's opportunities will likely look different than they do today.

That's why I'm more confident about the future success of dealers who've actively been changing the way they source auction inventory. In the months ahead, they'll be better positioned to adapt to market shifts and gain advantage. Their competitors, meanwhile, will still be arguing over whether something needs to change.

Dale Pollak is founder of vAuto and has published several books on his Velocity Method of Management.







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NIADA GOVERNMENT REPORT

Latest Government Issues and Activity

Here's a rundown of some of the latest governmental issues and activity affecting the used car industry from NIADA senior vice president of legal and government affairs Shaun Petersen and NIADA lobbyist Sante Esposito of Key Advocates.

REGULATORY REPORT

By Shaun Petersen

CONSUMER FINANCIAL PROTECTION BUREAU

The CFPB settled an action with Experian and its subsidiaries for allegedly deceiving consumers about the use of credit scores it sold to consumers.

Experian claimed the credit scores it marketed and provided to consumers were used by lenders to make credit decisions, but the CFPB said the lenders did not use those scores in making lending decisions.

The CFPB also alleged Experian violated the Fair Credit Reporting Act for making consumers view advertisements before providing them with a free credit report through Annual Credit Report.com. Experian was fined \$3 million.

DEPARTMENT OF JUSTICE

Raymond L. Rodriguez, Jr. was sentenced to three years and one month in federal



prison for money laundering and assessed a monetary judgment of more than \$1.75 million—the amount of the proceeds traceable to the offense.

According to court documents, Rodriguez, owner and operator of Rodriguez Auto Wholesale, sold 87 vehicles over a four-year span for a total of more than \$1.75 million to individuals who paid him with proceeds from the sale of illegal narcotics and/or stolen identity refund fraud offenses.

Rodriguez knew the funds had been illegally derived and agreed to disguise the large cash transactions from the government by accepting large cash payments for vehicles without filing Forms 8300 with the Internal Revenue Service, as required by law, and by placing vehicles in the names of straw buyers so law enforcement and other governmental entities would not be aware of the true owners of the cars or the illegal funds used to purchase them.

Rodriguez further promised purchasers to keep a lien on certain vehicles despite receiving payment in full, so in the event those vehicles were seized by law enforcement authorities, Rodriguez could reclaim possession and return the seized cars to the purchasers or their family members.

FEDERAL TRADE COMMISSION

Following a public comment period, the FTC approved final consent orders with CarMax, Asbury Automotive Group and West-Herr Automotive Group, resolving claims they failed to disclose open recalls despite advertising rigorous inspection programs

The orders require the dealerships to refrain from stating their used vehicles are safe, have been repaired for safety issues or have been subject to a rigorous inspection unless they are free of open recalls or the dealerships clearly and conspicuously disclose that their vehicles might be subject to unrepaired recalls for safety issues and explain how consumers can determine a vehicle's recall status.

STATE ACTIVITY

New Jersey: After his conditional veto forced changes to the bill, Gov. Chris Christie signed final legislation that will require dealers using GPS or starter-interrupt devices to disclose the existence of the device and whether it has the ability to disable the vehicle's starter remotely.

Dealers using starter-interrupt technology will not be permitted to disable a vehicle's starter until a consumer is in default for at least five days on a contract requiring weekly installment payments and at least 10 days on a contract requiring other installment payments. Dealers will be required to warn the consumer at least 72 hours before disabling the starter.

The bill originally made it to Christie's desk with several restrictive provisions, including a mandatory interest rate reduction for use of starter-interrupt

devices. The state legislature removed those provisions following the conditional veto.

Nevada: The Nevada Senate has a bill pending that would prohibit the use of starter interrupt or GPS devices in that state. I traveled to Nevada to testify against the bill, along with several dealer members and other interested parties. We are in discussions with the bill's sponsor and interested parties about workable legislation.

LEGISLATIVE REPORT

By Sante Esposito

CFPB CONGRESSIONAL HEARINGS

The House Financial Services Committee's Subcommittee on Oversight and Investigations held a hearing March 21 titled, "The Bureau of Consumer Financial Protection's Unconstitutional Design."

The hearing examined whether the structure of the CFPB violates the Constitution and discussed possible changes to resolve any constitutional issues.

As established by the Dodd-Frank Act, the bureau is headed by a single director who serves a five-year term and can only be removed by the President for "inefficiency, neglect of duty or malfeasance in office." The director sets the CFPB's budget, which is funded outside of the congressional appropriations process through transfers from the Federal Reserve system's operating expenses.

One of the witnesses, former U.S. solicitor general Ted Olson, who represents PHH Corp. in a case against the CFPB, said, "Congress went way too far with this agency. The breadth of authority here and the lack of oversight to Congress and the President I've never seen in any other agency."

On April 5, CFPB director Richard Cordray appeared before the full committee for his semiannual report. In his opening statement committee chairman Rep. Jeb Hensarling (R-Texas) said Cordray should be fired "for conducting unlawful activities, abusing his authority and denying market participants due process," and said the CFPB should be overhauled.

"Mr. Cordray and his CFPB don't just act as a cop on the beat," Hensarling said. "They act as legislator, prosecutor, judge and jury all rolled into one. The CFPB represents the summit of unelected, unaccountable and unconstitutional agency government. It represents a dagger aimed at the heart of our foundational principles, namely co-equal branches of government, checks and balances, due process and justice for all.

"The tyranny must end and the people's constitutional rights returned to them."

Cordray defended the bureau, citing its enforcement actions against Wells Fargo and its efforts to "clean up the problems" associated with credit reporting.

"Nobody should want to return to a system that failed us and produced a financial crisis that damaged so many lives," he said. \(\infty\)

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