

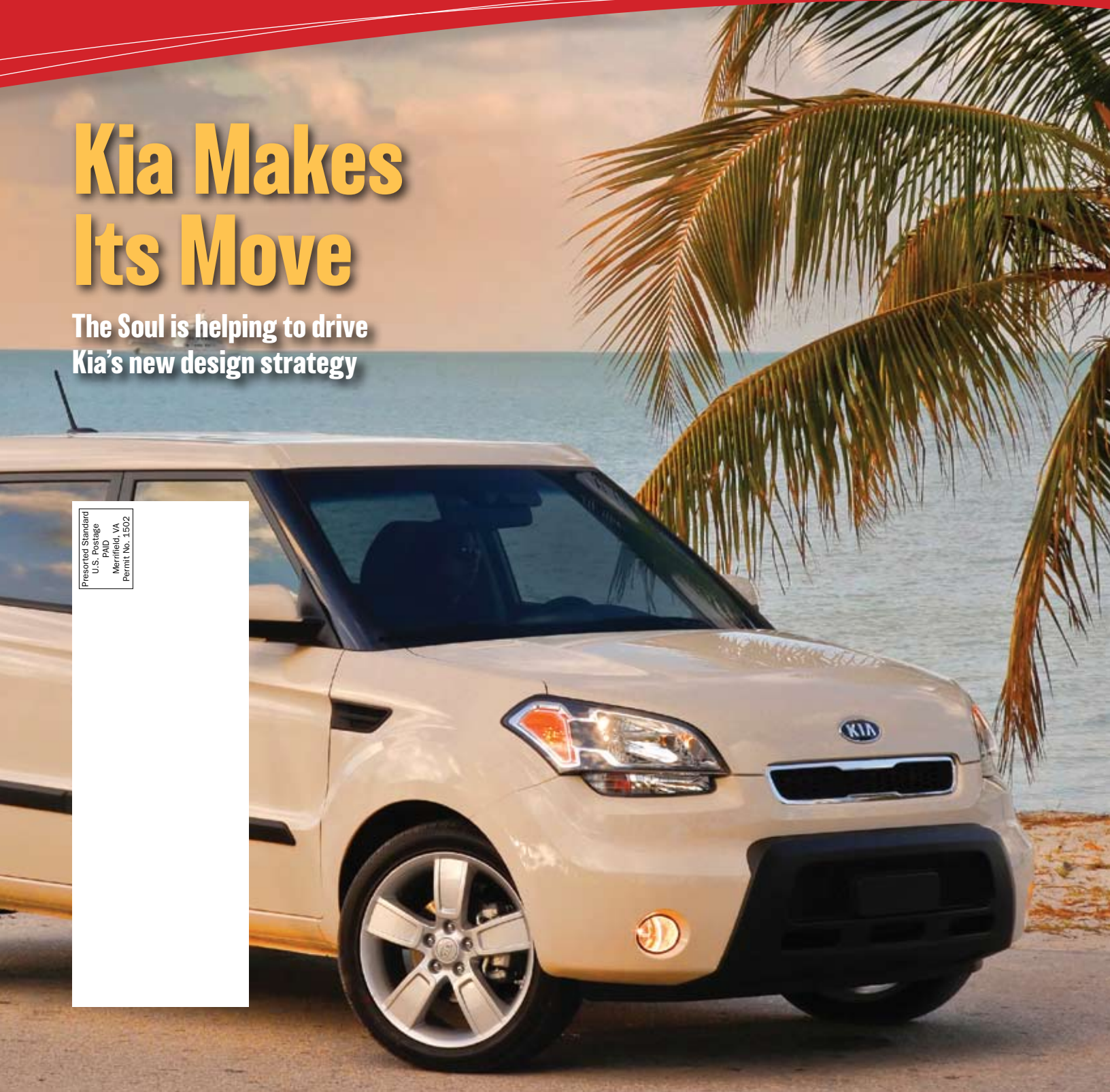
# AutoDealer™

The Magazine of the  
American International  
Automobile Dealers

VOLUME 3 NUMBER 3  
FALL 2009

## Kia Makes Its Move

The Soul is helping to drive  
Kia's new design strategy



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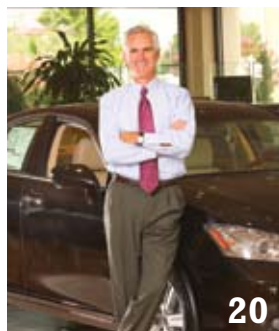
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Dave Alicea, Classic Toyota

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Casey Turner, Turner Volvo

Bill Gibbs, Jim Hudson Lexus Augusta



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**T**

he government's Cash for Clunkers program, or Car Allowance Rebate System (CARS), came to an official close on

August 25. Most of the dealers' work is finished, but the government's work is only just beginning as the Department of Transportation (DOT) and National Highway Traffic Safety Administration (NHTSA) process the paperwork dealers filed in order to be reimbursed. As

dealers are waiting, they are disabling engines and preparing to send the clunkers to scrap-page lots where they will be recycled. To read more about dealers' experiences during the Cash for Clunkers program, turn to page 17.

Of course, that doesn't mean that AIADA is done with

Clunkers. Our focus now is on getting dealers paid. Dealers are reporting that payments are coming faster, but so are the rejections. Reports are also trickling in of dealers being audited before they have even been reimbursed. Instead of auditing dealers, I hope the government will use its manpower to ensure that we are paid in a timely fashion.

Despite the confusion associated with its implementation and wrap-up, the Clunkers program will be remembered by most dealers as the greatest stimulus program in which we have ever taken part, and in some cases the program that rescued our businesses.

Cash for Clunkers wasn't perfect—far from it—but it did provide a much needed stimulus to our struggling industry. And more than that, its impact

has been felt across the board in almost all sectors of the American economy.

In all, dealers submitted 690,114 transactions worth over \$2.8 billion. It will be a while until we can know the full impact of the CARS program, but from my perspective it accomplished exactly what a stimulus program is meant to do.

Both DOT and NHTSA have literally worked night and day to get CARS off the ground. Dealers, have also gone above and beyond, bending over backward to meet every paperwork requirement. The sooner the "clunkers" funds reach our accounts, the sooner the full effects of the program will be felt.

Let me close by reminding you that in times of turmoil, AIADA will continue to be there, on top of every issue, representing the dealers' best interests. That is why it is so important that dealers register today for AIADA's 40th Annual Meeting and Luncheon in Orlando in February. The most critical issues facing dealers will be discussed, the 3rd Annual Ray Mungenast Lifetime Achievement Award will be presented, and John Krafcik, President and Chief Executive Officer of Hyundai Motor America, will provide a much-anticipated keynote address. Turn to the back page of this magazine for more information.

Don't wait to register. February may seem a long way off, but we dealers know how quickly time flies . . . AD



*Russ Darrow*

**RUSS DARROW**  
AIADA Chairman

The American International Automobile Dealers Association is the only national lobbying force in the United States dedicated exclusively to the economic and political interests of America's international nameplate automobile dealers. AIADA was founded in 1970 in order to increase awareness of the international nameplate automobile industry's value to the U.S. economy. The association serves as an advocate for the industry before Congress, the White House, and federal agencies. It focuses its lobbying efforts on trade and anti-competitive restrictions that limit the availability of international nameplate automobiles, full repeal of the Death Tax and other tax measures, affordable health care, labor issues, energy, fuel economy policies that constrict consumer choice, and other industry-related matters.

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# Health Bill Could Handicap Small Businesses

BY REP. JOHN BOEHNER (R-OHIO)

**B**efore I was elected to Congress, I ran a small plastics packaging business in Cincinnati, Ohio, providing products and services, creating jobs, and meeting payroll.

Thanks to the 1974 Employee Retirement Income Security Act (ERISA), which shields employers who offer benefits to their employees from being pummeled by laws that vary from state to state, I was also able to offer health care and pension benefits to my employees.

As every small-business owner knows, this can be quite a balancing act, but I count it as one of the most rewarding times of my life—a time that led to my service in Congress.

Whenever I cast a major vote in the House, I find myself thinking back to those days and how the policies we are debating will affect small businesses like mine. After all, I first decided to run for elective office because government—at all levels—was too often an impediment to my firm's success.

With Blue Dog Democrats having announced a “deal” with congressional Democratic leaders to move forward on health care legislation after the August legislative break, I've again put myself back into the shoes of a small-business man.

Unfortunately, the Democratic chairmen of the three House committees that crafted the legislation don't have that same type of real-world experience. None of them have run a business before—and looking at this legislation, it shows.

Rather than helping small businesses with common-sense solutions to make health care more affordable, the Democrats' bill actually creates a climate that destroys jobs and does nothing to slow the cost-shifting to

businesses and employees that is one of the fundamental problems with health care in our country today.

At the heart of the Democrats' plan are an income tax surcharge that will fall heavily on entrepreneurs who run small businesses and a harsh mandate that requires employers to provide health care or face a penalty—a mandate that could eviscerate ERISA by persuading employers to stop offering health care benefits to their employees.

After five years, the Democrats' legislation requires all employer-provided health care plans to be approved by the Department of Labor and a new health choices commissioner. Employers that do not provide a plan would be forced to pay an 8 percent payroll tax. Incredibly, employers could be slapped with this penalty even if an employee is offered quality health coverage and refuses it.

Because this tax is—in most instances—less costly than providing a health care plan, many employers will simply forgo employee health benefits. That's why a June 15, 2009, study by the Congressional Budget Office warns that Democratic legislation could force 15 million Americans who currently receive their health coverage through their employers—not to mention 8 million Americans who receive health care from other sources—onto the government rolls.

Republicans believe we can achieve real health care reform without destroying jobs and undermining ERISA. In the House, we've outlined a plan to strengthen the employer-provided health care system. Our proposal establishes small-business health plans, which allow smaller firms to band together through associations and purchase quality health care—even across state lines—at a more affordable cost.



It provides small businesses tax credits to defray the administrative costs of providing health coverage for their employees. It gives states incentives to reform their insurance markets so insurance companies are able to compete and increase employers' and employees' purchasing power. And it reins in junk lawsuits that lead to defensive medicine and higher premiums.

To expand access to quality care, our proposal includes tax credits so those who are uninsured can purchase plans that work for them. It promotes health savings accounts that give employees more control over their own health care decisions. And it ends the bias many insurance companies have shown against those with pre-existing conditions, while focusing on innovative preventive care and wellness programs.

The plan supported by Speaker Nancy Pelosi and other Democratic leaders rejects virtually all of these reforms and places blind faith in a massive new government bureaucracy that the Congressional Budget Office warns will drive health care costs—not to mention the federal debt we'll pass

*continued on page 10*



## AIADA Board Members Lead Dealer Visits

**D**uring Congress' August District Work period, AIADA board members Morrie Wagener and Jenell Ross hosted their U.S. Representatives at their respective dealerships to talk "CARS." Wagener and Ross demonstrated how—thanks to Cash for Clunkers—the surge of new car sales has impacted their businesses. Both events were coordinated through AIADA's Dealer Visit Program, which provides lawmakers with the opportunity to tour a dealership and speak with employees.

Rep. Erik Paulsen, elected to Congress in November 2008, visited Morrie's Mazda in Minnetonka, Minn. Although his visit came on the heels of the launch of the Clunkers program and the computer glitches that were leaving many dealers frustrated, business was booming at Morrie's Mazda and Wagener's other dealerships in the area.

While there, Rep. Paulsen watched staff submit a CARS transaction online through the government's system. Karl Schmidt, chief operating officer, showed the Congressman the back parking lots filled to the brim with clunkers marked with large, duct tape X's and "C4C" written in the inner corners of the X to designate which cars had been treated with the sodium silicate solution that kills the engine blocks. "Our inventories are at a two year low, we've taken our full monthly allocations at most of our stores, manufacturers don't have the inventory so they're going to have to build more cars, which is a positive thing," Schmidt told a local newspaper.

Concerned about the rate at which the government has been reimbursing dealers, Wagener explained that when he delivered new vehicles to consumers taking advantage of the CARS program, he had to pay for those cars—including fronting the \$3,500 or \$4,500 rebate. At the time, the Clunker



money continued to sit on his books in "receivable" until the government paid him back. In just a few weeks, Wagener completed more than 465 deals, and at the program's end, he will had close to \$1 million out.

In Ohio, Rep. Mike Turner participated in a roundtable discussion with Jenell Ross and her senior management team at Ross Motor Cars in Centerville. Ross talked to Rep. Turner about the positive effects the Cash for Clunkers program has had on her dealerships. The senior management team came prepared with questions submitted beforehand by employees in their respective departments.

Topics ranged from dealership closures, to taxes, to card check legislation. "He provided a very informative session and we, at the same time, gave him some very valuable information regarding the automotive industry and what was happening currently in the marketplace regarding Cash for Clunkers, issues with credit and financing options for customers and dealers, along with discussing the concerns of our local economy," said Ross.

At the conclusion of the roundtable conversation, Ross led Rep. Turner on a tour of her dealerships, taking him through the service and parts departments to meet and greet her employees. **AD**



**During Rep. Paulsen's visit to Morrie's Mazda, members of the press viewed the lot where traded in "clunkers" were stored.**

# Reduce Health Care Costs by 50%-70%

**D**ealership health care costs are increasing on a per-employee cost basis. In fact, this is to be expected as FIFO staff reductions are taking place — generally newer and healthier employees are coming off the plan. With health care costs escalating, more and more employers and employees are finding that affordability is getting out of reach. Many employers are increasing employee out-of-pocket expenses and premium contributions, and in response, employees are not obtaining needed medical coverage or are dropping coverage altogether.

## Introducing MidMed

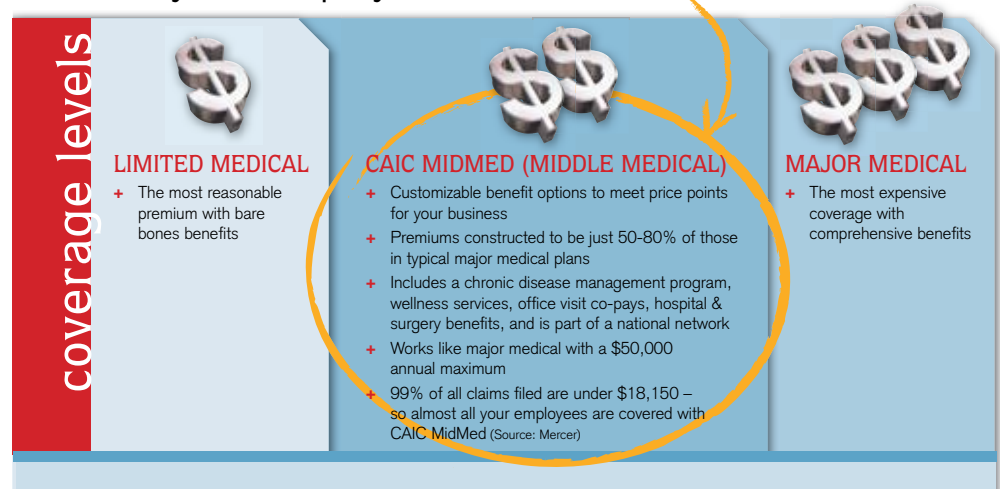
AIADA and NADA Insurance have partnered with Wells Fargo Insurance Services (WFIS) to bring an exclusive option to our membership that offers relief—MidMed. MidMed is an insurance program that is designed to mirror comprehensive major medical coverage, at 50–70 percent of current major medical costs that dealers face today. The MidMed program is an effective way for dealers to reduce their healthcare costs instead of the traditional methods of increasing employee out-of-pocket costs or dropping contributions for dependent coverage.

MidMed fits both cost-wise and benefit-wise between major medical and limited medical plans, offering flexibility, national networks, and wellness programs. MidMed is guarantee issue and does not require health questionnaires. In addition, there are no participation requirements other than 10 contracts.

## How Is MidMed Different?

MidMed allows for employers to customize their plan designs with benefits including: inpatient and out-

MidMed health insurance coverage gives you and your employees the **best of both worlds**.



patient hospital services, wellness benefits, standard deductibles, office visit co-pays, co-insurance, and Rx plans that dealers use today. However, there is one important difference: an annual limit of \$50,000. Based on many published statistics about group health insurance, 99 percent of claims filed annually are less than \$18,150. MidMed can include a critical illness policy with reimbursement payments up to \$20,000 annually. Therefore, if an insured were to be afflicted by a critical illness, the benefit could be up to \$70,000 for the year.

Flexibility is one of the most attractive features of MidMed. In most states, the employer can carve out a management or exempt group for their major medical coverage and offer MidMed to only a portion of the employees (e.g. hourly workers, part-timers, new employees), as well as contribute different percentages ranging from zero to 100 percent. Dependent-only coverage is available if the employer chooses to only contribute towards the single coverage.

## Is MidMed Right For You?

It is never a pleasant decision to reduce an employee's annual maximum benefit, but the trade-off decision becomes whether to increase co-pays and contributions for everyone, eliminate dependent coverage, or to keep benefits and costs in control for 99 percent of employees. The MidMed program is an alternative to the slash-and-cut tactics that may be presented as the only option. A dealership with a healthy population should evaluate a MidMed plan side-by-side with its next renewal in order to make an informed decision.

To learn more about this program and other exclusive healthcare solutions offered by our partner, Wells Fargo Insurance Services, contact Charles Wiedebusch, Dealer Advantage Program Account Executive, 1-866-779-6105 or [charles\\_wiedebusch@wellsfargo.com](mailto:charles_wiedebusch@wellsfargo.com). **AD**

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# Cash for Clunkers Travels Bumpy Road, “Buy American” Looms

**T**he weeks leading up to Congress’ August recess period were busy ones as the National Highway Traffic Safety Administration (NHTSA) worked overtime to implement the Car Allowance Rebate System (CARS) and lawmakers struggled to make sure the program received adequate funding. Protectionism also remained a hot-button concern as language was inserted into key legislation seeking to restrict the purchase of international goods.

## Cash for Clunkers Arrives

Congress passed the *Consumer Assistance to Recycle and Save Act* (H.R.

The program legally began on July 1, but the final rule was not released by NHTSA until July 24, which was 30 days after President Obama signed the legislation. On the first day of the CARS program, AIADA began fielding phone calls from hundreds of dealers who expressed frustration with the registration process. Many reported spending several hours working through the online registration process with little success.

Just one week after the announcement of the official program rules, the program’s original \$1 billion of funding neared exhaustion. The House passed a measure (H.R. 3435) on a 316-109 vote to expand funding by

On August 6, the Senate voted down seven amendments and passed the House measure by a vote of 60-37, adding \$2 billion in funding to the Cash for Clunkers program. Had any amendments passed in the Senate, the bill would have been returned to the House for a vote, which would have happened after Labor Day and stalled the CARS program. Thanks to the Senate’s swift action, dealers and consumers were able to continue participating in the program. Instead of being added to the national budget, the additional funds were provided through money already available to the U.S. Treasury and were reassigned to further finance the CARS program.

“This is a stimulus program that really works,” said AIADA President Cody Lusk. “We applaud Congress for extending its life, and giving CARS a chance to continue to invigorate our economy and green our roads.”

Throughout the phases of the CARS program, AIADA has communicated with auto manufacturers, other dealer associations, and the government to address the issues dealers have faced with the registration and transaction submittal processes. NHTSA took these suggestions and made numerous adjustments to the registration and transaction processes.

The expansion of the CARS program far from eliminated its many ups and downs. But despite the bumpy road dealers, consumers, and the government agencies implementing CARS traveled this summer, the Cash for Clunkers program has been a true success in driving auto sales and reviving our economy.

While the program has ended, dealers continue to await reimbursement for their CARS transactions. AIADA has been in constant contact

*continued on page 10*



2751)—which was introduced by Ohio Rep. Betty Sutton—on June 18. President Obama signed it into law shortly thereafter. The program benefitted both the economy and the environment by allowing consumers to turn in their older, gas-guzzling vehicles for new, more fuel efficient models.

another \$2 billion. AIADA quickly reached out to the Senate—where the bill would have to survive any and all amendments—and asked Members to vote in favor of the House version of the bill before leaving Washington, D.C., for their August district work period.



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with NHTSA and the Department of Transportation (DOT), urging them to remedy this situation quickly.

### “Buy American” Raises Concern

The November 2008 elections brought a slew of new faces to Congress, many of whom are funded and supported by American labor groups. Throughout the 111th Congress, both new and more seasoned legislators have proposed “Buy American” legislation, which would reward the purchase of products made in America and penalize imports. Protectionism has been an underlying theme in 2009, and AIADA believes that until the economy has improved, Congressional support for these provisions will continue.

The first of “Buy American” language came in February with the \$787 billion economic stimulus bill—the *American Recovery and Reinvestment Act*—and the first pushback against this protectionist language quickly followed. Provisions included in the stimulus package required public works projects funded by the bill to use only U.S.-made steel, iron, and other manufactured goods. As the business community rejected such anti-trade measures, U.S. Trade Representative, Ron Kirk, said that “buy American” provisions do not go against World Trade Organization commitments. “We would like a robust trade policy that is one that American people believe operates fairly in their favor as opposed to just in the interest of one industry...,” Kirk told *Reuters* in July, after the Asia-Pacific Economic Cooperation (APEC) countries agreed to reject measures like those found in the stimulus bill.

Without a doubt, such actions by Congress have impacted the U.S.’s relationship with Canada. Canada has consistently voiced its opposition to “buy American” language whenever it appears in legislation moving through Congress. In February, Canada and the European Union demanded Congress soften the language in the stimulus bill.

Stockwell Day, Canada’s international trade minister, spoke out against the provisions in a recent interview saying, “No country should add any protectionist measures to what they are doing. Congress should realize that they are risking retaliatory actions from Canada. Retaliatory trade measures always end up with both sides getting hurt.”

State-level governments are under the impression that the supplies they purchase using federal money must be entirely American-sourced. “The message, as municipalities and states are hearing it is: make sure Canada doesn’t bid on stimulus programs or you won’t get the funds,” Mr. Day said.

While it began with a seemingly harmless provision in the stimulus package to help U.S. manufacturers in a weak economy, there have been bolder attempts to benefit only American-made products—or what the general public perceives to be American-made. Freshman North Carolina Rep. Larry Kissell inserted language into the House Energy and Water Appropriations bill this July that would require federal employees, including Members of Congress, to only purchase Ford, General Motors, or Chrysler vehicles if using monies provided through the legislation. Prior to passage of the *Energy and Water Development and Related Agencies Appropriations Act* (H.R. 3183) on July 17, Kissell amended a manager’s amendment regarding the purchase by the Department of Energy (DOE) of passenger cars that openly condemned the purchase of international nameplate vehicles. The amendment read: “None of the funds made available in this Act may be used to purchase passenger motor vehicles other than those manufactured by Ford, General Motors, or Chrysler.”

Rep. Kissell had no legal or statutory basis to require the DOE to only purchase passenger vehicles manufactured by certain companies. And in fact, requiring the purchase of Ford, GM, or Chrysler vehicles—regardless of where the vehicles are actually

manufactured—does little to attract or retain American jobs.

The amendment, although accepted into the final House legislation, is similar to other “manufactured in the United States” provisions that violate U.S. trade obligations under the WTO Government Procurement Agreement. No such language exists in the Senate version of the bill.

As the 111th Congress makes its way through the final five weeks of the second session this fall, AIADA will keep a close eye on “buy American” provisions. **AD**

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### IN THE NEWS

*continued from page 5*

along to future generations—higher than ever. And it begins with the tax-and-mandate scheme that undermines the employer-provided health care system that has made it possible for small businesses like the one I used to run to provide health benefits for millions of our employees.

House Republicans have laid out common-sense solutions to confront the heart of our health care crisis: soaring costs being shifted onto businesses and employees at an unmanageable pace. On behalf of our nation’s small businesses and the millions to whom they provide jobs and benefits, I hope the Speaker reconsiders her “go-it-alone” approach.

When Congress returns to work in September, we need to build on what works in health care, rather than replacing it with a one-size-fits-all government-run system that will destroy jobs by squeezing payrolls and force millions of employers to stop offering health care benefits. **AD**

*Reprinted with permission. Rep. Boehner’s commentary originally appeared on July 31, 2009 at CNN.com.*





◀◀ The 2010 Kia Forte Koup has “the right blend of sophistication and aggressiveness” to appeal to many types of buyers, says Senior Designer Kurt Kahl. The roofline allows better rear seat headroom than most sport coupes.

▶▶ “In a sea of boxy vehicles, the Soul stands out with a dynamic look and feel that befits its name,” says KDCA Senior Designer Mike Torpey.



# DESIGNING FOR growth

KIA ABANDONS BLAND AND LAUNCHES A WAVE OF EXPRESSIVE MODELS



## KURT KAHL

SENIOR DESIGNER FOR THE KIA FORTE GROUP



**Kia Design Center America Senior Designer Kurt Kahl (left) and Chief of Design Tom Kearns introduce the 2010 Forte Koup at the New York Auto Show.**

**AIADA:** Two things stand out about the Koup: its clean, sharp lines and, based on its roofline, attention to passenger comfort. Was part of the design directive to go beyond typical sport coupe appeal?

**KK:** We gave the Koup enough excitement and edginess to appeal to a young enthusiast while still having a classy and restrained style fitting an older business professional. These qualities were important in creating an enduring shape that would be attractive for years to come. This well-rounded character is also displayed in the car's packaging. Although the roofline is that of a sporty two-door driver's car, it doesn't sacrifice rear seat comfort.

**AIADA:** Many long-running sporty coupes have faded or disappeared in the past decade or so, but the Scion tC and Honda Civic coupe have done well. Is it because they have a somewhat practical side?

**KK:** I definitely think that a nod to utility helps in the survival of certain coupes today. Buyers want a sporty car with an athletic silhouette, but if that vehicle also offers the ability to carry four people comfortably or has a trunk pass-through, then all the better. Some sub-premium brand coupes have failed in the past because they were strictly two-seaters, too technically complicated, and expensive. Less expensive coupes have done well recently because of their simple blend of sportiness, reasonable practicality, and value.

**W**ith this year's introduction of the boxy Soul, the new Forte compact sedan, and the sporty Forte Koup, Kia has declared an end to plain and derivative designs. Going forward, Kia plans to implement a new plan to grow the brand and communicate its identity by ensuring that all new Kia models showcase more expressive design.

At the same time, Kia hopes to avoid the trendiness that has doomed some past "distinctive designs" to a short shelf life. The brand's designers are seeking to balance a "wow factor" with broad appeal. Although the strategy and the first new models borne from it are still in their infancy, early signs point to success.

"Vehicle design is one of the most important influences on new car purchases, and our design-led evolution is delivering eye-catching, stylish vehicles and is attracting new customers to our showrooms," said Michael Sprague, vice president of marketing at Kia Motors America. "Despite the sluggish economy, our sales are outpacing the industry, and our market share has grown to 3.1 percent, an all-time high for the Kia brand."

According to data from *Edmunds.com*, the Forte sedan is off to a good start. Launched in June, the new compact was showing three times the consideration on the *Edmunds.com* in late July compared to the Spectra model it replaced—accounting for 5.7 percent of total *Edmunds.com* site traffic vs. 1.8 percent for the Spectra. Kia also recently launched a new boxy runabout, the Soul, which *Edmunds.com* spokesperson Jeanine Fallon noted has continued to receive the highest consideration of Kia's model line over the summer.

### "Distinctive" Must Mean Attractive

*Edmunds.com* *INSIDE Line* Editor Scott Oldham thinks carmakers should be cautious when using design as a selling point but also feels Kia is on the right track. "Relying on design

to stimulate sales can be dangerous," said Oldham. "Remember the Pontiac Aztec? The new Kias do look good, though, and the designs are distinctive. They're also conservative enough to remain appealing to everyone."

Oldham believes Kia's new design-centric strategy will pay off. "I do think the design of the Soul and the Koup are strong enough to lure more educated and younger, style-conscious buyers to Kia, and more women, too," he told *AIADA*. "But design, while important, isn't everything. There still needs to be a quality vehicle under the sexy skin to get that crowd to spend its money with Kia."

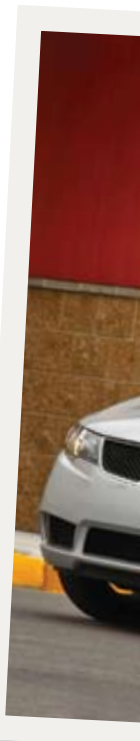
Making distinctive design affordable can be a challenge, since not all of the adventurous design cues seen on concept cars can be economically translated to manufacturing. Tom Kearns, Chief Designer at Kia Design Center America, believes the designers have found the right balance.

"Our team understands that our target customer still wants a great value, so we need to be sensitive to that. However, an overall pleasing shape or design can be just as inexpensive as one that is not. Most of the increase in cost comes from design details, materials, and features. To balance the value question, we need to prioritize what we think will be most important to the customers' expectations and focus on those areas."

Kearns also credits top management support for the new design direction. "If we really need something to make the design work, they are open and willing to accommodate as much as possible," he said.

### Setting Their Sights on Midsize

The Kia Optima received fresh styling for 2009, with a frontal theme similar to the new Forte, and it will eventually receive a full redesign. The midsize segment, though, is among the most competi-



tive, with some models already using distinctive design to stand apart—the Mazda6, for example.

“There are some really nicely designed volume sedans on the road now,” Kearns acknowledged. He is confident, though, that the new Kia design direction can help it make an impact in this segment. “I think when you see some of our new products in the volume segment come out in the near future, you will agree that they can go heads up against some of the best the competition has to offer.”

That also applies to the next-generation Amanti (or Amanti replacement), which, based on published spy photographs, will not even resemble the current model. Yet, although a far more modern design is anticipated, Kearns says not to expect a radical looking car. “When designing for the luxury segment, you need to show a bit of restraint. The design should look new with a modern twist, but I believe luxury goods should have a timeless quality and still look good 10 or 20 years from now. They shouldn’t be too trendy or faddish.”

### Marketing Design

Kia is strategically weaving its design strategy into marketing tools and messages. “From a marketing perspective, we viewed the Soul and Forte as true game-changers for the brand, and positioned both vehicles as an introduction to the ‘new Kia,’ says Kia marketing VP Sprague. “To shift consumer perception of the brand, interactive online tools are key to telling our story.”

Sprague points to the microsite, KiaSoul.com, as one example. “This site builds on the brand’s design-led transformation and is geared toward younger buyers who like personalization options to make their vehicles reflect their own distinctive style,” he says.

“We have an extremely aggressive vehicle launch schedule over the next few years, and each successive launch will add to our developing brand DNA and continue to differentiate our vehicles from the crowd,” Sprague adds. He confirms, though, that Kia would continue to pursue a strong value message “with right-sized and fuel-efficient vehicles.” **AD**



**Kia is injecting a greater sense of style into the mainstream compact segment with the 2010 Forte.**

### MIKE TORPEY

SENIOR DESIGNER FOR THE KIA SOUL



**Kia Design Center America Senior Designer Mike Torpey inside the Soulster Concept, a potential variation on Kia's new model.**

**AIADA:** Can you say why the “box” seems to be the new design for the entry-level segment?

**MT:** For one, you sit higher—so you can feel more secure, looking out at a height more comparable to an SUV. Secondly, these cars absolutely devour cargo! In an overall vehicle footprint smaller than your average compact sedan, you’re getting the ability to carry home huge items from “box stores”... as well as pack in the items that make your weekend happen. Thirdly, despite the added height and functionality, the Kia Soul gets more than 30 MPG on the highway. And as if that wasn’t enough, many people are finding that these taller, upright “box cars” just plain look new and cool.

**AIADA:** Among “box car” competitors, what would you say makes the Soul uniquely Kia?

**MT:** From the get-go, we designed the Soul to be every bit as functional and spacious as we could. And, we also established that the Soul had to have wonderful style and be an energized, head-turning example of modern design. So, in a sea of boxy vehicles, the Soul stands out with a dynamic look and feel that befits its name.

**AIADA:** The Scion xB and Honda Element have appealed to customers beyond “younger buyers.” However, did you do anything in particular to keep the focus on younger buyers?

**MT:** For sure. We really wanted Soul to reflect the youthful, dynamic spirit of Kia, so of course we wanted it to appeal to a particularly young set of buyers. But it was never meant to create a feeling that it was exclusively for the young buyer. The Soul was more about targeting an optimistic, enlightened driver’s attitude, not a specific age demographic.



Bob Carter addresses the crowd during the reveal of the 2009 Venza.



# HERE TO STAY

**T**oday's automotive business climate has, to a degree, affected everyone. Even Toyota, long the international nameplate leader in U.S. sales, has experienced some turbulent times.

During August, the company's U.S. division sold 202,196 units, a 15.2 percent increase over the same period in 2008. However, overall, Toyota

Motor Corporation reported consolidated vehicle sales for the first quarter ending June 30 at 1.4 million units, a decrease of 785,000 compared to the same period last year. The company's

quarterly loss totaled \$819 million—less than what was expected—with officials saying they expect to see less

red ink through the rest of the year.

That's the bad news, but is there any good news? To find out, AIADA spoke with Bob Carter, a 30-year Toyota veteran and group vice president and general manager of the Toyota Division of Toyota Motor Sales USA. During the conversation, he covered several of the company's pressing issues—namely dealers, fuel economy, and new U.S. business management.

## Toyota's Auto Dealers

**AD:** What impact do you believe the closing of hundreds of dealerships will have on the retail automobile business? Is this a “what hurts one hurts all” situation?

**BC:** That's one area where organizations such as AIADA and NADA work to the benefit of the dealer body. It's so critical now, with everything changing rapidly in the industry, that dealers

utilize the assets offered by these organizations to get their voices heard and make sure the regulatory environment the industry has always operated under remains intact.

It's important we all work collectively to help ourselves make sure regulatory and government rules are conducive to independent entrepreneurs. It's very difficult for one dealer to get heard, but collectively through organizations they can all be heard. We need to tell our story. The dealers need to tell their story.

**AD:** Congratulations on Longo Toyota in California being named one of the best car dealers in the nation by *Forbes Magazine*. What do they do that's different?

**BC:** Longo does a fantastic job for us. It's just part of who they are. An example: there are many native languages

BY MARTY  
BERNSTEIN,  
AIADA  
CONTRIBUTING  
EDITOR



Carter says that Toyota now sells between 175,000 and 200,000 Priuses every year.



## TOYOTA CEO BOB CARTER DISCUSSES BUSINESS

spoken in the LA area, so Longo has a staff who speak about 30 different languages on the showroom floor. But more importantly, they take great care of their customers.

**AD:** Where do you rank service among the attributes of your dealers?

**BC:** Customer service? It's the core strength of our Toyota dealer body. Longo is a fine example, but there are many dealers out there who would be good examples. Over the years we've had success growing our volumes and growing our marketshare as well, which gives us a strategic advantage in helping us weather the current turbulent marketplace.

**AD:** How do you measure or evaluate a dealer's performance?

**BC:** Prior to the recession we averaged 1,850 cars per store. With our dealer

partners, our businesses, successes are very linear. One of the key metrics we focus on is dealer profitability. Quite frankly, the more profitable our dealers are, the more successful we are. They are not at opposite ends. We watch that very closely and are always looking for ways we can support retail.

### **The Future of the Auto Industry**

**AD:** How does Toyota see the future of the U.S. auto industry?

**BC:** We are optimistic about the mid-term and long term of the industry in the U.S. after what we have just come through. Through the first six months of this year, the industry is tracking at about 9 million. As we look at the second half of 2009, we are confident that improvement is coming.

**AD:** What kind of improvements are you anticipating?

**BC:** We believe a million units will be added in 2010 but it will be in the 2011-2012 time frame that we start to see it break through to the 12 or 13 million unit sales. And when we get into the middle of the decade, we are absolutely confident the dynamics in the U.S. economy will see a 15 or 16 million unit marketplace. But it's going to take a little time to get there.

**AD:** Toyota established the hybrid market in the U.S. How is that market evolving?

**BC:** The third generation Prius is a mid-size car. It's got a full back seat. It's comfortable for five and has all the comfort and amenities and driving characteristics you would expect any mid-size sedan to have. The low emissions and high fuel economy are important elements of the Prius, and

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**Longo Toyota  
President  
and CEO  
Tom Rudnai**

## Longo Toyota: A Business Plan that Works

**BY MARTY BERNSTEIN  
AIADA CONTRIBUTING EDITOR**

Longo Toyota in El Monte, Calif., sells almost as many vehicles in a single month as the combined total volume of dealerships in either North Dakota or Alaska. Owned by Penske Auto Group, Longo occupies a 42-acre spread off of the 10 freeway near Los Angeles and was recently cited by *Forbes* magazine as one of the top 10 auto dealerships in the U.S.

Longo Toyota President and CEO Tom Rudnai says that service is fundamental to the dealership's success. "It started in 1967 when the business was founded by Dominic Longo," he explains. During the first year of operation, Longo became the biggest Toyota dealership in the world. "And we are still first," Rudnai says.

He sums up the dealership's success, stating, "There's no magic potion here in El Monte. It's all about our people."

A visit to Longo's Web site quickly shows that the store's focus on people starts with the word "guest," a simple term that signifies respect for the customer. Once at the dealership, the following elements help to make up Longo Toyota's successful business DNA:

- **Size:** Longo's campus includes a large newly built parking structure for 2,500 cars. Over 600 people work here.
- **Communication:** The sales staff of 67 is immediately able to converse fluently with guests in 32 languages, thus meeting the needs of Los Angeles' diverse ethnic customer base.
- **Employee Treatment:** According to Rudnai, "We treat and respect our employees very well and this respect is transmitted to every guest who comes into our dealership."
- **Hours:** Longo is open Monday through Friday, 8:00 a.m. to 10:00 p.m., Saturday 8:00 a.m. to 9:00 p.m., and Sunday, 8:30 a.m. to 9:00 p.m.
- **Customer Service:** Because guests often wait over two hours for their vehicle service—similar to many airport waiting times—Longo added airport style shops and services, including a full-service food court, a magazine and newspaper stand, and a kids play area. Guests waiting for their vehicle can take advantage of Sirius radio listening booths, large screen televisions, and other amenities.
- **Vehicle Service Areas:** Longo meets the service demand with 107 service bays in an area known as Longo's Pit Stop. It's Southern California, so it is located outdoors, with service advisors at the entrance. And for those interested, there is a special seating section where customers can watch their Toyota being serviced or repaired. Want to wash your car yourself? That's on site, too.

*continued from page 15*

evolved from the first Prius when it was first introduced in 2000. The car was a little quirky, but very successful. It wasn't a car designed necessarily with mass market appeal.

### **Toyota's Business and Management Focus**

**AD:** Toyota's new U.S. organization has been in the news recently. What insight can you provide?

**BC:** We have had some changes in global management—all very, very positive. It's part of the evolution of Toyota. We've done it in the past, we are doing it now, and we will do it in the future. The most visible move was that Akio Toyoda [grandson of the founder of Toyota Motor Corporation and the son of Dr. Shoichiro Toyoda] has taken over the presidency of the company. It's a very significant move.

**AD:** What changes has Mr. Toyoda made so far?

**BC:** He sees Toyota as a flatter, much more nimble organization and has reorganized the company into six different global regions of which North America is the largest and most important, reporting to five executive vice presidents. For the North American region, he brought back Yoshi Inaba, an individual our dealers know, who is responsible for North America sales and marketing.

**AD:** How do you see this impacting Toyota's business?

**BC:** Consumers, our dealers, and the market will see Toyota with a new energy and emphasis defined by the products we bring to market. We're going back to what built this company and adding elements of passion for cars styling, performance, and handling. It's a very exciting time for us in the company. This business was built on two foundations: the highest volume and a high level of value to give you the best possible product that's desirable and affordable. **AD**



# CASH FOR CLUNKERS

## A Dealer's Perspective

Immediately after Congress approved a federal scrap-page program in late June, America's auto dealers began preparing for an uptick in traffic and sales at their dealerships. The program—officially titled the Car Allowance Rebate System (CARS) but known widely as “Cash for Clunkers”—was intended to provide an extra incentive for Americans to trade in their so-called “clunkers” with less than stellar fuel efficiency for a fuel sipper, while providing a much-needed boost to America's stagnant auto retail industry.

Although the “clunkers” program began on July 1, the National Highway Traffic Safety Administration (NHTSA) issued the final rules for the program on July 24. At that point, dealers had received letters from NHTSA containing authorization codes to register each of their dealerships. Once registration was complete, dealers were free to begin conducting transactions.

Dealers say that prior to the program's implementation they attempted to prepare their staff members for the increased sales volume and paperwork. AIADA Vice Chairman Jim Smail of Smail Automotive Group in Pennsylvania said his employees attended webinars to prepare them for the anticipated complications of the program's paperwork. It was a decision that in hindsight proved beneficial as many dealerships encountered snags during the registration process.

Preparing employees to handle the influx of business grew more important as the Clunkers program was met

with widespread consumer interest. AIADA Chairman Russ Darrow, CEO of the Russ Darrow Automotive Group in Wisconsin, told *AutoDealer* that most manufacturers had conducted aggressive advertising campaigns early on. Smail echoed a similar view of the program's popularity, saying he chose to forego his own advertising ahead of the start, assuming it would “advertise itself, essentially.”

Even with preparations, many dealership employees worked long hours in order to address the extra business and paperwork associated with filing “clunkers” transactions. Technical difficulties at the federal CARS.gov Web site, as well as minor mistakes in the transaction paperwork which caused them to be returned, contributed to a backlog of Clunkers transactions.

Despite these problems, dealers were optimistic. Auto retail business around the country was humming along at a pace they had not seen in months. Darrow told *AutoDealer* only a week into the program that “the electricity around the dealerships changed drastically.” He went on to explain, “The response to the announcement of the program was initially confusing, but as we got into it, the reaction and results have been great.”

AIADA Chairman-Elect Rick DeSilva of Liberty Hyundai Subaru in New Jersey explained, “It definitely stimulated things. Even if they [customers] don't qualify, it has brought them into the showrooms.”

“I'd rather have it this way than try to be profitable

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CASH FOR

CLUNKERS



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in a difficult market,” echoed Morrie Wagener of Morrie’s Imports in Minnesota.

Dealers also point out that the CARS program brought an entirely different type of customer into their stores—one who, without the Cash for Clunkers rebate, lacked the impetus or finances to afford a brand new vehicle. “A lot were people who just had old vehicles and thought now was a good time [to get rid of them],” said Jim Smail.

With people unloading their clunkers at a rapid pace, dealers across the country quickly blew through the \$1 billion originally appropriated for the CARS program. This prompted AIADA and other industry advocates to ask Congress for an additional \$2 billion worth of funding to keep Clunker sales going. On August 6, Congress approved the additional funding, a move that was applauded throughout the auto retail industry.

But there was a flip side to the demand for Cash for Clunkers vehicles. As August wore on, many dealers began to report that their inventories were running low and that they were unable to provide qualified customers with an adequate selection of vehicles that met the requirements of the Cash for Clunkers program. In many cases, customers were driving away with vehicles with options they didn’t want, or in a color they didn’t like. In early August, Darrow foreshadowed the issue and said he hoped “manufacturers will step up because they don’t want to let dealers hang.” Finally, to the benefit of the entire American economy, several manufacturers, including Honda, Hyundai, and Toyota, announced plans to increase output, although dealers still reported low inventories all the way through August.

In another unexpected twist, dealers reported that the time it was taking to be reimbursed for Cash for Clunkers rebates was beginning to take a financial toll. “It has strung out dealers financially,” said Wagener. Fortunately, automakers came through, offering to provide stop gap financing for dealers



## CARS at a Glance

### Dealer Transactions

Number Submitted: 690,114

Dollar Value: \$2,877.9B

### Top 10 New Vehicles Purchased

1. Toyota Corolla
2. Honda Civic
3. Toyota Camry
4. Ford Focus FWD
5. Hyundai Elantra
6. Nissan Versa
7. Toyota Prius
8. Honda Accord
9. Honda Fit
10. Ford Escape FWD

Statistics as of August 26, 2009

waiting to be reimbursed for their Cash for Clunkers transactions. Wagener was among the dealers who took advantage of such financing. “Mazda came to the bat with advancing us program money. Subaru has financed us on a 30-day basis,” he said. DeSilva also says manufacturer financing, including Hyundai’s Cash for Clunkers program, helped his dealerships while he awaited federal reimbursement.

On August 20, Transportation Secretary Ray LaHood announced plans to end the federal Cash for Clunkers program due to funding constraints. He notified dealers that the program would expire on Monday, August 24, at 8 p.m. EDT, requiring all dealers to submit rebate applications by that time. When the CARS.gov website experienced technical difficulties, that deadline was pushed back to Tuesday evening, August 25, at 8 p.m. Most dealers credit the hard work of their employees to their ability to successfully meet DOT’s deadline. “We closed off business on Saturday so we had a team in all day Saturday and Sunday,” said DeSilva.

“I am proud of our people.” Wagen-er said. “They came in on weekends

and at two or three in the morning. They have borne the brunt [of the CARS program].”

So how successful was “Cash for Clunkers?” Dealers participating in the program reported a significant surge in sales. Wagener said he logged almost 900 clunkers transactions once all was said and done. DeSilva sold 188 clunkers during the program’s run, while Darrow clocked in 698 transactions.

According to the Department of Transportation (DOT), 700,000 clunkers totaling \$2.877 billion in rebates were traded in during the CARS program. Vehicles traded in also represented a 58 percent improvement in overall fuel economy, since the average fuel economy of vehicles traded in was 15.8 miles per gallon and the average fuel economy of vehicles purchased was 24.9 miles per gallon.

Despite the technical issues that plagued the CARS program from the start, dealers say they are happy to have been a part of a stimulus plan that worked. Jim Smail explained that it “proves that that if you get consumers involved, it will create economic growth. It is a great thing for the country.”

“We are lucky after years and months of study that it did get done, even at a reduced \$1 billion level, and then have it be an unprecedented success and have another \$2 billion,” said Darrow. “I’m glad they did it.”

As dealers look to the future, they hope that Cash for Clunkers was only the first step in the long-term recovery of America’s auto retail industry. Some, like Wagener, anticipate a brief “hangover” period while dealers await reimbursement for their Clunker sales and automakers replenish dealer inventories. “There is no free lunch in this business,” he said.

Others, like DeSilva, say they expect the industry to progress. “I think it [the end of Cash for Clunkers] will affect us a little bit, but I think the auto industry is going to keep on moving forward. There are people who know the momentum is there. I think it will bounce back.” **AD**

# Dealers Check In

## Dave Alicea Classic Toyota Mentor, Ohio

Dave Alicea is the General Manager at Classic Toyota in Mentor, Ohio, which received the Toyota President's Award in 2008 and is one of the company's top three dealerships in the region. As a 28-year veteran of the auto retail business, Alicea recently helped host his local Congressman, Steven LaTourette at Classic Toyota where he discussed the ins and outs of daily business.

### Has the way you approach and run your dealership changed over the years? If so, how?

Yes, I find that I run the dealership in a more positive manner than I once did.



Rather than reflecting on the negative or disciplining, I find that I focus more on the positive and build off of that in order to motivate my staff.

### How has the recent restructuring of the automotive industry changed the way you do business?

I find that I must pay attention to detail more in every department than I once did—the way someone watches their spending at home—and I must be more frugal within our dealership as well.

### How are you using technology to improve your business?

Of course the internet being such a huge part of everyone's lives, we spend a majority of our advertising on the internet and new ways to improve our web sites. We also have learned new ways to reach out to our customers—as well as a younger generation—with things

such as Twitter and text messages to remind customers when it is time to service their vehicles, as well as email rather than mailers in order to reach our customers.

### What is the smartest choice you have made as a dealer?

I believe the most positive thing was just staying in the car business throughout the years. Even when things have been in a rough point I have always worked through it, and I am grateful for that.

### What is one thing you wish lawmakers knew about your dealership?

I would like for them to understand the expenses that go into the cost for advertising, hiring, and training new employees, and just maintaining our facility. I would also like them to understand how the community and surrounding areas are affected by our dealership.

### What is your personal "dream car"?

Lamborghini



## Scott Fink Hyundai of Newport Richey Newport Richey, Fla.

Under Scott Fink's direction, Hyundai of Newport Richey was recognized as Hyundai's top volume dealer in 2008. He also operates two other dealerships—Hyundai of Wesley Chapel and Mazda of Wesley Chapel. With his business now at the vanguard of Hyundai dealerships, Fink reports that he seeks to treat his employees like family and provide a positive working environment.

### Has the way you approach and run your dealership changed over the years? If so, how?

My operational approach really has not changed. We are here to build relationships with our customers. If you do that, you earn the right to ask for their business. In addition, we subscribe to the "customer is always right" philosophy. Give them what they want.

### How have you dealt with the economic slow-down?

Slow down...what slow down? We are being as aggressive as ever. It is a great time for Hyundai to gain market share and we plan on getting our piece.

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## Casey Turner Turner Volvo Sacramento, Calif.

**As Vice President of Turner Volvo in Sacramento, Calif., Casey Turner works alongside his father, Patrick Turner, to oversee one of the oldest Volvo dealerships in the U.S. In addition to his father, Turner also credits his grandfather, Gordon, for getting him into the automotive business by assigning him car washing duties when he was only 13. Today, aside from striving to remain true to its successful business philosophy, Turner Volvo is active in the local community's Muscular Dystrophy Association and Mothers Against Drunk Driving chapter.**



*continued from page 19*

### **When did you first get involved with AIADA and why?**

I was exposed to AIADA through Hyundai about 5 years ago. AIADA fights for the rights of all import dealers.

### **How have Washington's recent actions affected your business?**

The current action by our government will change the playing field for all dealers. No one knows what the new world will look like.

### **What is one thing you wish lawmakers knew about your dealership?**

I wish they knew how important we are to the community. The people we employ, the taxes we pay, the service we provide, the money we donate.

### **What was your most memorable sale?**

Every sale is important...everyday.

### **What is your personal "dream car"?**

I am less a product guy and more a business guy. My dream car is the one that someone wants to buy.

### **Has the way you approach and run your dealership changed over the years?**

We have never strayed from my grandfather's "common sense" approach towards doing business. My family runs a lean operation with exceptional managers and we are heavily focused on the internet.

### **How has the recent restructuring of the automotive industry changed the way you do business?**

We have adopted more of an "attitude of gratitude" throughout our dealership. The fact that Ford may sell Volvo concerns us, although we are confident that no matter what happens we'll make the most of it.

## Bill Gibbs, Jim Hudson Lexus Augusta Augusta, Ga.

**Like many of his colleagues, family was the driving force behind Bill Gibbs' decision to join the automotive business. Gibbs says that 25 years ago, he and his father—who then worked in the parts business—decided to venture into the auto retail portion of the industry. Today, he is the General Manager at Jim Hudson Lexus Augusta, which has been recognized as one of the nation's top 10 dealerships from 2001 through 2008, in addition to receiving Lexus "Elite" status.**

### **Has the way you approach and run your dealership changed over the years? If so, how?**

My focus in doing business has always been in meeting people, finding common ground, helping them accomplish their goals, and building on that





**Over your career, what manufacturers have most impressed you? Why?**

The safety advancements and history of Volvo fascinate me. Overall, I would have to say Toyota is the most impressive. They are incredibly well-run, have excellent products, and their dealers are significantly more profitable than most other franchises.

**When did you first get involved with AIADA and why?**

We've been members for many years and appreciate the energy and effort that goes into looking out for dealers, especially in Washington.

**What is one thing you wish lawmakers knew about your dealership?**

How hard the majority of individuals work in dealerships and how important dealers are to the community.

**What was your most memorable sale?**

A 1929 Ford Model A was traded in on a new vehicle and we sold it on eBay to a collector in Hawaii.

**What is your personal "dream car"?**

The new Ferrari 458 Italia is absolutely stunning.



relationship long-term. It is the most rewarding and effective way to sell and to lead. I am increasing the amount of delegating that I do and leveraging the talents that each person brings to the team. The biggest changes have been in generating incremental business by doing more events marketing, cause-related marketing, and social networking in lieu of traditional advertising.

**Over your career, what manufactures have most impressed you? Why?**

Lexus is by far the most impressive because they sincerely have the dealers' best interests at heart. They know that the dealers must be profitable and successful, so there is an open communication on how to continuously work as partners toward that end. They truly embrace customer satisfaction; they don't just talk it up. They do things that would shock other manufacturers. Lexus embraces innovation and encourages us to always create new ways to delight our customers.

**When did you first get involved with AIADA and why?**

We have been affiliated with AIADA since our dealership started in 2001, because of the strong relationship that Mr. Hudson has had with the organization through the years.

AIADA is our ambassador on topics that relate to our business on a daily basis, and keeps us informed of relevant news in the industry.

**Any new additions to your business that we can highlight?**

We have definitely seen a good response to our presence on Facebook. Our page currently has over 600 friends; a good mixture of current owners, vendors, employees, and friends all staying in touch about current events, vehicle developments, and personal news. One of the Lexus guiding principles is to "celebrate our customers' personal goals and achievements, and share in their passion for making the most of every moment."

Facebook gives us the chance to do that, as we share in their day-to-day life in a unique way, leveraging the technology to enhance our relationship-building.



**What was your most memorable sale?**

Convincing my wife to marry me! That has truly been my best and most important sales job ever!

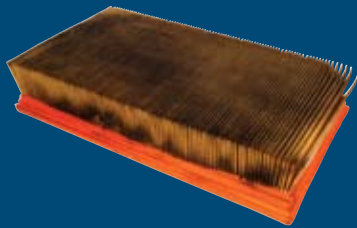
# Did You Know?

By collectively reducing energy consumption by 10 percent, U.S. auto dealerships are expected to save approximately **\$193 million.**



On average, a 40 mpg vehicle will save a driver approximately \$3,000 over one that gets 20 mpg.

A clogged vehicle air filter can reduce a vehicle's mileage by up to 10 percent.



A vehicle's fuel economy can improve by **up to two percent** simply by changing its oil on schedule and by using manufacturer-recommended "energy conserving" motor oil.

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