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# AutoDealer

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# From the Chairman's Desk

**A**fter several years of crisis, the auto industry in America is poised for recovery and may be in position to help drive a nationwide economic improvement. With sales and job production on the rise, now is the time to focus on what government policies and regulations can do to help AND hinder our businesses. It is vital that today, with the 2012 election just over a year away, all dealers engage with lawmakers and work to address the challenges and opportunities that lie ahead.

Even if you never have before, now is the time to get involved in the national legislative process. Fortunately, AIADA makes it easy. Once you visit [www.AIADA.org](http://www.AIADA.org) and join our Legislative Action Network (L.A.N.), you will have all the tools you need at your fingertips. AIADA will guide you in setting up meetings with lawmakers, calling and e-mailing members of Congress on important pieces of legislation, and advocating for your business and employees.

Dealers also need to visit [www.AFITPAC.com](http://www.AFITPAC.com) to learn more about how the international auto industry's Automotive Free International Trade Political Action Committee is working to make our voices heard. One year will fly by, and Nov. 6, 2012, will be here before we know it. Let's use the time we have as strategically as possible to make an impact in Washington, D.C., and across the country.

AIADA will kick off 2012 with a bang at our 42nd Annual Meeting and Luncheon in Las Vegas. The event will feature remarks from Mark Templin, Group Vice President and General Manager, Lexus; the introduction of our 2012 chairman, Ray Mungenast; and the naming of our 2012 David F. Mungenast Lifetime Achievement Award winner. Appropriately, the theme of the event is "Legacy of Leadership," giving us all an opportunity to reflect upon the industry that has given us so much, and how we personally plan to leave our mark. The back page of this magazine provides you with all the information you need to register.

Thank you in advance for your participation in AIADA's programs and meetings. The year ahead will be an exciting one, and I am more thankful than ever for our active and involved dealer body.



**Jim Smail**  
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.

## AIADA Affinity Partners



# Admit It: It's Victory

By *Investor's Business Daily*

**T**he biggest free-trade pacts since NAFTA were passed by the House Wednesday night [October 12], with the Senate likely to follow. As a result, America will reap 250,000 jobs and \$13 billion in exports. Where are the celebrations?


The strangest aspect of the passage of free trade treaties with Colombia, South Korea, and Panama, with final votes taken after five long years, is the disconnect between the big economic gains expected for the U.S., and the reticence of congressional Democrats and the White House, both of which finally got something right on the economy.

As we [*Investor's Business Daily*] went to press, the pacts had been passed by the House, with the Senate expected to vote soon. With bipartisanship like that, lawmakers should be cheering loudly for a true "jobs bill" that costs nothing.

Yet as a Democratic aide told *Roll Call* on Wednesday, "Republicans don't want to give the president a victory, Democrats are split and everyone is distracted."

Excuse us, but this is some of the best economic news in three years. It deserves a victory dance.

It's a fact these treaties will bring new orders for factories, save family farms, strengthen strategic alliances with countries well worth having as allies, and open up breathtaking new opportunities in fast-



"President Obama paid lip service to the treaties, but wasted nearly three years attaching protectionist amendments and dithering. It harmed the economy and never changed this fact: Free trade had to pass if there was to be a real recovery."

growing markets. It needs to be acknowledged.

But to see Democrats' reluctance to pass this bill was disappointing. They voted hastily in the night, and positioned it along with a vote on an economically toxic, protectionist "sweetener" bill that may start a trade war with China.

They shouldn't need to duck for political cover. They don't require a fig leaf for the vote. Free trade is good.

And that's the only rueful thing about these pacts. Not only did the U.S. gain nothing from delaying and amending the treaties for five years, but the very idea of free trade never got the leadership and support

it deserved.

President Obama paid lip service to the treaties, but wasted nearly three years attaching protectionist amendments and dithering. It harmed the economy and never changed this fact: Free trade had to pass if there was to be a real recovery.

If anything is to be learned from this debacle, it's that free trade, and all its benefits, demands a strong political voice. Let's hope the next president is willing to stand up proudly for it — and the growth it brings. **AD**

*Licensed from Investor's Business Daily for republication in AutoDealer.*

## THANK YOU!

The hard work of AIADA's dealer members has finally paid off. After years of countless dealer visits, meetings on Capitol Hill, and letters of support, Congress passed the U.S.-South Korea Free Trade Agreement (KORUS) on Wednesday, October 12, 2011. AIADA would like to thank each dealer who got involved by taking action and working tirelessly to advocate on behalf of this important agreement. AIADA looks forward to success stories like KORUS in the future.

# Mercedes-Benz of Beverly Hills Relies on Enterprise

## ARMS® Application Creates Efficiency and Controls Cost for Service Loaners

Located amidst the largest concentration of Mercedes-Benz drivers in Los Angeles, Mercedes-Benz of Beverly Hills caters to an exclusive clientele with very high expectations. Those expectations include driving a Mercedes-Benz loaner when they bring their own car into the dealership for service. But, instead of using vehicles from the dealership's own inventory, Mercedes-Benz of Beverly Hills outsources service center loaners through Enterprise Rent-A-Car, the largest rental car brand in North America.

"By outsourcing service loaners to Enterprise, our customers continue to drive Mercedes-Benz vehicles that are clean and well-maintained while our dealership has reduced liability exposure and lower inventory expense," said Mike Daniels, Service Manager for Mercedes-Benz of Beverly Hills. "In addition, our service advisors have more time to take care of our customers because

they're not handling administrative tasks for loaner cars."

Enterprise doesn't just provide Mercedes-Benz vehicles as loaners for the dealership's service center customers. Its Automated Rental Management System (ARMS®) application also automatically tracks rental days.

With 80 to 90 rental cars provided as service loaners each day, managing rental days is a must for the dealership. According to Daniels, the ARMS® application helps the dealership analyze and manage the rental process on every level. "We know exactly what the car rental cost will be for every customer, every time," said Daniels.

Available to dealerships at no charge, the ARMS® application creates seamless electronic communications between service advisors and Enterprise. Service advisors are able to create an electronic purchase order for a rental car at the same time they are initiating a repair order for service, which helps to significantly reduce errors and avoid unnecessary delays.

One of the ARMS® application features that Daniels finds most useful is the "notes" section that enables the service advisors to easily customize information about an individual customer's situation, which is communicated directly to Enterprise.

Learning to use the ARMS® application was fast and easy for the 10-member Mercedes-

Benz of Beverly Hills service team, including those who do not consider themselves to be computer savvy.

"In this fast-paced side of the business, the ARMS® application eliminates errors. Our service advisors have more time to focus on serving customers instead of tracking which rental cars are being reimbursed for warranty repairs or which customers have been in a rental car too long," said Daniels.

"But the bottom line is that what I value most is the personal commitment of our local Enterprise representatives to total customer satisfaction. This kind of partnership makes a huge difference in our service department's ability to maintain the loyalty of our customers," he said.

For more information or to arrange a demonstration of the ARMS® application, please go to [www.ARMSDealership.com](http://www.ARMSDealership.com) or e-mail [ARMSDealership@erac.com](mailto:ARMSDealership@erac.com). **AD**

**"In this fast-paced side of the business, the ARMS® application eliminates errors. Our service advisors have more time to focus on serving customers..."**

**—Mike Daniels,  
Service Manager,  
Mercedes-Benz  
of Beverly Hills**





# Anderson Kia of Grand Island Hosts Dealer Visits

**A**IADA member and Nebraska dealer Mike Anderson of Anderson Kia of Grand Island took advantage of AIADA's Dealer Visit Program by inviting Rep. Adrian Smith (R-Neb.) to visit his dealership during Congress' August District Work Period.

Rep. Smith visited Anderson Kia of Grand Island for a short tour of the store and a mini-town hall meeting, featuring a question-and-answer session with Anderson Kia associates. In his presentation to associates, he discussed KORUS, which was still pending at the time of the visit. His visit also gave Troy Heusinkvelt, General Manager of Anderson Kia, a chance to explain the importance of the FTA, and how, once it is ratified, the international nameplate automotive industry, along with many others, will benefit.

The visit drew the attention of local media, including radio stations and Nebraska's News Channel 5. The mayor of Grand Island, Jay Vavricek, attended the event, in addition to several community members and area farmers.

Rep. Smith is serving his third term in the U.S. House of Representatives and holds a seat on the House Committee on Ways and Means, which has jurisdiction over tax and trade policy. He supported consumers by encouraging President Obama to take action on the free trade agreements with South Korea, Panama, and Colombia. "Consumers



Heusinkvelt and Rep. Smith discuss the South Korea FTA.

are the ones in charge and we need to make sure they don't get the short end of the stick," he argued.

Speaking about the visit Heusinkvelt said, "The Congressman primarily discussed the pending free trade agreement with South Korea. He is strongly in favor of it." He went on to emphasize, "Kia of Grand Island was very happy to host Congressman Smith at the store and would gladly host another AIADA Dealer Visit."

AIADA would like to thank Mike Anderson, Troy Heusinkvelt, and Gary Rosenbach for taking time to participate in the Dealer Visit Program. Their involvement helped AIADA build support for KORUS and should inspire other AIADA members to host a dealer visit of their own. **AD**



Rep. Smith answers questions from Kia store associates.

## DID YOU KNOW . . .

- AIADA has a successful program for you to explain to your member of Congress first-hand the challenges of running your dealership?
- AIADA makes it easy for you to jump start a vital one-on-one relationship between you and your elected officials by leading you every step of the way through the Dealer Visit Program?
- AIADA encourages dealers to spend time with their members of Congress by inviting them to tour their dealerships, meet staff, and discuss current federal legislation that impacts the international automotive industry?
- AIADA wants you to be the next dealer to host your member of Congress at your store through the Dealer Visit Program?

For more information about the Dealer Visit Program or to sign up to host an AIADA Dealer Visit, please visit our website: [www.AIADA.org/dealervisits](http://www.AIADA.org/dealervisits), email [grassroots@aiada.org](mailto:grassroots@aiada.org), or call 1-800-GO-AIADA.



# Congress Returns to Washington

**D**uring the past few months Congress has spent much of its time focusing on raising the debt ceiling. A deal was finally reached as senators and representatives returned to their districts and states for the August District Work Period. While polls indicate Americans are dissatisfied with Washington's work — or, rather, their lack of work — the House and Senate returned to Washington after Labor Day.

During the first week back in session, President Obama addressed a Joint Session of Congress where he presented a new plan to create jobs and move the economy forward. Republicans expressed cautious optimism as they awaited details of the plan. The following week, House Speaker John Boehner announced details of his job creation legislation and noted that while there were mutual areas of agreement between his plan and that of the White House, discussions would still be needed to finalize a bill. Although President Obama has indicated his desire for Congress to accept his legislation as-written and pass it

quickly, it died in the Senate in mid-October. Currently, it appears both sides will spend some time at the bargaining table before an agreement is reached.

Also during the first week of September, Richard Cordray, who was nominated to lead the new Consumer Financial Protection Bureau (CFPB), began his confirmation process in front of the Senate Banking Committee. The hearing primarily focused on the bureau itself, how it will be organized, and the lack of congressional oversight in its creation. Although the committee approved his nomination, Cordray's appointment remains in question as Senate Republicans are not expected to seriously consider his nomination unless structural changes — opposed by Democrats — are made to the bureau.

The table has been set for another round of budget and debt-wrangling as the Super Committee — officially known as the Joint Committee on Deficit Reduction that was created during this summer's debt ceiling debate — holds its first meetings.

The House of Representatives is also busy

this fall, pursuing an agenda to examine federal over-regulation. Specifically, Congress is examining recent action taken by the National Labor Relations Board (NLRB) and the Environmental Protection Agency (EPA). Congress recently moved forward with legislation to reverse a NLRB decision that found Boeing in violation for locating a plant in a Right to Work state. Likewise, the House Energy and Commerce Committee spent the early part of September holding hearings to examine the EPA and its recent regulatory rulings. Legislation was passed earlier this year to slow down the EPA's rule on greenhouse gas emissions, specifically citing the pending rules for auto emissions.

There is clearly a great deal riding on events in Washington this fall. International nameplate dealers must remain active in AIADA's efforts to make sure Congress knows the impact its actions have on their businesses. Visit [www.AIADA.org](http://www.AIADA.org) today to learn how you can get involved. **AD**

## Essential Dates in the Debt Debate

**October 1–December 31:** Time frame in which both houses of Congress must vote on a Balanced Budget Amendment

**October 14:** Due date for the House and Senate committees to submit recommendations to the joint Super Committee

**November 23:** Deadline for the Super Committee to vote on a plan with \$1.5 trillion in deficit reduction

**December 2:** Deadline for the Super Committee to submit its report and legislative language to the President and Congress

**December 23:** Deadline for both houses to vote on the Super Committee bill

**January 15, 2012:** The "trigger" leading to \$1.2 trillion of future spending cuts will take effect if the Super Committee's legislation has not been enacted

**February 2012:** Approximate time when the first \$900 billion of the debt ceiling increase runs out

**February–March 2012:** During this period, 15 days after the President uses his authority in the bill to increase the debt ceiling a second time, Congress must consider a resolution of disapproval for the second tranche (\$1.2–\$1.5 trillion) of debt limit increase

**Fall–Winter 2012:** The additional \$2.1–\$2.4 trillion of borrowing authority runs out

**January 2, 2013:** The Office of Management and Budget orders sequestrations for defense and non-defense categories of spending necessary to meet spending cuts required by the "trigger"

*\*Compiled by National Journal*



# Congress Waves the Checkered Flag, Approves KORUS

In a rare act of bipartisanship, Congress finally passed the South Korea-United States Free Trade Agreement (KORUS) in mid-October. The agreement has awaited ratification since it was negotiated by both countries in 2007. Since then, AIADA has worked toward its final passage.

As Congress returned from its August District Work Period, the finish line came into view. The Senate began by moving the Generalized System of Preferences program. Attached to it was Trade Adjustment Assistance (TAA), which was sought by the White House and had, in recent months, presented the final hurdle to the ratification of KORUS, as well as similar agreements with Colombia and Panama. Once the Senate approved TAA, it was only a matter of Congress and the White House finding an agreeable time to approve the agreements. On October 3, President Obama submitted the implementing legislation to Congress. Thanks to the impending visit of South Korean President Lee, Congress quickly scheduled a vote.

After two days of debate in both bodies, it was time for a vote. In a rare occurrence, both chambers scheduled their respective votes for the same day: October 12. Trade votes have historically been very close and can turn either direction with just one vote. However, this time a bipartisan majority came together in both the House and Senate to lower the checkered flag and bring KORUS across the finish line. The House approved KORUS by a vote of 278–151. The Senate quickly followed with a strong vote of 83–15. President Obama signed the agreement on October 21. The Korean Assembly must also vote to approve the agreement before the actual implementation can begin, which is expected in early 2012.

Dealers, along with both American and South Korean manufacturers, are looking forward to the agreement's positive impact on the auto industry. The result will be more cars sold, more jobs created, and better prices for consumers. **AD**

## What Dealers Should Know About the Economic Impact of KORUS

KORUS is the most commercially significant free trade negotiation launched by the United States in over 15 years. Currently, two-way trade between the U.S. and Korea is valued at \$74 billion and could substantially grow once the agreement is implemented.

### Why Is KORUS So Significant?

- Korea is the 15th largest economy in the world, the United States' seventh largest trading partner, and the eighth largest export market.
- In 2009, South Korea negotiated a trade agreement with the EU which has already been implemented, increasing foreign competition for market share in the country.
- The U.S. International Trade Commission estimates that KORUS would boost U.S. goods exported by \$10–\$11 billion and the U.S. GDP by up to \$12 billion, and it would eliminate tariffs on 95 percent of bilateral industrial consumer goods.

### How Will KORUS Positively Impact the Global Auto Industry?

- Korea would eliminate tariffs on 100 percent of U.S. auto exports within five years of implementing KORUS.
- The agreement maintains the U.S. 25 percent tariff on pickup trucks coming in from South Korea until year eight of the enforced pact and then would eliminate the tariff in equal cuts through year ten.
- Korea will eliminate its 1 percent tariff on U.S. trucks immediately upon entering into the pact.
- U.S. tariffs of 2.5 percent on non-electric cars would be maintained until the end of year four after entry into force of the agreement, and then would be cut to zero during year five.
- U.S. tariffs of 2.5 percent on electric cars would be eliminated in equal cuts through year five after the agreement is enforced.
- Nearly 68 percent of U.S. automotive exports to Korea would receive duty-free treatment immediately upon implementation of the trade agreement. The tariffs remaining on the other 32 percent of U.S. auto exports would be eliminated over five years, beginning immediately upon entry into the agreement.

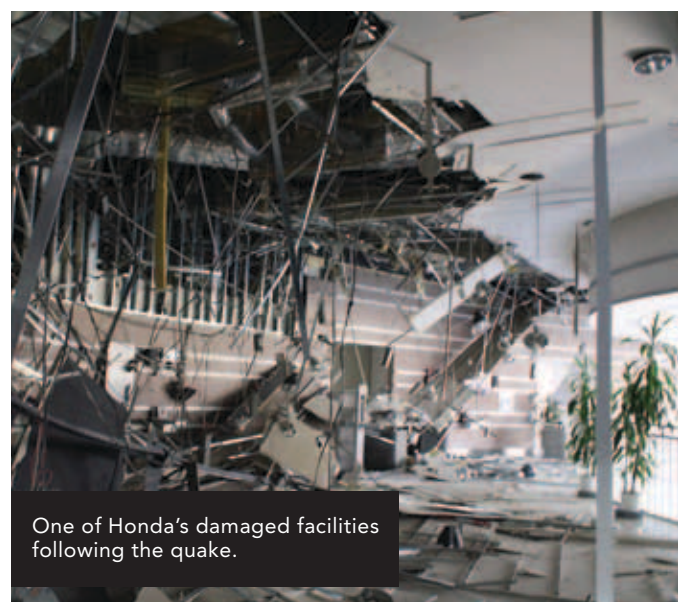
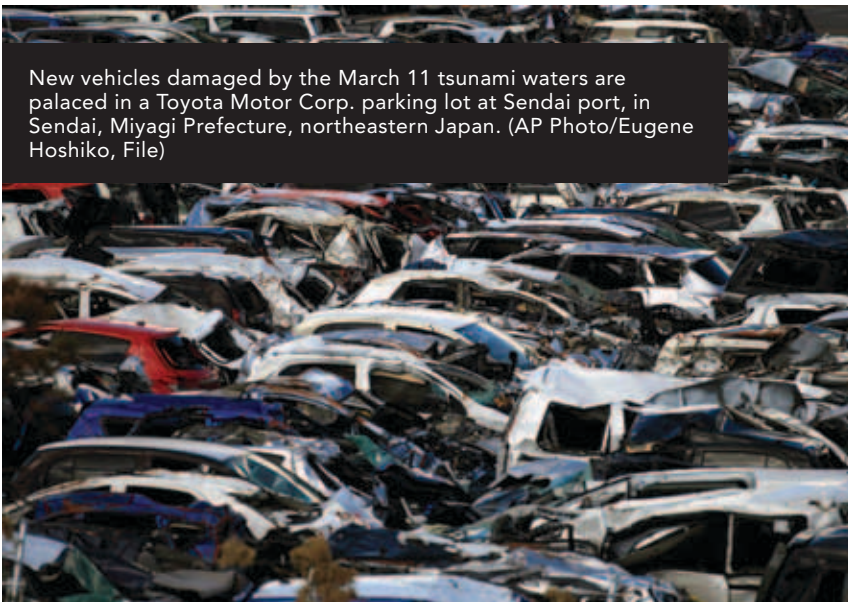




Workers give the final checkup on the cars of Honda Accord Tourer at Honda Motor Co.'s Saitama Factory in Sayama, north of Tokyo, as the Japanese automaker resumed limited production of automobiles on April 11. (AP Photo/Shizuo Kambayashi, File)



New vehicles damaged by the March 11 tsunami waters are palaced in a Toyota Motor Corp. parking lot at Sendai port, in Sendai, Miyagi Prefecture, northeastern Japan. (AP Photo/Eugene Hoshiko, File)



One of Honda's damaged facilities following the quake.



# ON THE

## Japanese Automakers Recovering After Devastating Disasters

# MEND

**I**t has been several months since a devastating earthquake and tsunami hit the country of Japan. At the time, damaged plants, electricity disruptions, and parts shortages affected production and created uncertainty about the ability of automakers to meet demand. While many dealers are still grappling with depleted inventories, it appears things are looking up as Japanese automakers are expected to be operating at more than 90 percent of pre-quake levels by this fall.

For dealers, that is welcome news considering that allocations in the months following the disaster were as low as 25 percent of what they normally receive.

### Dealer Impact

The lack of new vehicle inventory created unfamiliar challenges for dealers. "Initially, the uncertainty of how long the production interruptions would last made it difficult to develop a strategy for balancing the competing goals of maximizing immediate revenue with developing a sales rate that would earn a good share of the production as it returned to normal," said AIADA Board Member Larry Kull of Burns-Kull Automotive Group in New Jersey. "This led to tremendous stress on our sales staff, especially as new vehicle inventory was sold down."

Kull, whose group of dealerships includes three Japanese nameplates, said the concern was quickly alleviated. "As it turned out, our three Japanese manufacturers did a tremen-

dous job working with the key suppliers to get back into production much faster than originally predicted," he noted. "At the dealership level, while new vehicle volume dropped, grosses improved and we sold more used vehicles."

### Automaker Efforts

Japanese automakers have been working diligently since the catastrophe to return production to pre-quake levels. Each company has had its own unique set of challenges that it has been forced to overcome based on the location of its plants and suppliers.

Toyota, which was able to resume Prius production at its Tsutsumi plant only 17 days after the earthquake, has had disruption in its North American factories. The company plans to increase production to improve inventory levels. "After September we will focus on making up lost production as much as possible," said Steve St. Angelo, Executive Vice President of Toyota Motor Engineering & Manufacturing, North America. "Our team members and suppliers here and in Japan have worked tirelessly to get us back to 100 percent, overcoming many challenges. The effort in Japan has been incredible, especially in the midst of such tragedy and devastation."

As the supply of parts from Japan improves, Honda indicated it would ramp up production in August on a step-by-step, plant-by-plant, and model-by-model basis. Production is expected to return to 100 percent of the original plan for its popular

*continued on page 12*

continued from page 11  
models early this fall.

“The light at the end of the tunnel is glowing brighter for us, represented by this significant improvement in our production situation,” said John Mendel, executive vice president of American Honda Motor Co., Inc. “Throughout this crisis, Honda has been fighting to achieve a speedy recovery, while maintaining a focus on our longer-term plans for continued growth in sales and production in order to meet the growing needs of our customers.”

It is worth noting that Honda has managed the unprecedented parts supply issues following the disaster with no layoffs at its 14 production plants in North America.

“I am quite proud of the efforts of our manufacturing team and the steps they have taken to keep our team of associates together during this difficult period, while maintaining their normal, outstanding focus on quality for the customers,” said Mendel. “We still have challenges to overcome, but once we have normalized operations we will owe them a great debt of thanks.”

Teamwork is a common theme among all of the Japanese automakers as they endeavor to recover from the disaster. “After the earthquake, we really focused on reviving operations, knowing we couldn’t do it by ourselves,” said Kiyoshi Onoe, General Manager of Nissan’s logistics centers in Honmoku, Kyushu, Aichi, and Fuji. “It required huge support from many, but two key factors emerged: colleagues from ten overseas factories came to Honmoku — not to obtain their own car parts, but instead to sort out worldwide factory allocation and to share existing supply, thus prioritizing market needs. The other key was the logistics staff who never gave up trying to ship parts and reopen the pipeline. That was the biggest factor in the recovery.”

## Supply Chain

Over 500 suppliers were forced to shut down their operations for nearly a month following the twin disasters due to damage at their



production facilities. While recovery has come faster than experts expected, there are major issues with the supply chain that remain unresolved. According to a comprehensive study commissioned by *Ward’s*, these include an overdependence on a few key suppliers of strategic components and materials. Topping the list are microchips, along with engineering plastics, synthetic rubber and paint, as well as the additives and fillers that give them their special properties.

In a special report titled, “After the Earthquake: Fixing Japan’s Auto Supply Chain,” author Roger Schreffler noted that “the most troublesome, deep-rooted issue is whether Japanese automakers should scrap their famed just-in-time supply system and, because the current business environment is unfavorable with the yen at near-record highs, shift even more production outside Japan.”

Schreffler concluded that there will not be a major overhaul of the supply chain once it is restored. “To do so would not be cost-effective,” he wrote, “although adjustments surely will be made in cases where a single supplier or plant has potential to disrupt the entire chain.”

“I cannot overstate my respect and appreciation for the recovery effort made by our manufacturers and their suppliers,” said Kull.

## Overcoming Hardship

U.S. dealers also showed a remarkable ability to adapt to an adverse situation. “This challenge displayed, once again, the resiliency and resourcefulness of the franchise auto dealer,” said Kull. “Dealers quickly adjusted to the new reality by balancing supply and demand, writing more orders, and shifting customers to used vehicles.” AD

AD

## Output Shows Improved Production

For dealerships that have struggled with low inventories since the March 11 earthquake and tsunami, reports this summer began to show the first signs of a recovery. By August, U.S. deliveries from Japanese automakers were exceeding expectations with some doing better than the same time last year.

Nissan had a strong August as the company delivered 91,541 vehicles to the U.S., up 19.2 percent from the same time last year and a marked increase over its 84,601 vehicles in July.

Other players, such as Mitsubishi and Suzuki, both had noteworthy increases in August deliveries. While Mitsubishi only produced 7,985 vehicles in August, it was an 86 percent increase over 2010. Suzuki was up 31.6 percent with 2,409 vehicles, compared to 1,830 last year. Mazda Motor Corp. reported a 14.7 percent increase in August with 22,632 vehicles.

Toyota Motor Corp., the world’s largest auto manufacturer, also posted encouraging numbers. Although deliveries fell 12.7 percent to 129,483 vehicles for August, the result is a vast improvement from the 49 percent plunge it recorded in May.

According to the company, its domestic and overseas production levels should reach full production later this year. It also plans to make an extra 350,000 vehicles from October through March 2012 to make up for production lost to the disaster and its after-effects.

Honda Motor Co. is facing a tougher comeback. Its output for August dropped 24.3 percent from last year to 83,321 vehicles, just a slight improvement from a 25.6 percent decline recorded in July.





# MOVING TO THE TOP

## TODAY'S FEMALE DEALERS ARE SHAPING THE FUTURE OF THE AUTO RETAIL INDUSTRY

BY AIADA STAFF

**T**he auto retail industry has traditionally been stereotyped as a male-dominated world. However, things are changing as today's business environment is home to a growing number of savvy entrepreneurs and executives who also happen to be women. Together, they are making inroads and utilizing their experience, knowledge, and unique understanding of customer spending habits to move the industry forward.

According to Women-Drivers.com, in 2007 only about 8 percent of car salespersons were women. However, despite its challenges, most women in the auto retail industry classify their experience as positive. "Being a female in the industry is always very interesting. We are, for the most part, one of a few women in the room, which always is interesting," says Jenell Ross, AIADA Vice Chairman and Dealer Principal at Dayton, Ohio's Ross Motor Cars. "I think sometimes the reaction in the beginning was that I had to explain who I was and our story, but after other dealers saw I was doing what they were doing, they reacted favorably."

According to Tammy Darvish, President of Maryland's DAR-CARS Automotive Group, "Obviously the most unique thing about being a female in the industry is that there are not that many of us.

I think it is a great advantage for those that take advantage."

Describing her experience as a dealer, Judith Krupnick, President of Cherry Hill Volvo in Cherry Hill, N.J., says, "It is absolutely fabulous because customers and vendors are totally disarmed." She goes on: "I fit in better than a man, meaning I can blend in and greet people when they walk in and people don't think I'm the owner." At her dealership, she has implemented a softer approach to selling cars. "I tell people I want to be your corner pharmacist. We have a huge retention bank."

Lisa Pickrum, Executive Vice President and COO of the RLJ Companies, argues that the hurdles are an opportunity for the women who choose to take them on. "I think that in the car industry, particularly the dealership industry, there is a sales mentality that is not how women are typically viewed. I think what has happened is that people are expecting a different customer service experience. They want to be understood and be treated as

*continued on page 14*



"I feel that women feel comfortable knowing that there are women auto dealers, due to some unpleasant experiences in the past. I hope it brings them a comforting experience to know that I understand what they are looking for."

—Jenell Ross

continued from page 13

if they really understand the purchase that they're making. While it is a challenge for women because it's not the norm, I think it is an opportunity for women to show that they can do it."

Just as more women are taking on the auto retail industry, women are also playing a bigger role in auto purchases than they have in the past. *Dealer Marketing* estimates that women buy 60 percent of all new cars and 53 percent of all used cars. In terms of overall purchasing power, women drive an impressive 85 percent in the U.S. today.

"A woman dealer has the unique opportunity of reaching out to the customer and saying, 'I'm a woman, and I own a car dealership, and we understand and listen to your needs!'" explains Peggy Proko, who is an AIADA board member and the owner of Peters of Nashua in New Hampshire.

Ross agrees. "I feel that women feel comfortable knowing that there are women auto dealers, due to some unpleasant experiences in the past. I hope it brings them a comforting experience to know that I understand what they are looking for."

Understanding the female buyer will play a pivotal role in capturing future auto sales. Susan Scarola, Vice Chairman of DCH Auto Group and a 26-year industry veteran, says her company implemented a female-friendly training process at each of its dealerships. "Every employee that interacts with the customer went through the training to understand the

unique aspects of a woman's approach to buying versus a man's approach. I think, as a whole, the industry is changing to a model that is preferred by women customers."

Beyond the sales floor and in the board room, women say they also contribute a unique set of skills. Scarola argues that her ability to communicate and help her peers reach consensus and move forward is a driving force behind the success of her company. "I thought early on that in addition to my technical skills as an accountant/finance person, I had communication skills that were very different than my male counterparts," she says. "I think I helped the group listen to each other and form consensus around a variety of issues that helped us continue to grow and move forward."

Pickrum has helped her company focus on recruiting minority and female employees. In her role overseeing acquisitions, she helps RLJ seek out growth opportunities. "I am part of the team that seeks it out and gets it done."

Leaders see a bright future for women in the auto retail industry.



"A woman dealer has the unique opportunity of reaching out to the customer and saying, 'I'm a woman, and I own a car dealership, and we understand and listen to your needs!'"

—Peggy Proko



"I think, as a whole, the industry is changing to a model that is preferred by women customers."

—Susan Scarola

Ross sees more female dealers than ever and is encouraged. "Speaking with them, their passion, drive, and commitment to the business is more than that of their predecessors. I think there are more women who want to be in the business." But, she says, she wishes there were more.

Tomorrow's leaders will likely be inspired by various factors. Pickrum points to the entrepreneurial nature of the business. "You're measured by the success of what you do and the cars you sell." She also

"Obviously the most unique thing about being a female in the industry is that there are not that many of us. I think it is a great advantage for those that take advantage."

—Tammy Darvish



"While it is a challenge for women because it's not the norm, I think it is an opportunity for women to show that they can do it."

—Lisa Pickrum

notes that some women are interested in the design and logistics side, which is good news for OEMs.

Each emphasizes the fact that tomorrow's female talent is there, but dealers and companies must find unique ways to tap into it. Scarola explains that DCH Auto Group is looking for ways to utilize the female employees it already has in other departments who may be a good fit for places like the sales floor or service department. "On the sales side, we'd rather hire someone with the right personality [rather than recruit from the

outside]. If we can identify that right, outgoing personality among our employees and help them make that leap, I think it might be a better way to go."

Recruiting female talent is one thing; retaining it is another.

Being successful on the sales floor often requires long hours and a sporadic schedule. "It's a very difficult position to handle if you have a family and you don't have a strong network of support because of the long hours," says Proko.

"Today, there has been some softening of the hours but they are still very demanding," says Darvish. "I still struggle with the balancing of work and family lives. It is definitely the greatest personal challenge I face every day."

Today's female leaders believe the auto retail industry is a great place to work. Ross sums it up: "I wish there were more women in the industry. I feel great about providing women with opportunities. There are a lot of rewards. And you're providing people with the largest big ticket item other than their house." **AD**



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The all new 2012 Passat was the result of VW's goal to make a car Americans would buy and build. It is constructed at the automaker's Chattanooga plant.

# A WORKIN



# PROGRESS



# Volkswagen Gears Up to Grab

## U.S. Market Share BY MARTY BERNSTEIN, AIADA Contributing Editor



TO INTERNATIONAL VEHICLE MANUFACTURERS, the American auto market is widely regarded as one of the most competitive and essential. Over the years, Volkswagen has suffered its share of trials and tribulations as it established its presence in the U.S., yet it has survived and endured. Today, VW is a leader in the United States and is on a roll in a bid to become the world's largest vehicle manufacturer.

Volkswagen of America is an important part of Wolfsburg, Germany-based Volkswagen Group's "Strategy 2018." The plan, which Volkswagen AG Chairman Dr. Martin Winterkorn announced at last year's Paris Auto Show, maps out how VW plans to overtake its competitors as the world's largest automaker.

Jonathan Browning, President and CEO of Volkswagen Group of America and President for the Volkswagen of America brand, told AIADA recently that the company plans to achieve its objective of becoming the most "successful and fascinating automaker by 2018" by leading in customer satisfaction and quality, securing a profit before tax margin of 8 percent, being the top employer in the industry, and moving to a sales volume of 1 million units by 2018.

### **VW Takes on America**

How does the U.S. factor into Strategy 2018? VW's business in America is only 3.3 percent of its overall

sales, but the U.S. auto market remains one of its most pivotal.

"It is wrong to say a singular objective — volume — is driving us. That is absolutely not the case!" Browning emphasized during his recent interview. "It is a balanced business strategy. A volume number is not the only goal for VW of America. We want to be — intend to be — a leader in customer satisfaction, quality, financial performance, volume objectives, and a top employer."

To meet the challenge of Strategy 2018, VW has invested well over \$1 billion to revive its American wing. To this end, it has developed new and refreshed products, hired new key players — including new vice presidents of customer service, communication, and marketing — and made additions to its PR and marketing staffs, and, importantly, built a new state-of-the-art factory in Chattanooga, Tenn.

As the CEO, Browning is focusing on instituting foundational business elements that will drive the brand to success. "It's a simple formula," he remarked. "Volume will be the outcome of how effectively we drive the business in a number of key areas: brand development, product portfolio, evolution of the dealer network, quality, customer satisfaction performance, fleet, and used vehicle programs."

Securing these areas should, according to Browning, transform VW's performance and help it attain

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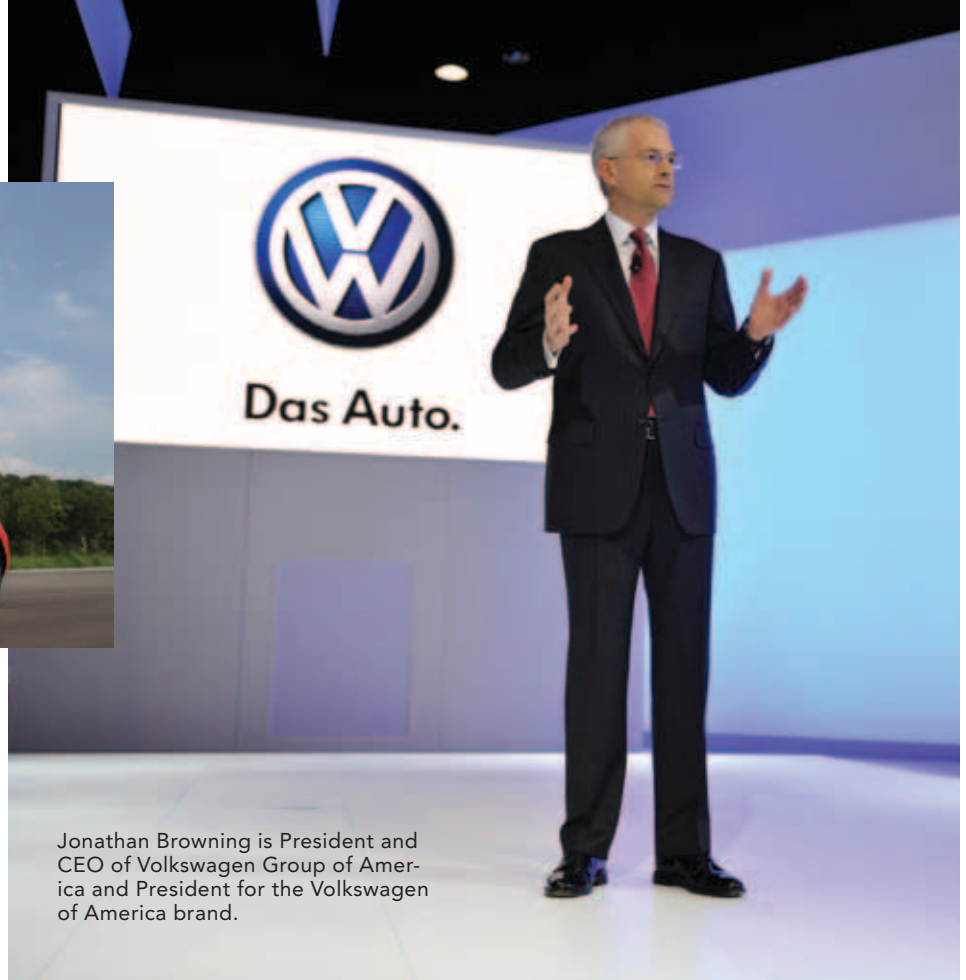
The new Beetle has undergone a metamorphosis of German engineering and design.

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its ultimate goal of one million units in the U.S. VW's target includes 200,000 units from Audi, which has experienced a successful run over the past few years. However, in order to achieve its lofty goal, VW must grow from around 366,382 units this year (double the volume for the first six months of 2011) to 800,000 units over the next seven years — an average of more than 80,000 units a year, which is triple its current sales and double its current market share.

### New, Refreshed Products Hit Dealerships

Developing the right products for the U.S.



Jonathan Browning is President and CEO of Volkswagen Group of America and President for the Volkswagen of America brand.

market is not simple. Design cues and styling can vary widely across regions of the U.S.

VW's corporate management in Wolfsburg realized this and undertook a proactive and extensive investment not only to create a car all Americans would buy, but also one that

they would build. The result? A revised Passat sedan that takes aim at the competitive mid-size car category — a segment that has been led by Toyota, Honda, and, recently, Hyundai and Kia. The base model of the new Passat checks in with an MSRP of \$19,995, a drop of almost \$7,200 from the previous model.

Rainer Michel, Volkswagen of America's vice president of marketing and product strategy, told AIADA that the new Passat continues the "clear design language of VW." He went on to explain that "the American Passat and the European Passat are not that different, except the U.S. version is four inches longer with an almost full-size category interior and the most rear-seat legroom of any model in the midsize category." Adding to its American DNA, the 2012 Passat is being built in VW's brand-new, technologically advanced auto factory in Chattanooga.

Among other updates to VW's U.S. lineup is the new Beetle, which has undergone a metamorphosis of German engineering and design. A new GLI rounds out the company's popular Jetta offerings with sport-tuned suspension, interior enhancements, and the award-winning 2.0L TSI® engine. The 2012 Tiguan crossover features a freshened

## Volkswagen of American Sales Analysis

January – July, 2011

Model Name	Volume	Growth	% of Sales
Golf	10,848	23.3%	5.9%
GTI	10,449	14.6%	5.7%
Jetta Sedan	89,881	74.8%	49.1%
Sport Wagon	17,584	23.5%	9.6%
Eos	4,868	6.3%	2.7%
Passat (old)	1,347	0	0
CC	19,348	19.7%	10.6%
Tiguan	16,382	32.6%	8.9%
Touareg	3,616	59.4%	2.0%
Routan	7,770	-20.5%	4.2%
<b>TOTAL</b>	<b>183,191</b>	<b>22.2%</b>	<b>100.0%</b>

Source: Volkswagen of America sales data

interior and exterior, available sport suspension, and improved gas mileage, while the Eos features refreshed styling and a standard dual-clutch transmission. And next year, the automaker plans to introduce its most powerful Golf model yet, the Golf R.

### Improving the Retail Network

An auto executive once said, “We make ‘em on an assembly line by the hundreds, thousands, and even hundreds of thousands, but our dealers sell ‘em one at a time.” With that in mind, VW is applying the same kind of methodical changes to its 600-dealer network as it is to the rest of its corporate plan.

According to Browning, “We are working with our footprint of dealers to improve the quality of the customer experience and have seen some dramatic changes.” He feels “that the relationship between the ‘factory and dealers’ has to be a partnership with similar goals and objectives: strong profitability increases, improvements in customer experience, upgrade[d] service while delivering a good business model, and a satisfying experience for our U.S. customers.”

Retail sales increases have been impressive. In 2009, VW’s average dealer through-



put across the network was 33 units per dealer. In 2010, that number increased to 390 units per dealer. Browning wants more. “Our goal this year is to increase this to well above 450 units per dealer across the nation.”

### A Work in Progress

History has shown VW to be a resilient player in the U.S. auto market, and Volkswagen of America appears poised for its biggest resurgence yet, with fresh products and advertising, a new factory, an astute and ambitious product management team, and revitalized dealer relations. There is a clear focus and direction that will shape the future of Volkswagen of America. Stay tuned for updates on Das Auto’s results. Its game time! **AD**

### Volkswagen of America Sales Growth Progression Analysis

Year	Base Volume	22.2% Annual Growth
2011	366,382	81,337
2012	447,719	99,394
2013	547,112	121,459
2014	668,571	148,423
2015	816,994	181,373
2016	998,367	221,637
2017	1,220,004	270,841
2018	1,490,845	330,968

Source: AIADA analysis

## VW Launches \$1B Plant

**IN MAY, VOLKSWAGEN HOSTED THE GRAND OPENING** of its new manufacturing plant in Chattanooga, Tenn. Occupying 2 million square feet on 1,400 acres with an assembly line capacity of up to 150,000 vehicles per year, the facility is a pivot point of the automaker’s plan to sell one million vehicles by 2018.

VW Chattanooga CEO and Chairman Frank Fischer described the physical characteristics: “The new building structure is designed to keep distances short, which also applies for the plant infrastructure. An office block is located at the center of the site. All other sections — production, logistics, IT, etc. — are located around this central hub. This structure fosters networking and saves time and distances. All the key sections can be easily reached on foot.”

VW spent \$1 billion constructing the plant — or \$500 per square foot. Local, state, and national government investment totaled over \$577 million. Employment impacts include 2,000 direct jobs, with an additional indirect impact of over 9,400 jobs. It is expected to generate \$55.7 million in local and state tax revenue. Additionally, eight suppliers have located at the plant’s supplier site, which means the 2012 Passat will be comprised of 85 percent local content.

The Chattanooga plant is a sizable investment that Volkswagen of America hopes will change the direction of its operations. Simultaneously, they hope it will change the lives of several thousand workers and provide a return on investment for state and local partners.





# Dealer Spotlight

**BABAK MOHAMMADI** >> General Manager, Broadway Toyota Scion, Portland, Ore.

Babak Mohammadi became involved in the auto industry in 1995 after graduating from Oregon State University with a degree in business. He says an emphasis on hard work and results is what led him to pursue a career in the auto industry. Today, he is the General Manager at Portland, Ore.'s Broadway Toyota Scion. Since taking the helm three years ago, the dealership has become a top hybrid dealer and one of the highest volume Toyota dealerships in the northwest. Recent facility improvements have resulted in a 400 percent increase in its service department. The dealership partners with several community efforts, including "Street Jam," an annual event that allows local students to play basketball with athletes from the Portland Trail Blazers.

## What do you believe is the most important part of running a successful dealership?

I think it is the human capital, which would be our people.

We have four core values that we have adopted at Broadway Toyota. (1) We will make it easier for our customers to do business with Broadway Toyota; (2) we will make it easier for our associates to sell our products and services; (3) we will make a relentless commitment to our process with continuing improvement; and (4) we will continually help everyone around us to prosper. I developed these four values over the past three years. I traveled the country and visited some of the most successful [auto] stores. These are bits and pieces of everyone else's core values, and I put them together and made them ours.

## As a dealer, what has been your biggest challenge?

As a Toyota dealer, our biggest challenge has been storm after storm after storm. We have the economy, which everyone was impacted by. We had Cash for Clunkers. Some were affected differently. We were affected more because our product was more desirable and worked with



Broadway Toyota Scion

Cash for Clunkers better, but we weren't ready for it. The recall was a big challenge as well. This year has been the tsunami and the lack of products and its side effects. In August, we had the lowest number of vehicles on the ground because it takes awhile to get to that low level.

As Toyota dealers, we've been faced with one challenge after another. Long term, I think it will make us better because we've had to overcome so many obstacles and create revenue and be creative.

## What is your personal "dream car"?

I don't have a dream car. I love the car business. I like the people aspects. I myself am not a car lover. Cars are an important part of our economy and society. We need them to get from A to Z.

## How do you find and retain the best employees?

We try to be creative. We encourage diversity in the workplace. We live in a metropolitan area with a diverse group

of people. I'm proud to say we have a number of females on our sales staff that are great to have. We are flexible with hours and staff when it comes to scheduling. We try really hard to not just hire people with experience. For the first time in a long time I can remember, many of our staff have college education, which is great to have.

How are we getting them? We are just a little pickier in how we hire. They have to be interviewed by a number of managers. Once we hire them, we have a training manual that goes through our core beliefs and the role of selling in each department. We take them through a five-day training schedule and show them how they can become a general manager, etc. if you want to be a general manager, we lay out the career plan. Once they've gone through that, I interview them. If during the interview, I don't feel like they're qualified to talk to our customers, we tell them to go through another training session to make sure it is the right career for them. **AD**



Babak Mohammadi

# Dealer Spotlight

**PAXTON GAGNET** >> General Manager, John Elway's Crown Toyota Scion, Ontario, Calif.

Paxton Gagnet has spent over 30 years in the auto retail business, moving from an entry-level sales job to his current position as a General Manager/Partner with John Elway and Mitch Pierce at John Elway's Crown Toyota Scion in Ontario, Calif. Now one of the top five Toyota dealerships in the country, Crown Toyota Scion has seen impressive growth under the management of Elway, Pierce,



Paxton Gagnet

and Gagnet. The store has been recognized as a seven-year recipient of the Toyota Board of Governor's Award and is a six-year recipient of the Toyota President's Award and the Toyota Circle of Excellence Award. Crown Toyota Scion is also active in its community, contributing to the Ontario Chamber of Commerce, Life Stream Blood Drive, local Girl Scouts chapters, the Rancho Cucamonga Pet Shelter, the Rotary Club, and the Ontario Police Department.

## Are there any new additions to your business that you'd like to highlight?

We are undergoing an "Image USA II" brand remodel for our

store, and as such, we are excited about providing our customers with a new, state-of-the-art facility.

We are thoroughly committed to Toyota's brand image and core values. Our most important focus right now is the retention of our current sales and service customers. Our remodel plans have focused on making every customer interaction the easiest possible. We are expediting the sales process by having work stations in the showroom, so we can structure a car deal, negotiate, and finalize the sale right from the showroom floor. We are totally re-working our service drive, and, with the addition of Toyota Care and our free multi-point inspection, we feel we can give our customers the level of care they have come to expect from Toyota.

We are also providing full transparency and disclosure for our customers in regard to the market value of the car they want to purchase as well as the car they want to trade in. We are emphasizing our commitment to transparency to our advertising in an effort to rework our negotiating structure so that we offer the customer all the information up front and in an efficient time frame. This includes the possibility of our entire store going paperless. In our new process, we think we could get to an almost paperless transaction where we safeguard our customer's information and make it easier on everyone, including our employees.

We are also adding to our partnerships with the city of Ontario and all the community



business partners we have. We do a lot with schools, pet shelters, and the blood bank with our goal being to give back a lot into the community. It's been a tough economy in the past couple of years and one of the things that has carried us through is the ability to network in our community. We know what they're about and they know what we're about.

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

I got involved with AIADA a couple of years ago when I became a partner and general manager of John Elway's Crown Toyota Scion. I specifically wanted to contribute my voice and my opinion about all of the "behind the scenes" issues that affect my ability to run a car business. I am convinced that it is important for us to come together to voice our views in a positive way to affect positive change for ourselves and our customers.

As a manufacturer, Toyota is very involved with the AIADA, and they asked me to contribute some of my time. Once I got involved, I saw the vision and

understood what it the organization was all about.

## How do you find and retain the best employees?

We're discovering that to find the best employees, in most cases, is to cultivate them. We find someone with a passion and desire to learn who is dedicated to the job description, and from there we train them, grow them, and motivate them. We're not necessarily looking for someone who has a lot of experience in this business, but rather, we are looking for someone with communication skills who is willing to learn the process and follow the process.

Once we have hired an employee, we work extremely hard to retain them through positive training on a weekly basis. Our job is to support them and keep them in a productive role... and we do that through communication.

## What is your personal "dream car"?

Any of the all-new Toyota products that are coming to market in the next couple of years. They're going to be great. **AD**

# The Final Word

“We were rapidly burning through cash. We decided we had to get things going bit by bit to survive through this, so we prioritized the cars our customers wanted most.”

—**Atsushi Niimi**, head of production at Toyota, on the automaker’s decision to focus on the Prius as it recovered from the March earthquake and tsunami

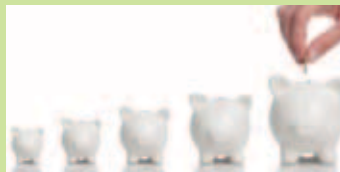


“We continue to believe hydrogen holds the best promise for us.”

—**Mercedes-Benz Chief Executive Dieter Zetsche** at the Frankfurt Auto Show, where it showed its F125! fuel concept



Mercedes-Benz



“America’s international name-plate dealers and their more than 400,000 employees are encouraged by today’s action, and believe it indicates a renewed commitment from Washington, D.C. to getting our economy back on track.”

—**Cody Lusk** reacting to passage of KORUS on Oct. 12



“We have demand in excess of our ability to supply, for almost all of our models right now. With the Veloster and especially with the Azera, you’re really going to see this focus on design pay off.”

—**Hyundai CEO John Krafcik** to *BusinessWeek* on the automaker’s new vehicles



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