



Weekly Car Dealers Newsletter

July 28, 2008

This information that follows is taken from sources including *The Carconnection*, *Autoweek*, and other industry sources. For more information please call our Edmonton office.

Week of July 28, 2008

'RICH KIDS' RUN SCAM ON MERCEDES-BENZ DEALER
NEW STUDY - LINK BETWEEN THE DEALERSHIP EXPERIENCE & BRAND LOYALTY
MAJOR MARKET SHIFTS DRIVEN BY HIGH FUEL COSTS
[SAYING 'NO' WORKED FOR MAZDA: SALES ARE STABLE](#)
[START-STOP TECHNOLOGY TO GET WIDE USE, EXECs PREDICT](#)
[AutoNation - RESULTS TOP FORECASTS](#)
[CHRYSLER PUTS 1Q LOSS AT \\$515 MILLION](#)
[IIHS TESTS SMALL TRUCKS—AND MOST ARE LEFT WANTING](#)
CHRYSLER TO EXIT LEASING BUSINESS

'RICH KIDS' RUN SCAM ON MERCEDES-BENZ DEALER

Two young men used the starter cheques from a new bank account to rip off a Tampa Bay area Mercedes dealer, reports the *Tampa Tribune*. The two twenty-year-olds opened a joint chequing account with a \$100 deposit. They then used the starter cheques for full payment of two Mercedes-Benz vehicles each valued at about \$90,000.

To convince the dealership sales manager that they were honest, rich kids waiting for some money from home, they showed the dealership managers a forged statement from a bank in Hawaii that indicated \$44 million was being transferred to a Tampa bank. The next day dealership personnel developed sellers' remorse when the bank said the cheques were no good. So they confronted the "customers" and were apparently satisfied when the "mother" of one of the young men sent an e-mail apologizing for the bounced cheques. It was a misunderstanding, she said, and she would clear things up. So the kids were allowed to drive off with their new Mercedes. The cheques bounced again. Fortunately, the cars were equipped with an anti-theft system that has GPS capabilities and were recovered by U.S. Immigration and Customs Enforcement officials. The crooks were arrested as they were preparing to leave the country. They have been charged with grand theft and are being held on high bail. The cops won't accept a cheque.

NEW STUDY ESTABLISHES LINK BETWEEN THE DEALERSHIP EXPERIENCE AND VEHICLE BRAND LOYALTY

Capgemini, in collaboration with the Car Internet Research Program (CIRP) of the University of Ottawa, released the findings from its consumer survey on the role negotiation preferences and tactics play in the car buying process. The study of more than 600 consumers was conducted to provide Original Equipment Manufacturers (OEMs) and car dealerships with a deeper understanding of the drivers and consequences of the customer negotiation process to ultimately strengthen brand and dealer loyalty. The study showed a correlation between satisfaction with the car salesperson and satisfaction with the vehicle manufacturer, suggesting brand loyalty can be enhanced among consumers based on positive interactions with dealerships. Furthermore, the importance of constructive interaction during the initial stage of the car negotiation process is highlighted, as one out of six buyers visited and negotiated with only one dealer.

In addition, the survey revealed that nearly 75 percent of consumers who visit a dealership with the intention of purchasing a vehicle are fearful of being taken advantage of by the salesperson. Salespeople who recognize consumer fears, and adjust his or her sales techniques accordingly, were found to increase the likelihood of a sale and of the consumer making a more favorable recommendation of the dealership. In contrast to this positive experience, selling-oriented salespeople who were perceived to be focused on closing the deal caused dissatisfaction among customers during the negotiation process and negatively affected the perception of the vehicle manufacturer.

Generally, consumers enter the dealership skeptical about the margins dealerships make on sales and the validity of the price of a vehicle. Approximately 80 percent of respondents indicated that they believe a dealership is working with a gross margin in excess of \$3,000 on a \$30,000 manufacturer suggested retail price; while 33 percent of consumers believe the margins are in excess of \$5,000.

To download the full study results please visit:

<http://www.us.capgemini.com/DownloadLibrary/requestfile.asp?ID=652>

MAJOR MARKET SHIFTS DRIVEN BY HIGH FUEL COSTS

McLean, Va. -- The average wholesale price of used vehicles sold at auctions declined for SUVs, pickup trucks, crossover utility vehicles (CUVs) and vans in the second quarter of 2008 from the first quarter of the year, while used passenger car prices increased, according to NADA AuctionNet data released by the NADA Used Car Guide... The data reflects a continuing shift in demand by consumers and automobile dealers to more fuel-efficient vehicles as gas prices climb and consumer confidence falls. Used pickup truck and SUV prices led the declines, with wholesale prices falling 11.2 and 9.6 percent respectively on 1-to-5 year old vehicles. They were followed by CUVs and vans, with values falling 3.8 and 3.0 percent respectively. *Source: NADA*

NewsWire

SAYING 'NO' WORKED FOR MAZDA: SALES ARE STABLE

DETROIT -- Jim O'Sullivan, Mazda's top U.S. executive, recalls a time when auto dealers suggested the company make a pickup. Call it the M-150, dealers said. They wanted something like the then-top-selling F-150 made by Ford Motor Co., Mazda's partial owner. Good thing he didn't listen. "We couldn't go there with Mazda because it didn't fit the brand," O'Sullivan told Automotive News. "A lot of manufacturers went there. For Ford, it's natural. But a lot of Asian-based manufacturers recently were looking at jumping into the fray. Some have, and now some of them are backing up." Mazda stuck to cars, and now O'Sullivan says it may be on its way to flat sales for the year in a market when nearly everyone else will be down. *Source: Automotive News*

START-STOP TECHNOLOGY TO GET WIDE USE, EXECS PREDICT

A key piece of technology from gasoline-electric hybrid vehicles will become almost universal in new cars within five to 10 years, top environmental executives from Chrysler LLC, Ford Motor Co. and General Motors Corp. predicted Wednesday. The technology, called autostop or start-stop, automatically switches the engine off but keeps accessories such as climate control and the radio running when a car is idling. It reduces fuel consumption and emissions. All hybrids today use the system, but demands for higher fuel efficiency and lower emissions will lead to its use on virtually all vehicles, the experts said at an event to announce NextCruise, an event at which nine automakers will showcase their environmental and alternate-fuel vehicles... "Start-stop will not just be in hybrids anymore within five years," said Jay Iyengar, Chrysler senior manager of hybrid system integration. "From Chrysler's perspective, we expect to see it pretty much everywhere. "In 10 years, you'll be looked at as low-tech if your car runs at idle," she said, adding that some cities are already considering banning vehicles whose engines run when stationary. "It will begin with heavy trucks, but it will spread." *Source: Detroit Free Press*

AutoNation - RESULTS TOP FORECASTS

In a rare bright spot for the embattled auto industry, dealership chain AutoNation Inc. reported better-than-expected earnings for the second quarter and saw its stock surge 11 percent. The Fort Lauderdale, Fla., company reported net income of \$51.8 million, or 29 cents a share, down 34 percent from the \$79.3 million, or 38 cents a share, it earned a year earlier. "I think they navigated a challenging macroeconomic environment quite well," Stephens Inc. auto retail analyst Richard Nelson said. "I don't expect the situation to let up anytime soon." Investors were also cheered by a positive outlook from Chairman and Chief Executive Michael J. Jackson, and further plans to trim costs. *Source: The Wall Street Journal*

CHRYSLER PUTS 1Q LOSS AT \$515 MILLION

Chrysler Holding LLC, the parent company for automaker Chrysler LLC and its finance arm, lost \$515 million in the first quarter of 2008, the company said Thursday, the same day that former parent Daimler AG said its stake in the Auburn Hills automaker is worth only a fifth of what it was six months ago. In a rare move, privately held Chrysler made its quarterly loss public after Daimler reported that its 19.9 percent stake in the American company cost the German automaker 373 million euros, or about \$585 million, last quarter, based on European accounting

standards. Chrysler officials said the net loss Daimler attributes to the U.S. automaker, incurred in the first quarter, is 65 million euro, or about \$103 million, when based on American accounting standards and other bookkeeping differences. Because Daimler owns about one-fifth of Chrysler Holding, it's a reasonable estimate that Chrysler's total loss for the quarter is five-times that figure -- or roughly \$515 million, when converted based on currency values as of March 31, Chrysler spokeswoman Shawn Morgan said. - Source: [The Detroit News](#)

IIHS TESTS SMALL TRUCKS--AND MOST ARE LEFT WANTING

The Insurance Institute for Highway Safety (IIHS) has tested the crashworthiness of compact [trucks](#) in side impacts--and the [Toyota Tacoma](#) is the only truck to emerge with its safety reputation intact.



The [Tacoma](#) earned the IIHS' "Good" rating for side-impact protection in the test of 2008 models. Its optional side and curtain airbags provided enough protection for crash dummies to get the rating, the agency's highest. The [Tacoma](#) also has a "Good" rating for front-impact protection.

Other compact [trucks](#) didn't fare as well. The [Dodge Dakota](#), [Ford Ranger](#), and [Nissan Frontier](#) all were rated "Marginal" by the insurance industry-funded group, while the [Chevrolet Colorado](#) (and we correlate, the nearly identical [GMC Canyon](#)) was given a "Poor" rating for side impacts.

The IIHS notes that all the vehicles involved in the test save for the Frontier and the [Tacoma](#) lacked stability control. (The GM [trucks](#) will have it standard in 2009.) The [Tacoma](#) was the only truck offered with side airbags as well. It also notes small [trucks](#) have the highest driver death rates on the road. SOURCE – [TheCarConnection.com](#)

CHRYSLER TO EXIT LEASING BUSINESS

Chrysler LLC has told dealers that the auto maker's financial arm plans to get out of the auto leasing business before the end of the year. A dealer who asked not to be identified says the reason is that the company has experienced losses on leased sport utility vehicles and pickup trucks because their residual values have dropped. Chrysler spokesman Stuart Schorr declined to comment on the issue but said Chrysler executives will hold a conference call Friday afternoon. Word of Chrysler Financial's move comes a day after Ford Motor Co.'s credit arm took a \$2.1-billion (U.S.) charge because of the drop in the residual value of leased vehicles. The Chrysler dealer did not want to be identified because the company had not made an official announcement. Source - [The Associated Press](#)