



The NATIONAL Perspective

NADA DIRECTOR'S COLUMN

How Does Your Store Measure Up? by Mark Scarpelli, NADA Chairman

We are only as strong as our weakest link. With that said, the 2018 NADA Dealership Workforce Study is now open for enrollment and I encourage all dealers to participate and use this tool to your advantage. The nation's franchised auto dealers have been going strong for a century. But to meet the demands of the future, we must take a hard look at our most valuable resource: our employees.

I'm happy to report that dealer participation was incredible last year. The 2017 workforce study analyzed more than 451,000 payroll records from 2,350 new-car and truck dealerships that participated. Let's triple our participation this year.

NADA's workforce study objectively measures the strengths of our businesses and helps us better compete in today's market. The study results will help you make informed decisions on pay plans, benefits and work schedules; take steps to reduce turnover and retain the best employees; and pinpoint demographic issues that your dealership may face.

Last year we identified important hallmarks of today's modern dealership. On average, dealership employees across the nation are earning nearly 24 percent *more* than the median weekly earnings of \$832 for the U.S. private-sector workforce. We also found an interesting trend in new hires: Millennials made up 61 percent of all new dealership hires, and the rate is increasing. These are undoubtedly successful markers that we can all be proud of. However, we can also target areas of improvement such as employee turnover and inclusiveness in our individual operations.

The best part of the Workforce Study is that participation for new-car and truck dealers is free. **Enroll today**; the study closes on April 30, 2018. NADA will provide you a complimentary custom report that compares your dealership to aggregated data from your peers across the nation and region—even down to dealerships selling your brand in your state or region.

Dealers today are facing a myriad of new issues including cybersecurity threats, cybersecurity threats, increasingly complex vehicles and evolving customer expectations. The strength and competitiveness of every dealer rests in the quality of their team. Let's make sure that our links are stronger than ever.

NADA Foundation Approves Workforce Initiative

TYSONS, Va. (March 9, 2018) — The NADA Foundation's Board of Trustees has approved plans and funding

for a largescale workforce initiative to promote the value of dealership jobs, especially service technicians, in the automotive retail industry.

The initiative – which will include a new NADA Foundation website, videos, digital and social media content, and outreach to opinion leaders – will be developed in 2018 and launched at the 2019 NADA Show in San Francisco. The Foundation will also begin fundraising for the initiative in 2019.

The NADA Foundation developed the framework for its workforce initiative over the course of 2017, after identifying the great need to harmonize efforts from automakers, training centers, and dealerships – especially on recruiting technicians. There is currently very little brand-neutral information on training centers.

"What we found are a lot of competing silos that don't appear to be talking to each other, which makes getting into a technician career unduly burdensome on potential recruits," said Jonathan Collegio, NADA's senior vice president of Public Affairs, whose department administers the NADA Foundation. "It is incredibly difficult for someone interested in a technician career to find clear information about the benefits of a technician career, and how to gain the training and certifications necessary. We plan to provide compelling information on these good-paying careers at dealerships."

Collegio cited competing information on training centers as a major hindrance to recruiting, as OEMs often only refer to training centers they are partnered with, while ignoring other programs. For example, on its website, one major automaker references its Baltimore and Chesapeake, Va., T-10 training centers, but ignores a major training center near Washington, D.C., because it is not associated with that automaker. A potential recruit in the Washington, D.C., area may therefore not know there is a training center nearby.

There is also a lack of targeted messaging and marketing to promote the careers, which Collegio says the NADA Foundation will address in its marketing efforts.

SHOW NADA2018 LAS VEGAS
EDUCATION & EVENTS March 22-25
EXPO March 23-25

The upcoming NADA Show, March 22-25 in Las Vegas, is an experience you can't get anywhere else. NADA's is the only four-day event that houses a sold-out expo with more than 500 exhibitors showcasing the latest products and services just for dealers. The enrichment continues with more than 100 educational workshop sessions and dynamic lifestyle programs. And our exclusive dealer-franchise meetings are your chance to meet with your OEMs' top executives and plan for the future.



Communications

"Serving Arkansas's franchised new car and truck dealers since 1932"

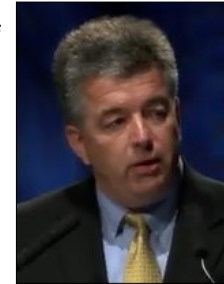
March 2018

AADA Dealers Receive Top Honors

Arkansas Business hosted the 30th Annual Business of the Year Awards, and AADA was well represented. Past AADA Chairman of the Board and current NADAPAC Chairman, Danny Ford, Glen Sain Motor Sales, Rector, was named Arkansas Business 2018 Executive of the Year. This is one of the state's most prestigious business awards and Danny is very deserving.



Also honored at the annual awards presentation was past AADA Board of Directors' member, Frank Hug, Hug Chevrolet-Buick, Charleston. Hug received the 2018 Outstanding Philanthropic Corporation Award. This award honors businesses that are committed to good citizenship and worthy philanthropic endeavors.



Danny Ford and Frank Hug serve as great reminders of how vital Arkansas dealers are to their communities and the state. We congratulate these two dealers.

Nunnally Announces Candidacy

AADA's Vice Chairman, Gan Nunnally, has thrown his hat into the political ring for the first time. Nunnally, general manager of the Nunnally Chevrolet auto dealership in Bentonville, formally announced he is running to represent District 93 in the Arkansas House of Representatives.



The Republican candidate is attempting to unseat incumbent Jim Dotson, R-Bentonville, who is serving his third term representing District 93, which includes portions of Benton County. Dotson ran unopposed in both the primary and general elections of 2016.

Nunnally, 49, said his political platform will include specific goals related to his "education, business, and opportunity" agenda, specifically with regard to small and locally based businesses.

"We live in one of the greatest areas of the country, and our opportunity is great. I find it an obligation to take advantage of the resources and feedback that our area offers us and to make a difference with Arkansas-based

businesses and education, which naturally leads to greater opportunity for our overall population. I intend to support new formats for businesses to work with educational institutions that will effectively feed our workforce."

Legislative Committee Solicits Dealer Input

One of AADA's most important services for dealers is representing our interests in front of the Arkansas Congressional delegation and the Arkansas General Assembly. Over the years, AADA has enjoyed an incredibly high level of success and we want to keep the momentum going.

A powerful dealer network across the state is AADA's greatest asset when advocating on positions for dealers. In order to maximize this asset to its fullest, we need some information from each of you. You will find attached a Legislator Survey that will give us an accounting of how well dealers know their legislators, both state and national.

If you have not already done so, please take the time to fill out and return the enclosed Legislator Survey. Thanks in advance for your time, and I look forward to seeing just how powerful dealers are in their communities and with our elected officials.

AADA Breaking Ground

In November 2017, AADA announced that it would partner in the development of a new building in North Little Rock's Argenta neighborhood. The building will serve as an anchor for the city's Argenta Plaza development. Located at 600 Main Street, AADA's new headquarters will be on the second floor of a three-story building with the City of North Little Rock Convention and Visitors Bureau on the first floor and Taggart Architects on the third floor. The AADA offices will comprise 8,000 s/f which will allow the association the space for a dedicated conference room as well as leasable office space. We are already getting inquiries on this space.



The scale of what's occurring in the two block section of North Little Rock that will house the AADA offices is quite overwhelming. There will be nearly \$50 million in four projects occurring at the same time and they will forever change the landscape of downtown North Little Rock. We will make an announcement with more details soon, and needless to say, the timing couldn't be more perfect for AADA to have a role in this incredible growth.

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AADA Website

A website for AADA is currently under construction. We expect to take advantage of the latest trends in website development to create a site that is informative and user friendly, making it your first stop for details on AADA events and industry updates. We expect to expand functionality in three stages with the first phase to be completed this Spring.



AADA Convention—Bermuda

Preparations are in full swing for the AADA Convention to be held July 23-28 at the Fairmont Southampton in Hamilton, Bermuda. Whether on land or at sea, this picturesque island offers a unique British charm that is sure to please everyone. We encourage all key dealership employees to register today as our room block is limited. Friends and relatives are welcome too. Complete registration materials are enclosed.



Registration-by-County Service Ends

After 17 years, AADA has discontinued its Registration By County Reporting Service. Several factors were considered in making this decision that included declining interest and difficulties with data sources. The service provided sales tracking data that may still be obtained through manufacturers and related sales tracking companies.

Dealers’ Optimism-Strongest in South

Dealers are positive about the next quarter, but that optimism varies widely by region, a Cox Automotive survey found. The quarterly Cox Automotive Dealer Sentiment Index, released today, is the equivalent of a consumer confidence index, showing how U.S. dealers feel about the current automotive market and prospects for the next 90 days. It also identifies which factors are most significant in driving dealer’s optimism or pessimism, as well as variations by region. Source: Automotive News

New OSHA Reporting

Your dealership may be required to electronically file employee workplace injury and illness records with the Occupational Safety and Health Administration (OSHA). Those required to electronically file Form 300A or equivalent include:

- Commercial truck dealerships with 20 to 249 employees at a single “establishment,” defined as “a single location where business is conducted or where services or industrial operations are performed.”
- Light-duty and commercial truck dealerships with 250 or more employees at a single establishment must record workplace injuries and illnesses, but are not required to electronically submit Form 300A to OSHA.

For more information on OSHA’s injury and illness recordkeeping and reporting mandates, visit NADA’s in-

jury and illness recordkeeping page or contact NADA Regulatory Affairs at regulatoryaffairs@nada.org.

Rhett Ricart
Chairman, Regulatory Affairs Committee

ROSS FORD PRESENTS RESUSCI ANNE TO WYNNE FIRE DEPT.

Cross County first responders at the Wynne Fire Department will be able to improve their CPR training thanks to a grant from the National Automobile Dealers Charitable Foundation and the AADA. Ross Ford-Toyota applied for the grant that provided a new Resusci Anne CPR unit. Wynne Fire Chief Lynn Blake said the department in the past offered classes every two years, but always had to borrow a CPR manikin.



The donation will allow them to train not only firefighters throughout the county, but police officers and Wynne Street and Sanitation. Jim Ross is a past AADA board chairman and his son Chris is currently a board member.

The presentation was supported by the community and the *Wynne Progress* provided great media coverage. CPR units donated by new car dealers have been used to train more than 2 million people since the 80’s.

NADA Dealer Stairstep and Tier Incentive Study

Recently, NADA commissioned a study by the Analysis Group: **Auto Manufacturer to Dealer Tiered Incentive Programs - a self-inflicted wound?**

Tiered incentive programs, commonly referred to as “stairstep” programs, are used by automobile manufacturers to promote sales and increase market penetration in their dealer networks. In recent years some programs have evolved, with additional non-sales requirements imposed on dealers, including but not limited to achievement of key performance indicators, adherence to brand standards, and achievement of employee training targets. The targets themselves have, in some cases, become more complex and created uncertainty in dealers’ day-to-day operations and in the customer buying experience. Here are the key insights from the study:



1. Stairstep programs complicate the shopping process for consumers, introducing large discrepancies in price for the same or similar vehicles across different dealers or at the same dealer at different points in time. Because these programs are offered by the manufacturer to the dealer, consumers are typically not aware of these discounts, nor do they understand why discounts are applied to some vehicles but not others. This lack of transparency into the dealer’s pricing results in a lack of consumer trust and decreasing consumer loyalty over time.

2. Stairstep programs can devalue the brands of the

manufacturers using them. Survey research shows that consumers are less likely to make repeat purchases of brands that rely the most on stairstep incentives in the sales process, decreasing the perceived value (and price) of new and used vehicles for those manufacturers.

3. Manufacturers that use stairstep programs aggressively have seen residual values and used vehicle prices decrease. Data on actual automobile leases and sales show that residual values and used prices are lower, and have decreased over time, for some manufacturers that use stairstep programs aggressively.

4. Stairstep programs can increase sales volume in the short run while simultaneously decreasing demand. However, an increase in sales due to an aggressive stairstep program should not be confused with an increase in either consumer demand or the value of the manufacturer’s brand. In fact, manufacturers who use stairstep programs aggressively risk damaging their brand in the long run and entering a death-spiral of declining demand that eventually no amount of discounting can profitably overcome.

5. Aggressive use of stairstep programs can diminish the value of dealerships representing the manufacturer’s brand. The brand challenges caused by stairstep programs described above may be translating into lower values for those brands’ dealerships (called “blue sky” values). Lower blue sky values are direct evidence of less demand among dealerships for those brands’ franchises, i.e., fewer and/or lower quality dealers competing to purchase those franchises.

6. Stairstep programs increase operational complexity at dealerships, creating volatility in revenues and cash flows, uncertain margins, and difficulties in fostering lasting relationships with customers. These challenges can also lead to lower blue-sky values for dealerships and incentivize those dealers to underinvest in activities that promote the manufacturer’s brand.

This study is only one part of NADA’s ongoing effort to encourage effective, reasonable and fair policies for all dealers.

NADA Issues New Guide on Tax Reform Law

The National Automobile Dealers Association has released to its members *A Dealer Guide to the Tax Cuts and Jobs Act of 2017*. The guide summarizes many of the business and individual changes brought about by the tax reform law signed by President Trump on Dec. 22, 2017, and represents the collective drafting efforts of three accounting firms (Boyer & Ritter, LLC, Crowe Horwath LLP, and Dixon Hughes Goodman LLP) that provided substantial support to NADA’s successful advocacy efforts while the tax reform legislation was being considered by Congress. We encourage you to share this reference with your tax advisor to assist you with your tax planning and reporting responsibilities. Source: NADA

Federated Insurance’s “Claim of the Month”—Could it happen to you?

A dealership provided a demo vehicle to a new salesman on his first day of work. That night, the new employee took three friends for a ride in



the car, and wound up getting into a single-car accident. One passenger lost sight in both eyes. The driver was cited for driving under the influence. Had the dealership run a motor vehicle record (MVR) on the employee before giving him the car, they would have discovered multiple traffic citations over a three-year period. CLAIM AMOUNT: \$1 million

What policies are in place to help prevent this from happening at your dealership? Do you know who’s driving your vehicles? Federated recommends several best practices to help protect your business and manage risks; for example:

- obtain MVRs on prospective employees who may drive company or customer vehicles
 - implement a procedure for checking MVRs on a regular basis for all employees who have access to company vehicles
- (Be sure to seek legal advice to make sure your use of MVRs meets your state’s employment regulations.)

These are just a few loss control recommendations you can use to help protect your dealership. To learn more, contact Ryan Lanier, Account Executive for Arkansas, 615-295-0554 or ralanier@fedins.com.

U.S. Light-Vehicle Sales (Seasonally Adjusted at Annual Rates)				
	Feb. 2018	Y/Y Change %	Jan. - Feb. 2018	YTD Change%
Total Car	5.48	-12.6%	5.49	-12.7%
Total Light Truck	11.48	3.8%	11.52	4.3%
Domestic Light Vehicle	12.94	-3.6%	13.00	-2.9%
Import Light Vehicle	4.02	2.8%	4.01	1.5%
Total Light Vehicle SAAR	16.96	-2.1%	17.01	-1.8%

Mark Your Calendar	
March 22-25	NADA Convention Las Vegas
April 12	AADA Board of Directors Meeting Hot Springs
May TBA	AADA Building Ground Breaking Ceremony—North Little Rock
July 23-28	AADA Convention Bermuda
September 13	AADA Board of Directors Meeting North Little Rock
September 25-26	NADA Washington Conference Washington, D.C.
October TBA	Legislative Committee Meeting North Little Rock
November 29	AADA Board of Directors Meeting North Little Rock & Christmas Party Governor’s Mansion