

Dealer ADVOCATE

Split the Aces and Double Down

Jim Ziegler



A lot of pure excitement and high-energy adventure happening in my life right now. The adrenaline is throbbing at my temples as I put these thoughts into the keyboard.

Throwing out the old, bringing in the new and facing new challenges; it doesn't get any better than this.

When I chose to resign as featured columnist with Dealer Magazine after fourteen years, I received a swell of support coming from hundreds of people... well wishers checked in from every direction. It's gratifying when the chips are on table and you discover you have that many friends and followers willing to stand up and be counted.

Even though I didn't have a clear direction mapped out; I knew I'd land on my feet somewhere. What I wasn't expecting...or maybe...not as much: Was how many other publications and online forums approached me within days of when I made the announcement I was leaving Dealer Magazine. I had a lot of high-profile options immediately.

When old friends, Ralph Paglia and Chris Saraceno approached me about the possibility of continuing to write *The Dealer Advocate Column*...online...like on the Internet...using the combined power of their Industry Social Communities; I had to weigh the possibilities since there were established Industry publications making some very attractive offers.

The two online forums, founded by Chris and Ralph are www.dealerelite.net and www.ADMCommunity.com (Automotive Digital Marketing) . Individually or combined these online

"Car People Communities" have an incredible membership of Dealers, Managers, Industry Executives, and Top Vendors... thousands of members in the business.

When the decision was made to do it, we decided for the article to come out once a month on or as near to the 10th as possible, and we agreed to promote the hell out of it to be sure every Dealers, Factory Executive, and those who have read my columns for years, know exactly where to find me.

THEN... unexpectedly, I received an email followed by a phone call from Steve Finlay, editor of Wards Dealer Business Magazine <http://www.wardsdealer.com/> , what I consider to be the most prestigious magazine publication in our industry. AND...guess what? I am going to be writing a single-subject, industry-related column in Wards once a month as well.

Both venues will offer the 'Hard-Hitting'... no punches pulled articles...trademark Jim Ziegler. I promise to continue to be controversial, fair, borderline obnoxious, and confrontational in defending the interests of the Dealers and the retail side of the business.

AND, don't be too surprised when you see best practices, procedures, compliance and how to do it articles by Jim Ziegler in F&I Magazine <http://www.fi-magazine.com/> as well.

So as you can see, I am splitting aces and doubling down on the success of each of these wonderful projects. The trick now is to be sure to please help us spread the word and to get this article redistributed virally to every Dealer, Sales Professional, Manager, Factory Executive, and vendor in the business.

Total Make-Over

What the hell, since I am already completely redesigning everything professionally... starting over again...again...not my first rodeo... I started an intense (I mean intense) fitness, workout and weight-lifting program yesterday coupled with me returning to The Sugar-Busters, diet and maintenance program that has worked so well for me in the past. <http://www.sugarbusters.com/>

I am fanatical about it and will keep you apprised of my progress as I lose 40 lbs. in short order. Updates on <http://www.facebook.com/jimzieglecarguy> as well as <http://www.dealerelite.net> and <http://www.ADMCommunity.com>.

Toyota

Fasten your chin straps, dig a foxhole, and be sure you're wearing your Kevlar vests... this son-of-a-bitch is about to get ugly. We're talking about all-out war and blood in the trenches.

Those of you who have followed me through the years, you know I have a track record for this kind of prediction. A new wind is blowing and the bell is about to ring on round one.

Five years ago Toyota was the unstoppable juggernaut...overwhelmingly dominant in the industry worldwide. Cash flush, indisputable quality products, fuel efficiency, owner loyalty, market share... unbeatable.

Then the hits started coming...and the hits kept on coming. Back-to-back catastrophes beginning with quality issues long before the unintended acceleration issues.

Much of the pain Toyota is feeling was self-inflicted, some of it as a result of Act-of-God situations beyond anyone's foresight or control...and some of it...I believe, was a conspiracy against Toyota by our government...or at least by the party in power. Was a corporation persecuted before congress to satisfy campaign commitments to unions? Regardless of why it was done, I feel it was intentional and vehement, political grandstanding.

First it was the erosion of Toyota product quality under the (inept) leadership of Katsuaki Watanabe. His ambitious goals of domination outdistanced Toyota's quality production capability...including his dumb-ass decision to build the Tundra Plant in San Antonio causing out-of-control losses escalating into Toyota's first ever operating loss in 2008-2009.

Watanabe resigned (fired by Akio Toyoda's grandfather)...left in 'shame' and replaced by family heir Akio Toyoda.

I equate this to being an identical situation to when Bill Ford (trusted family member) was thrust into the business to fix Jac Nasser's allegedly asinine monumental screw-ups that brought Ford Motor Company to its knees in 2001.

Okay, so the truth is that Toyota was already coming apart at the seams before there was any hint of acceleration problems. They were already bleeding money out of every artery and they were losing money and market share. I wrote about it at the time before it was on anyone else's radar.

We all know about the unintended acceleration issues, floor mats, dozens of recalls, government fines and hearings, then the earthquakes, tsunami, and devastation shutting down production. Did I get it all?

Now, June 29, 2011, Toyota's national dealer meeting in Las Vegas set the mood for what I think is coming.

Even though Lexus is still number one in initial quality and Honda number two... Toyota doesn't show up until seventh place with Ford and General Motors products ahead.

Look for Toyota to come off the ropes swinging with rapid-fire new product introductions, totally redesigned and beyond state-of-the-art.

A new Prius 'plug-in' with a 70 mpg rating and re-charges on a 110 outlet in less than three hours. Completely redesigned 2012 Camry and Camry Hybrid, advanced technology and styling, New technology and advanced telematics in an alliance with Microsoft going heads-up after Ford's Sync...redesigned Rav4, and the list goes on. Impressive roll-outs...coming in a product blitz that will light consumers' fires.

BUT, that's just the surface news...the down and dirty of it is that Toyota is about to take the gloves off and it's really going to get down and dirty in the very near future. As soon as production returns to normal...or close to it... look for incentive wars as they will throw some serious money at regaining lost market share. Rebates, sub-vented interest rates...subsidized lease rates and residuals...it going to be ugly, remember I said this. Nobody at Toyota has forgotten that General Motors put a \$1000 bounty on anyone trading in a Toyota when Toyota was down dealing with the acceleration issues.

The feeling is they (Toyota) could have...and did not...pile on when General Motors was struggling to avoid bankruptcy.

As part of their 'war strategy' Toyota is giving their regional management broad latitude to make quick decisions and react to the regional market needs. In other words, the generals can call the shots with quick reaction time.

As a byproduct of the product shortage...

...we're seeing more and more customers buying Japanese cars at lease end rather than leasing another vehicle according to <http://www.LeaseTrader.com>. Backed up by Auto Remarketing, the state of the market, with used car values through the roof... the residuals are coming in much less than the cars are worth at current inflated market prices. So many consumers are buying the vehicle at lease end and then reselling it at a profit. These authorities say statistically, lease buy-outs are nearly 14% heavier than same month last year with an 'up' arrow.

How Quickly they Forget...

It wasn't but four or five years ago that the manufacturers, especially the domestic brands, were crawling to their dealers on bloody knees... once again asking the dealers to make concessions and begging for help... trying to avoid bankruptcy because gross ineptitude resulting in billions of dollars losses...all three of them... just exactly how did the board at General Motors stand by watching with their thumbs in warm dark places while Rick Wagoner blew through \$32 billion in cash in less than a decade bankrupting the one of the formerly most successful companies in history while he took huge bonuses?

Well, two out of three did go bankrupt, draining off huge government bailouts and guarantees...and the dealers suffered. Like a pack of hungry dogs going after a pork chop they turned on their dealers and used the bankruptcy to disenfranchise dealers whose families had for generations invested in the welfare and betterment of their companies...causing great financial hardship to those who had stuck by them as they pissed away a fortune in cash and assets.

Now, they are demanding unreasonable facility upgrades that will cause dealers to invest millions just to stay in the game...while at the same time...the gross profit margins in the cars and trucks are unconscionable...the profits they allow dealers on unit sales are criminal. The manufacturers won't allow the dealers to make a decent profit on the sale of the merchandise, but, at the same time; they are demanding huge investment to remain a dealer. There is a thinly veiled (evil) movement by some manufacturers to deliberately run off dealers and shut down their family businesses.

And Then...

Here comes the Chrysler Group putting the bankruptcy behind them while at the same time cranking up the pressure on their dealers with systematic sales performance warnings... facility upgrades and now, sales quotas. We're talking about Chrysler's arbitrary...as in who the hell knows where they get the numbers, maybe they just reached back and pulled the numbers out of their anatomy? Using their Sales and Service Agreement as the hammer... the numbers I am referring to is the section called... "Minimum Sales Responsibility".

Manufacturers' CSI Scores

Well ,the NADA just released the "Manufacturer's CSI scores with the dealers...and it came exactly the way we knew it would.

The NADA Dealer Attitude Survey, is a report of how the dealers feel about the policy decisions, service they get from the field staff, spirit of cooperation... and in general, the attitude and treatment they feel they're getting from their respective manufacturers.

I've said it repeatedly...Hyundai and Kia are the dream team to work with. That's what dealers tell me, and I speak to hundreds of dealers nationwide every month. The fact that Hyundai will exceed 600,000 U.S. Sales in 2011 speaks volumes to their drive and capacity.

Well Hyundai came in number one on the survey, second time in a row... Kia was fourth.

Lexus dropped to second place after 26 surveys sitting at the number one position... Subaru was third and Mercedes fell to fifth position.

I work with dealers that have all of the franchises mentioned above and I can tell you first hand...I could have called that survey in the correct order without seeing the first statistic because its true.

Great product, quick to market and innovative...of course that's why Hyundai and Kia are kicking ass in the marketplace, BUT; I will never discount the fact that the wild card factor in their success is a happy enthusiastic dealer body and selling team.

At least that's the way it is right now, and I sincerely hope all of the manufacturers in the top five continue to realize their dealers are partners in their success.

Leaf vs. Volt... Turf Wars

Don't you love it? Regardless of the validity of the category (57% of those surveyed in a USA TODAY/ Gallup Poll in May said they would never own an all-electric car)

... General Motors and Nissan are going at it in a war that can only escalate. AND, currently Nissan Leaf is ahead on the judge's scorecards. In fairness, the Chevy Volt is a great car and a huge part of the reason General Motors is so pitifully far behind is because...well actually because they are General Motors, can't help themselves.

It's electric versus gas-electric in a battle for the hearts and minds of the propeller head segment of the market...and bragging rights to be the greenest of the green and win the Obama homeboy trophy with a trip to the 2012 democratic convention including dinner with Nancy Pelosi.

Seriously, all humor aside for a moment (just a moment) fuel economy and reducing to eliminating dependence on foreign oil is important...and, I am not making slight of it.

It's all about 'green'

Who's buying The Chevy Volt and the Nissan Leaf? I envision bearded guys wearing plaid shorts with Birkenstocks and socks...of course I might be wrong.

According to the Detroit Free Press, it's mostly guys... many of them (many) trading in a Toyota Prius. Uh-oh, as I pointed out several paragraphs ago, this may now turn into a three-way war with no prisoners and no alliances between the three. Trading in Prius' is not good.

Honda keeps making noises but won't commit to do what it takes to get into this segment. Truthfully, Honda is becoming an increasing disappointment in many key areas of tackling the retail market. They used to be the innovators...I don't see that now as much as the play-it-safe followers. Oh, don't get me wrong...Honda is still at the top of premium franchises with great product...could be better.

Back to The Leaf-Volt-Prius wars about to unfold. I wrote about the leaf two or three months back. At the time I pointed out it did not meet Nissans original claims for distance between recharging. That's the issue where Volt has a huge advantage. One of the main buying arguments (valid) is that the Volt can use gasoline for longer trips and gets about 40 miles just on the battery between charges. Works with a 240 volt home re-charging unit, with a portable 110 volt unit while you're at work or overnight on the road trips.

Of course The Leaf is total electric and doesn't even have a tail pipe...bummer...I like to put chrome extensions on my Corvette and Escalade tailpipes. Sorry, got distracted for a moment there.

Where was I?

Oh yeah...total electric, but the government says the Leaf only gets 73 miles between recharges... less in heavy stop and go traffic. (that's a lot less than the 90 something we were hearing in the beginning) AND...from everything I hear, 73 miles on a charge might be overly generous in reality. Regardless, that is, to me, a non-issue because I believe Nissan will continue to improve their initial technology and range will increase.

On the leaf's side of the scorecard... zero emissions. It's extremely green and quiet; you can actually hear the crunch of the granola you're eating as you drive.

BUT, Nissan had to start all of the crap by firing the first shot. As I pointed out in my previous articles, they went on television and the Internet with commercials aimed directly at making fun of the Chevy Volt...they actually showed some disgusted looking guy with a sour look on his face putting gas into his VOLT with the Chevrolet Bow Tie clearly visible. What did they expect other than all out war?

Then, here's the other thing... Nissan says they can build 150,000 of them a year in Tennessee, while General Motors is planning to build 60,000 Volts...hoping to get production up to 100,000 in our lifetime. (Because they're General Motors)

I have continually criticized Ford and General Motors for not producing cars and trucks that sell when there is a high demand, they can't (won't) produce the units. Both corporations are struggling to fill sold orders on units in demand.

Don't know exactly why and couldn't find out. In June, Chevy only sold 561 Volts with only 2,745 delivered year to date through June. Is it perhaps, because (like I have always said) ...because they couldn't (wouldn't) produce enough of them? On the other hand, Nissan Leaf is moving farther ahead going into the stretch with 1,708 Leafs delivered in June standing at 3,875 for the year.

Volkswagen Might...Just Maybe

..make it all of the way to the goal line. I've always made fun of Volkswagen, the manufacturer because of their extreme corporate arrogance and snotty (undeserved) attitude. In many issues I called them The Detroit Lions of the Car Business. You always depend on them to drop the ball in the "Red Zone"...a company that was always "Almost Great". Worldwide they've always been a force to be reckoned with, but; in the U.S. they've always resembled caricatures from old Hogan's Heroes reruns on cable.

So a few years back when they announced they were going to dominate the U.S. Market, taking on Toyota worldwide...I made the same sarcastic comments and jokes I'd made in the past...then...I began to notice a new attitude and a new intensity of purpose in their products and corporate marketing...and paying attention to their dealers.

Well, Volkswagen sales in the U.S. Market are up 18.5% in the first six months of 2001... 14.6 % worldwide.

They've redesigned and re-priced key product. Jetta and Passat aimed and priced squarely at the Accord and Camry buyer...they're offering great value and quality. If the market holds they put more than half a million units in the U.S. Market in 2011. If they would just stop naming all of their models with goofy God-awful names like the Touareg... "Touareg?"

I once said that "Touareg " sounds like some black moldy crap you'd discover in the back of your refrigerator. "Hey Maude, get the Lysol quick, there's some Touareg growing in the Fridge".

"Herb, spray your feet with some of that Lamasil Anti-fungal Spray, I think you've got some 'Touareg' growing on your toenails."

Well, winding down another article. Sitting next to the keyboard an empty snifter that just a short while ago was filled with vintage Remy-Martin Louis XIII Cognac. For my first-time readers, that's a tradition I've carried on for twenty years. I always drink at least one snifter, sometimes more as I write the articles (that's the only time I drink it by the way) At \$1800 a bottle, we treat it with a lot of respect.

Please print this article and show it to others, especially your General Managers and Dealers.

I am particularly excited about my www.InternetBattlePlan.com Seminar coming up July 20th in Las Vegas...a full lineup of expert speakers on Dealership Internet Sales and Processes. We'll be sharing great ideas and best practices.

As I begin my diet and exercise (weight loss - muscle building) program, why don't you join me and let's see where it takes us? Please find me at <http://www.FB.com/JimZieglerCarGuy>.

I welcome comments and emails ZieglerSS@aol.com. Until next time Debbie, Sadie and I are looking forward to meeting all of you.