

Greater LOS ANGELES NEW CAR DEALERS ASSOCIATION

eNEWS

SAVE THE DATE FOR THE ANNUAL LUNCHEON

GLANCD A will host its annual member meeting on June 23, 2020 at the Sheraton Universal Hotel. The Keynote speaker is Father Greg Boyle of Homeboy Industries.

Each GLANCD A Dealer member paid current for 2020, gets two luncheon seats (per rooftop), and a link to a renewal/new member application is provided below. Contact Natalie at 916-239-4099 with questions about membership status, or to make payment (\$100 per rooftop)

There are sponsorship opportunities to consider as well. Contact executive director Bob Smith 213-748-0243 for more information.

Please consider supporting this wonderful event that benefits new car dealers throughout Los Angeles county.



SPONSORSHIP OPPORTUNITIES

GLANCD A SUPPORTS LOCAL AUTOMOTIVE TECHNICIAN TRAINING PROGRAMS



In 2019, GLANCD A hosted events at area community colleges that gave students and dealership representatives an opportunity to explore career pathways together. In addition to these career fair events, GLANCD A contributed over \$100,000 to the nine area community

schools that have automotive programs. This money will be used to provide scholarships to students, and also upgrade equipment in the shops. The new car dealers in Los Angeles county are committed to helping students find workforce opportunities in the lucrative world of automotive repair.



RETAIL WARRANTY REIMBURSEMENT -- WHAT A DEALER NEEDS TO KNOW

By Joe Jankowski

For decades, the relationship between car dealers and manufacturers has had its challenges. From the perspective of the dealer, the manufacturer continually attempts to “cost-shift,” lowering their expenses and increasing the dealers’ expenses.

Over the years, many states have passed franchise protection laws in order to balance the unequal bargaining power that exists between individual dealers and their much more powerful franchisors. So far, 46 states, including California, have passed legislation that has corrected a specific type of cost transference that affects both dealers and consumers alike: market-rate reimbursement for warranty claims.

In the past, dealers had been forced to accept below market fixed reimbursement, which they, as well as the paying consumer, had to subsidize. Today, however, the good news for California dealers is that, based on AB 179, they are entitled to collect retail from their manufacturers for parts used in, and labor performed on, a warranty claim. In the case of parts, retail is not list price or MSRP; instead, retail is what your customers pay you for a warranty-like repair.

Defining “Optimal” Results

In a store with typical pricing and discounting practices, dealer markup normally falls in the 75% to 85% range. For dealers utilizing a list pricing model, markup is in the 60% range. The reimbursement process for parts, done properly, should be a one-time event, so it’s critical to get the optimal results on the first go-around; the only time it will need to be redone is if you materially change your parts pricing or discounting methodology.

But what does it mean to earn “optimal” results? On the subject of retail reimbursement, optimal results refer to strict adherence to the state law filtered through the manufacturer’s rules (which do not necessarily conform to the statute or even their own P&P Manual) as well as an appropriate selection of a sample that represents the dealer’s optimal retail rate.



Given the current state of the relationship between the dealer and the manufacturer, as well as the complexity of the law designed to protect the dealer, you may be asking yourself this question: how do I fully take advantage of this lucrative retail warranty reimbursement opportunity without incurring the wrath of the factory?

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Joe Jankowski is Managing Partner of Armatus Dealer Uplift; the CNCDA exclusively licensed provider for retail warranty reimbursement services. Joe has been personally involved in consulting on ten retail warranty statutes, including AB 179, and is widely recognized as a subject matter expert in this highly technical arena. Previously, Joe spent more than 20 years as CFO, COO, CEO & Partner of a large automotive group in Maryland.

DEALER DAY IN SACRAMENTO

GLANCA dealer members will be traveling to Sacramento to meet with Los Angeles area Senate and Assembly members. This fly in lobbying event hosted by the California New Car Dealers Association is a tremendous opportunity for dealers to support or defend against proposed legislation that directly impacts every day dealership operation. Please contact Executive Director Bob Smith at 213-748-0243 to explore joining this delegation.





SOUTHERN CALIFORNIA TOYOTA DEALERS ASSOCIATION TEAMS UP WITH LEAGUE OF LEGENDS



Immortals Gaming Club (IGC), announced today that the Southern California Toyota Dealers Association has signed on as the

Official and Exclusive Automotive Partner of Immortals, IGC's League of Legends (LCS) brand.

As part of the agreement, the Southern California Toyota Dealers Association will receive prominent logo placement on all Immortals LCS players' jerseys, host extensive and novel onsite Toyota-branded fan experiences at Immortals LCS matches, and work with Immortals to promote Toyota's full line of cars, trucks and SUV's. The Southern California Toyota Dealers Association will also collaborate with IGC to develop and distribute "Inside Immortals," a behind the scenes, multi-episode docuseries detailing the personal and professional lives of the Immortals players, coaches and staff. The episodes will appear on Immortals' YouTube channel.

"We are excited to announce this partnership with the Southern California Toyota Dealers Association," said Ari Segal, CEO of IGC. "Toyota is a premier brand, and we look forward to working with the Southern California Toyota Dealers Association to further extend the reach and relevance of that premier brand with our audience directly in our home of Southern California. Through this agreement, we will create highly compelling experiences both online and in-person where Immortals fans can interact with many of Toyota's highest quality cars."

"We couldn't be more excited to be joining Immortals Gaming Club in this partnership," said Mike Sullivan, President of the Southern California Toyota Dealers Association. "We share an unwavering passion for innovation and technology, as well as our commitment to our consumers. So when the opportunity presented itself for us to enhance the experience for the Immortals fan base, we jumped right on it."

"We constantly strive to keep our clients at the forefront of the ever-evolving, yet fragmented media landscape. With esports now a passionate environment with tremendous scale similar to music and sports, we believe it is the perfect opportunity for the Southern California Toyota Dealers to continue connecting with an extremely elusive Millennial and Gen Z audience." John Popadopoulos, SVP & Director of Media Strategy at Davis Elen, the Agency of Record for the Southern California Toyota Dealers Association.



DEALERSHIP GUIDANCE: Plan and Respond to Coronavirus (COVID-19)

U.S. DEALERSHIP COUNT DROPS FOR THE FIRST TIME IN SIX YEARS, URBAN SCIENCE REPORTS

The number of U.S. new-vehicle dealerships fell from 18,294 in 2018 to 18,195 at the start of 2020, marking the first decline since 2013, according to the annual Automotive Franchise Activity Report.

U.S. dealership throughput, the average number of new-vehicles sales per dealership, also fell, to 940 in 2019, a decrease of eight units from 2018, according to the report produced by research firm Urban Science.

"California used to be always most actively adding dealers," Mitchell Phillips, global director of data at Urban Science, told Automotive News. "This is a big state and they lost a lot of dealerships."

The state also had the largest decline in sales of any state in 2019, Phillips said, with a decrease of 6 percent.

If the state was left out of the U.S. dealership

That 0.5 percent decrease "is small and still indicates continued stability overall," the report said.

California posted the biggest decrease in dealerships in 2019, down 28 to 1,478, followed by Illinois with nine fewer, and Ohio and Missouri with seven fewer each.

Texas saw the most growth, with 11 new dealerships in 2019, followed by North Carolina with four, and Pennsylvania and Tennessee with three new dealerships each.

The report found that 96 percent of the U.S. dealership networks showed virtually no net change.

throughput calculation, Phillips said, "it would probably be higher because the numerator is so large in California and it declined more than the nation did. ... The question is if California will go against the rest of the nation or will it go with the same trend?"

Phillips said not one brand specifically but various brands closed stores in the state last year. "It seemed to be everybody," he said.

Average industry throughput is expected to drop 14 units in 2020 based on current sales forecasts, Urban Science said.

DEALER OPTIMISM BUILDS FOR '20



A looming, unavoidable downturn seemed to hang like a storm cloud as dealers headed to the 2019 NADA Show. A year later, it seems the skies are clearing.

Auto retailers generally seem more optimistic, as potential profits from used-vehicle sales and the service business, plus stronger economic trends, drive a rosier outlook for 2020.

"Going into 2019, there was a prediction that [we] may have a recession," said Lee Payne, owner of Planet Honda and Planet Hyundai stores in Golden, Colo. "The stock market took a big hit at the end of 2018, and I think that was a little bit of a hangover. ... Everybody was kind of waiting for the business to get bad. You don't hear that talk now."

A recession hasn't materialized, and macroeconomics have been generally favorable for auto retail. Dealers seem encouraged, for the most part. An Automotive News survey of 189 dealership executives shows general optimism about the business for 2020 — though dealers did express worry the presidential election could be a drag on results. And long term, they are concerned about the future of the franchised dealership model.

Nearly half of survey respondents said they expect their overall business to be better or much better in 2020. A little more than a third expect things to stay the same. About one of every seven respondents said they think business will be worse.

Last year, a few traditional recession signals — those boxes had been ticked," NADA Chief Economist Patrick Manzi told Automotive News, pointing in part to the Federal Reserve's interest rate hikes in 2018. An ominous economic indicator known as an inverted yield curve — when interest rates on short-term bonds are higher than the rates paid by long-term bonds — also had spooked some economists, he added.

"Those two key recession signals aren't really present at the start of this year," Manzi said, "and that could be yet another factor as to why dealers are more optimistic this year."

Cuts to the federal funds rate in 2019 have led to lower interest rates that have generally given consumers more favorable vehicle loans — and helped dealers reduce their floorplan costs, Manzi said.

NADA has seen evidence of improvement in the dealership financial data it tracks.

In 2018, the average dealership showed an annual operating loss, the first time NADA had seen that since it began tracking the data in 2009. But operating profit recovered in 2019. Through the first 11 months, the average dealership showed operating profit of more than \$100,000, according to NADA's most recent average dealership financial profile.

That trend could continue in 2020.

"Dealers are a tad less reliant this year on the OEM incentives to remain profitable," Manzi said.

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LA AUTO OUTLOOK

[Data Source: AutoCount data from Experian]

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About Us...

Originally founded in 1907, the Greater Los Angeles New Car Dealers Association provides valuable educational and philanthropic benefits to the Los Angeles Community. The Association believes that involvement with local charitable organizations makes a positive difference for everyone involved.

Who we are... We are factory-franchised dealers who are committed to serving the communities of Greater Los Angeles County by promoting professionalism within the retail automotive industry. The Association dealer members contribute not only to the economy of Los Angeles County, but also to the well-being and growth of their individual communities.

Who our members are... Our Members are individuals, partnerships, or corporations owning and operating a franchised motor vehicle dealership engaged in the sales of automobiles or trucks and licensed by the State of California and located within the Los Angeles County area.

BECOME A MEMBER

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