

The Best Ideas from NADA 20 Groups In Times of Covid-19 Stress



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Agenda

- What is a 20 Group?
- PPP Update
- State Opening Status
- What's trending with sales
- Covid impact on the market and on your organization
- Emerging Customer Demands
- Action Plan and Take Aways

What is a 20 Group?

- A “peer group”
- 20-23 dealers who meet 3-4 times a year
 - Same brand
 - Same size
- Geographically and competitively separated



Why Belong to a 20 Group?

- Peer-to-peer review
- Financial review
 - Benchmarking
 - Guide
 - Potential vs. today
- 19 fellow dealers who want to help!



PROFESSIONAL SERIES

BREAK INTO THE INDUSTRY

NEW Training program exclusively for department managers.

 Designed to fit the busy automotive retail lifestyle of dealership managers with convenient classes offered at three locations across the country.

Core focused training to **new** or **high-potential** department managers working in



[Learn more](#)

SEMINAR / CERTIFICATE

DEEP DIVE INTO YOUR SPECIFIC DEPARTMENT

 Dealership managers attend a week-long class to hone skills pertinent to their needs.

 Come prepared to analyze and discuss your dealership's performance and walk away with the tools to make significant process improvements.

Offers **week-long** manager courses in



[Learn more](#)

ACADEMY

BECOME AN EXPERT IN ALL ASPECTS OF THE DEALERSHIP

 Prepare current and future dealership leaders to improve each department's profitability, while examining how new technology and innovations are reshaping the industry.

 Examine the latest in industry trends and developments, while also being deeply rooted in the fundamentals needed to operate a successful and profitable automotive business.

Six intensive class weeks all conducted at NADA headquarters in Tysons, Va.



[Learn more](#)

20 GROUP

SHARE KNOWLEDGE FROM INDUSTRY LEADERS

 Equips dealers and managers with best practices, new ideas and financial comparisons to improve business performance and profitability.



Financial comparisons of your dealership against average and best-in-class dealers.

 Access to the industry-leading OEM-specific online composite.

 Ongoing support from your 20 Group peers and consultant between meetings.



PPP Update

Breaking!

Mnuchin indicates openness to more PPP loans in next COVID-19 relief bill

BY NIV ELIS - 06/10/20 01:17 PM EDT

53 COMMENTS

17 SHARES

Facebook SHARE Twitter TWEET



Today's Refinance Rate
2.60%
ΔPR 15 Year Fixed

Use and Forgiveness of Loans

- Substantive uses (no change)
 - Payroll Costs
 - Salaries and commissions excluded from Payroll Costs
 - Rent, including rent under lease agreements
 - Utilities,
 - Interest on any 'mortgage' obligation
 - Interest on 'other debt' obligations incurred before 2/15/20
 - Other purposes generally allowed under SBA Section 7(a) programs
- Timing (changed by PPP Flexibility Act)
 - Allowable expenses incurred from 2/15/20 through 12/31/20

What Allowable Uses are Forgivable?

- Timing (changed by PPP Flexibility Act)
 - Originally, to be forgivable, expenses had to be incurred during the 8 week 'covered Period' immediately following disbursement of the loan.
 - Expenses are forgivable if incurred during the covered period beginning on the disbursement of the loan and ending on the earlier of (1) 24 weeks or (2) 12/31/20.
 - In the alternative, borrowers as of 6/5/20 may elect to retain the original 8-week covered period.

Accounting

<https://www.nada.org/coronavirus/regulatory/>

WHAT ALLOWABLE USES ARE FORGIVABLE?

Timing (continued) (*changed by PPP Flexibility Act*)

- Impact of change
 - Most dealers electing a 24-week Covered Period will have sufficient forgivable Payroll Costs to exhaust all PPP loan proceeds.
 - As a practical matter, whether floorplan interest payments are forgivable will no longer be relevant.
- Critical decision: the 24-week vs. 8-week Covered Period election.

HOW MAY THE AMOUNT OF FORGIVENESS BE REDUCED?

- Types of loan forgiveness reduction
 - 60%/40% Reduction Basis (*changed by PPP Flexibility Act*)
 - Pay Level Reduction Basis
 - Headcount Reduction Basis
- Order of Application

Best Practices

HOW MAY THE AMOUNT OF FORGIVENESS BE REDUCED?

- Pay Level Reduction Basis (continued)
 - Post-PPP Flexibility Act considerations
 - Try to maintain average compensation rates during the Covered Period at or near the compensation rates during the measuring period.
 - However, note that the new Covered Period during which Pay Levels need to be maintained to avoid reduction is much longer than before (24 weeks vs. 8 weeks).

HOW MAY THE AMOUNT OF FORGIVENESS BE REDUCED?

- Headcount Reduction Basis (continued)
 - Post-PPP Flexibility Act considerations
 - Try to keep on payroll during the Covered Period the same number of full-time equivalent (“FTE”) employees as in the measuring period; this may involve re-hiring previously terminated employees.
 - However, note that the new Covered Period during which Headcount needs to be maintained to avoid reduction is much longer than before (24 weeks vs. 8 weeks).

Best Practices

FORGIVENESS APPLICATION CONSIDERATIONS

- Should I elect the 8-week or the 24-week Covered Period?
 - Degree to which forgiveness has been maximized during original 8-week period.
 - Expectation of whether Headcount and Pay Levels can and will be maintained, if not increased, during the 24-week period.
- Will I be able to make my election after the expiration of the 24-week period?
 - Assuming that SBA/Treasury does not mandate an earlier election cutoff, the 10-month payment deferral should provide sufficient time.

FORGIVENESS APPLICATION CONSIDERATIONS

- Submit forgiveness applications to lenders, not to the government.
- Generally, hold off on applying for loan forgiveness until further guidance and a revised [Forgiveness Application](#) is issued by SBA/Treasury.
- SBA/Treasury lists many of the documents that must be submitted with forgiveness applications.
- Required documents must be preserved and retained for 6 years after a PPP loan is fully forgiven or paid in full.



State Opening Status

Poll – Pop Quiz

Of the 29 states that allow dealership sales operations to fully open, what percent of sales (based on 2019) are their contribution?

- a. 29%
- b. 39%
- c. 59%
- d. 99%

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a. 29%

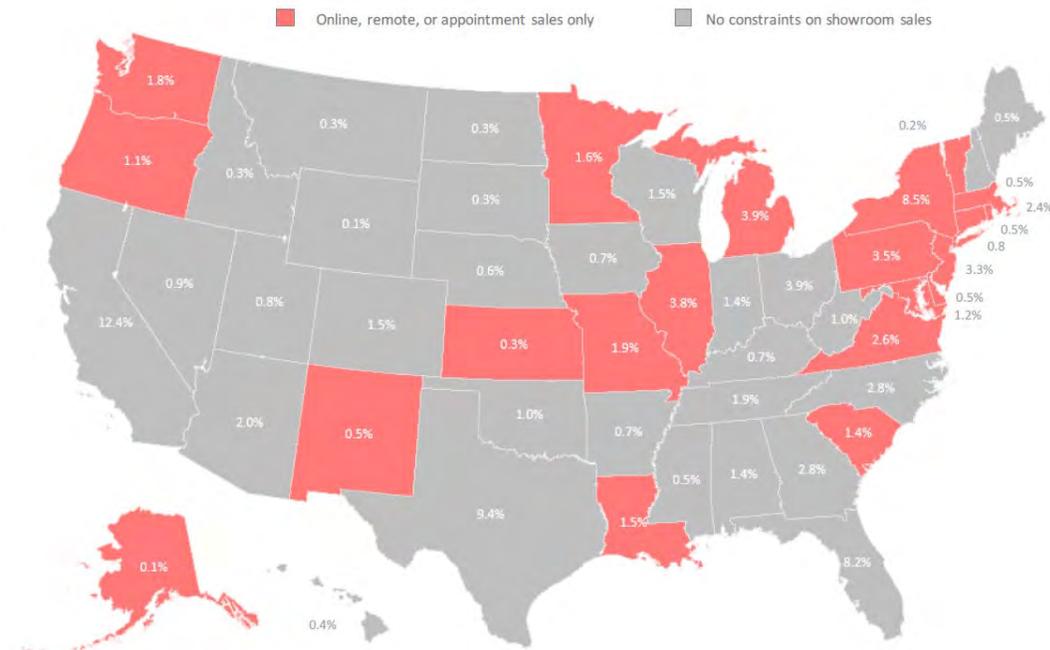
b. 39%

c. 59%

d. 99%

Impacts

IMPACT: Dealership Sales Operations by State



- Key Market Trends

Dealership Sales Operations

- 29 states (59% of 2019 sales) allow dealership sales operations to remain open.
- 21 states (41%) still have limitations on dealership sales operations from state orders.
- Of those with limitations, 18 allow for showroom sales by appointment or with specified social distancing actions.
- States that allow online or remote sales only are Pennsylvania, Illinois and New Mexico.

Takeaway: No Changes this week...but stay tuned

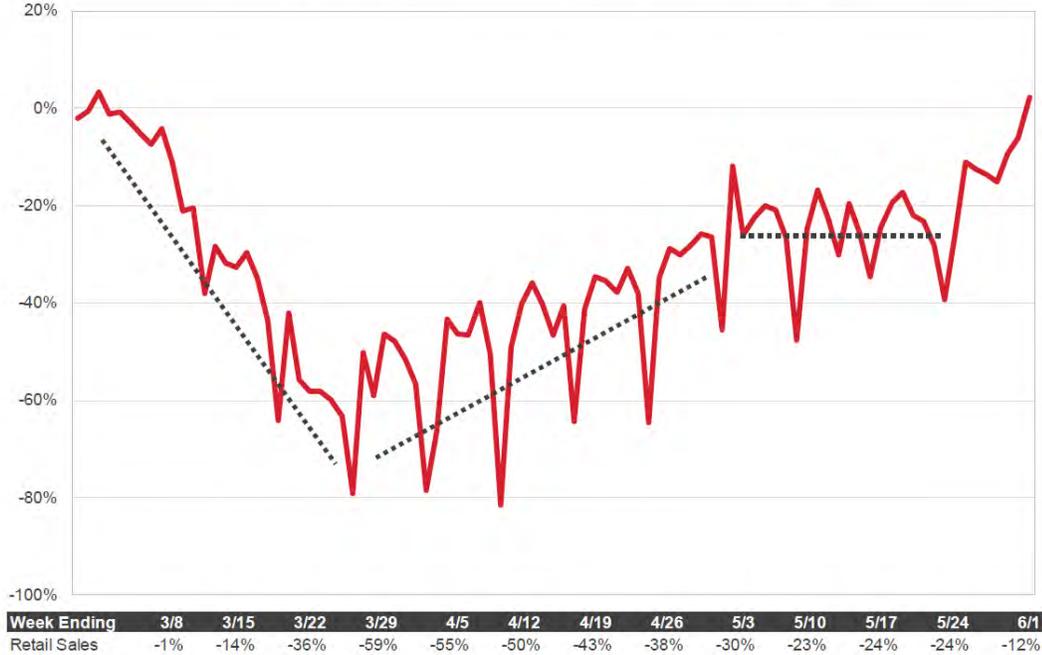


Trends

Sales Update

IMPACT: Retail Sales Accelerated at Month End

Retail Sales: Actual over/(under) Pre-Virus Forecast



- June 1 Sales Report:
 - May retail sales were 1,036,000 units, a decline vs. pre-virus forecast of 20% or 266,000 units, however...

Weekly Change vs. Forecast

- March 08: -1% or 1,000 units
- March 15: -14% or 35,000 units
- March 22: -36% or 95,000 units
- March 29: -59% or 189,000 units
- April 05: -55% or 141,000 units
- April 12: -50% or 106,000 units
- April 19: -43% or 108,000 units
- April 26: -38% or 101,000 units
- May 03: -30% or 94,000 units
- May 10: -23% or 53,000 units
- May 17: -24% or 62,000 units
- May 24: -24% or 76,000 units
- June 01: -12% or 50,000 units

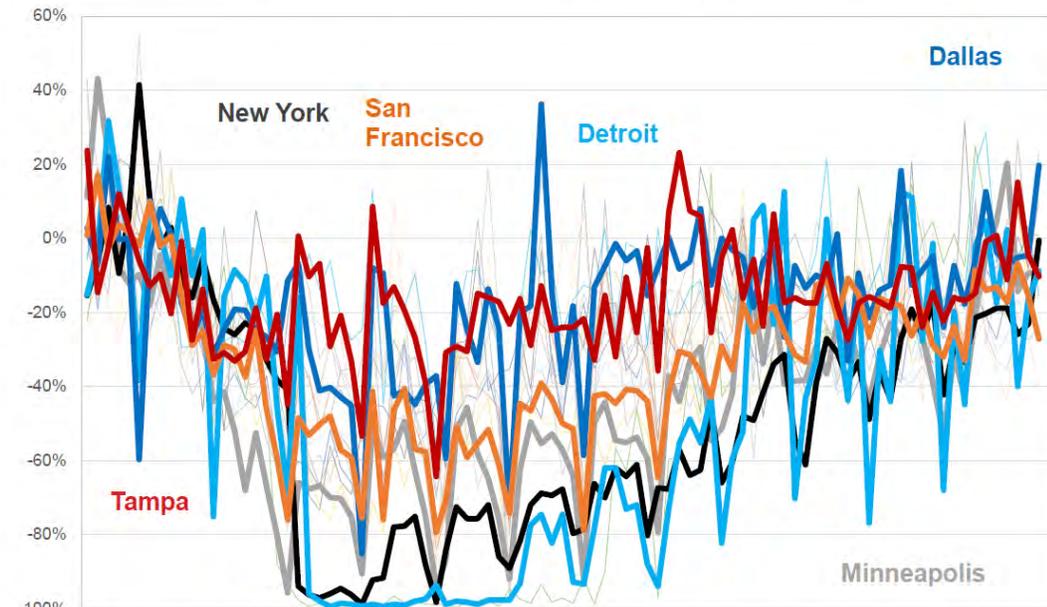
Takeaway: The industry exited May with its **STRONGEST** performance since the “crisis” began

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Impacts

IMPACT: Sales Recovery Advanced Across Major Markets

Retail Sales: Actual over/(under) Pre-Virus Forecast



Week Ending	3/8	3/15	3/22	3/29	4/5	4/12	4/19	4/26	5/3	5/10	5/17	5/24	6/1
Tampa	2%	-16%	-29%	-24%	-22%	-24%	-19%	-20%	1%	-25%	-16%	-17%	0%
Dallas	2%	-13%	-26%	-38%	-28%	-28%	-18%	-10%	-1%	-11%	-16%	-11%	-4%
San Francisco	-1%	-21%	-71%	-74%	-67%	-69%	-67%	-59%	-46%	-35%	-36%	-41%	-12%
Detroit	10%	1%	-19%	-86%	-99%	-98%	-83%	-73%	-59%	-29%	-30%	-20%	-14%
New York	0%	-5%	-30%	-96%	-88%	-79%	-74%	-70%	-63%	-48%	-39%	-32%	-20%
Minneapolis	7%	-6%	-39%	-47%	-49%	-30%	-35%	-27%	-25%	-22%	-28%	-25%	-29%

- Key Market Trends

Tampa

Strong SUV sales made the market one of five that beat pre-virus forecast (along with Houston, Denver, Pittsburgh, West Palm).

Dallas / San Francisco

Strong sales close powered markets.

Detroit

Midsize pickup sales (+18ppts to forecast) offset relative weakness in light duty pickups.

New York

Non-premium cars and SUVs contributed the most to the 12ppt improvement in New York.

Minneapolis

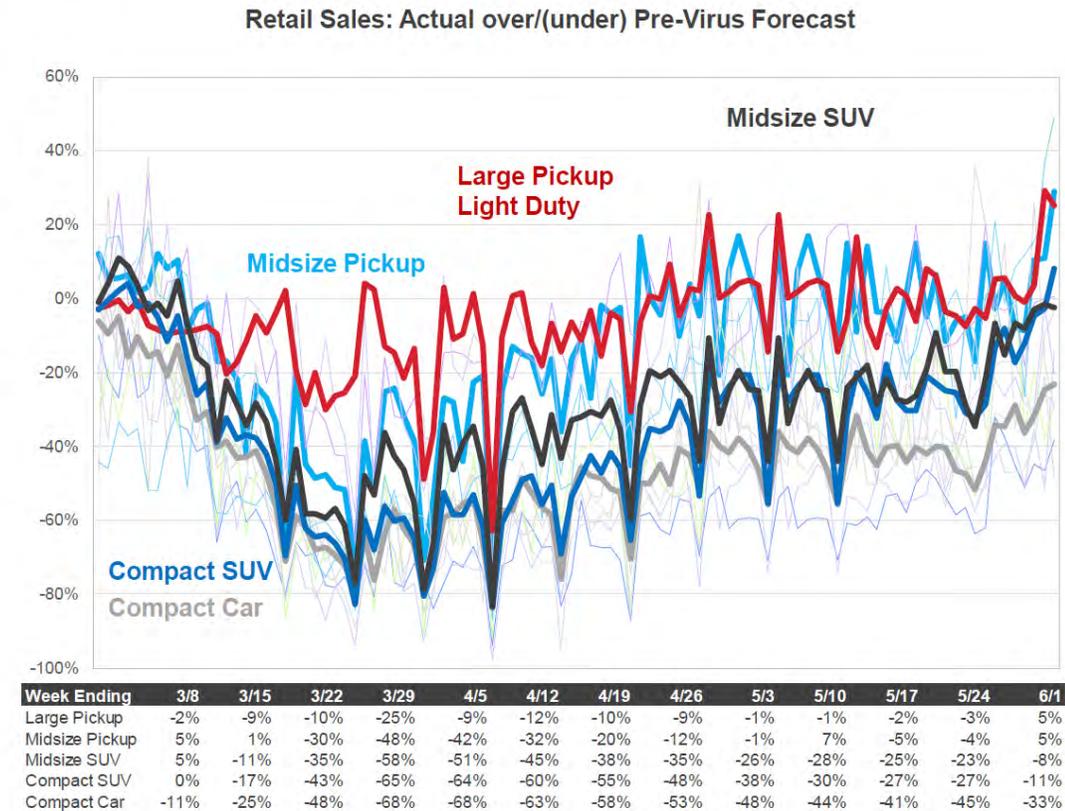
Sales fell back modestly.

Takeaway: 173 out of 210 markets advanced last week

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Impacts

IMPACT: Sales Recovery Across Every Segment



- Key Market Trends

All Segments
Every segment improved against pre-virus forecast in the last week of June and four segments beat the pre-virus forecast.

Pickups
Consumers taking advantage of strong incentive offers drove up sales of both light duty and midsize trucks.

SUV
Strength in SUVs came from the small and large segments, both climbing above pre-virus levels.

Car
Mainstream car sales improved 10ppts from prior week, but lagged pre-virus forecasts by 35%. Compact Car was 33% below pre-virus forecast.

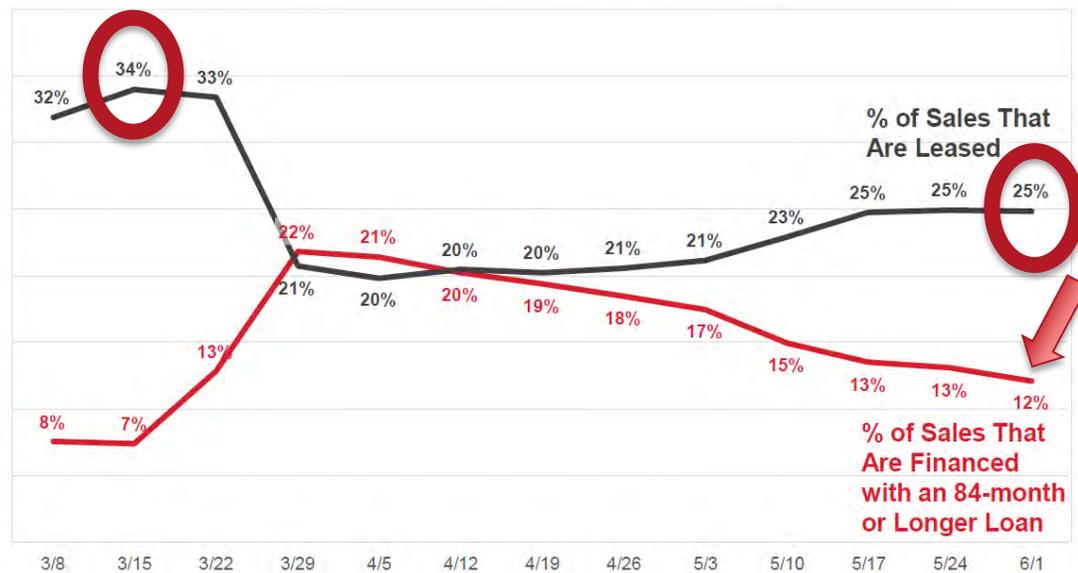
Takeaway: Mainstream segment performance accelerated into sales close.

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Impacts

IMPACT: How People Are Buying Vehicles

Share of New Vehicle Sales by Purchase Type



- Key Market Trends

Buyers Taking 84-Month Loans

While still elevated, 84-month loans are now more than halfway back to pre-virus levels at 12% for the week ending Jun 1.

Buyers Leasing Their Vehicles

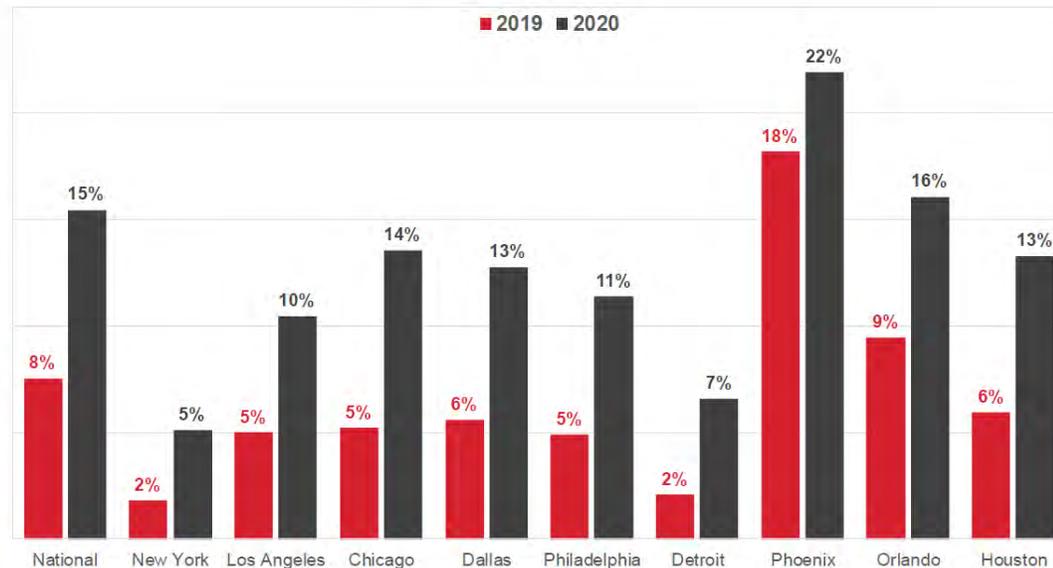
25% of buyers during the week ending Jun 1 took a lease, but lease mix remains well below pre-virus levels. Many lessees who extended their leases have not yet returned to market, due to the monthly cadence of lease extensions.

Takeaway: While 84-month loans are continuing to fall back toward pre-virus levels, lease mix remains depressed. This will change rapidly as production comes back online.

Impacts

IMPACT: % of Buyers Taking 84-Month Loans

May Month-to-Date



- Key Market Trends

May month-to-date percentage of buyers taking 84-month loans was 15%, nearly double the level in the same period last year.

84-month loan term mix is exceeding prior year levels in the top six markets by 2019 retail sales volume.

In Chicago, 84-month loan term mix is 14%, triple the level in the same period last year.

Even New York, a typically lease heavy market, has doubled 84-month loan penetration.

Takeaway: Consumer response to 84-month term loans remains strong, even in markets that are typically lease heavy.

Used Car Prices Jumped 9% In May, After Falling 11% In April



David Silver Contributor
Transportation



Used car prices jumped almost 9% in May, following a historically large price drop in April. (Photo ... [+] GETTY IMAGES)

The Manheim Used Vehicle Value Index rose nearly 9% in May, partially recovering from a “historic” drop the previous month.

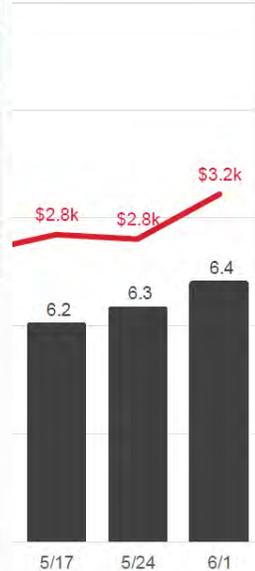
Manheim is the world’s largest wholesale auto auction, listing millions of vehicles per year. Since 1995, Manheim has aggregated these sales into a Used Vehicle Value Index, which tracks movement in used car prices over time.

April 2020, used vehicle prices dropped more than 11% from March, which was the most significant single-month drop in the history of the index. The only comparable decline came at the end of 2008, when used car prices fell by a similar amount over three-months.

IMPA



Rebound



Impacts

- Key Market Trends

Trade-In Age

The average age of all vehicles traded in dropped by nearly a full year to the lowest level since the recession by the end of March. Since then, vehicle age has been rebounding towards pre-virus levels.

Trade-In Equity

The decline in equity reflects higher loan balances carried on vehicles traded in and lower trade values on used vehicles.

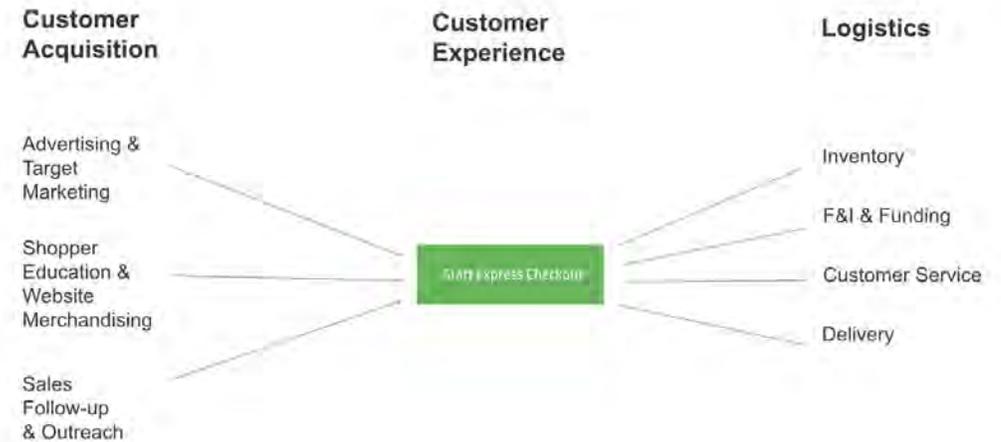
Takeaway: Incentive programs are helping keep monthly payments affordable despite buyers having less equity on their trade-in.

More Covid....

Covid accelerated that shift

- Colleges and Universities moved 100% online
- Religious services – 100% online
- Restaurants went remote
- "Curbside Pickup" new normal (for everything!)
- 88% of companies encouraged employees to work from home

Business Plan



Poll – Pop Quiz

What percent of buyers select a dealer because of transparency of an online payment?

a. 35%

b. 65%

c. 15%

d. Zero, customers are not interested in payments online.

Poll – Pop Quiz

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d. Zero, customers are not interested in payments online.

Opportunities

Trades and Payments

- Eliminate the trade range; a trade range adds ‘friction to the trade process’
 - An overwhelming percent of shoppers that start a trade appraisal *complete it*

Online monthly payments for lease and purchase, side by side, are a critical piece for today’s car buyers expectations

- 65% of buyers select a dealer because they could get an online payment!
- 1 in 4 shoppers chose amount of monthly payment as MOST Important

Consumers crave a purchase that removes friction, their number one pain point is time, and they desire personalized value

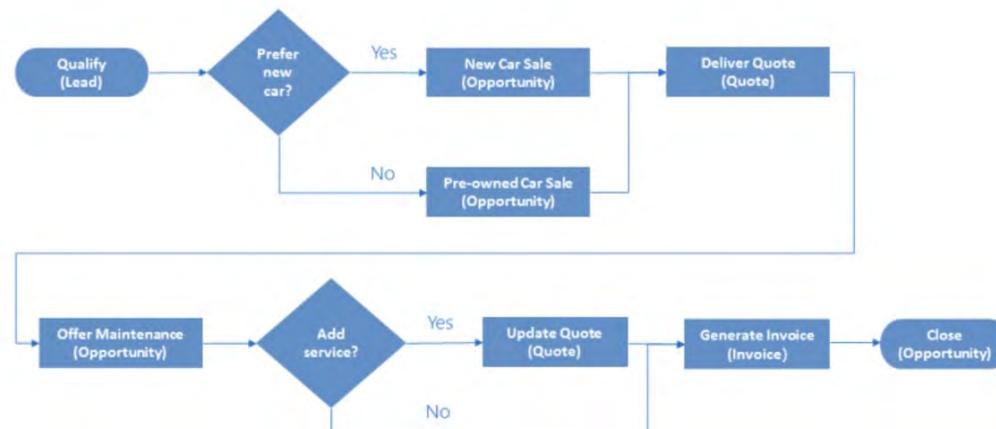
- Offer a Complete Flexible Experience whether online or a more traditional experience

MSRP	\$28,145
Financing Offer	-\$2,750
First Responder Offer	-\$500
College Grad Offer	-\$400

Est. Lease **\$228/mo****
Est. Finance **\$352/mo***

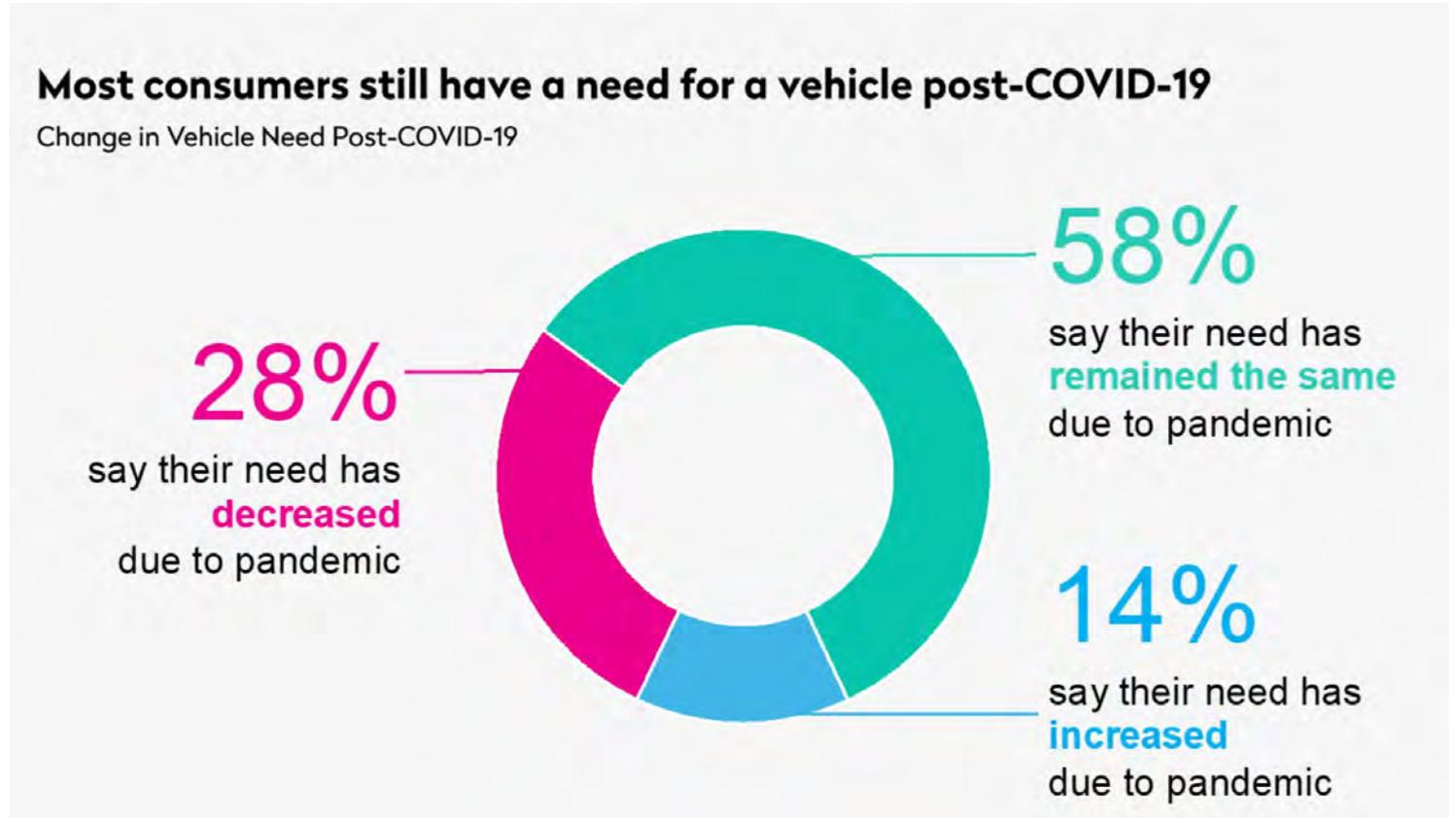
Payment Info [i](#)

[Click For More](#)



Emerging Customer Demands

- Vin Specific Pricing
- Trade in Offer
- Dealer – controlled Payments



Incentives and Discount Impact

Consumers are largely hesitant to purchase due to exposure risk

Factors that Deter Vehicle Purchase (% Mention)



43%

Catching or Spreading of COVID-19



34%

Concerns Over Diminished Income



31%

Having to Visit the Dealership

Financial incentives/savings drive car buyers to purchase

Factors That Drive Vehicle Shopping/Purchase (% Mention)

49%

Lower Interest Rates/
Less Expensive Financing

47%

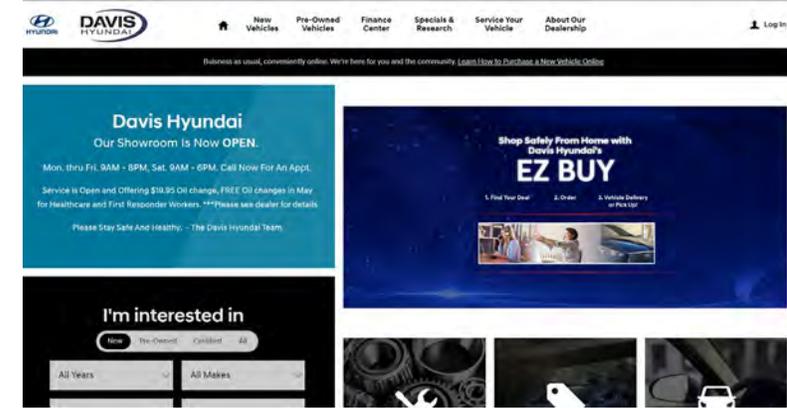
Increased Discounts/
Incentives on Vehicles

30%

Reduced Monthly Loan/
Lease Payments

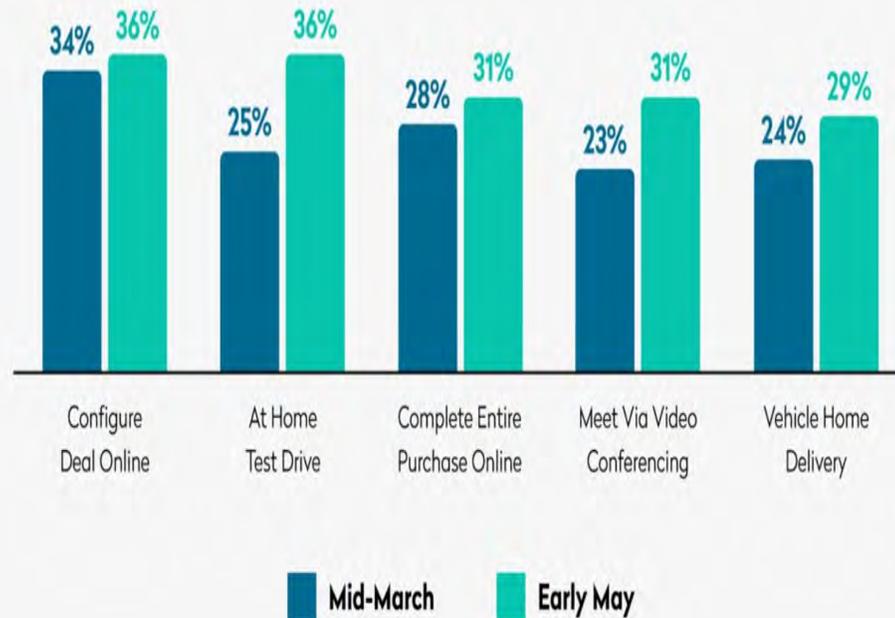


Consumer Ease...



Remote retailing offerings inspire engagement with dealers

Factors to Encourage Dealership Interaction (% Mention)



- If your dealership offers remote retailing solutions:
 - Online purchase paperwork
 - Enhanced sanitization and safety precautions
 - Home vehicle delivery

– *66% more Likely to consider your dealership*

Poll – Pop Quiz

The total average number of days to close a sale have gone from 9.9 days to:

- a. 3.5
- b. 14.1
- c. 10.3
- d. Stayed the same.

Poll – Pop Quiz

The total average number of days to close a sale have gone from 9.9 days to:

a. 3.5

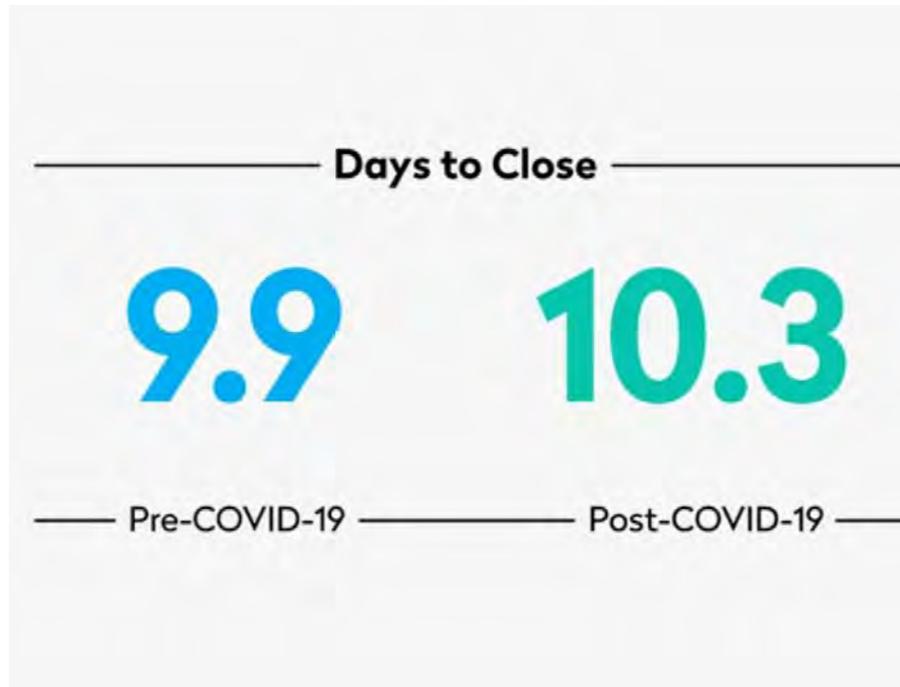
b. 14.1

c. 10.3

d. Stayed the same.

Speed of sales

- Sales are closing at roughly the same pace:



- Consumers and dealers demand efficiency in the car buying process:
 - 65% of shoppers use a 3rd party website for a trade-in value
 - 76% of shoppers want to calculate and compare monthly payments online
 - 83% of buyers want to complete some purchase steps online

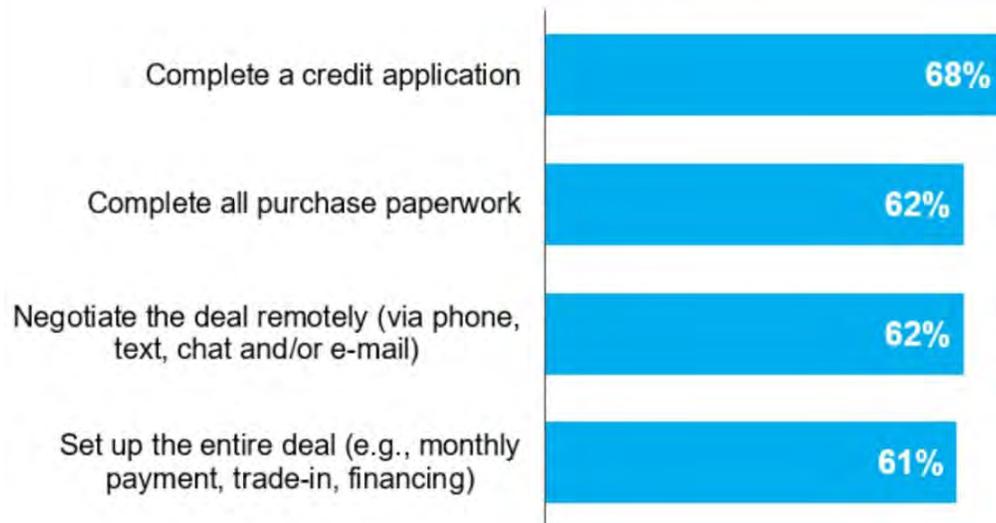
Trends



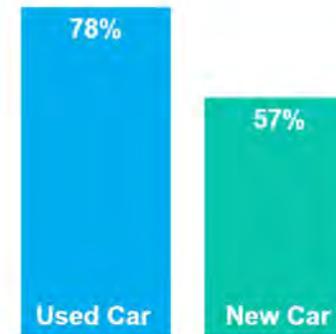
Consumers want flexibility in the process....

...However, some consumers still want the 'car experience'...

% Likely to do Vehicle Shopping Activities Online



% Not Willing To Purchase Vehicle Without Seeing It In Person



64%

of shoppers would **not purchase** a car **without a test drive**

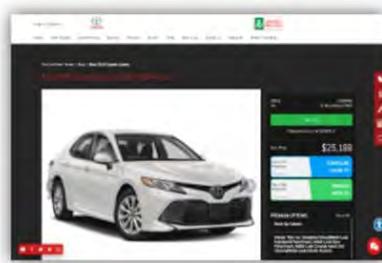
ACTION PLAN

- Ensure consistency across different Channels at multi touch points:

3rd Party



Dealership Website



Showroom



ASSESS



PLAN



IMPLEMENT



EVALUATE

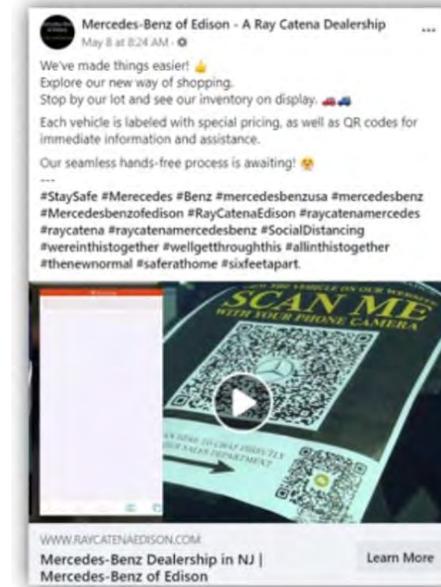
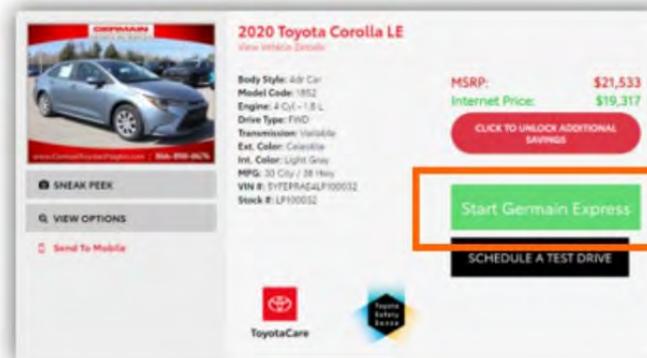
- Marketing is key to bring Awareness

Social

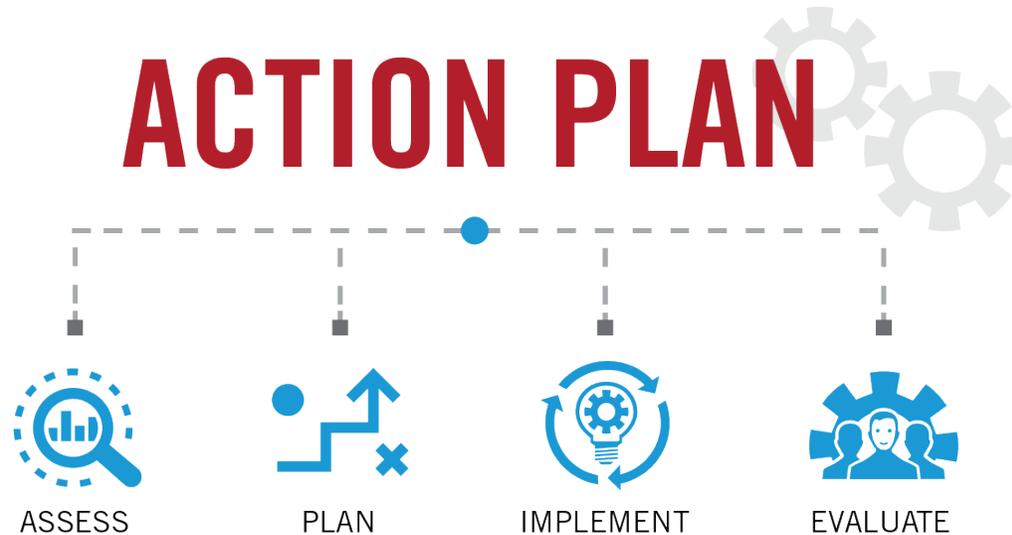
Dealer Home Page



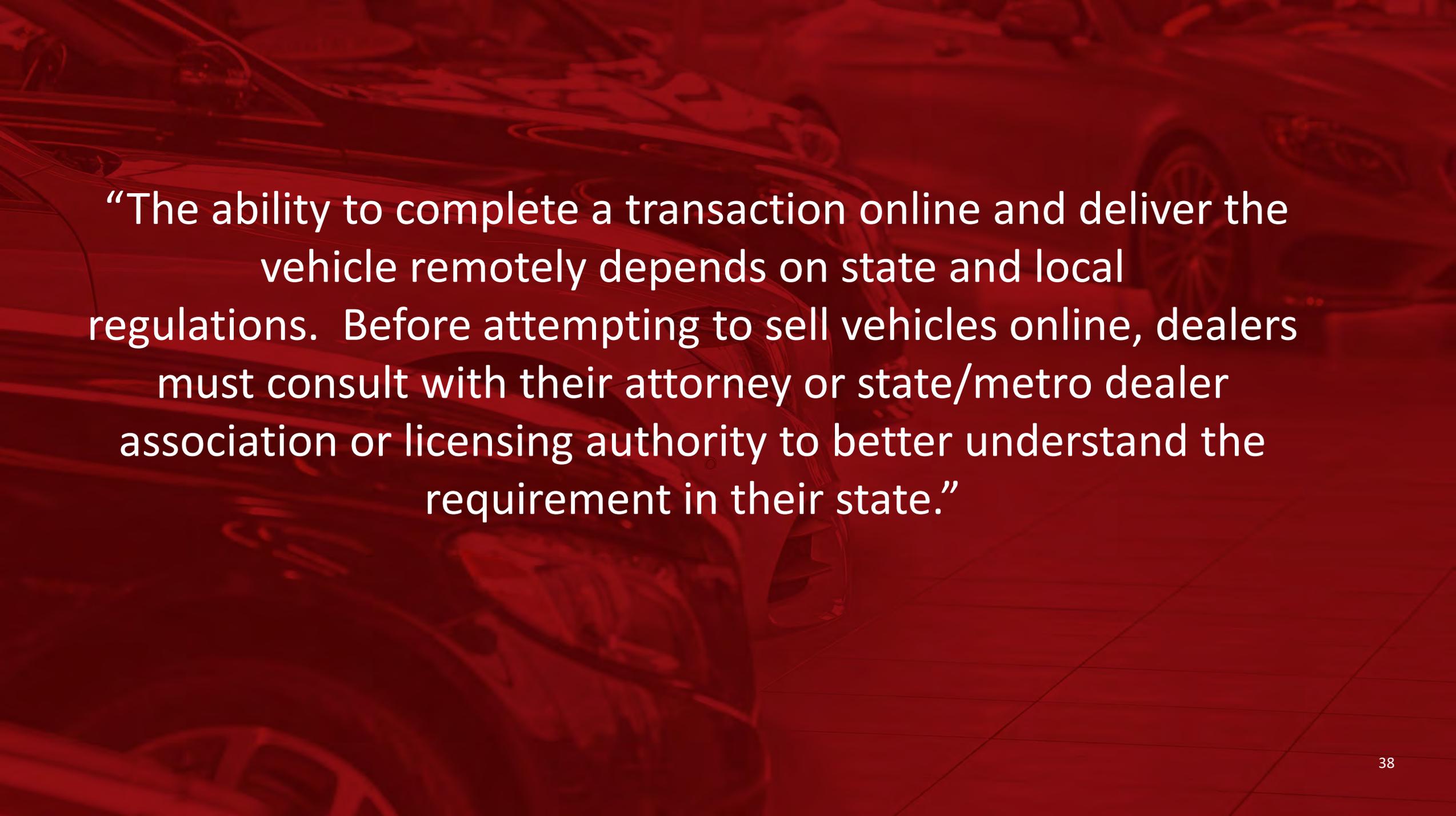
VDP



ACTION PLAN



- Test New Ideas - There is no win/lose there is only *Wins and Lessons Learned!*
- If your organization has traditionally been slow to change, use this challenging time to develop a strategy of wins and lessons learned to make your team limber and energized. Observe the models of Amazon Prime and their 2 click approach to the shopping cart.
- Use an Automatic Financing Link on every lead that is followed up on...get the customer engaged early!



“The ability to complete a transaction online and deliver the vehicle remotely depends on state and local regulations. Before attempting to sell vehicles online, dealers must consult with their attorney or state/metro dealer association or licensing authority to better understand the requirement in their state.”



“Dealerships should work with their attorneys to ensure social media posts and advertising comply with state and federal consumer protection laws.”

Remember to comply with telemarketing restrictions that apply to e-mails, text messages, phone calls, and other forms of communication. In particular be VERY CAUTIOUS with respect to any pre-recorded phone calls or text messages to consumers related to the pandemic. The Federal Communication Commission (“FCC”) has recently expressed concern about unnecessary calls or texts messages and has recently issued guidance on what texts messages or pre-recorded calls are permissible under the TCPA “emergency” exception. Only *very limited* types of communications from hospitals and governmental agencies, and *not* include dealer communications, are OK, *even if solely related to COVID-19*. While you may continue to communicate with your customers as permitted under law, exercise caution with pre-recorded calls and any text messages. Also, federal and state authorities view unfavorably *any* marketing effort that is even remotely misleading with respect to COVID-19, or that uses the pandemic in a way that could confuse or mislead consumers.

Dealerships should be careful when describing any enhanced cleaning and sanitation measures and making *any* affirmative statements about the risk of coronavirus exposure. This could attract the attention of state and federal regulators enforcing consumer protection statutes, referred to as unfair and deceptive acts and practice (or UDAP) laws. These laws prevent companies from making false or misleading statements about their products or services. For example, stating the dealership is performing enhanced cleaning and sanitation measures is fine, but suggesting those measures make your establishment or services coronavirus-free or coronavirus-safe, for example, is not. Similarly, stating or implying that consumers have less risk of coronavirus exposure by relying on a dealership's service can leave a dealership open to false advertising claims, as there is no definitive evidence to support that claim. Bottom line: A dealership may outline the safety measures they are taking and be sure to follow through with those measures, but avoid making assurances related to COVID-19 risk and exposure. In recent weeks, both state and federal consumer protection authorities have publicly committed to taking action against any companies making misrepresentations about the coronavirus pandemic.



Questions?

The Best Ideas from NADA 20 Groups In Times of Covid-19 Stress



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NADA

