

IN THE DRIVER'S SEAT

From point-of-sale to long-term service, local auto dealerships make it all happen.

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Buying a car is one of the biggest and most expensive purchases you'll ever make after a house. So it's a good thing that today's cars are better than ever, with better technology, better components, better mileage ... and they last longer. If that's the case, why go to your local auto dealer when you want a new car or truck? That's easy. From point-of-sale to long-term service, your local dealership puts you in the driver's seat. How? That's easy too. It's known as *competition*. >>>

Driving Prices Down

Most potential car buyers start the process by visiting a dealership or jumping online to view the latest models and best prices. Most will want financing, and many will call their bank or credit union to get an interest rate quote upfront.

When consumers decide to go to their local dealerships, that's when the competition begins. Dealers compete fiercely for your business, whether it's for the opportunity to sell you a car, finance that car or service your car for as long as you own

WHEN DEALERS COMPETE AGAINST EACH OTHER, IT DRIVES CONSUMER COSTS DOWN, AND THAT MEANS LOWER PRICES.

it. The dynamics of multiple retailers of the same brand—in the same market—create price competition and high-quality customer service that is unique to the auto retail market. When dealers compete against each other, it drives consumer costs down, and that means lower prices.

That same competition also ensures the best finance rates. Dealers have relationships with multiple auto lenders, allowing them to offer a wide variety of financing options that are frequently more affordable than what customers could get from their bank or credit union. In fact, 80% of car

buyers choose to finance through their dealer.

Many lenders play a role in automotive financing. One of the leading ones, Ally Financial, launched as an online bank in 2009. Ally's automotive arm underwrites the sale of one out of every 18 cars sold in the United States, the company estimates. Ally also offers a full range of insurance services for dealers and consumers, including a vehicle service contract to protect drivers from unexpected repair costs.

High-Quality Service

New-car dealers serve customers for the entire ownership experience. That includes taking on the complex system of titling, registration and reams of regulatory paperwork so that customers can drive home instead of to their local DMV. Dealers provide services that cut through the red tape, government forms and long waiting lines that customers would otherwise have to deal with.

And once consumers decide on a new vehicle, dealers provide a hassle-free market for trade-ins. How is this process so cost-efficient to customers? Local auto dealers invest millions of their own capital into their facilities—starting with the vehicle inventory, which they buy from the manufacturer and sell to you. The average dealer spends an estimated \$11 million on a dealership and, nationwide, dealers invest nearly \$200 billion in facilities and operating costs.

That's a hefty amount that manufacturers would have to shoulder if the

LOCAL AUTO DEALERS INVEST MILLIONS OF THEIR OWN CAPITAL INTO THEIR FACILITIES.

franchised dealer network didn't exist. In a factory-direct model, the cost of showrooms, car lots, sales staff and holding inventory would simply shift from

the dealer to the factory. If manufacturers sold directly to customers, there would be *zero competition* in the pricing of vehicles, parts or service. Car buyers would end up paying full sticker price because automakers would have a monopoly on a single brand. Intra-brand competition would cease.

Driving the Economy

The benefits of auto dealers extend nationwide. The auto industry is a booming market and a main staple of the American economy. Franchised dealerships generate a whopping 15% of all U.S. retail sales.

They rake in billions of dollars in state and

Turning Things Around and Building Financially Viable Businesses

WHEN JEFF TEAGUE WAS A BOY, he was reprimanded in church for pretending the hymnals on the back of the pew in front of him were a brake, clutch and accelerator pedal. It didn't require divine inspiration to predict that he was destined to be a car guy. Several decades later, Teague was named the *TIME* Dealer of the Year for 2014.

Teague, president of Teague Auto Group in El Dorado, Ark., was recognized for this honor at the 97th annual convention of the National Automobile Dealers Association (NADA) both for his business acumen and his community service. Teague, 59, was chosen to represent the Arkansas Automobile Dealers Association in the national competition—one of only 56 auto dealers from 17,600 nationwide—for the 45th annual award. *TIME* sponsors the award in association with Ally Financial, and in cooperation with NADA.

Teague and his father pooled their resources to acquire their first franchise in Walnut Ridge, Ark., in 1981. "My father mortgaged everything he owned and made me a 50-50 owner in the Chevrolet-Oldsmobile dealership," he says. They could afford the first purchase in part

because the franchise was in a distressed state.

After turning the first dealership around, properties in trouble became a Teague specialty. "Like planting a seed in the ground, it is most rewarding to nurture a struggling business and watch it flourish, knowing the fruits of my labor will provide jobs for families and contribute positively to the community I call home," he says.

Teague has also been flying for 26 years and often uses his piloting skills for charitable purposes. He has flown church members on charity trips and once provided transportation for a child from New Orleans who was a victim of domestic kidnapping. Teague and his wife, Sarah, have three sons.



TIME
DEALER OF THE YEAR
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A Snapshot of Your Driving Habits Pays Big Dividends

Ever since auto insurance was invented more than a century ago, the cost of premiums has been based on statistical data. What you paid for insurance depended on how old you were, your gender, how far you drove each day, whether you were married or single, what city you lived in and other facts. None of these factors actually determined whether you were a good driver, but they helped your insurer make an intelligent guess about the risk you presented.

While many of those factors are still used today, Progressive Insurance has a better way—one that involves heavy doses of technology. “The simple idea was that it would be much more fair if you could price insurance on how people actually drive, rather than age and other factors,” says Dave Pratt, general manager of usage-based insurance for Progressive, which is headquartered in Mayfield Village, Ohio.

The word “usage-based” in Pratt’s title reflects a completely different approach to setting premiums. It’s based on a product called Snapshot, a small, sleek device that easily fits into the palm of your hand. Progressive mails you the Snapshot and you plug it in to your car’s diagnostic port for up to six months. The device can track how far you drive and how hard you apply the brakes, and it sends data periodically back to the insurer. “People who tailgate all the time are more likely to have to hit the brakes,” says Pratt.

More than 2 million Progressive customers have volunteered to install the Snapshot, and on average they save 10% on their premiums, or around \$150 a year. Progressive says a third of new policyholders are electing to plug in a Snapshot to monitor their driving.

local revenue, employ more than one million people nationwide, and contribute millions of dollars to charities and local causes.

While many industries struggled to rebound in 2013, the auto industry led the way to recovery. American auto dealers sold *15.5 million* new cars and light trucks in 2013, and 2014 is shaping up to be even stronger. The National Automobile Dealers Association (NADA) predicts that new-car sales could reach as high as *16.4 million* this year, a 6% increase. Looking further ahead, NADA is predicting nearly *16.8 million* new sales in 2015. If consumers want a good deal on a new car and truck, local dealers are always there, ready to serve them. The fact is that this go-to network adds value and efficiency to the car-buying process, putting the customer in the driver’s seat the whole way.

Dealers not only drive the national economy. They are also an asset to their communities. One example is 2014 TIME Dealer of the Year Jeff Teague, who regularly puts his skills as a pilot to work for charitable causes (see sidebar on p. S3). Ultimately, even for tech-obsessed young buyers, dealers are the human factor in an important and complex process of selecting, financing and servicing a very important buying decision. Consumers also benefit from technology that others in the industry offer. One example is Progressive Insurance’s Snapshot telemetry device, which analyzes data and offers an opportunity for a discount on your premiums according to how you actually drive (see sidebar on this page).

Great Deal For Everyone

Thanks to the 17,600 new-car dealers competing and working for their customers who want a *good deal* on a new car, dealerships are a *great deal* for everyone.

When you take a hard look at today’s retail auto industry and how it operates, one thing stands out: *Auto dealers benefit their customers*. From sales to service and everything in between, dealers provide a long-term relationship that’s good for their customers and manufacturers alike.

To get the facts about the benefits of the dealer franchise system and more, go to NADA.org/GetTheFacts.

