

# NAMAD

NATIONAL ASSOCIATION OF MINORITY AUTOMOBILE DEALERS

## TREADS

### PRESIDENT'S MESSAGE

November-December 2011

NAMAD Members, Supporters and Friends

I'd like to thank those of you who attended this year's Annual Membership Meeting at THEhotel at Mandalay Bay in Las Vegas, NV. We had over 400 attendees, conducted over 160 dealer one on one interviews, had great workshops, and a great speaker in Edward James Olmos. We look forward to seeing you July 2012, location TBA.

As you know our industry has faced some turbulent times, although, we are not out of the woods yet I strongly urge you (NAMAD Members) to try to maintain adequate cash reserves. Due to the economic challenges many European Countries are having it is uncertain how their economic issues will affect the United States. So please keep cash reserves.

In late November, NAMAD will be moving its office to 9475 Lottsford Road, Largo, MD, we are excited about this move as we will now have more functional space. More details to follow.

NAMAD has made several enhancements to its website [www.namad.org](http://www.namad.org). This site will keep up with the tradition of industry news but is also more user friendly and easier to navigate. So when you have an opportunity please check out our site.

In this issue of NAMAD News we want to thank our friends at **Ally Financial** who provided us with content in this issue. We hope you enjoy!!!

Sincerely,

Damon Lester  
President

#### In This Issue...

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- Road to 14 million SAAR
- Household Net Worth Recovers
- Pent-Up Demand Spurs Sales
- Consumers Delaying Car Purchase
- Operation Twist Explained
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- NAMAD Selects Scholarship Recipient
- Bill Perkins- NAIAS
- Charge Your EV
- Urban Wheel Awards

# The Road to 14 million SAAR

The latest consensus forecast for light vehicle sales calls for 13.4 million units SAAR in 2012, implying a 7.3% Y/Y increase compared to the current year-to-date sales rate of 12.5 million units SAAR. Although the consensus forecast is encouraging, how much more does the economy have to recover for sales to actually reach 14.0 million units SAAR in 2012?

Revisiting the historical level of economic indicators when sales last reached that volume provides some general perspective.

## Economic Growth

The Y/Y growth of GDP and light vehicle sales are highly correlated, as sales of discretionary large-ticket items are procyclical. Thus, a general recovery in the economy is a prerequisite.

The historical relationship suggests the need for 5.7% Y/Y growth in real GDP in 2012, which compares to the consensus forecast of 1.6% and 2.2% Y/Y for 2011 and 2012, respectively. Yet there have been instances when light vehicle sales have increased double digit Y/Y with sub-5% Y/Y GDP growth.

## Consumer Health a Must

Retail sales account for roughly 80% of total light vehicle sales, thus the recovery in consumer health is essential.

Plotting the unemployment rate and consumer sentiment against light vehicle sales since January 1990 on a concurrent basis shows a strong linear relationship and provides some rough guidelines on the magnitude of recovery required in these two measures. These two measures are chosen as proxies for consumers' ability to buy and their willingness to buy.

## Unemployment Rate

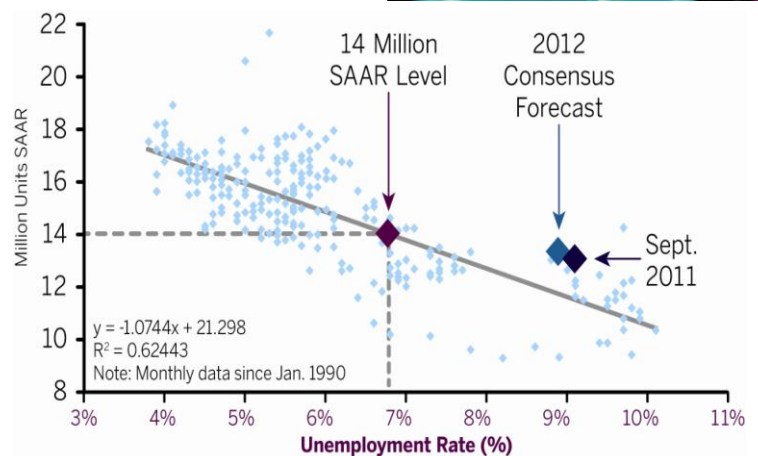
The historical relationship suggests that the unemployment rate will need to average just 6.8% for sales to hit 14 million units in 2012. Year-to-date, the unemployment rate has averaged 9.0%, implying the need for a 220 bps improvement. Interestingly, the current consensus forecast for 2012 expects the unemployment rate to improve a mere 10 bps to 8.9%.

Could sales break tradition? If the current economy has a higher structural unemployment as some proponents argue, this could imply a shift from the historical relationship and the full 220 bps improvement in the unemployment rate may not be required for vehicle sales to reach 14 million. If history holds, it will be a stretch.

## Consumer Sentiment

The historical relationship suggests the need for a 19.7 point improvement in consumer sentiment from the September level of 59.4, or 10.9 points better than the YTD average of 68.2.

The bottom line: While the consensus forecast expects continued recovery, reaching 14 million SAAR will likely be dependent upon considerable improvements in several components of the economy.



Sources : BEA, BLS, Blue Chip, Ally Economics



Sources : BEA, Haver Analytics, Ally Economics

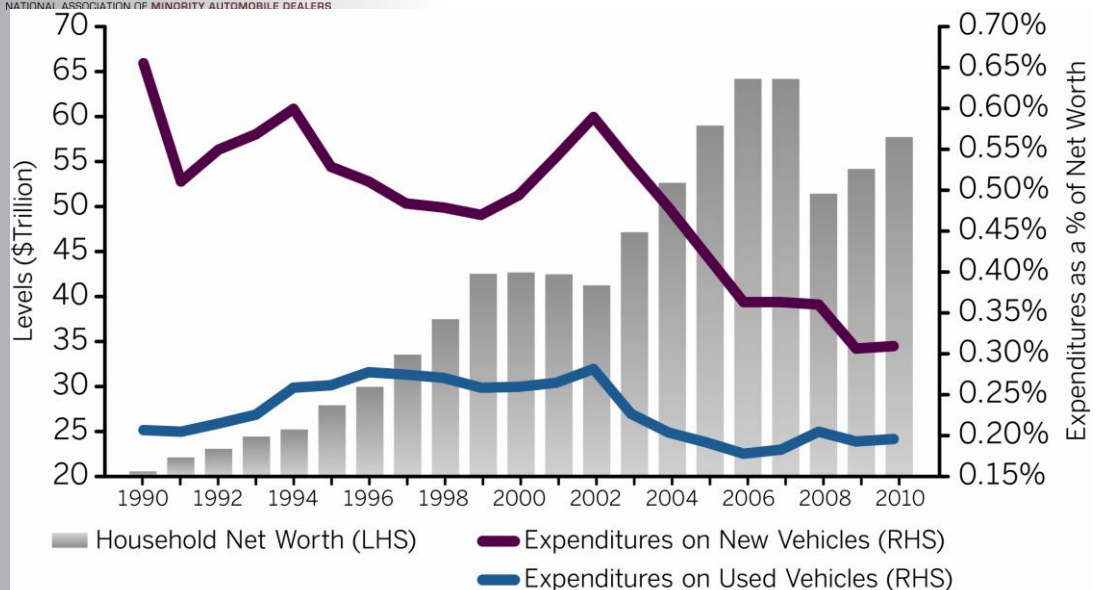
# Household Net Worth Recovers

Household net worth is recovering from the recent through in 2008.

Household net worth is recovering. Yet, consumer expenditures on new vehicles as a percent of net worth is at a historical low of 0.3%.

Even a modest increase in this ratio can have a substantial effect on the auto industry. For example, an increase of 10 bps in new vehicle expenditures as a percent of net worth would boost auto sales by \$58 billion. Assuming an average new vehicle price of \$30,000, this equates to 1.9 million units.

**NAMMAD**  
NATIONAL ASSOCIATION OF MINORITY AUTOMOBILE DEALERS



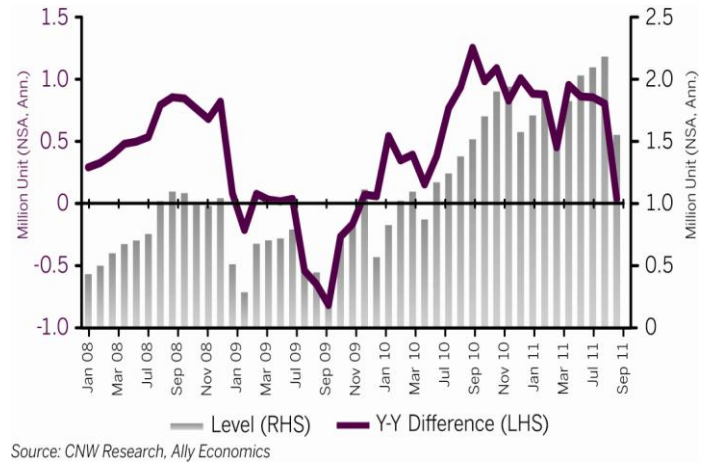
Sources: BEA, Federal Reserve, Ally Economics

# Pent-Up Demand Spurs Sales

Several OEMs cited the rebound in September industry sales as partially aided by the pent-up demand that is now materializing into actual sales.

Data from CNW Research supports those claims showing a sharp decline in pent-up demand in September after hitting an all time high in August. Although the majority of new vehicle sales are believed to be discretionary, the data suggests that the level of pent-up demand still remains elevated.

Note: Pent-up demand is defined as the number of prospective new vehicle buyers who postponed their purchase.



## Latest survey finds apprehensive consumers delaying car purchases

A new study from a Detroit-based firm that does extensive forecasting work for manufacturers suggests there could be as many as 1.5 million fewer new vehicles sold this year due to nagging unemployment and widespread economic uncertainty.

The 2011 Automotive Outlook, by Detroit-based AlixPartners, projects that 12.7 million cars, trucks and crossovers will be sold this year, well below earlier industry forecasts of 13 million to 13.4 million sales for the year. One good bit of news, the company also forecasts sales to reach 13.6 million in 2012.

The survey of 1,000 potential American car buyers found a full 83% said they have delayed purchasing a new vehicle for at least a year. Most cited apprehension over their jobs and the economy in general as their reason for holding off on a new car or truck.

Once the economy rebounds and the new car and truck market turns upward again, The Automotive Outlook anticipates that small cars will experience a 13% annual growth rate between now and 2015, while small crossovers will grow 7%. Large cars, trucks and crossovers will gain just 2% compounded annually. Pickups, in particular, are expected to remain well below their peak of 2.9 million units, set in 2006.

# Operation Twist Explained

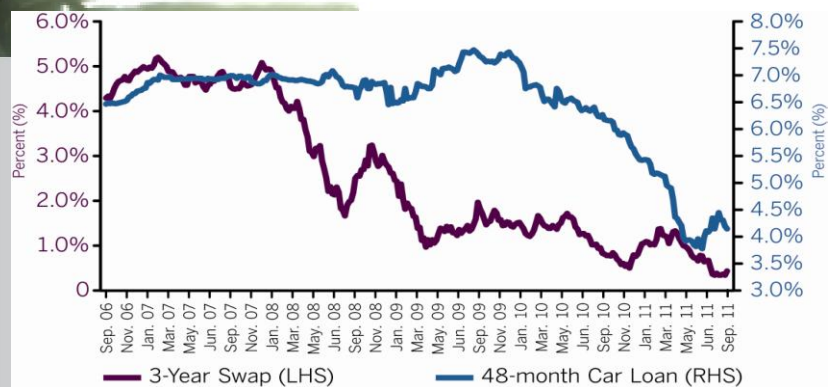
On Sept. 21, the Federal Reserve announced plans to “extend the average maturity of its holdings of securities.” This has been dubbed “Operation Twist” in reference to a similar attempt in the 1960s amid the twist dance craze. Over the next nine months, the Fed plans to sell \$400 billion of short-term Treasuries to buy \$400 billion of long-term Treasuries, in an attempt to lower long-term interest rates.

Fed Chairman Bernanke recently testified that he expects Operation Twist to lower long-term interest rates by 20 bps or 0.20 percent. This has the benefit of lowering borrowing rates tied to long-term interest rates, especially mortgage rates. In addition, the Fed announced plans to reinvest maturing mortgage securities that it holds into new mortgage securities instead of investing those proceeds into Treasuries, which the Fed had previously done.

Some analysts believe that “Operation Twist” is aimed at lowering mortgage costs without requiring the Fed to expand its balance sheet. Lowering mortgage costs is seen as helping the depressed housing sector.

For the auto sector, the impact is unclear. While lower long-term borrowing costs would reduce consumers’ payments on non-auto debt – such as mortgages and student loans – the rates for shorter term debt might rise. Auto financing is generally priced off interest rates in the three-year sector. Yet, the Fed expects that the rise in short-term interest rates will be limited as short-term interest rates reflect expectations of the federal funds rate and the Fed “anticipates that economic conditions will warrant the current level of the federal funds rate at least until mid-2013.”

Although auto financing rates may have bottomed this past summer, “Operation Twist” could help promote economic growth, which would enable more consumers to afford to purchase an automobile.



Source: Haver Analytics. Ally Economics

# Joe Verde Distributes Books to Automotive Dealers Across 4 Continents

**Orange County, California – October 11, 2011 –** Legendary U.S. automotive sales and management training expert and author, Joe Verde, is now distributing complimentary copies of his management book to dealers in select countries. The book, “A Dealer’s Guide To Recovery & Growth In Today’s Market,” has helped countless North American dealerships survive and grow in the wake of the 2008 recession.

Verde began distributing the books in early October 2011 to dealers in South Africa, The United Kingdom, Ireland, The Philippines and New Zealand. This past spring Verde distributed thousands of books to most of the dealers in Australia.

When Verde penned “A Dealer’s Guide To Recovery & Growth In Today’s Market” in the first quarter of 2009, it quickly became a lifeline to an industry reeling from months of economic bad news and cautious prospects. It did not matter whether a dealership was located in New York, Texas or British Columbia, countless dealers and managers used the book to jumpstart sales and growth.

“Whether you’re a dealer in London, Sydney or Ottawa, you have to improve the processes that generate growth, and improve the skills of the people responsible to follow your processes,” said Verde, president, Joe Verde Sales & Management Training, Inc. “That old saying is correct, ‘You can’t keep doing what you’ve always done and grow.’ Growth requires continuous improvement and I cover the key ways to grow your dealership in my book.”

Verde added he decided to distribute the book free because of the many questions he received from dealers across the world.

Verde started in the car business in the early 1970s as a salesperson. He has been a manager, a dealer principal – and for the last 25 years – head of the largest automotive sales and management training company in North America.

In addition to sales, management, finance and service training content, JVTN® features Role Play Sessions where students practice on virtual customers, fun and competitive timed Power Drill Games and management reporting tools.

Dealerships in South Africa, The United Kingdom, Ireland, The Philippines and New Zealand can expect to receive their free book in the mail during the month of October 2011. Dealers and managers who do not receive their complimentary book can order a copy online at [www.joeverde.com/rqworld](http://www.joeverde.com/rqworld).

To get a free 72-hour test drive of Verde’s online sales training network visit [www.jvtn.com](http://www.jvtn.com) or call (949) 489-3780. For information about Joe Verde and his training products, visit the Web at [www.joeverde.com](http://www.joeverde.com).

## **About Joe Verde Sales & Management Training, Inc.**

[www.joeverde.com](http://www.joeverde.com) | [www.jvtn.com](http://www.jvtn.com)

Joe Verde Sales & Management Training, Inc., founded in 1985 with corporate offices in Southern California and Dallas, Texas, is consistently rated the number one automotive sales and management training company in North America for producing immediate, and long lasting results for its customers.

Joe Verde holds workshops across North America

# Dealer reps continue to press FTC on dealer-assisted financing

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The Federal Trade Commission (FTC) conducted the second in a series of roundtable discussions to discuss the selling and financing of motor vehicles this week, this time in San Antonio, Texas, where the regulators specifically sought information about how military personnel finance automobile purchases.

The FTC roundtables of the automobile business emanate directly from the Dodd-Frank Finance Reform Act where auto dealers succeeded in avoiding the regulatory purview of the specially created Bureau of Consumer Financial Protection, but not expanded regulatory scrutiny by the FTC.

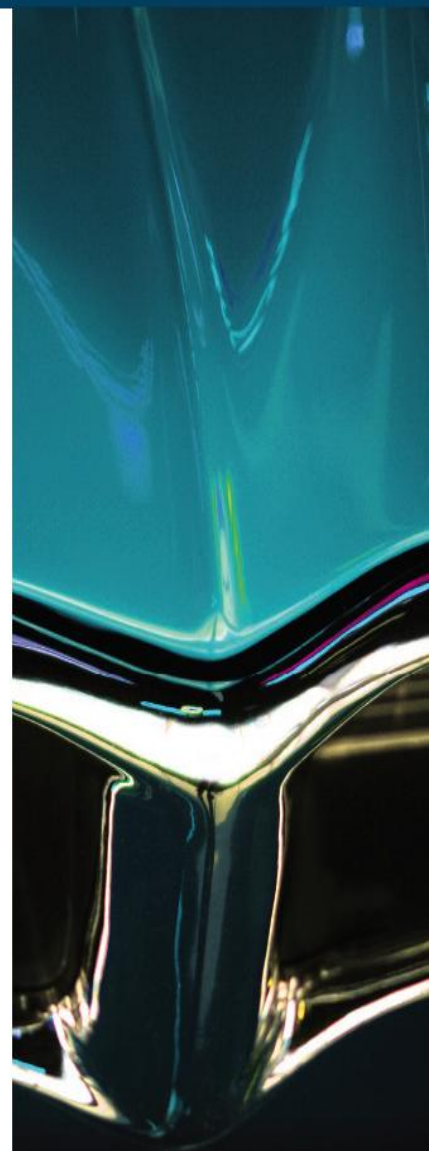
The San Antonio roundtable produced a public record that documented: 1) another failed attempt by consumer activists to use dated anecdotes to demonstrate systemic problems related to dealer assisted finance; 2) the fact that every alleged car purchase abuse already is illegal under state and/or federal law; 3) the absence of any data to support the prevalence of abusive dealer practices; and 4) the flawed data, flawed methodology and flawed conclusions previously offered by consumer activists as "evidence" of abusive dealer practices.

The nation's dealers were represented at the roundtable discussions by Marc P. Cross, a Ford dealer from San Antonio, David Snyder, the head of the Tampa Florida New Auto Dealers Association, Andrew Koblenz, NADA's general counsel and Damon Lester, president of the National Association of Minority Automobile Dealers. The dealer spokesmen effectively presented the case that dealer-assisted finance increases access to credit and decreases the cost of credit, especially to men and women in uniform.

One of the troubled areas in car dealer/consumer relations recited by consumer advocates looking to include dealers in Finance Reform was military personnel. The FTC is expected to conduct additional roundtable discussions.

It is the dealer groups goal to continue to argue that there is no need for further regulation by the FTC.

The FTC's third motor vehicle roundtable will take place at the FTC Conference Center, 601 New Jersey Ave., N.W., Washington, D.C., on November 17, 2011.



# NAMAD Selects its First Scholarship Recipient to the NADA Dealer Academy

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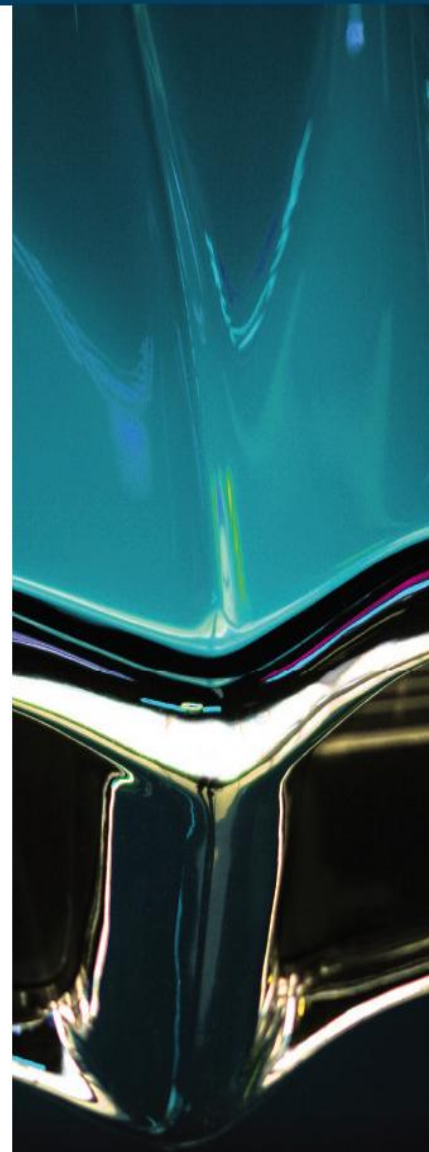
Abel Bogale is currently the General Sales Manager of the Lexus Store of Lexington in Kentucky. Nearly eight years ago, he joined this organization as a sales consultant and quickly became known for his commitment to excellence and his desire to provide customers an extraordinary buying experience. Through hard work and determination, he was able to achieve Sales Consultant of the year for two consecutive years.

Mr. Bogale also attained Master Certification—the highest distinction of a Lexus associate. During his tenure with Lexus, he has received several promotions and has served in the capacities of Finance Manager, Program Consultant, and New Car Manager before accepting his current post as GSM.

Prior to joining Lexus, Mr. Bogale worked as a Scientist and Product Seminar Manager for a small start-up biotech firm named Mathias Rath, Inc located in Santa Clara, CA. He worked for this firm for two years on Cancer and Cardiovascular disease research.

Mr. Bogale graduated from Stanford University with a Bachelor of Arts and Science Degree in Biological Science and African-American Studies and a Master's Degree in Biological Science. While at Stanford, he served as the Director of the East Palo Alto Stanford Academy and as the President of the Stanford Ethiopian Student Union.

It is our hope to increase the number of scholarship opportunities to the Next Generation of Dealers, says Damon Lester, NAMAD President. Special Thanks to NADA and their commitment to training the Next Gen dealers.



# NAMAD Member William "Bill" Perkins Becomes First African-American Chairman of a Major International Auto Show

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We are excited to inform you that NAMAD member, William "Bill" Perkins will become the first African-American Chairman of the North American International Auto Show (NAIAS) in January 2012.

Perkins joined General Motors Corporation in 1972 after graduating from Western Kentucky University with a Bachelor of Science Degree in Business Administration. After 15 years with GM, Perkins became interested in automotive retailing, and completed the GM Dealer Development Academy in 1987. The following year he purchased his first "store," and has owned and operated five dealerships in Southeastern Michigan in an automotive career approaching 40 years. Today, as president and CEO of The Bill Perkins Automotive Group, Perkins employs nearly 150 people, and oversees operations at Merollis Chevrolet in Eastpointe, and Taylor Chevrolet in Taylor, Mich.

It's no surprise then that an individual with that kind of experience would find himself in the leadership position of one of the top auto shows in the world. As chairman of the 2012 North American International Auto Show (NAIAS), Perkins is in the driver's seat as the auto industry continues its rebound, and all eyes are fixed on Detroit and the show that rivals motor events in Geneva, Paris, Frankfurt and Shanghai.

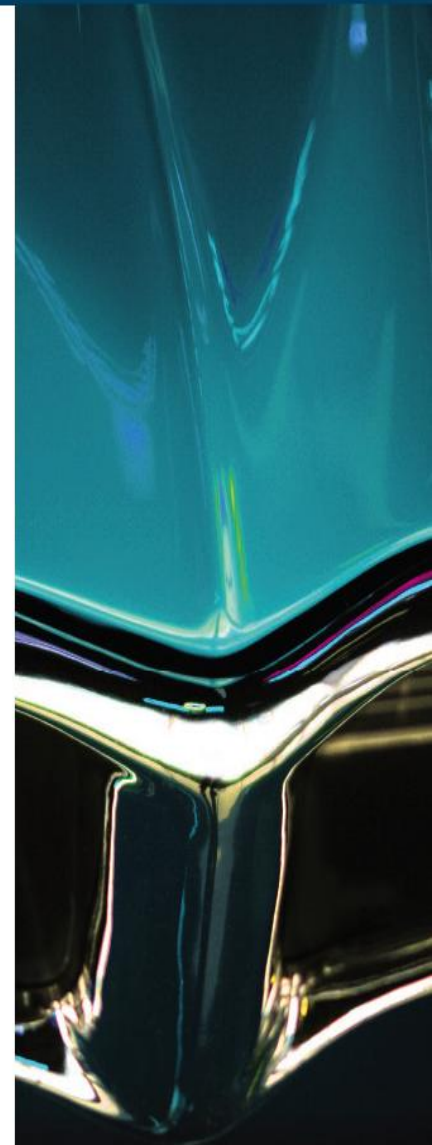
In fact, Perkins in recent months attended the Salon International de l'Automobile in Geneva, Switzerland, and the Shanghai International Motor Show, leading the NAIAS Executive Committee on missions to meet with global auto manufacturers, ensuring that their experience at the 2011 NAIAS was fruitful, and already discussing plans for the 2012 show.

In September 2011, Perkins and the NAIAS team went to the Frankfurt International Auto Show and met with German auto manufacturers confirming product unveilings at NAIAS 2012, and sat down with executives of the show itself, comparing notes, and working together to ensure that auto shows maintain their position around the world as top marketing tools, and venues for industry leaders to assemble.

Perkins has dedicated much of his time on a number of important industry Boards, including the Detroit Auto Dealers Association, one of the country's largest new car dealers associations, of which he is immediate past president. He also serves on the Board of Trustees for Northwood University, and is a member of the Economic Club of Detroit. Perkins has served on the National Dealer Council, the Minority Dealer Advisory Council and the Dealer Assessment Committee for GM. He was previously president of the GM Minority Dealers Association and received its prestigious Trailblazer Award in 2004. Perkins has served as president of the Greater Detroit Chevrolet Dealers Association, as a member of the Board of the National Association of Minority Automobile Dealers, and chairman of the Auto Dealers Political Action Committee for the State of Michigan."

A special reception honoring Bill will be held just prior to the 16th Annual Urban Wheel Awards on Sunday, January 8, 2012 at the MotorCity Casino Hotel in Detroit, Michigan. If you are interested in attending this special reception and/or placing a congratulatory ad in honor of Bill in the program booklet.

Please contact GMMDA President, Marjorie Staten at [mstaten@gmmda.org](mailto:mstaten@gmmda.org) or (248) 552-9040.



# Charge your EV while shopping at Walgreens

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Walgreens, the biggest national pharmacy chain in the United States, will soon be the newest location to charge an electric vehicle. By the end of 2011 around 800 EV charging stations will be installed at Walgreens across the country.

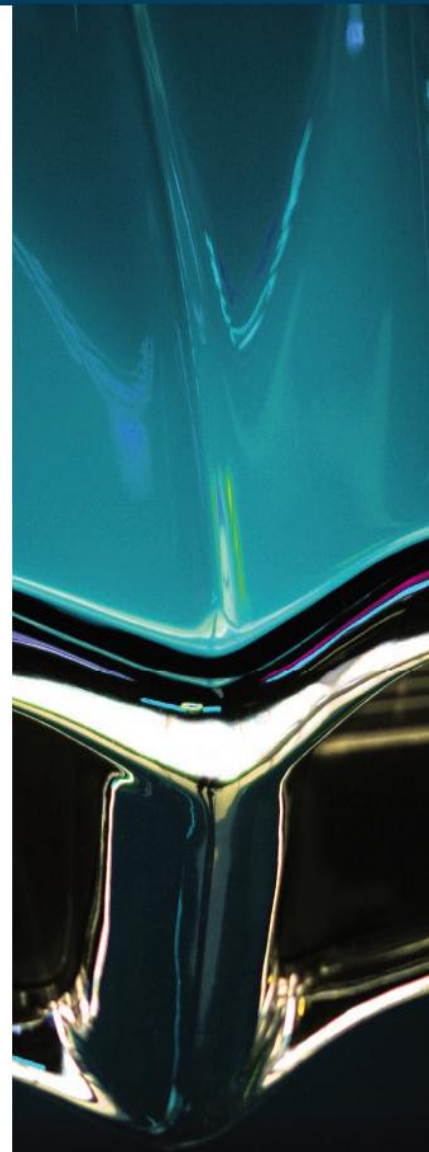
These stations will have the capability of charging both standard 240 volt and the new high-speed direct 300-600 volt chargers. The company says this will enable “heavy-hitters like the Chevrolet Volt and Nissan Leaf, as well as low speed electric vehicles like golf carts, to collect some extra juice while their owners are inside shopping.”

The expected 800 charging stations will be spread out across Boston, Denver, New York City, Washington, D.C., Los Angeles, and San Francisco. Other Walgreens locations in Florida, New Jersey, Oregon, Tennessee, and Washington will also have charging stations.

The installation of some EV stations has already begun at more than 60 stores in Houston, Dallas/Fort Worth and Chicago. The high speed stations can add up to 30 miles to the range of an electric car in 10 minutes of charging. The Level 2 charge can tack on 25 more miles to the overall range on an hour’s worth of charging.

Walgreens isn’t the first business to add electric vehicle charging stations. Cracker Barrel Old Country Store introduced charging stations at 24 locations in Tennessee late last year and numerous efforts are in place across the country to build an EV charging infrastructure, funded by federal and state monies.

The Cracker Barrel EV charge spots are located in Chattanooga and other locations along “The Tennessee Triangle,” a 425 mile highway that connects Chattanooga with Knoxville and Nashville, home to Nissan USA headquarters, which produces the all-electric Nissan Leaf.



SAVE THE DATE



6<sup>TH</sup>

Sound Board Theater  
MotorCity Casino Hotel  
Detroit, Michigan

SUNDAY  
JANUARY 8, 2012

Join celebrities, executives,  
international media,  
government representatives,  
and the multicultural community  
to celebrate diversity in the  
automotive industry

# SIXTEENTH ANNUAL URBAN WHEEL AWARDS

## AWARD CATEGORIES:

Company of the Year  
Executive of the Year  
Supplier of the Year  
Dealer of the Year  
Urban Car, Truck & Green Vehicle Awards  
Lifetime Achievement/Pioneer Awards



**SPECIAL RECEPTION  
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CHAIRMAN OF THE 2012  
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5th ANNUAL GLANCD A LUNCHEON

# PLEASE JOIN US

Wednesday November 16, 2011 (11:30 a.m. - 2:00 p.m.)

AT THE LOS ANGELES AUTO SHOW

LOS ANGELES CONVENTION CENTER  
WEST HALL, ROOM 502A

## Featured Speakers:

**GREG PENSKE**

President/Chief Executive Officer, Penske Motor Group



Mr. Penske is an owner and President/CEO of Penske Motor Group, Inc., an automotive group that owns and operates dealerships in California, including Longo Toyota, the #1 Automotive Retail Dealership in the World.

**JEANNE BREWER**

President/General Manager of Acura of Glendale



Ms. Brewer is a self-made owner and operator of Acura of Glendale, located in one of the most diverse communities in Los Angeles. She is the current President of the Glendale Chamber of Commerce, and has served on numerous boards to help the local community.

**BILL IMADA**

Chairman/Chief Executive Officer



IW Group (formerly Imada Wong Communications Group), a full-service communications firm that specializes in the growing multicultural markets here in the United States.

**SARA HASSON**

VP, Automotive Brand Solutions, Univision Communications, Inc.



Ms. Hasson is an expert in sharing ways of communicating to new car customers of Hispanic descent to increase sales for dealers and manufacturers in the Los Angeles area.

**JEFFREY MEADE**

President



The Reason is a multicultural research agency that specializes in consumer behavior of the 18-34 year-old market. Mr. Meade's clients have included Toyota, Procter & Gamble, and Fox.



Greater Los Angeles New Car Dealers Association (GLANCD A) invites its franchise new car dealer members to please look-out for our annual GLANCD A Luncheon invite in the mail. If not received within a week, please email us. For your convenience a RSVP is attached.

This year's luncheon is devoted to new car dealers who thrive in the country's most diverse market place.

## 5th ANNUAL GLANCD A LUNCHEON

TAKING PLACE AT THE LOS ANGELES AUTO SHOW ON NOVEMBER 16, 2011

1203 S. FIGUEROA ST., LA, CA 90015 LA CONVENTION CENTER RM 502A -WEST HALL PARKING \$12

## AGENDA

- 11:30 AM ..... Reception and Networking
- 12:00 PM ..... Welcome, David Ellis  
Multicultural Lunch Buffet
- 12:30 PM ..... Speakers' Presentations
- 2:00 PM ..... Close of Luncheon and Presentations  
Follow-up Networking in Reception Area
- 2:30 PM ..... Close of Follow-up Networking

## National Sponsors

