Monthly Automotive Outlook

NORTHWOOD UNIVERSITY

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Introduction

March and early April data show the U.S. economy moving in a positive yet tenuous direction. The third revision of 4th quarter U.S. GDP for 2010 remained at 3.1%. We are deeply concerned over oil prices, the Japanese economy (especially automobile parts production) and the current unrest in the Middle East and Northern Africa. The negative impact that a shortage of Japanese automobile parts and gasoline prices just south of $4 a gallon nationally will have on automobile sales, travel and tourism harkens back to the conditions we faced in the summer of 2008. We grow more and more uneasy over the increasing size and scope of the U.S. national debt which will reach the U.S. debt ceiling of $14.3 trillion dollars by early May 2011. The White House and Congress do not seem capable of bi-partisan cooperation and true debt reform. Recent quantitative easing by the U.S. Federal Reserve Bank (FED) coupled with record deficits have triggered ever-growing inflation rates in the U.S. and globally and a loss of confidence in the dollar. U.S. inflation was up 2.7% from March 2010 to March 2011 with unadjusted March 2011 inflation reaching 6% on an annualized basis. Annualized inflation in China is 5% so far in 2011 versus 3.5% in 2010, while the Euro has topped 3.1% in March of 2011 relative to a 2.0% inflation rate in 2010. Oil surpassing $112 on the NYMEX in early April, U.S. wholesale prices up 5.8% versus March 2010, gold breaking through $1,500 an ounce and silver approaching $50 an ounce are all strong signals that a global inflationary cycle is likely upon us.

Key February/March/April Data

Positive Signs

According to the latest manufacturing ISM Report on Business, the Manufacturing sector of the U.S. economy was still strong at 61.2% even though it realized a slight decline of .2% in March. U.S. productivity remains among the highest in the world while U.S. non-financial corporations' cash reserves remain at nearly $2 trillion dollars. The Dow Jones Industrial Average rose 262 in March or an increase of 1.2%. The March Conference Board Global Leading Economic Indicators Report shows the U.S., Europe and China all growing at .8%, .9% and .3% respectively. The U.S. savings rate continued at an impressive 5.8% in March. Automobile, SUV and light truck sales were up in March versus February 2011 and more than 16% vs. March 3010. The U.S. unemployment rate dropped to 8.8% in March from 8.9% in February, with more than 201,000 private sector jobs being created in March. The U.S. Pending Homes Sales Index increased 2.1% last month.

Negative Signs

While the national unemployment rate fell by .1% in March, it is still at a sobering 8.8%. February and March inflation rates are on the rise with wholesale prices signaling increased inflation for the future. The average 30-year fixed mortgage rose to 4.9% from 4.86% in February—a likely sign of increasing inflation. While gold, silver and oil prices seem to be confirming inflationary problems and our concern over global economic stability. Unemployment benefits remain at record highs and will continue at these levels for the next 12 months. The dollar was down against the Euro in March. The U.S. remains one of the highest corporate tax rate countries in the world at an average rate of $39.27% with U.S. companies holding more than $1.2 trillion overseas as a result.

Current Issues

"There is always some kid who may be seeing me for the first time. I owe him my best."

– Joe DiMaggio, professional baseball player

Sometime today, a prospective customer will visit your dealership for the first time. What impression will you make?

Convenience. Is your dealership easy to find? Is the entrance from the street well-marked? Is your customer parking adequate? Is it full of vehicles that were demonstrated three hours ago, but not reparked?

Appearance. How many weeds will the customer see between the property line and the building? How much wind-blown litter? Do the parking lines look like they were last painted when cars came with carburetors? Does the glass in your entry doors look like an experiment by the FBI fingerprint lab? These visuals are silent spokespeople for your dealership and they begin speaking to customers before your paid employees get in the game. What are they telling your customers?

Treatment. Eventually, a prospective customer will encounter your personnel. Are they greeted promptly? Are they greeted courteously? Are they greeted with enthusiasm? Does every employee who comes within ten feet of a customer make eye contact, smile and say something appropriate, even if only Good Morning? People seldom buy on logic alone, which means feelings matter. How do your people make your customers *feel*? Welcome? Respected? Valued? Making customers feel good about being in the dealership is vital, but at some point your people will be called upon to actually do something for the customer. Are your people competent? Have you hired the right people with the right skills and attitudes? Have you trained them appropriately? Have you established processes that actually work? Have you set performance standards and communicated them clearly to your people? Do you regularly monitor performance against those standards?

It is easy to become so accustomed to the environment in your dealership that you stop seeing it the way your customers do. Customers start keeping score before they cross your property line and they continue adding/subtracting points as they encounter your facility and your people. The score you earn determines what will happen when the customer reaches the buy-or-leave decision point.

You can influence that score greatly by controlling the message your customers receive. Successful political campaigns put a great deal of effort into crafting a specific message, then work continuously to stay on message. Take a look at your store and determine what message you are sending. If you can improve it, do so. Don't expect, however, that you can control the message by simply calling a meeting or writing a memo. Staying on message is an all day/every day job that starts at the top and is too easily forgotten in the course of everyday events. When you grow tired of the task, think of Joe DiMaggio. There is always someone visiting your dealership for the first time. You owe him or her your best.

Conclusions

Those interested in more information regarding this publication can contact Dr. Timothy Nash at tgnash@northwood.edu or (989) 837-4323. If you know of a student who is interested in earning a bachelor's degree in Automotive Marketing from Northwood University, please contact the Texas Campus Automotive Program Chair Steve Brazill at (972) 293-5413 or brazaills@northwood.edu; the Florida Campus Automotive Program Chair Tim Gilbert at (561) 478-5527 or gilbert@northwood.edu; the Michigan Campus Automotive Program Chair Joe Lescota at (989) 837-4843 or lescota@northwood.edu. For the Automotive Program at Northwood's Cerritos College in California contact Todd Leutheuser at (562) 467-5252 or leutheus@northwood.edu. If you are interested in online automotive degree programs contact Kim Leach at (989) 837-4840 or leachk@northwood.edu. For information about the Northwood MBA, please contact Matt Bennett at (989) 837-4325 or mbennett@northwood.edu.

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