



Monthly Automotive Outlook

NORTHWOOD UNIVERSITY



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Introduction

Nearing the end of the 1st Quarter of 2012, the U.S. economy has begun to show signs of life again. U.S. GDP for the 4th Quarter of 2011 remained unchanged at 3.0 percent growth according to the third estimate. This is much improved from 3rd Quarter growth of just 1.8 percent. The Dow Jones Industrial Average continues its slow and methodical climb, settling just below 13,200 at the writing of this piece. It increased 1.9 percent in February and is up another 1.2 percent in March.

Key February/March Data

Positive Signs

U.S. productivity remains among the highest in the world while U.S. non-financial corporations' cash reserves remain at nearly \$2 trillion. The February Conference Board Global Leading Economic Indicators Report shows the United States increased .7 percent while Europe and China both increased .8 percent. This is the second straight month that the U.S., Europe and China have all seen positive growth. The U.S. savings rate settled at 3.7 percent in February, compared to 4.0 percent in December which shows more confidence in the market. This is the lowest it has been since August 2009, which was temporarily low because of the end of the Cash for Clunkers program. Consumer confidence jumped from 61.1 in January to 71.6 in February and then receded slightly to 70.2 in March. Automobile, SUV and light truck sales in February were up 15.7 percent relative to February 2011. The unemployment rate settled at 8.3 percent in February which is unchanged from January. Construction spending was up 8.2 percent in January

relative to January 2011 and February housing starts were up a massive 35.9 percent relative to February 2011.

Negative Signs

The U.S. remains one of the highest corporate tax rate countries in the world at an average rate of 39.3 percent with U.S. companies holding more than \$1.2 trillion overseas as a result. Oil, gold, and silver prices continue to remain relatively high, although they are trending downward. Despite falling crude oil prices, the national average for gas prices spiked to \$3.64 in February, a 20 cent increase from January. According to the latest manufacturing sector of the ISM Report on Business, the manufacturing sector of the U.S. economy decreased to 52.4 in January from 54.1 in January, drawing closer to falling below 50 which signals a recession for the manufacturing sector. Durable goods orders and shipments were both down in January relative to December, but were up compared to January 2011. Personal disposable income continues to trend upward, but at a slower pace than inflation which indicates a general decrease in wealth.

Current Issues

If today's dealer is going to be more effective in this highly competitive marketplace then they have to learn as much about the psychology of buying as they know about the psychology of selling. I think too frequently salespeople spend an inordinate amount of time attempting to learn how to sell but are forgetful of the fact in today's market an effective salesperson also has a very strong

knowledge on how customers wish to be sold to. Burger King might have had it right all along by telling customers, “we let you have it your way”. If dealers are going to sell more vehicles they need to be mindful today’s consumer can be sold only in the manner in which THEY wish to be sold, not the way the dealer wants to sell to them. Today’s effective dealer understands that it is no longer accepted to focus on SELLING but rather presenting tremendous value to the potential customer in regards to customer service, price, and product value so customers will WANT to buy. I’m hopeful that right about now a light bulb has gone off in your head and you’re thinking....mmmmm are we trying to sell to people or are we building value so customers want to buy from us? Incidentally, when customers WANT to buy from you they are also more likely to return for more.

Let’s face it, we’ve pretty much been an industry that expects and quite frankly demands that our salespeople close the deal today. It certainly was the way I was brought up to sell vehicles...meet and greet, counsel, select, feature, demo and close the deal. I was trained to D.B. (do business) today. While this model worked (to some minor degree) for us for many, many years the percentage of customers closed the first time into the dealership is still at a very low and less than impressive 19%. Why do too many dealers fail to admit that study after study clearly tells us that approximately 90% of consumers that walk out of dealership without buying the first time in, end up purchasing a vehicle within fourteen days. Although it might take a typical consumer up to fourteen days to make a purchase decision, when they do decide it’s time to buy, the closing percentage jumps to a whopping 66%. Ironically, the most challenging aspect of the entire selling process is getting salespeople to follow up with customers who leave a dealership without buying.

As you consider and evaluate your present selling system consider the following; women purchase 83% of all products including 80% of all health care, 55% of bank choices (includes F&I) and 66% of all autos while

influencing 85% of all vehicle purchase decisions (source: Delia Passi, Women Certified). Why is this bit of information important, because buying a vehicle is all about the “experience”. So, what kind of “experience” are you offering or willing to offer your potential customers. Will you focus on selling a vehicle today or will you focus on creating a true value selling experience so potential customers will want to buy from you?

Contact Us

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