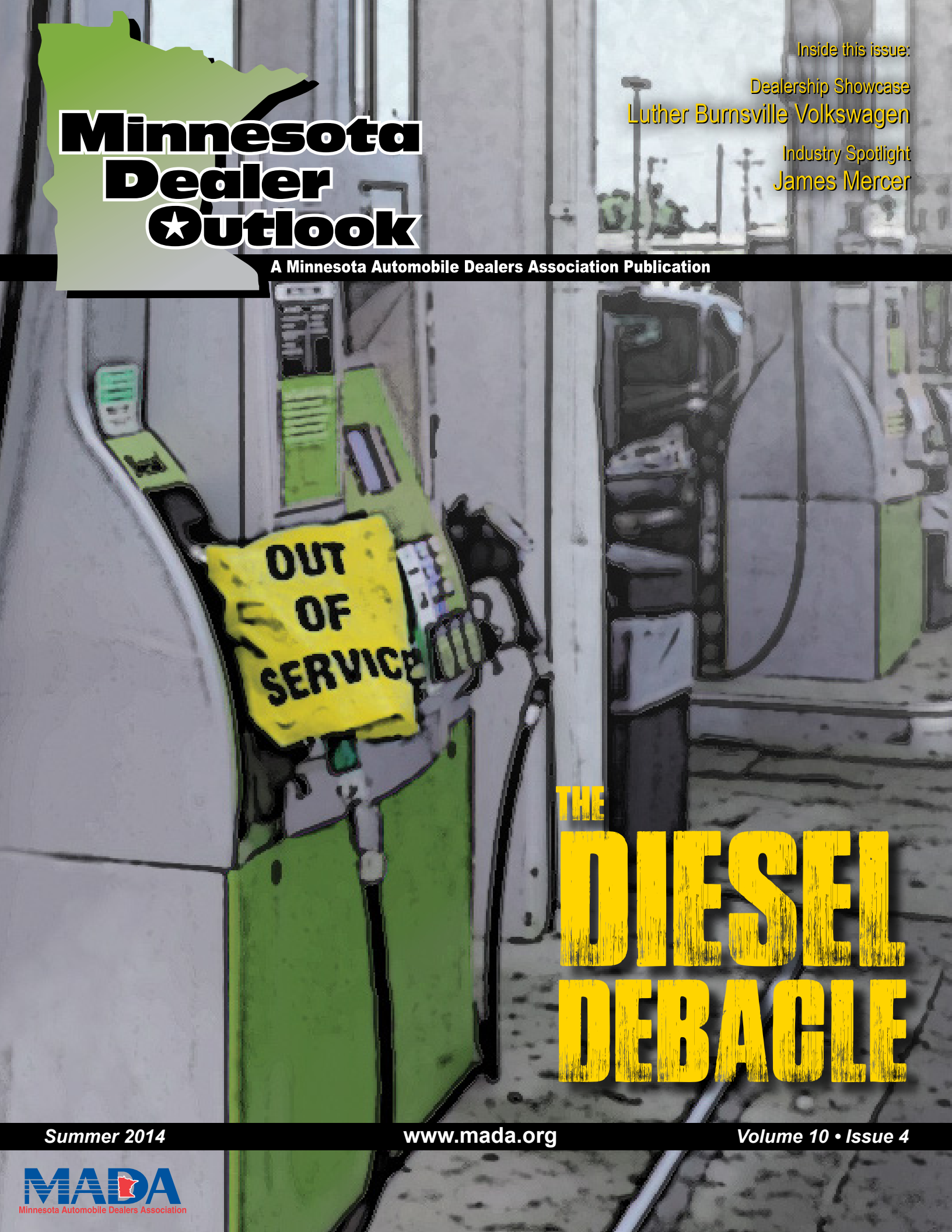
Minnesota Dealer Outlook

A Minnesota Automobile Dealers Association Publication

Inside this issue:

Dealership Showcase
Luther Burnsville Volkswagen

Industry Spotlight
James Mercer



THE DIESEL DEBACLE

Summer 2014 www.mada.org Volume 10 • Issue 4

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An Official Publication of the Minnesota Automobile Dealers Association

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On the Cover:

Unhappy with the status of Diesel Fuel in the State of Minnesota, MADA Executive Vice President ***Scott Lambert*** *lays out the empty state of affairs in this week's cover story.*

Data Source Information for Minnesota Auto Outlook on pages 19 - 32.

Exclusive source for new vehicle registration data presented in Minnesota Auto Outlook is R. L. Polk and Company, a leader in providing detailed new and used vehicle sales and registration statistics. Data is available on a timely basis on the internet.

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MADA MINUTES
Minnesota Automobile Dealers Association

AYES Tech Competitors in New York

A St. Cloud team, supported by MADA, advanced to the national competition in New York City April 23.

From left, Ethan Vanlonden and Theodore Pillsbury competed in the National Automotive Technology Competition, supported by MADA.

Apollo High School students Ethan Vanlonden and Theodore Pillsbury, who won the Minnesota AYES high school competition, went on to compete against 29 other U.S. teams at the National Automotive Technology Competition. Instructor Byron Byker led his student team to an 11th place finish at the competition.

In the weeks prior to the contest, the Minnesota team spent much of their spare time preparing for the contest, which is a test of skill, a measure of knowledge, and a race against the clock, all rolled into one. The first day involved problem solving at workstations that mimic discrete systems on vehicles. The second day's competition was to diagnose and repair problems on the 2014 Lexus RX 350. Not only did the students have to repair the car, but they had to document the concern, cause and correction on the repair order, as if the vehicle was a customer's car at a dealership.

Both seniors plan to continue in the automotive field. Pillsbury, a technician at Gilleland Chevrolet's Quick Lube, plans to continue his automotive education. Ethan Vanlonden plans to focus his engineering major on Vehicle Wind Tunnel testing.

This nationally recognized competition--which was developed in 1990 by the Greater New York Automobile Dealers Association to help curb the shortage of qualified automotive technicians and raise the level of vocational/technical education standards in the public school system--is celebrating its 25th year in 2014 as the preeminent competition of its kind.

Kjell Bergh Award

Kjell Bergh of Borton Volvo has received the 2014 International Citizen award from Twin Cities Business for building bridges between communities, at home and abroad.

Bergh is a member of the Consular Corps of Miami and the Minnesota Consular Corps. In 1995 he hosted the Royal family of Norway on safari in Tanzania, East Africa. He also organized and participated in an official visit by His Majesty King Harald and Her Majesty Queen Sonja to the Tanzanian President, Benjamin Mkapa. In 2000, he was appointed Honorary Consul of the United Republic of Tanzania.

Bergh is active in civic and charitable organizations in each of his "three home countries"—the United States, Norway and Tanzania.

Board Meeting Recap

From left, members of the MADA Executive Committee: Front row: Steve Brimhall, immediate past president; Mike Saxon, treasurer; Morrie Wagener, president. Row 2: Rick Jensen, secretary; Scott Lambert, executive vice president; and Greg House, president-elect.

The MADA Board of Directors met June 4, 2014 at the St Paul Hotel for their annual summer meeting. Among the topics discussed by the board were:

- an upcoming Vendor Appreciation Event to recognize sponsors of MADA events and programs;
- setting the Annual Meeting date for Dec. 5, 2014 at the DoubleTree by Hilton Bloomington and NADA Brunch Jan. 25 in San Francisco;
- reviewing the recent membership drive which achieved 100% of Minnesota dealerships.

President Morrie Wagener thanked Scott Lambert for reports on legislative, legal, and program developments.

From left, members of the MADA Board met at the St Paul Hotel for the Annual Summer meeting. Front row: Steve Brimhall, immediate past president; Michael Saxon, treasurer; Dave Buerkle, foundation chairman; Cindy Wagener Robin, AIADA Director.
Row 2: Mark Juettner; Chad Murphy; Morrie Wagener, MADA president; Peter Hasselquist; Michael Stanzak.
Row 3: Paul Harpel; Mike Gallagher, GMADA president; Rick Jensen, MADA secretary; Greg House, MADA president-elect;
Row 4: Scott Lambert, executive vice president; Steve Whitaker, GMADA president-elect; Bob Nuss, chairman MADA Truck Division.

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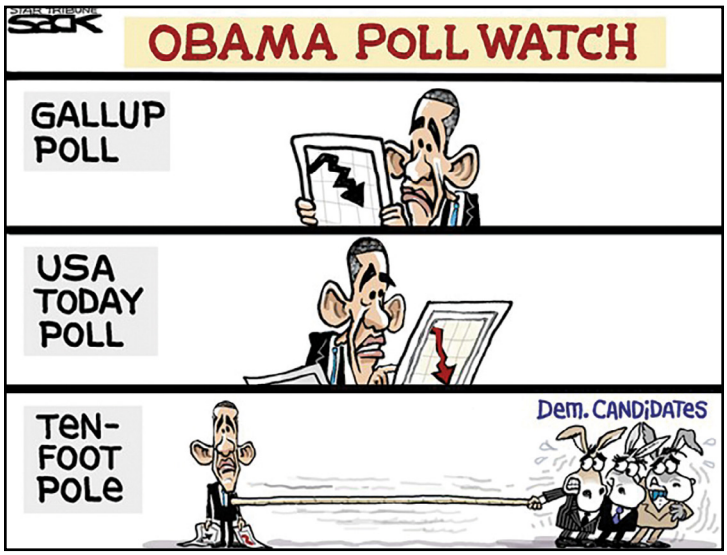

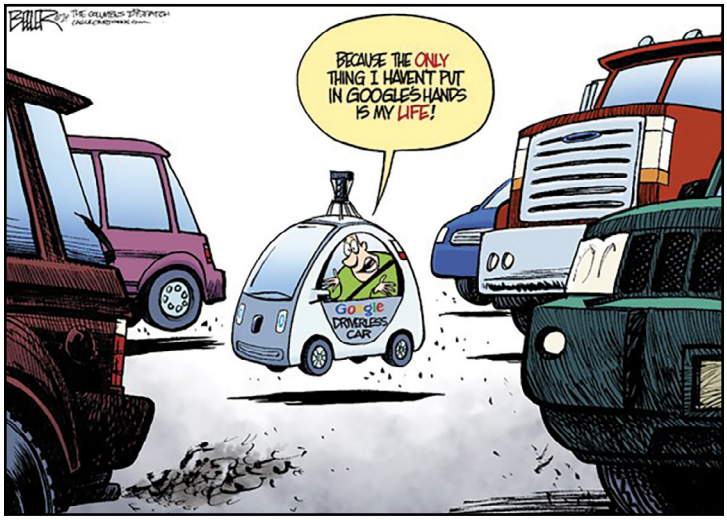

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THE DIESEL DEBACLE

Is it a debacle or a disaster?

It depends on what side of the ownership question you are on.

Scott Lambert
Executive Vice President

Amber Backhaus
Director of Government Affairs

- **If you own a refining facility, gas station, truck stop, trucking company or dealership, it's a debacle. Which means it's a bad mess, not of your own making, but recoverable.**

- **If you own a diesel vehicle, especially an older diesel vehicle, it's probably closer to a disaster.**

As values plunge for older diesels that are not rated for this mandated fuel, owners will have to come to grips with the fact that the value lost is unrecoverable. B-10 is not rated for use in any vehicles 2011 or older. For the most part it's also not rated for diesel sedans from 2012 to present day. But in Minnesota, it's the only diesel fuel sold six months of the year.

But in Minnesota, it's the *only* diesel fuel sold six months of the year.

If you own one of these vehicles, will it choke and die on the road as you leave the gas station? No.

Are you going to suffer long term damage?

Probably.

Is this long term damage avoidable?

Maybe. If you don't operate it in cold or hot weather, if you don't let it sit too long, and if you change your oil with the precision of a NASCAR pit team, you have a better chance of avoiding problems.

But for those hard-working Minnesotans who leave gassed-up trucks at cabins, fill their tanks in April* and can't always get their vehicle in for an oil change every 3,000 miles, it's more of a problem.

*The average statewide low temperature in April 2014 was 32 degrees.

THE DIESEL DEBACLE

Is your used diesel vehicle worth a lot less? Absolutely.

What brought us to this sorry state of affairs? Greed, arrogance and stupidity are all at the forefront.

Soybean and agricultural policy makers pushed for increased bio-fuel additives for well over a decade. And, while they were slowed down for a bit, no one really wanted to tell them that it was a bad idea to promote a fuel that vehicles weren't ready for. This is Minnesota, after all. Farmers and farm communities hold considerable economic and political power. One would have hoped they would have used it wisely. Sadly, they were blinded by the increase in soybean prices that their policy was driving. Looming problems were simply plowed over.

...new vehicle models were not ready and that tens of thousands of legacy vehicles already on the road would likewise have problems.

Throughout the debate, motor vehicle manufacturers and dealers were of single voice on the issue: if the fuel works in our vehicles, that's great. But, if the fuel is not rated for the vehicles--or if it affects a vehicle's warranty--then it's a problem. As we approach statutory deadlines for this policy, the factories were adamant that many of their new vehicle models were not ready and that tens of thousands of legacy vehicles already on the road would likewise have problems.

What part of "this fuel doesn't work for these vehicles" policymakers failed to understand is one of the perplexing questions in this unfolding economic tragedy.

The state government, whose primary duty in this instance is to ensure a reliable fuel supply, didn't just turn a deaf ear to consumer concerns; they actively encouraged this destructive policy. Governor Dayton's Bio-Diesel Task Force, (made up of farm groups, agriculture department personnel, refiners, truckers, and oil jobbers, all housed and staffed by the state Department of Agriculture) which was charged with the implementation of this nationally unique policy, actively ignored pleadings from the new car industry. The economic damage to consumers was not their concern as long as their interests were being well served.

On the eve of this new mandate's effective date, the Bio-Diesel Task Force discovered to their horror that Minnesota law was going to require appropriate

signage at gas stations to inform consumers about the content of fuel they are pumping into their car or truck. This unprecedented declaration to consumers could not stand. So, as you would expect, this panel of unelected officials without consumer representation passed a motion asking the Director of Weights and Measures to ignore state law and use FTC-required pump labels (approximately 3 by 3 inches) at Minnesota gas stations until they can legitimize their cover-up with a new law next year.

Throughout this debate, appeals by MADA and the manufacturers to the Governor's office as well as the Commissioner of Agriculture were dismissed or ignored.

...service managers can expect reactions ranging from shock to dismay to anger.

Meanwhile, forestry and mining interests took a prudent "don't put that stuff in our expensive equipment" tack and wisely gained their own exemptions from the mandate.

Dealers and manufacturers sponsored legislation to delay the mandate, but DFL House legislative leaders shuttled their bill to the agriculture committee where it stayed in the Chairman's bottom drawer. The Senate held one hearing in the Commerce Committee but, with the Senate Agriculture Committee ready to also swallow the bill, it was eventually dropped.

Ordinary consumers were left unheard, uncared for, ignored and with no seat at the table.

When these customers end up in a dealer's service bay and are delivered the bad news about their precious and expensive vehicles, service managers can expect reactions ranging from shock to dismay to anger.

And remember, we're moving to B-20 in just four short years.

THE DIESEL DEBACLE

2002

ACTION:
Minnesota 1st state in the nation to pass a biodiesel content mandate – at 2%

OTHER NOTES:
Trucking fleets primary focus;

Permanent exemptions provided for mining, railroads, and nuclear facilities

PRODUCTION:
15 million gallons of biodiesel produced nationally

9•29•05

ACTION:
2% mandate became effective

12•23•05

ACTION:
Governor suspends mandate for 21-days due to fuel quality issues

2008

ACTION:
Governor Pawlenty and legislature add staggered increases from 5-20%

OTHER NOTES:
Impact on trucking fleets still the main focus;
Timber added to exemptions, which became temporary

PRODUCTION:
700 million gallons of biodiesel produced nationally

2009

ACTION:
Manufacturers begin to introduce more diesel passenger vehicles into the US market in response to new federal CAFÉ standards

5•1•09

ACTION:
MN mandate increases to 5% biodiesel year-round

2012

ACTION:
Dayton Administration defers increasing to B10 due to supply issues

OTHER NOTES:
Exemptions expanded and extended until 2015

Fall 2012

ACTION:
Alliance of Automotive Manufacturers meets with top Minnesota officials to voice concerns about non-compatible vehicles

2013

ACTION:
Dayton Administration authorizes increase to B10

PRODUCTION:
1.8 BILLION gallons of biodiesel produced nationally

2014

ACTION:
Legislature tweaks biodiesel statute

OTHER NOTES:
Prospect for B20 delayed until 2018; additional exemptions granted and all made permanent

7•1•14

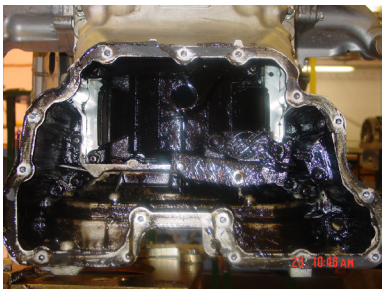
ACTION:
B10 only diesel fuel allowed to be sold at retail in MN

WHAT TO WATCH FOR WHEN USING B10 IN NON-APPROVED VEHICLES:

Biodiesel can attract water and also deteriorate with age. Small amounts of biodiesel can get into the engine oil, but unlike petroleum diesel, it does not evaporate over time. This can cause the oil level in the engine to rise and can affect the quality of the oil.

WITH B10, BE ON THE LOOKOUT FOR:

Vehicle stalling and poor performance which may be caused by clogging of fuel filter by soaps formed by biodiesel components such as products of biodiesel aging or production contaminants.



Engine damage – or even failure – which may be caused by biodiesel that has not evaporated after it enters the engine oil during particulate trap regeneration. The oil becomes diluted, which then forms sludge as the biodiesel degrades in the engine oil and starves the engine bearings of lubrication.

From left to right: new filter; a filter at 10,000 miles using conventional diesel; a filter at 9,000 miles using greater than 5% biodiesel.

Premature fuel filter clogging and more frequent fuel filter service which may be caused by the switch between using conventional diesel (which will be available from October – March) and B10, which will be the only fuel available from April-September.

With B10 the mandated fuel on the market, customers driving non-rated vehicles should take the following into consideration:

- Routinely check the engine oil to ensure the level is not getting higher.
- Biodiesel fuel quality can degrade with time. More frequent refueling provides the best opportunity to ensure a supply of fresh fuel.
- Storage at hot ambient temperatures may accelerate biodiesel degradation.
- At colder temperatures, B10 can gel much faster than other diesel fuel.

B10 SALES SCHEDULE:

Diesel cars and light-duty pickups model year 2011 and earlier are not rated to accept biodiesel blends of more than 5%. Beginning July 1, 2014, 10% biodiesel (B10) will be the only fuel available for sale in Minnesota's retail marketplace during certain months.

Under Minnesota's bio-diesel Mandate:

B10 is the only diesel fuel you can purchase

- July 1 – September 30, 2014
- April 1 – September 30, through 2017
- April 1 – September 30, 2018 and each year thereafter, B20 will be the new mandated diesel fuel

MADA Minnesota Automobile Dealers Association
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MADA NEWS

Cars Could Help the Poor

For many low-income families, automobiles are a key to a better life

Most Americans are driving less. After adjustment for population growth, miles driven per year have dropped 8.9% since peaking in 2005.

But a new study conducted by the Urban Institute and the Universities of California and Maryland suggests there is at least one group that should drive more, not less: low-income residents of high-poverty neighborhoods.

The study examined neighborhood quality, neighborhood satisfaction and employment outcomes for almost 12,000 families receiving federal housing vouchers in 10 large U.S. cities. The study concluded that voucher recipients with cars tended to live and remain in better neighborhoods—places with less poverty, stronger housing markets and lower health risks.

...members of a subgroup who had access to a car were twice as likely to find a job

Cars are expensive to purchase and to maintain, even more so for families with severely limited resources. A low-income household that is somehow able, inclined, or afforded the opportunity to buy a car might also do many other things to get ahead. Motivation, opportunity, or both could be key."

Cars may not be the emblem of freedom and status that they were 30 years ago. However, even as highly educated millennials and baby boomers fantasize about car-free cities, car access is still indispensable for many families seeking safety and economic security.

...car access is still indispensable for many families seeking safety and economic security.

Cars also mean better employment outcomes. In one major study, members of a subgroup who had access to a car were twice as likely to find a job and four times as likely to remain employed as those without a car.

Even though many of us believe that driving is inherently superior to public transit, the study concludes that the importance of automobiles arises because public transit systems in most metropolitan areas are slow, inconvenient, and lack sufficient metropolitan-wide coverage to rival the automobile.

According to one of the leaders of the study, Rolf Pendall, "More research is needed to determine if the relationship is casual or associative, that is, whether the car is the catalyst or if there is something deeper at work, of which the car is simply one manifestation.

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Dealers Are Good Neighbors

MADA salutes Minnesota new vehicle dealerships and dealership employees who make their communities a better place to live.

2014 Kolar Toyota ALS Walleye Tournament

The 19th Annual ALS Walleye Tournament was a huge success with 162 two-person teams fishing for record weights for a total of six fish. Even though the teams battled rainy breezy conditions, a whopping $171,525 was raised.

All proceeds from the event go to fight Amyotrophic Lateral Sclerosis (ALS), also known as Lou Gehrig's Disease. The ALS Association, MN/ND/SD Chapter provides services at no charge to individuals with ALS. Some services include durable medical equipment, communication devices and respite care for full-time family caregivers. ***Kolar Toyota*** became title sponsor of the event in 2007. Since their involvement, more than $1,000,000 has been raised for the cause. The dealership is actively involved with the year-round planning of the tournament.

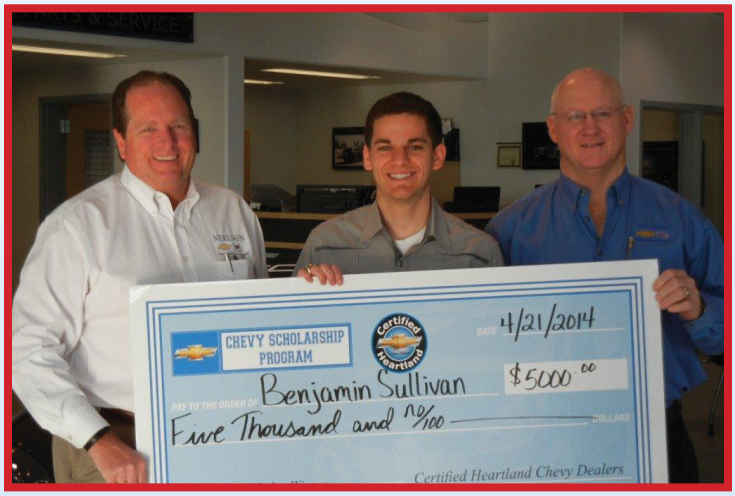
Food Drives

Brandl Motors in Little Falls hosted a test drive fundraiser for the ***National FFA Organization*** in support of local FFA chapter leadership programs. A $400 donation was made from the test drives in the RAM Truck brand vehicles.

Luther Automotive's fourth annual ***"Drive to Serve"*** event partnered with Coon Rapids-based ***Feed My Starving Children***. Volunteers packaged 723,000 meals for children in Haiti. To assist with the needy in Minnesota, ***Luther Auto*** partnered with the ***Emergency Foodshelf Network***, which coordinated food collection efforts at 15 Luther stores and at the food packaging event.

good news good news good news good news good news good news good news

Scholarships



A ***Perham*** high school student was awarded a $5,000 scholarship sponsored by the ***Heartland Chevy Dealer's Scholarship Program***. The ***Heartland Chevy Dealers Local Marketing Association*** is comprised of 20 Chevy Dealerships across North Dakota and Minnesota.

Send YOUR good news to Sandy at brom@mada.org

It's baseball time again

Chevy Youth Baseball is a grassroots initiative that establishes a positive relationship between local dealers and the communities they serve. Chevy dealers sponsor their local youth baseball leagues as part of Chevrolet's nationwide commitment to support youth sports. ***Lewiston Auto*** is sponsoring the ***Lewiston Youth Baseball*** program; ***Dan Welle Chevrolet Buick*** is partnering with the ***Sauk Centre Youth Baseball Leagues; Mike Motors*** is partnering with the ***Ely Little League*** in Ely; and ***Papik Motors*** is sponsoring ***Luverne Community Education***. Each league can be awarded up to a $500 contribution from test drives plus equipment such as bags, batting tees, catcher's gear, water bottles and t-shirts.

A.M. Maus sponsored the ***Dodge Booster Club Fundraiser*** for the ***Kimball Area High School*** students and families. The Dodge brand contributed $20 for each test drive and $4,640 was raised.

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MINNESOTA AUTO OUTLOOK

Comprehensive Information on the Minnesota Automotive Market

FORECAST

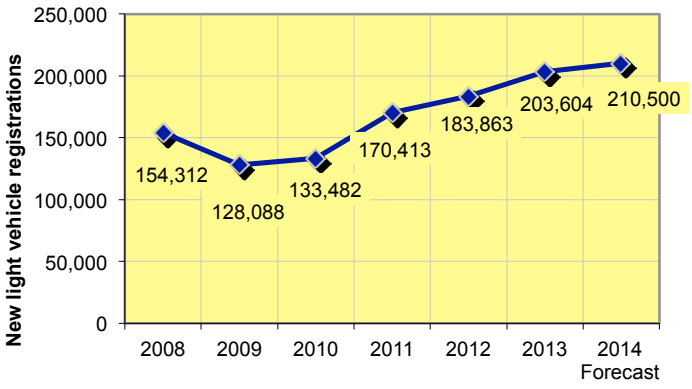
New Vehicle Market is Up Slightly in First Four Months of '14

Small improvement predicted for entire year

Below is a list of 10 key trends and developments in the Minnesota new vehicle market:

1. Minnesota new retail light vehicle registrations were basically flat during the first four months of this year versus a year earlier, while the National market was up 5.4%. (Note: April 2014 figures were estimated).
2. Auto Outlook's annual forecast for 2014 new retail light vehicle registrations: 210,500 units, up 3.4% from 2013.
3. Light truck market share increased from 58.6% during the first four months 2013 to 62.4% this year.
4. Registrations for Japanese brands were up 8% so far this year, while the industry was flat.
5. The new vehicle market has come a long way from the depths of the recession. Registrations in the First Quarter of this year were 44,475 units, up more than 18,000 compared to the First Quarter of 2009.
6. Alternative powertrain (hybrid and electric) market share was 2.4% thru March of this year, down from last year.
7. Three biggest segments in the state are Compact SUV, Full Size Pickup, and Standard Mid Size Car.
8. Brands with the largest percentage increases in registrations during the first four months of this year: Mitsubishi, Jeep, Acura, Subaru, and Ram. Top five in market share were Ford, Chevrolet, Toyota, Honda, and Nissan.
9. The state unemployment rate has declined from a high of 9% in March of 2009 to 4.5% in April of this year.
10. Top five selling cars in state market: Ford Fusion, Toyota Camry, Ford Focus, Subaru Outback, and Chevrolet Cruze. Top five light trucks: Ford F-Series, Chevrolet Silverado, Ram, Ford Escape, and Chevrolet Equinox

Annual Trend in State New Vehicle Market



Source: Polk.

Market Review

	YTD '13 thru April	YTD '14 thru April*	% Chg. '13 to '14	Mkt. Share YTD '14
TOTAL	64,653	65,141	0.8%	
Car	26,749	24,517	-8.3%	37.6%
Light Truck	37,904	40,624	7.2%	62.4%
Detroit Three	35,001	34,706	-0.8%	53.3%
European	4,333	3,909	-9.8%	6.0%
Japanese	20,716	22,371	8.0%	34.3%
Korean	4,603	4,155	-9.7%	6.4%

Detroit Three consists of vehicles sold by GM, Ford, and Chrysler.

Source: Polk.

*** Figures for April 2014 were estimated by Auto Outlook.**

Brand Registrations Report
Minnesota New Retail Car and Light Truck Registrations

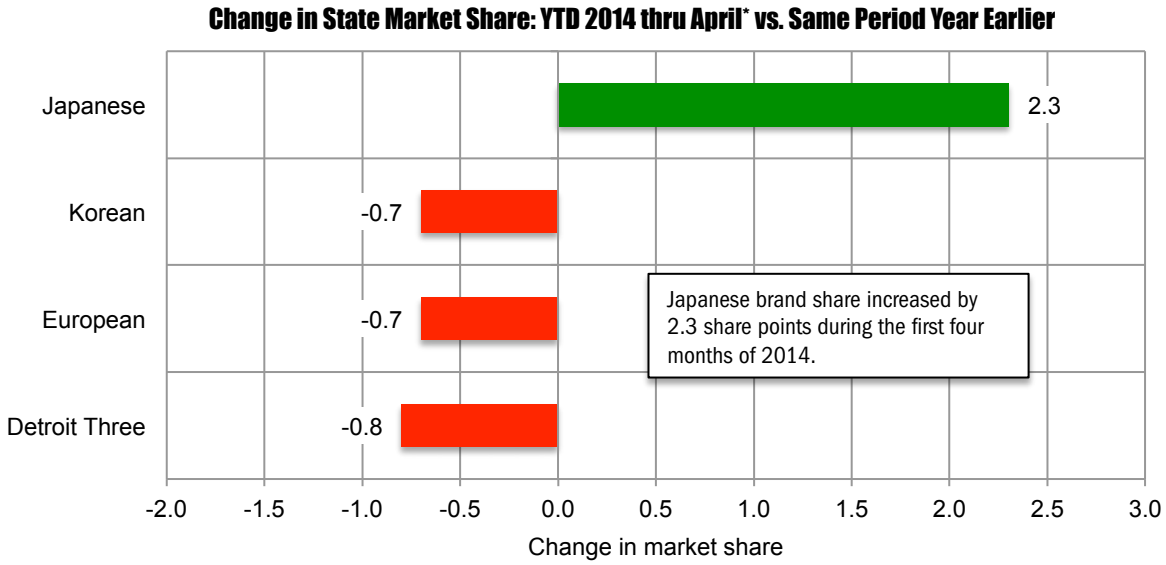
	Last Three Months (Feb '14 thru Apr '14)						YTD thru April					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	2013	2014	% change	2013	2014	Change	2013	2014	% change	2013	2014	Change
TOTAL	52,260	51,243	-1.9				64,653	65,141	0.8			
Cars	21,872	19,778	-9.6	41.9	38.6	-3.3	26,749	24,517	-8.3	41.4	37.6	-3.8
Light Trucks	30,388	31,465	3.5	58.1	61.4	3.3	37,904	40,624	7.2	58.6	62.4	3.8
Domestic Brands	28,057	26,912	-4.1	53.7	52.5	-1.2	35,001	34,706	-0.8	54.1	53.3	-0.8
European Brands	3,513	3,190	-9.2	6.7	6.2	-0.5	4,333	3,909	-9.8	6.7	6.0	-0.7
Japanese Brands	16,950	17,830	5.2	32.4	34.8	2.4	20,716	22,371	8.0	32.0	34.3	2.3
Korean Brands	3,740	3,311	-11.5	7.2	6.5	-0.7	4,603	4,155	-9.7	7.1	6.4	-0.7
Acura	374	439	17.4	0.7	0.9	0.2	442	550	24.4	0.7	0.8	0.1
Audi	344	410	19.2	0.7	0.8	0.1	443	512	15.6	0.7	0.8	0.1
BMW	737	662	-10.2	1.4	1.3	-0.1	914	794	-13.1	1.4	1.2	-0.2
Buick	1,081	1,004	-7.1	2.1	2.0	-0.1	1,356	1,234	-9.0	2.1	1.9	-0.2
Cadillac	356	323	-9.3	0.7	0.6	-0.1	469	426	-9.2	0.7	0.7	0.0
Chevrolet	8,459	7,777	-8.1	16.2	15.2	-1.0	10,617	10,065	-5.2	16.4	15.5	-0.9
Chrysler	1,074	803	-25.2	2.1	1.6	-0.5	1,325	992	-25.1	2.0	1.5	-0.5
Dodge	1,865	1,857	-0.4	3.6	3.6	0.0	2,323	2,250	-3.1	3.6	3.5	-0.1
FIAT	81	57	-29.6	0.2	0.1	-0.1	99	69	-30.3	0.2	0.1	-0.1
Ford	10,145	9,165	-9.7	19.4	17.9	-1.5	12,505	11,878	-5.0	19.3	18.2	-1.1
GMC	1,898	1,915	0.9	3.6	3.7	0.1	2,446	2,486	1.6	3.8	3.8	0.0
Honda	4,318	4,203	-2.7	8.3	8.2	-0.1	5,131	5,253	2.4	7.9	8.1	0.2
Hyundai	1,825	1,491	-18.3	3.5	2.9	-0.6	2,195	1,923	-12.4	3.4	3.0	-0.4
Infiniti	252	258	2.4	0.5	0.5	0.0	300	331	10.3	0.5	0.5	0.0
Jaguar	16	11	-31.3	0.0	0.0	0.0	18	13	-27.8	0.0	0.0	0.0
Jeep	1,342	2,088	55.6	2.6	4.1	1.5	1,670	2,731	63.5	2.6	4.2	1.6
Kia	1,915	1,820	-5.0	3.7	3.6	-0.1	2,408	2,232	-7.3	3.7	3.4	-0.3
Land Rover	111	103	-7.2	0.2	0.2	0.0	137	141	2.9	0.2	0.2	0.0
Lexus	547	585	6.9	1.0	1.1	0.1	650	712	9.5	1.0	1.1	0.1
Lincoln	285	251	-11.9	0.5	0.5	0.0	352	357	1.4	0.5	0.5	0.0
Mazda	1,112	1,156	4.0	2.1	2.3	0.2	1,339	1,390	3.8	2.1	2.1	0.0
Mercedes	457	486	6.3	0.9	0.9	0.0	564	609	8.0	0.9	0.9	0.0
MINI	236	159	-32.6	0.5	0.3	-0.2	280	196	-30.0	0.4	0.3	-0.1
Mitsubishi	228	495	117.1	0.4	1.0	0.6	280	608	117.1	0.4	0.9	0.5
Nissan	2,414	2,669	10.6	4.6	5.2	0.6	2,913	3,372	15.8	4.5	5.2	0.7
Other	120	108	-10.0	0.2	0.2	0.0	140	136	-2.9	0.2	0.2	0.0
Porsche	55	69	25.5	0.1	0.1	0.0	72	74	2.8	0.1	0.1	0.0
Ram	1,496	1,682	12.4	2.9	3.3	0.4	1,866	2,222	19.1	2.9	3.4	0.5
Subaru	1,919	2,276	18.6	3.7	4.4	0.7	2,434	2,899	19.1	3.8	4.5	0.7
Tesla	23	19		0.0	0.0	0.0	31	22		0.0	0.0	0.0
Toyota	5,714	5,710	-0.1	10.9	11.1	0.2	7,146	7,214	1.0	11.1	11.1	0.0
Volkswagen	1,274	1,049	-17.7	2.4	2.0	-0.4	1,548	1,262	-18.5	2.4	1.9	-0.5
Volvo	187	143	-23.5	0.4	0.3	-0.1	240	188	-21.7	0.4	0.3	-0.1

Top ten brands are shaded yellow. Source: Polk

Top ten ranked brands in each category are shaded yellow.

MARKET TRACKER: BRAND MARKET SHARE

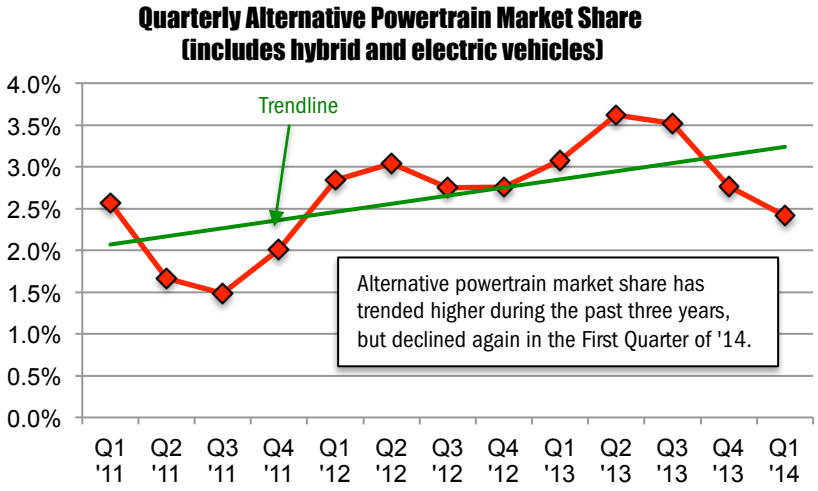
Japanese Brands Increase Share in Early 2014



***Figures for April 2014 were estimated by Auto Outlook. Source: Polk.**

MARKET TRACKER: HYBRID AND ELECTRIC VEHICLES

Hybrid & Electric Vehicle Market Share Heads Lower



Source: Polk.

State Hybrid and Electric Vehicle New Retail Registrations 2009 thru 2013, and YTD '14 thru March

Year	Hybrids	Electrics	Total
2009	4005	8	4013
2010	3267	7	3274
2011	3258	14	3272
2012	5100	121	5221
2013	6359	278	6637
YTD '14	1051	28	1079

New registrations of hybrid and electric vehicles were 1,079 units in the First Quarter of this year.

MARKET TRACKER: SEGMENTS

Compact SUV Market Share Exceeds 20%

Minnesota Segment Market Share Review				
Segment	Market Share YTD '13 thru March	Market Share YTD '14 thru March	Change in share YTD '13 to YTD '14	Best selling model in segment
Compact SUV	16.0	20.3	4.3	Ford Escape
Full Size Pickup	18.5	18.3	-0.2	Ford F Series
Standard Mid Size Car	15.9	14.8	-1.1	Ford Fusion
Sub Compact Car	14.7	12.6	-2.1	Ford Focus
Mid Size SUV 3 Rows	9.0	9.0	0.0	Toyota Highlander
Mid Size SUV 2 Rows	4.8	5.3	0.5	Ford Edge
Mini Van	4.1	3.5	-0.6	Dodge Caravan
Large Mid Size Car	2.7	2.5	-0.2	Chevrolet Impala
Entry Car	3.1	2.4	-0.7	Kia Soul
Mid Size Luxury SUV	2.2	2.4	0.2	Lexus RX
Near Luxury Car	1.8	1.7	-0.1	BMW 3-Series
Compact Luxury SUV	1.3	1.6	0.3	Buick Encore
Full Size SUV	1.6	1.6	0.0	Chevrolet Tahoe
Luxury and Sports Cars	1.4	1.3	-0.1	BMW 5-Series
Full Size Van	0.9	1.0	0.1	Chevrolet Express
Compact Pickup	0.7	0.6	-0.1	Toyota Tacoma
Sport Compact Car	0.8	0.5	-0.3	Chevrolet Camaro
Entry Luxury Car	0.2	0.3	0.1	Mercedes CLA-Class
Full Size Luxury SUV	0.3	0.3	0.0	Cadillac Escalade

The table above shows Minnesota market share for 19 vehicle segments during the first three months of 2013 and 2014, and the change in market share over the period. The best selling model in each segment is also shown. Segments are ranked from top to bottom based on 2014 share. Most popular segment in the state is Compact SUV, which also had the largest gain. Data Source: Polk.

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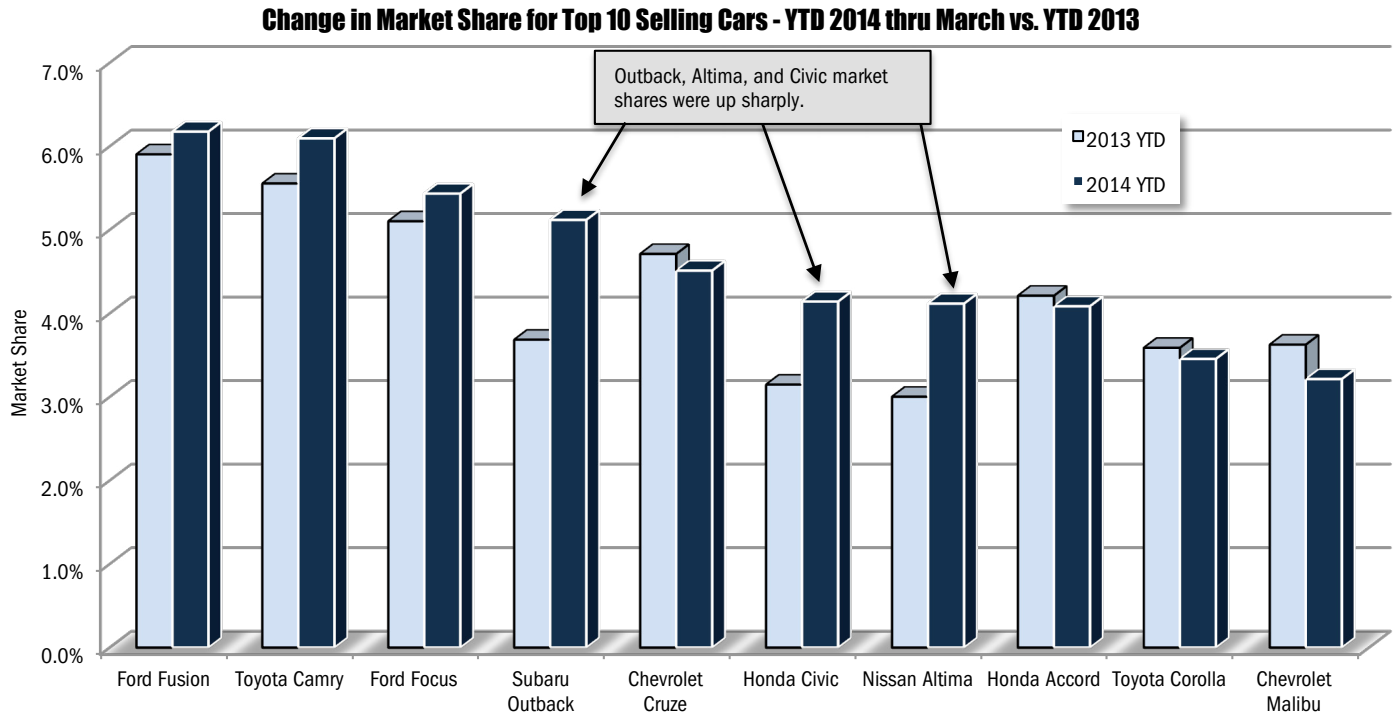
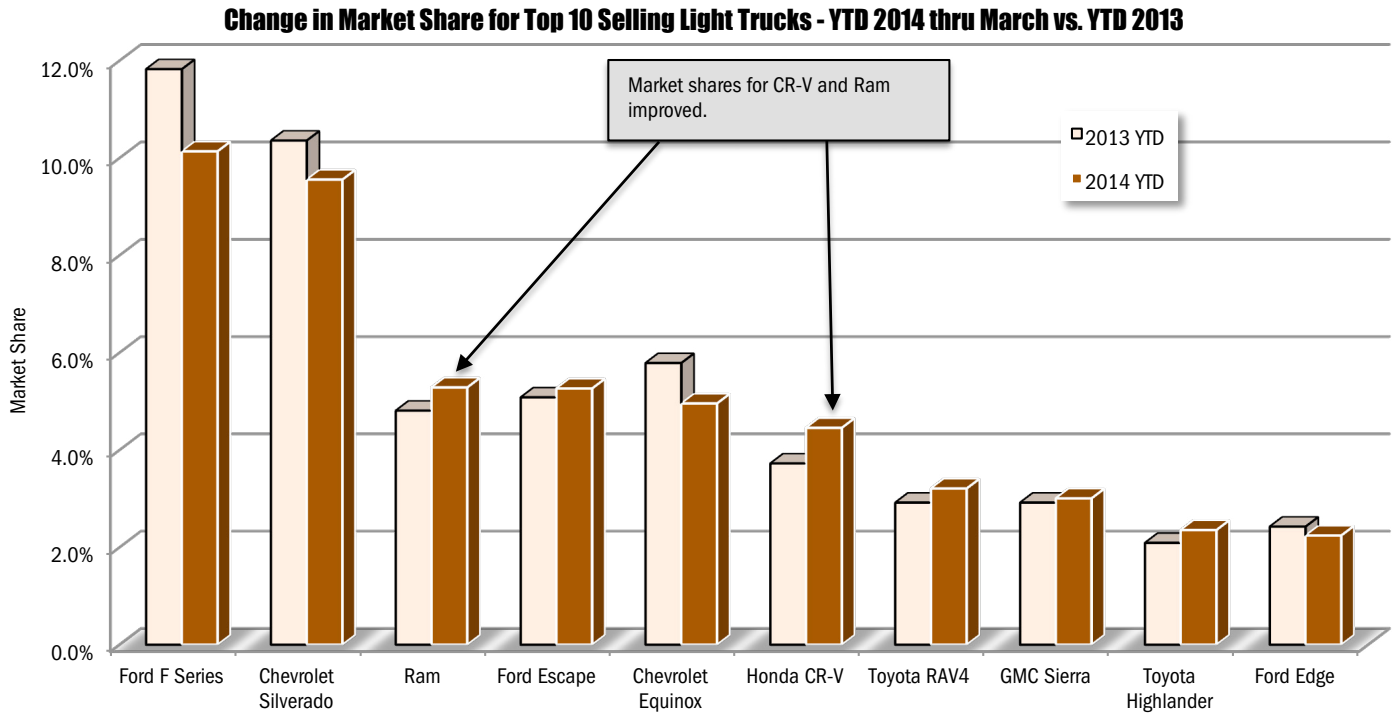
MARKET TRACKER: SEGMENTS

Compact SUV Market Share Exceeds 20%

Top three selling light trucks are Full Size Pickups

The two graphs below show market shares in the state car and light truck markets during the first three months of 2013 and 2014. Includes the top ten selling car and light truck models.





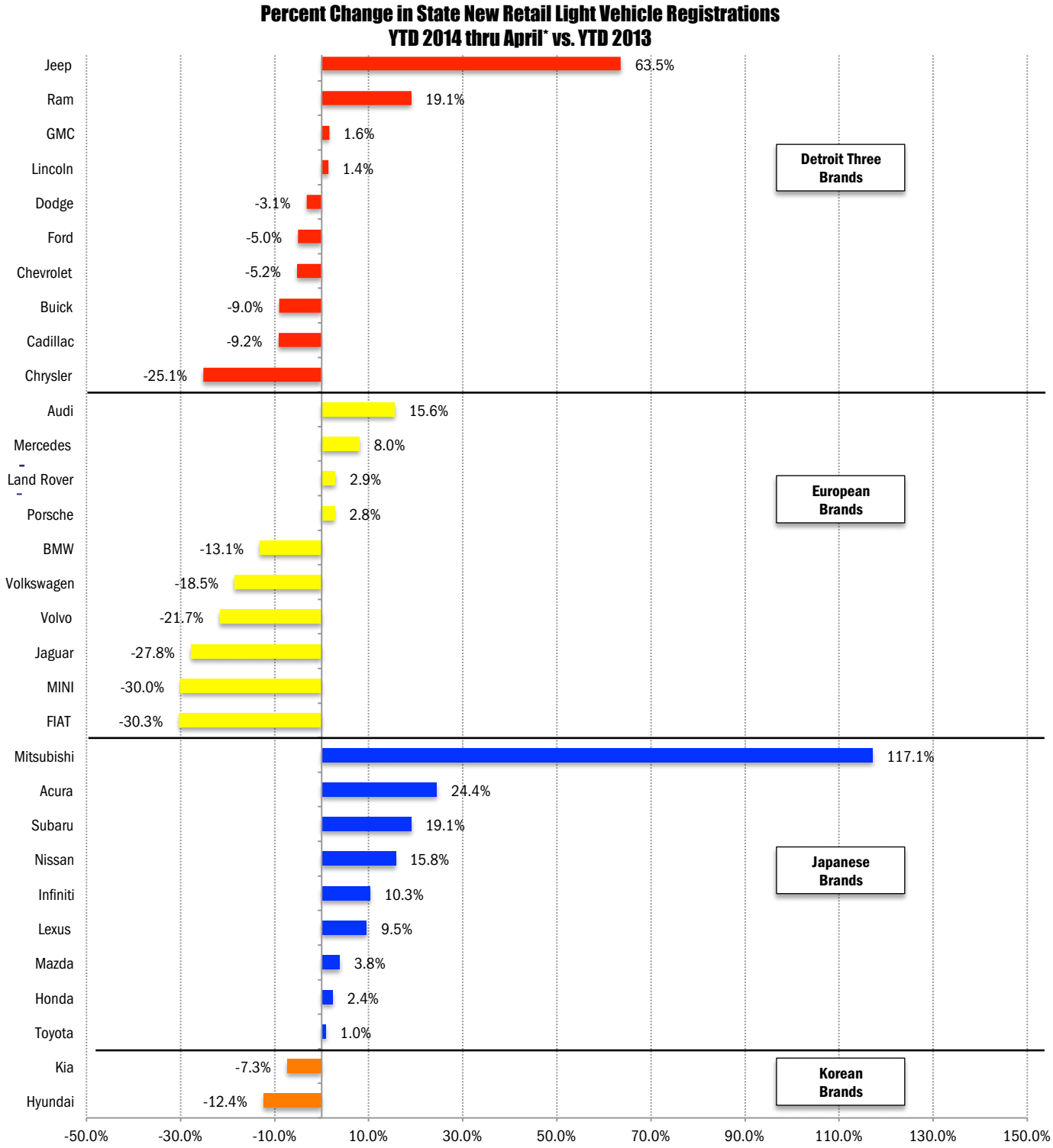
Source: Polk.

BRAND SCOREBOARD-PART ONE

Mitsubishi and Jeep Post Large Percentage Gains

Acura, Subaru, and Ram are also up sharply

The graphs below provide a comparative evaluation of brand sales performance in the state market. They show the year-to-date percent change in registrations for each brand, organized by category (i.e., Detroit Three, European, Japanese, and Korean).



***Figures for April 2014 were estimated by Auto Outlook. Source: Polk.**

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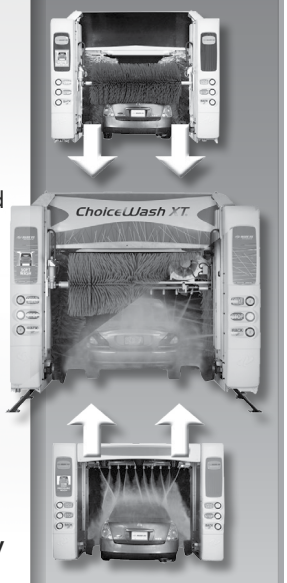

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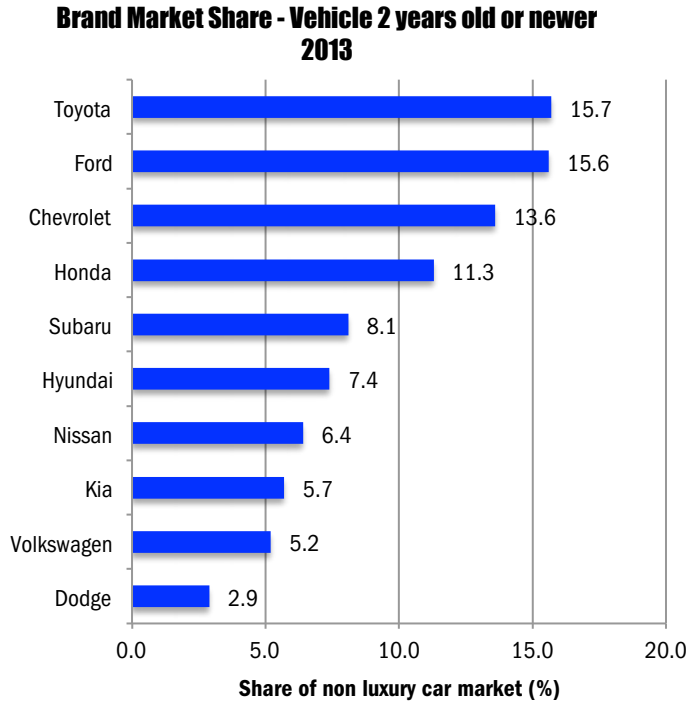
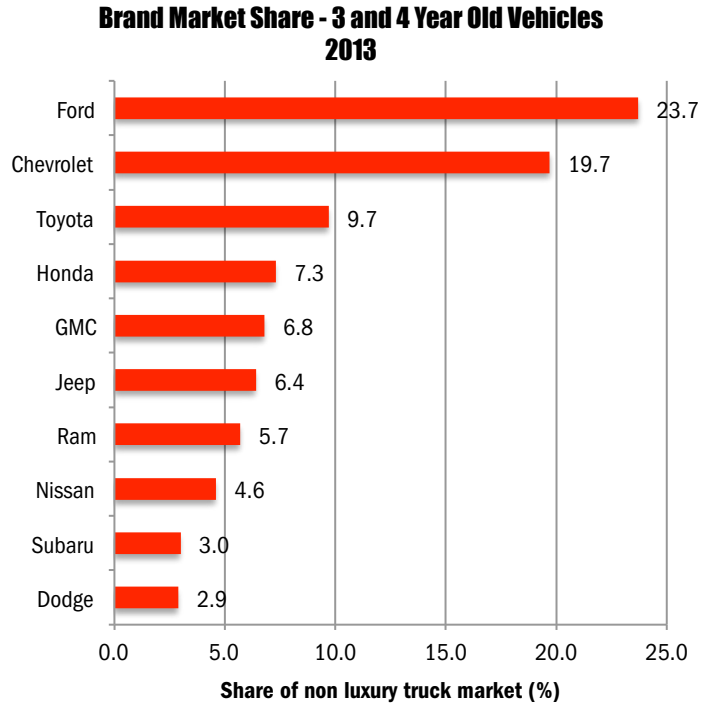
BRAND SCOREBOARD-PART TWO

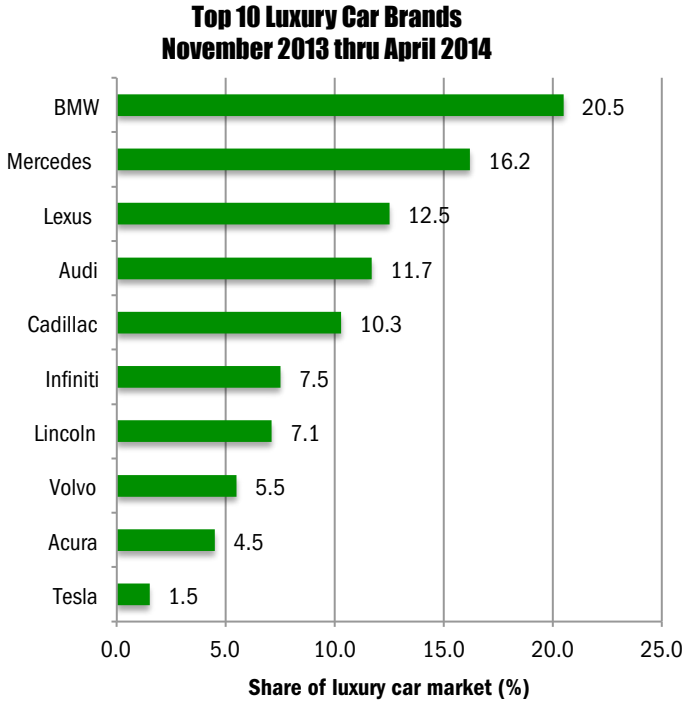
Toyota is Non-Luxury Car Brand Leader; Ford #1 for Trucks

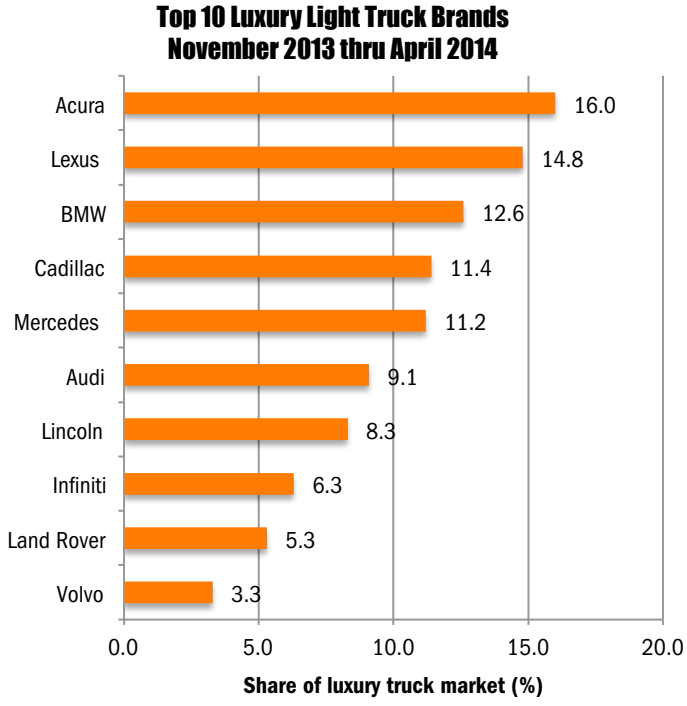
BMW is best selling luxury car brand; Acura leads for luxury trucks

The four graphs below show market share leaders in Minnesota during the past six months for four primary segments. (Note: figures for April, 2014 were estimated.) Toyota was the best-selling Non Luxury Car brand, with a very slim lead over second place Ford. Ford was the top ranked Non Luxury Light Truck brand, ahead of Chevrolet and Toyota. BMW was the best-selling Luxury Car brand, while Acura was highest for trucks. Source: Polk









MINNESOTA MARKET VERSUS U.S.

Gain in State New Vehicle Market Trails Nation in 2014

Car market share in state fell to 37.6%

The accompanying table provides a comparison of results in both the Minnesota and U.S. markets. New vehicle registrations in the state improved a slim 0.8% during the first four months of 2014, while the U.S. market increased 5.4%. Car market share in Minnesota was 11.4 share points lower than in the Nation. Detroit Three market share in Minnesota was 53.3%, well above the 41.4% share in the Nation. Note: Figures for April 2014 were estimated by Auto Outlook. Source: Polk

	Minnesota Market		U.S. Market	
Change in registrations % change in registrations YTD 2014 thru April vs. YTD 2013	0.8%		5.4%	
Car Market Share Car share of industry retail light vehicle registrations - YTD 2014 thru April	37.6%		48.0%	
Detroit Three Brand Market Share Domestic brand share of industry retail light vehicle registrations - YTD 2014 thru April	53.3%		41.4%	
Top selling light vehicle brands and market share - YTD 2014 thru April				
First	Ford	18.2%	Toyota	13.2%
Second	Chevrolet	15.5%	Ford	12.7%
Third	Toyota	11.1%	Chevrolet	10.5%
Fourth	Honda	8.1%	Honda	9.5%
Fifth	Nissan	5.2%	Nissan	7.9%
Sixth	Subaru	4.5%	Jeep	4.5%
Seventh	Jeep	4.2%	Hyundai	4.4%
Eighth	GMC	3.8%	Kia	3.7%
Ninth	Dodge	3.5%	Subaru	3.5%
Tenth	Kia	3.4%	Dodge	3.4%

Data Source: Polk

RECENT RESULTS IN MINNESOTA USED VEHICLE MARKET

Minnesota Used Vehicle Market Heads Lower in Early 2014

Used vehicle registrations declined 10.9% thru April

Below is a list of key trends in the Minnesota retail used vehicle market:

- Retail used registrations in the state declined 10.9% during the first four months of 2014 versus a year earlier. (Note: figures for April of this year were estimated by Auto Outlook.)
- As shown on the graph below, the new vehicle market grew at a slightly faster pace than the used market in 2013, and the new vehicle was up slightly early this year, as well.
- The sharp decline in new vehicle sales for 2009 has led to short supplies of five year old vehicles, resulting in the 4.5 point drop in market share.
- Used light truck registrations fell 8.7%, while cars declined 13%.
- Chevrolet Impala was the best-selling model in the state for vehicles two years old or newer. Ford F-Series led for three to five year old vehicles.
- Used registrations for Audi, Kia, Subaru, Infiniti, and Acura increased during the first four months of this year.

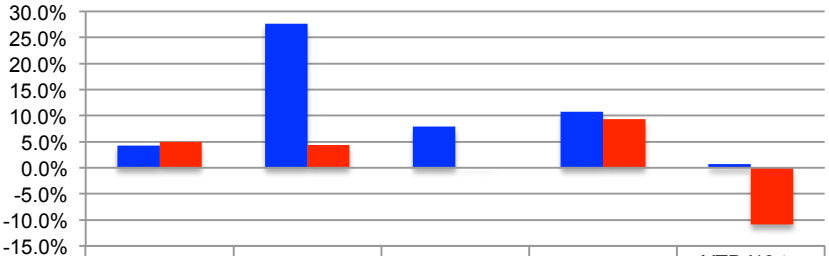
Minnesota Retail Used Light Vehicle Registrations YTD 2014 thru April*

	Registrations		% Change	Market Share	
	2013	2014	'13 TO '14	2013	2014
TOTAL	297,726	265,334	-10.9%		
Cars	150,898	131,338	-13.0%	50.7%	49.5%
Light Trucks	146,828	133,996	-8.7%	49.3%	50.5%
Detroit Three	213,084	185,318	-13.0%	71.6%	69.8%
European	16,833	15,984	-5.0%	5.7%	6.0%
Japanese	60,357	56,466	-6.4%	20.3%	21.3%
Korean	7,452	7,566	1.5%	2.5%	2.9%

* Figures for April 2014 were estimated by Auto Outlook.

Source: Polk.

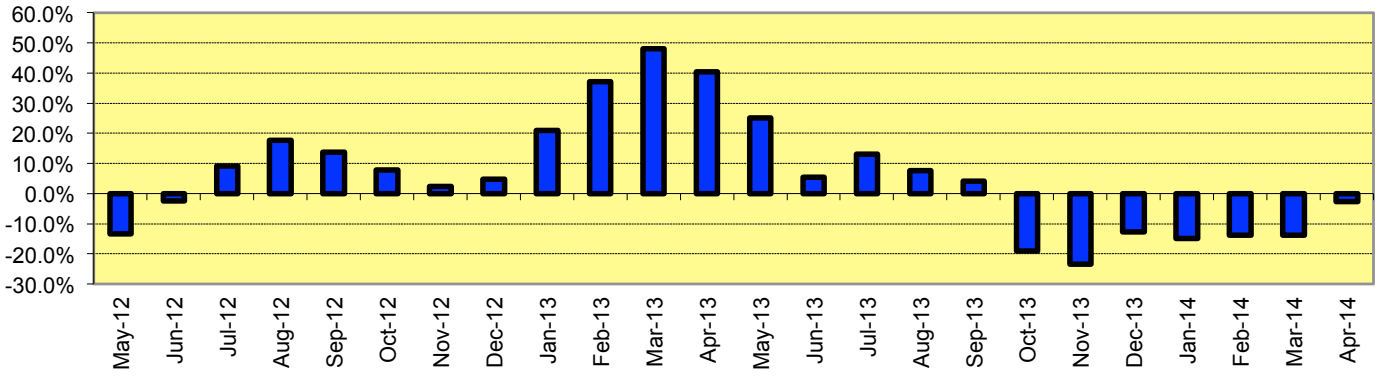
% Change in Retail New and Used Vehicle Markets 2009 thru 2013, and YTD '14 thru April* vs. YTD '13



	'09 to '10	'10 to '11	'11 to '12	'12 to '13	YTD '13 to YTD '14*
New	4.2%	27.7%	7.9%	10.7%	0.8%
Used	5.0%	4.3%	0.0%	9.3%	-10.9%

Source: Polk.

Minnesota Retail Used Vehicle Registrations - Percent Change in Three Month Moving Average (May '12 thru April '14*)



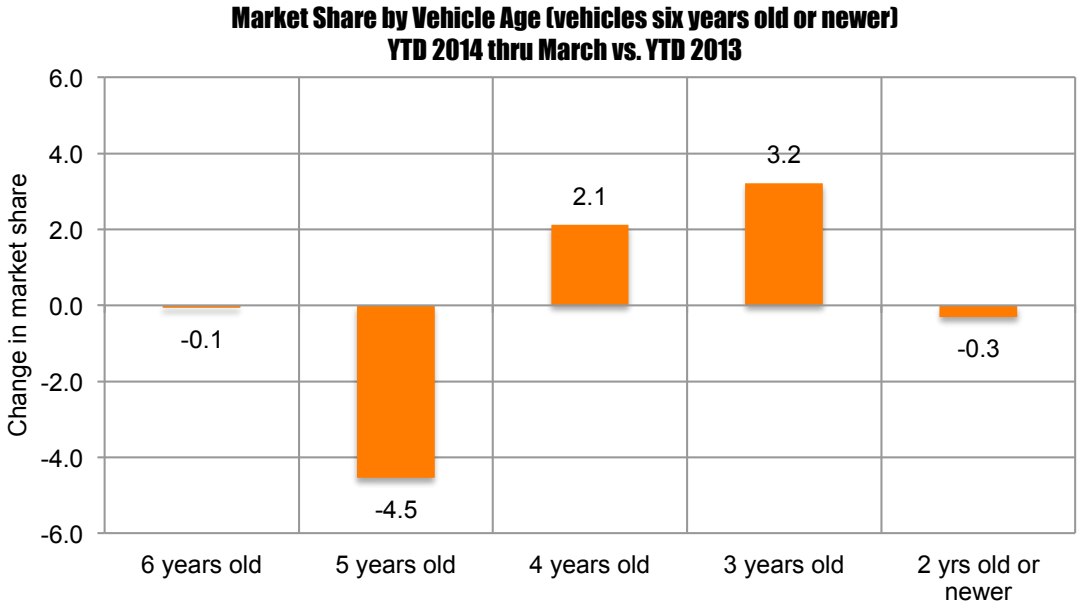
***Figures for April 2014 were estimated by Auto Outlook.** **Source: Polk.**

USED VEHICLE SALES BY AGE

Three and Four Year Old Vehicles Gain Market Share

Five year old used vehicle market tumbles

Tight supplies of 2009 model year vehicles led to the 4.5 market share point decline for five year old cars and trucks during the first four months of this year (see graph below). Three year old market share was up 3.2 share points. Source: Polk



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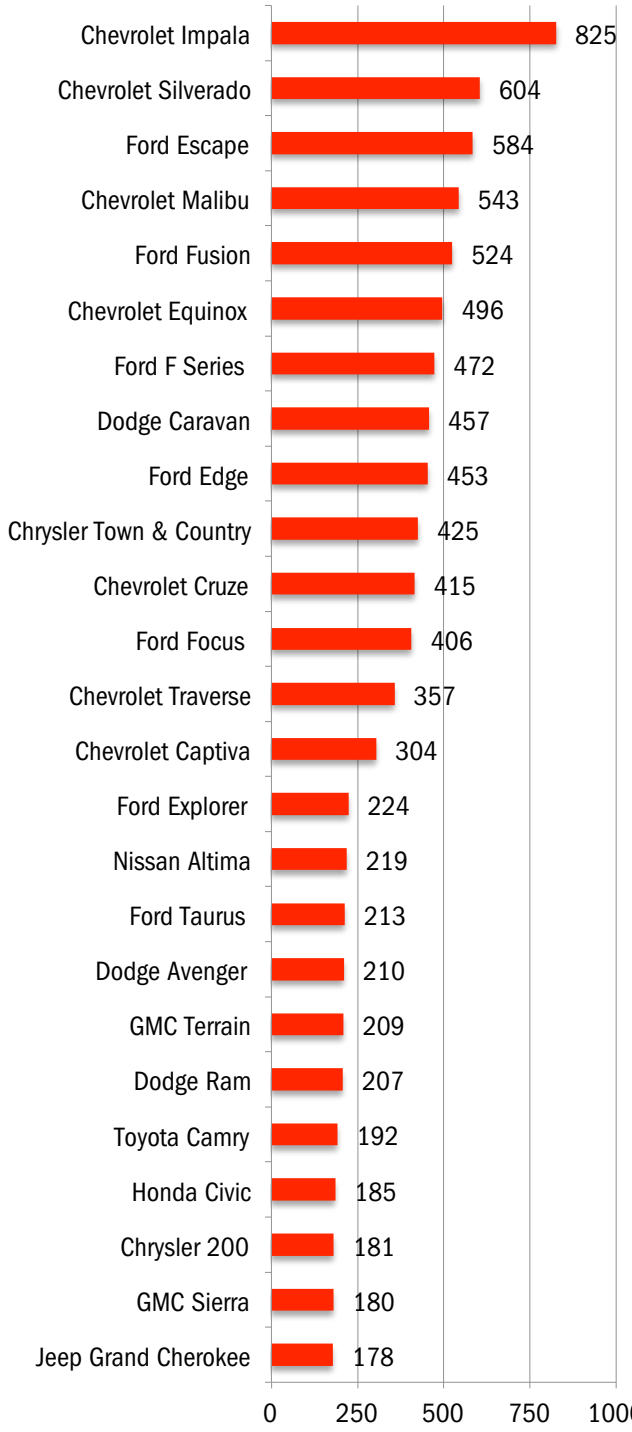
TOP SELLING MODELS

Ford F-Series is Best Seller for Three to Five Year Old Vehicles

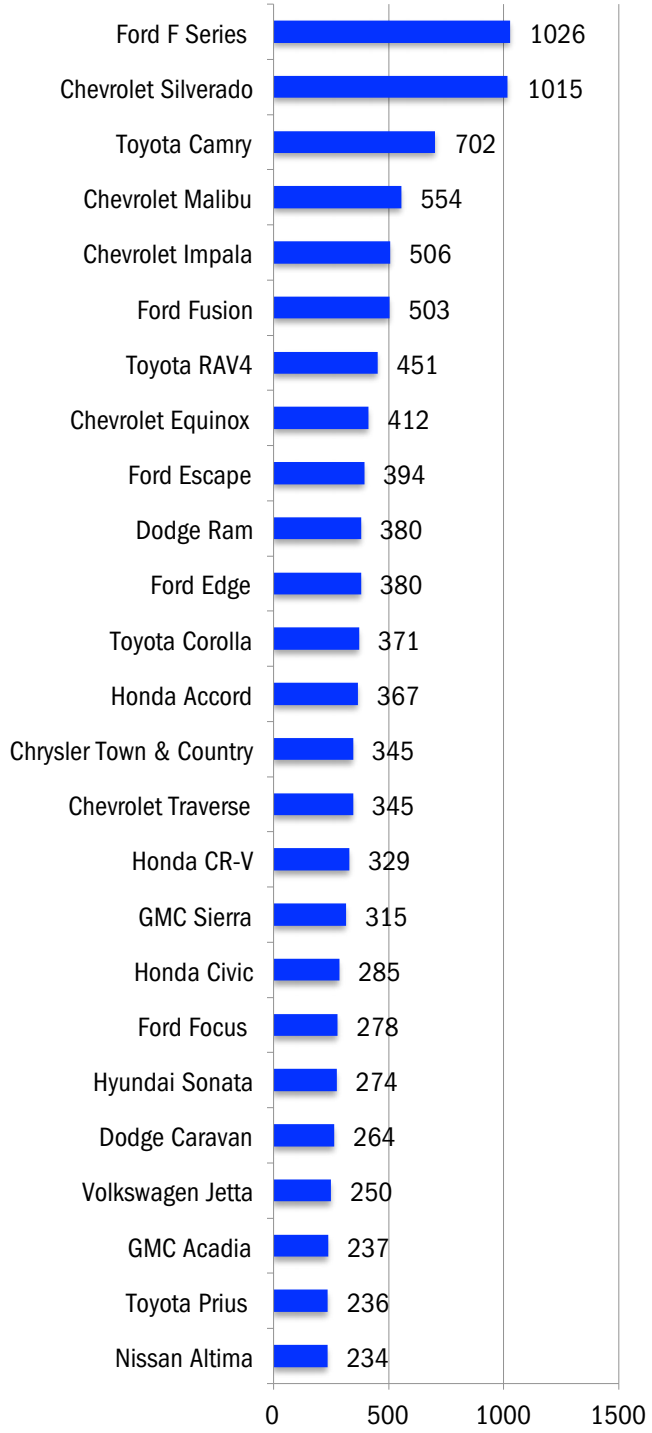
Impala was the two year old or newer leader

The graphs below show top selling models in two age categories: vehicles two years old or newer, and those three to five years old. Source: Polk.

Top 25 Selling Models (Two years old or newer)
Used retail registrations, YTD 2014 thru March



Top 25 Selling Models (3 to 5 year old vehicles)
Used retail registrations, YTD 2014 thru March

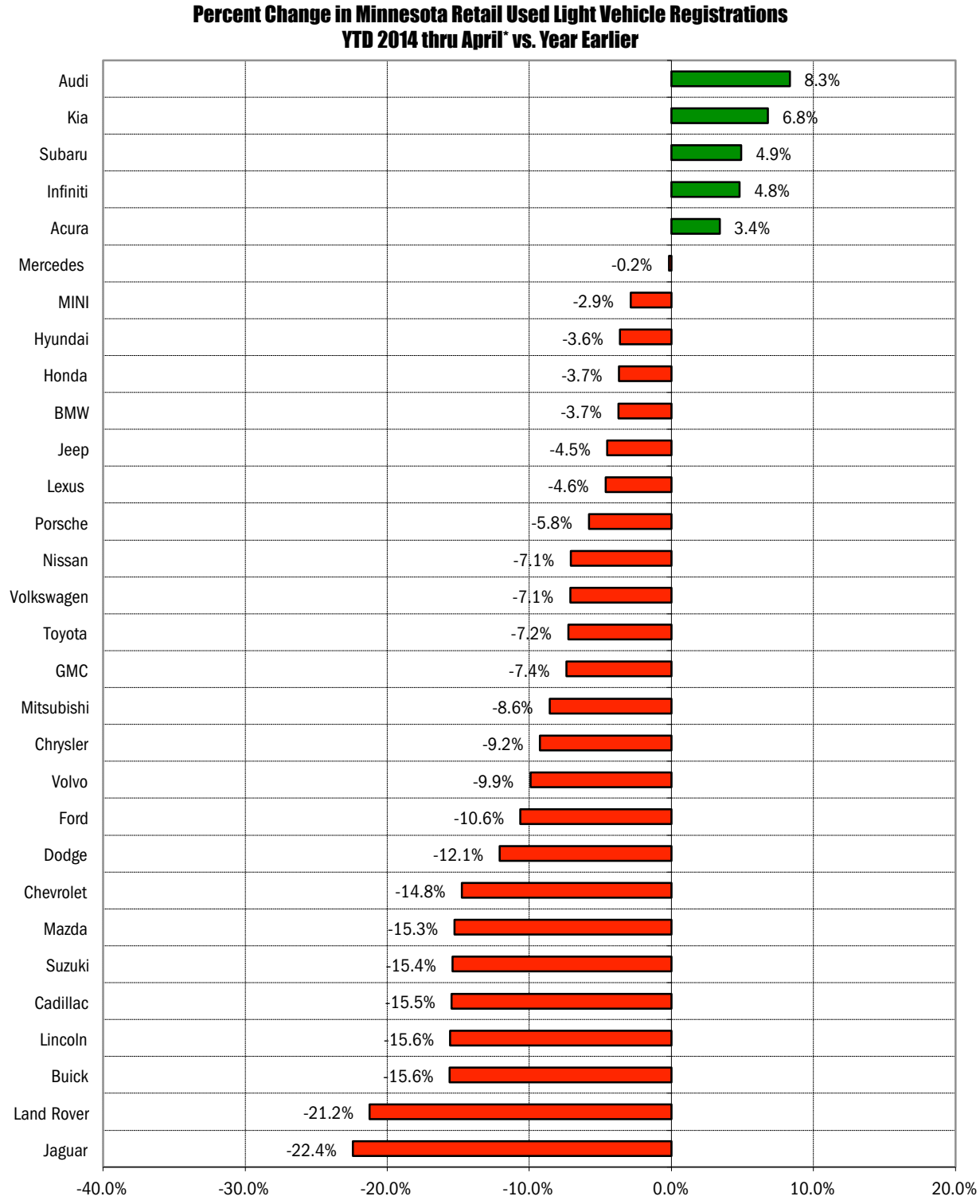


BRAND SCOREBOARD

Audi, Kia, Subaru, Infiniti, and Acura Used Registrations Increase

Audi posts an 8.3% increase

The graph below shows the percent change in retail used light vehicle registrations during the first four months of 2014 versus the same period a year earlier for the top 30 selling brands in the state. Audi had the largest increase, up 8.3%. Source: Polk. *Figures for April 2014 were estimated by Auto Outlook.



DEALERSHIP SHOWCASE

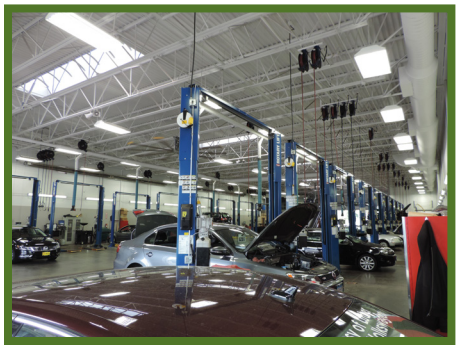
LUTHER BURNSVILLE VOLKSWAGEN

A wise man once said, "It doesn't matter where you are, it's what direction you're headed."

If that's the case, Luther Burnsville Volkswagen is properly pointed toward the future, both in terms of bricks and mortar and in their understanding of the importance of new technologies.

The dealership, a Luther store since 1982, was on Cliff Road near the river until three years ago. That all changed when they moved into the new, bright white, 50,000 square foot facility on Buck Hill Road, just south of Burnsville Center and overlooking both 35E and 35W.

General Manager Jay Radue describes the new dealership as "the new Volkswagen 'white frame' design. We have two customer lounge areas with Wi-Fi, beverages and snacks. We have a huge training area to meet with all employees ...something the other location lacked. We now have an automatic car wash, too. We used to joke about the old days when we had one stall to hand wash cars, and washed the others outside."



The service area features 20 service bays and includes technicians and advisors who have worked with Volkswagen for more than 25 years. "We have great people," said Radue. "We like to say we set the standard for exceptional Volkswagen service."

Though Radue has 30 years experience selling VWs, he works with his staff to keep an eye firmly fixed on the present, and on the future. They understand how critical social media has become to a dealership's success.

He added, "We say 'Make the Experience Count.'" That means always trying to go above and beyond...and we are aware of how significantly online reviews at DealerRater, Cars.com, Google and the others can impact customer decisions. We now have more than 1,300 reviews. One gentleman came from Wisconsin because of our reviews, and he specifically asked to work with a particular person because of the great things people were saying about her.

"We focus on taking care of people," Radue said. "Good reviews are driving traffic to the store, and so are referrals. Many of our new customers come in based on reviews."

Those reviews HAVE been good. Burnsville Volkswagen is a 2014 DealerRater.com Dealer of the Year. They also are the only Volkswagen dealer in Minnesota to have been inducted into the prestigious "Wolfsburg Crest Club" for 2013; an award earned only by the top 50 VW dealers in the nation. It means Burnsville Volkswagen has met the highest standards for sales and service, and customer satisfaction. As a result, the dealership was top 10 in sales volume last year for Certified Pre-Owned Volkswagens sold in the country.

Clearly, they are headed the right direction.

James Mercer

Protective
Regional Manager

James Mercer is a funny guy in a very unfunny business. The normally stuffy and serious world of finance and insurance is broken up by the arrival of the young man from Woodbury. James is a journeyman car guy but when you meet him, you immediately gather a mischievous side. Despite what he may say or convey, the serious side is driving him all the time. In eight short years, the dad of three from Burnsville went from Account Exec to Regional Manager in charge of MN, SD, ND, Colorado, Montana, Wyoming and Utah, and top trainer for one of the industry's top Finance and Insurance companies. He sat down recently with MADA Executive Vice President Scott Lambert to discuss where he is so far in his young life.

Are you from Minnesota?
Yes. My Dad worked for 3M, so we started in Hutchinson, then moved to Naperville, Illinois until I was in 7th grade. Then we came back and settled in Woodbury.

Your Dad ended up at 3M world headquarters in Maplewood?
Exactly.

An only child?
Oh no. I have 3 brothers. We fought hard as kids but now we're the best of friends.

How'd you end up in the car business?
I went to Mankato State and majored in economics. But that doesn't get you a job. I graduated from college on Friday and walked into a dealership on Monday.

But why a dealership?
I was driving up Hwy 169 and heard one of Denny Hecker's ads on the radio. I had interviewed at some banks but I wanted to do sales.

So you just walked in and asked for work?
Yep, showed up at Denny Heckers Hudson Pontiac as green as a blade of grass. I knew nothing about the car business.

What struck you most about the car business at first?
The money. I made twice as much selling cars as I ever would have working at a bank.

So how long were you in sales?
Only for a year, then I moved into finance.

Did you stay in Hudson for long?
I was actually at six stores in six years.

All Hecker stores?
No, after Hudson I went to Denny's Monticello Dodge and his Inver Grove Heights Hyundai, then Kline Volvo, Walser Dodge and my last store was Freeway Ford.

Why all the moves?
The turnover at Denny's stores was out of control. Everyone was interviewing all the time. I followed my bosses to other stores.

Do you still keep in touch with Denny?
(laughs)

How'd you end up at Protective?
I answered an ad in the Pioneer Press. All it said was Finance Mgr, 5 yrs exp, college degree, willing to travel.

When was that?
2006. I was hired by Wendell Anderson.

What's the first job you ever had?
I was a cashier at Target in Woodbury.

What was that like?
It was relentless. The people just keep coming. It was like the conveyor belt scene in "I Love Lucy." You just couldn't push against the tide.

So, you've been with Protective for eight years now. What's your takeaway so far?
It's opened my eyes to what the dealer does each day. He could spend 100% of his time on a huge variety of things that have nothing to do with selling cars.

If money didn't matter and you could reinvent yourself as anything, what would you do?
I'd write comedy screenplays.

That's an interesting answer.
I go to movies with my brothers and we always come out saying. 'That was funny, but we could write something funnier.'

Besides running eight states, is there anything else you do with Protective?
I am the lead Finance trainer for Protective. I train F&I personnel in Chicago.

Do you like that?
I've done it now for five years and I really get a lot of satisfaction out of it. It's cool when you get a green person and bump into them later in the business and see how they've blossomed.

And your dream of Hollywood success?
But, it's just that: a dream. I'm a lifer with Protective. I enjoy this job too much.

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