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THE BIG STORY / DECEMBER 2017

*It's Beginning to
Look a Lot Like Christmas*
AT DEALERSHIPS

BY TOM BEAMAN



WHEN CONSIDERING A HOLIDAY GIFT FOR A
LOVED ONE, A NECKTIE OR EVEN A \$1,000 IPHONE X
JUST MIGHT NOT CUT IT WITH SOME PEOPLE...



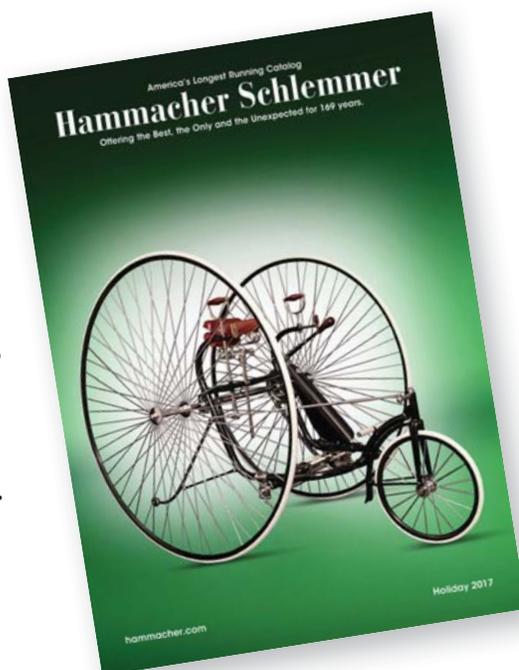
THE BIG STORY

Spurred by automakers' December sales promotions, a bullish economy and old-fashioned generosity, real vehicles are appearing, if not under the tree, then at least in driveways on Christmas morning.

Even if such an extravagant gift may seem out of reach, it doesn't hurt to ask. "We get millions of letters to Santa every year, with many asking for cars, vans, motorcycles...you name it," says Darleen Reid-DeMeo, a spokesperson for the U.S. Postal Service.

For some, a Santa intervention was not required.

Hotel heiress Paris Hilton bought herself a bubble-gum-pink Bentley Continental GT for Christmas in 2008. "I've just always wanted a pink car," she told E! News. "I think when you're a little girl and you have the Barbie Corvette, you're always like, 'Oh, I wish I had a car like this one day.'"



In 2011, according to *Us Weekly*, comedian and rapper Nick Cannon gave his then-wife, Mariah Carey, a black Rolls-Royce Phantom reportedly worth \$400,000 for Christmas.

The Hammacher-Schlemmer catalogue is the go-to source for extravagant automotive holiday gifts. The Chicago-based company started in New York as a hardware store in 1848, selling mortise gauges and plumb bobs.

In what might have been the first automotive parts department, in 1902 the company added a repair

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kit for blown gaskets and flat tires that plagued horseless carriages. Today it boasts a circulation of 50 million with mailings every two weeks from October through December.



“Most of what we’re selling are quirky, gadgety cars,” says Hammacher-Schlemmer’s Stephen Farrell. “If they want a luxury car they can go to a dealer or a collector.”

“Probably what we’re most famous for when it comes to automobiles were the 24 London taxicabs we imported in 1964; we sold them for \$1,895 each,” says Stephen Farrell, Hammacher-Schlemmer’s merchandising director. “Another item in the catalogue is the Ural-T sidecar motorcycle that was used in World War II. These higher-end products are frequently bought in the fourth quarter or early third quarter.”

While Hammacher-Schlemmer’s 2017 catalogue contains relatively mundane items like foot massagers and toaster ovens, it also features a \$59,000 Morgan Three-Wheeler roadster and a SkyRunner flying all-terrain vehicle, just \$139,000. A Batmobile replica built on a Lincoln chassis with a BluePrint 383 small-block GM crate engine can be yours for only 200,000 “bat-dollars.” Since Hammacher-Schlemmer is not a licensed motor vehicle dealer, the actual sales go through a third-party. Hammacher gets a spiff.

Farrell calls his customers definitely upscale. “We’ve had shahs with oil money from the Middle



Hammacher-Schlemmer’s 2017 catalogue includes a \$59,000 Morgan Three-Wheeler roadster.

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A Batmobile replica built on a Lincoln chassis with a BluePrint 383 small-block GM crate engine costs 200,000 “bat-dollars.”

East come in and say, ‘I’ll take two,’ and ship them to Saudi Arabia,” he says. “Billionaires from around the world walk into our flagship store in New York, and it’s not uncommon for them to make an unusual purchase and have their assistant figure out how to get it to where they’re going.

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BACK IN THE REAL WORLD

Meanwhile, back in the real world, automakers and dealers are gearing up for the annual year-end sales push, hoping to capture holiday buyers looking for the best

deals – and the perfect gift.

“We will sell an average of 35 or 40 units a month from January to November, then we’ve been pushing 60 a month in December for the past decade,” says Ryan Jama, Lexus sales manager at the Alderson Auto Group in Lubbock, TX. “I would say half of those 60 units in December are Christmas presents.”

The dealership “hides” about 10 cars every December. “The customer will come in pay for it and then we’ll hide it for them in one of our storage units for them to pick up Christmas Eve or the day after Christmas,” Jama says.

He recalls a hospital administrator who bought three cars for his family in December 2016.



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For Christmas, a customer of the Alderson Auto Group in Texas bought these RX 350s for himself, his wife and daughter.

“He picked out his car, a ’16 RX 350 on a new lease,” Jama says. “While he was here, he decided to lease another RX 350 for his wife. We were working the deal on his wife’s car and out of the blue he says, ‘My daughter’s graduating college in June and I’m just going to get her an NX 200 for Christmas as well.’”

“We had them lined up in the showroom with red bows on each one. He brought the wife and daughter in with him and he went in to do his paperwork. He came out to his car, which was in

the front of the line. He took his wife and daughter to the other two cars and said, ‘By the way, you guys are picking up these two today.’ There was a little elation and celebration on the showroom floor.”

Jama says Alderson’s other three franchises – Cadillac, BMW and Mercedes-Benz – also see about half of their December sales given as Christmas gifts.

Of course, any such purchase requires adult decision-making. There are things to keep in mind, says Dave Ramsey, per-

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Young woman with her Christmas gift at Alderson Auto Group's Lexus store.

sonal finance coach and host of the nationally syndicated *Dave Ramsey Show*.

“First, who is the car for?” he says. “And is it a wise purchase for them? In other words, it would be stupid to buy a \$30,000 car for your teenager. Secondly, if it’s a surprise, make sure you know the recipient would welcome that. My wife likes surprises. I don’t. So I would not be thrilled with this purchase.”

Vehicle gift-giving usually is done by affluent people with a lot of disposable income. For others, Ramsey warns about the pros-

pects of going deep into debt to give such a present.

“A gift should be a blessing not a curse and that’s what debt is – a curse,” he says. “Who goes around giving curses for Christmas?”

HOW DEALERS DON'T BLOW THE SURPRISE

Autotrader Executive Editor Brian Moody recommends ways to bring dealers into the loop to prevent letting the cat out of the bag and blow the surprise element.

“When you’re at the dealership, let them know right away that it’s a gift,” he says. “Tell them not



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**Lexus
December to
Remember
Commercial:
“Whispers.”**



to call you on your home phone. If you go to the dealership with your spouse, tell the staff ahead of time to act like you're just shopping. If you're buying a used car, make sure it's inspected and mechanically proper to begin with. Make sure it's a gift that keeps on giving and not just for that day."

December is a most important month for Germain Lexus of Easton, says Josh Miller, general manager of the Columbus, OH, dealership.

"Lexus does a great job of advertising and getting the word out," he says. "We see quite a bit of uptick in our walk-in traffic and our Internet traffic. It's a nice way for our sales team to end on a big month, going into the not-so-great months of January and February."

Miller recalls a longtime customer who always put his family's automotive needs first and wouldn't give up his '94 LS 400 with 200,000 miles (260,000 km) on the clock.

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“The last two Decembers – 2015 and 2016 – were our best-ever selling months in the history of the brand,” says Brian Bolain of Lexus.

“I kept telling him maybe it’s time to start looking at a new LS or ES but he said he was going to take care of his wife and kids first,” Miller says. “His wife told me he was getting ready to retire, and she really wanted to do something nice for him. We worked the back channel of the deal without him knowing about it and I delivered a new ES 350 with a big red bow to their family Christmas party at the Columbus Country Club.

“I walked inside and he said,

‘What are you doing here?’ His wife took him outside, and he was almost like a little kid. He was beside himself, the kids were all hugging him. It was a really cool experience.”

One way to know if a marketing campaign has been ingrained in the culture is when it is parodied, like Lexus’s “December to Remember” promotion, now in its 18th year, that features a white car topped with a giant red bow in front of a handsome home.

In one online parody, a hus-

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band leads his blindfolded wife outside on Christmas morning. When she sees the car with a red bow parked in the driveway, she gasps, saying, “How did you even pay for that? You don’t even have a job. Did you use my credit card?”

DECEMBER RINGS IN AUTO INDUSTRY SALES

The “December to Remember” buzz apparently works. “The last two Decembers – 2015 and 2016 – were our best-ever selling months in the history of the brand,” says Brian Bolain, Lexus general manager-products and consumer marketing. “This year Lexus is going to sell about 300,000 units – 25,000 per month on average. In the past two years our December business has been over 40,000 units. The anticipation of the event even extends to some of our consumers. They’ve learned that December is going to be a good month to buy a Lexus. We’ve got people on a leasing cycle that begins and ends in December.”

Says Eric Lyman, TrueCar’s vice president-industry insights: “When we look at past years, while December isn’t necessarily the lowest average-transaction-price month of the year, it is typically the month where we see the biggest discounts on a percentage basis off of MSRP.”

He says the end of the fourth quarter, the month and the year create a trifecta of sales targets that drive deal-making.

“In the auto industry, the end of December often falls around January 2 or 3 because that’s the first day back in the office for the automakers when they corral all the results from their dealers,” Lyman says. “Because of that phenomenon, we actually see (around) New Year’s Day is one of the best days to buy a vehicle in terms of discount off of MSRP.

“That’s when the dealers are

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DECEMBER IS “WHEN THE DEALERS ARE REALLY WHEELING AND DEALING and the automakers have really turned up the juice on any incentive programs.”

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Volvos make wonderful holiday gifts, says Rick Bryant of Volvo Car USA.

really wheeling and dealing and the automakers have really turned up the juice on any incentive programs.”

Volvo’s “Sweden’s Greetings” promotion began Nov. 1 and will run through Jan. 2. “We have offers on every car,” says Rick Bryant, Volvo Car USA’s vice president-sales.

“We change it up from time to time, but we made a decision this year to communicate the dollars off, and they vary from car to car,” he says. “Whether you buy or lease, those funds reduce the transaction price. We’re expecting a fairly strong finish to the year. We’ve sold about 3,500 of the new XC60s already, and we’ve only got 2,000 of them on the ground. But by the end of the year we’ll land

about another 5,000 in dealer inventory, so we expect to see a fairly large uptick.”

As far as Volvos as holiday gifts, it happens “without a question,” he says.

“November and December are our biggest marketing months of the year, especially for luxury vehicles,” says Victoria Rusnak, president and CEO of the Rusnak Auto Group, which operates 17 dealerships in Southern California. “Most of our factory partners have holiday sales events and we run local campaigns that match the factory message and feature our locations with some of our best offers. “In addition to traditional media, we also run Facebook and Instagram campaigns for in-market shoppers.”

Rusnak has filmed holiday TV commercials for her BMW and Mercedes-Benz dealerships, and



the group holds a holiday car show to collect for Toys for Tots.

Consumers have gotten better in understanding and timing marketplaces, says Hyundai Motor America Chief Marketing Officer Dean Evans.



Consumers better understand the marketplace, says Dean Evans, Hyundai's chief marketer.

“Whether it’s the last few days of the month or the last month of the year, they are trained around these cyclical times that they think manufacturers actually will bring the best deals to market,” he says. “We’re still working on a national (marketing) program, but the direction is to have the best deals in the marketplace for the ‘18s and to have a headliner like zero percent financing for 60 or 72 months.”

Evans says the company logs between 40,000 and 50,000 retail sales per month, but he’s hoping for 60,000 sales in December.

BMW of North America says the year-end represents its highest media spend of the year, though it doesn’t give an amount. For the “BMW Road Home Sales Event” (\$3,000 holiday credit on select models) that began on November 1, the company showed three

TV spots that are “emotional, authentic and share stories about families and their journey home for the holidays,” says Phil Dilanni, BMW’s corporate communications manager.

LET IT SNOW – AND GET A FREE CAR

John Hennessy is known throughout much of Chicagoland as Mr. Christmas. The second-generation owner of Hennessy’s RiverView Ford in suburban Oswego, and chairman of the 2018 Chicago Auto Show, won WLS-TV’s 2016 Greater Chicago “Light Fight” in 2016 with an elaborate holiday display at his Naperville home. The Christmas spirit continues at his dealership, which since 2010 has offered sleigh rides, photos with Santa and a food drive that offers \$15 off a service bill in exchange for donations.

In 2016 Hennessy had a snowfall promotion, promising those who purchased any new or used vehicle between December 10 and 15 a full refund if it snowed six inches or more on New Year’s Eve.



A late-December warm snap scuttled anyone's chances of scoring a free car, but Hennessy says his customers loved the promotion.

"They said, 'We were thinking of buying a car soon but what the heck, if we have a chance to get a car free, why wouldn't we buy it now?'" he says. "They said, 'What's the catch?' There is no catch – except that it's got to snow."

Hennessy says he normally sells 50 or 60 new cars in December, but the snowfall promotion accounted for about 15 additional sales last year.

U.S. Weather Insurance in suburban Philadelphia is one of several companies that help dealers execute snowfall sales promotions and hole-in-one contests in warmer weather.

"We market it as cheap advertising for dealers; that's what they like most about it," says Brett Brenner, head of the firm's weather department. "They want people who are between their dealership and another dealership, and they don't know where to go. They just want to give them a little incentive to come to their

store. That incentive is the chance of getting your car for free."

Brenner says premiums typically are based on 5% to 10% of a client's projected sales during a specific period. For example, if a dealer forecasts \$1 million in sales between Dec. 10 and 15, the premium would be up to \$100,000. Dealers pay half of the premium up front, which covers them for half of their expected sales. If they don't reach 50%, they owe no more.

If the snowfall doesn't reach the specified depth on the recording date, typically Christmas Day or New Year's Eve, the policy doesn't pay out.

"It's certainly a good deal for getting dealers' name out there and getting traffic to their store," Brenner says. "If the policy pays out, it's a bonus for everyone. Even without it, they seem to enjoy doing it."

FINE LINE BETWEEN LOVE, HATE

Jack Boyle works for a financial brokerage company in Naperville and is a dedicated Ford customer.



His wife loves the Ford Escape, but she thinks it's crazy that people buy cars as Christmas gifts. Jack's brother did it one time and she responded, "That's ridiculous!"

But Boyle had other ideas. Just before Christmas 2016, he bought a new Escape from Hennessy Ford and thought to himself, "Watch this."

"We pulled the new car into the third stall of our three-car garage, put a bow on it and put a huge Teddy bear in the driver's seat," Boyle recalls. "There was a car next to it in the middle space and we went in the house to wait for her to come home. Moments later she came walking in the house, but nothing. I'm looking at everybody and going, 'What's going on? How did she not see it?'"

"The next morning is Christmas Eve and we're going over to my sister's house. My wife goes to the garage and comes back in the house and there's no reaction. I'm saying, 'How is she so blind?' We get home from my sister's and she gets out of the car and walks in the house. Now I think she's messing with me, that she sees it

“

A man who bought his wife a car for Christmas recalls asking her afterwards, "So is it dumb to get a car for Christmas?"

SHE SAID, "YEAH, IT'S DUMB, BUT I LOVE IT."

but doesn't want to say anything.

"Later, I went outside and unplugged the two-car garage-door opener so we'd have to take the new car to her sister's house for Christmas dinner. She's hitting the button and says the door won't work. I'm saying to myself, 'What do I have to do to get her to see this car?' I say, 'Let's take the other car and I handed her a dish of food. She walks out, then comes back in and says she was so surprised that she dropped the dish!"

"I said, 'What do you want me to do about that?' She said, 'You've got to make something quick.'"

Boyle says his wife thinks the Escape is the greatest car she has ever owned. "I asked her, 'So is it dumb to get a car for Christmas?' She said, 'Yeah, it's dumb, but I love it.'" **WA**