ILLINOIS
Automobile Dealer News

A Publication of the Illinois Automobile Dealers Association

Vol. 32 No. 1

Auto Buying Preferences

ILLINOIS AUTOMOBILE DEALERS ASSOCIATION
IADA

ILLINOIS Automobile Dealer News

A Publication of the Illinois Automobile Dealers Association

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Executive Director Message

JOE MCMAHON
EXECUTIVE DIRECTOR
Illinois Automobile Dealers Association
Springfield, IL

It is with a great deal of humility that I present my first message to the membership as the new IADA Executive Director. I have been privileged to represent the Illinois dealership industry at the State Capitol as your IADA Director of Legislative Affairs for the past 37 years, so my transition to assuming the responsibilities as the Executive Director should be very seamless. Our goal at IADA will be to continue to lead a strong, unified voice for all dealers and ensure that the various legislative and regulatory agencies know the Illinois dealership industry is a compelling group to be reckoned with — one that speaks and works together.

On behalf of the IADA Board of Directors and staff, I would like to thank all our members for supporting association activities this past year. 2021 was again a year like no other, with cancellations and revisions due to the COVID situation. We are encouraged by some more recent news and look forward to a year that will hopefully look a bit more normal with person-to-person contacts.

For 2022, lawmakers plan to meet through April 8 for a legislative session focusing on fiscal issues and passing a budget for the upcoming fiscal year. The April adjournment date leaves legislators time to campaign ahead of this year's primary, pushed back to June 28 due to delays in last year's redistricting process. The redistricting process will lock in legislative boundaries for the next 10 years.

As always, the upcoming elections will determine which party will control the daily operations of the two legislative chambers beginning in 2023. In addition to all the General Assembly member seats being up for election, the Governor's, Secretary of State's, Attorney General's, Comptroller's, and Treasurer's offices are also up this campaign year.

Ensuring that the legislators understand our industry and the impact that proposed legislation could have on your business is a primary function of your IADA team. Being successful on this front relies on the relationships we have built and continue to build with Representatives and Senators from every locality on your behalf.

We encourage you now more than ever to get involved in our legislative grassroots efforts. When contacted for assistance, take a moment to reach out and help educate legislators on pending legislation impacting your business! We will support you with key messaging and contact information, and we need your voices at the grassroots level to be effective.

Thank you for your support and involvement with IADA! ■

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IADA **Counselor's Corner**

JULIE CARDOSI
Law Office of Julie A. Cardosi, P.C.

Caveat Venditor! —
Dealership's Legal Obligation to Return Customer's Down Payment

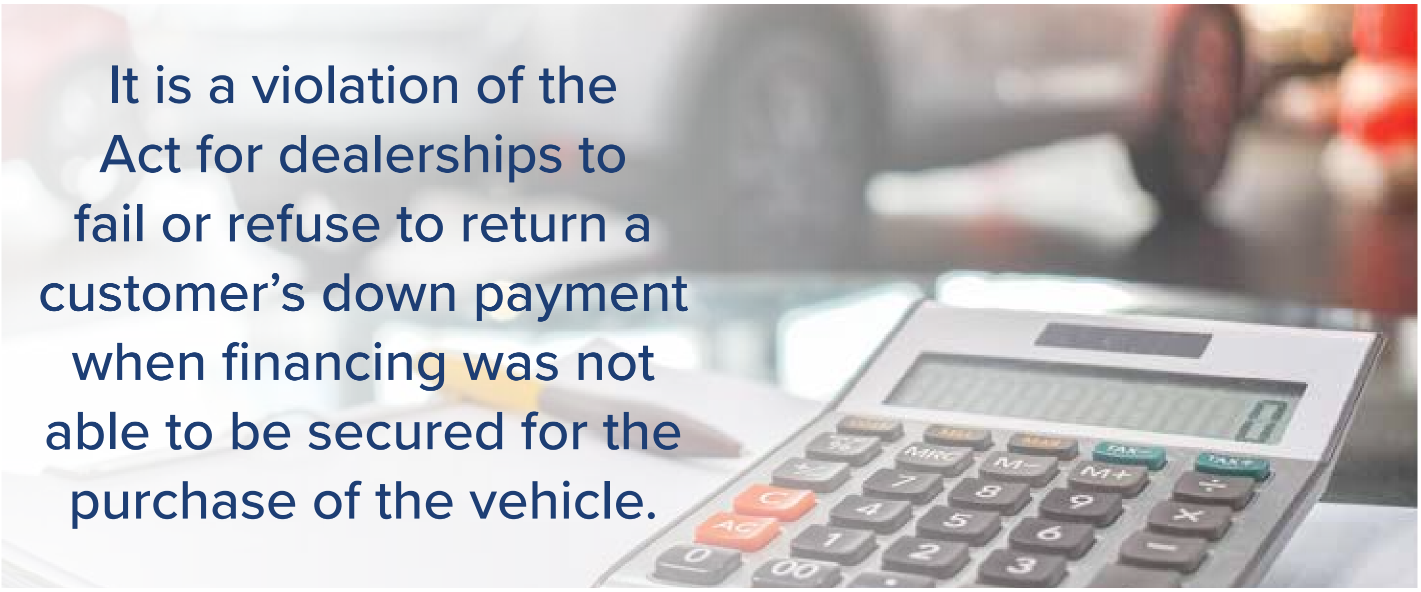
The Illinois Consumer Fraud and Deceptive Business Practices Act (the "Act") is a powerful legislative enactment that is intended to eradicate unfair and deceptive acts and practices in the marketplace. The Act grants the Illinois Attorney General enforcement power to enjoin such acts or practices and seek penalties and other relief. Section 2 of the Act provides, in part:

> *"Unfair methods of competition and unfair or deceptive acts or practices, including but not limited to the use or employment of any deception fraud, false pretense, false promise, misrepresentation or the concealment, suppression or omission of any material fact, with intent that others rely upon the concealment, suppression or omission of such material fact, or the use or employment of any practice described in Section 2 of the 'Uniform Deceptive Trade Practices Act,' approved August 5, 1965, in the conduct of any trade or commerce, are hereby declared unlawful whether any person has in fact been misled, deceived or damaged thereby." (815 ILCS 505/2)*

There is also a private right of action under the Act that allows private citizens to commence a lawsuit to seek redress for wrongs, including actual economic damages or other relief the court deems proper. Courts can also award punitive damages under certain circumstances involving willful or intentional conduct. (815 ILCS 505/10a)

Significantly, for Illinois motor vehicle dealerships, the Act specifically prohibits as an unlawful practice the failure to refund down payments to customers who fail to secure financing. Section 2C of the Act provides:

> *"If the furnishing of merchandise, whether under purchase order or a contract of sale, is conditioned on the consumer's providing credit references or having a credit rating acceptable to the seller and the seller rejects the credit application of that consumer, the seller must return to the consumer any down payment, whether such down payment is in the form of money, goods, chattels or otherwise, made under that purchase order or contract and may not retain any part thereof. The retention by the*



seller of part or all of the down payment, whether such down payment is in the form of money, goods, chattels or otherwise, under those circumstances as a fee for investigating the credit of the consumer or as liquidated damages to cover depreciation of the merchandise which was the subject of the purchase order or contract or for any other purpose is an unlawful practice within the meaning of this Act, whether that fee or those charges are claimed from the down payment, whether such down payment is in the form of money, goods, chattels or otherwise, or made as a separate charge to the consumer." (815 ILCS 505/2C)

The term "**down payment**" under the Act is broad and **includes all forms of down payment,** whether money, goods chattels or any other form. Dealerships are prohibited from retaining any part or portion of the down payment regardless of the reason. This means the dealership cannot keep all or part of the down payment (regardless of form) as a fee for investigating the credit of the consumer, as liquidated damages to cover damage or depreciation of the purchased vehicle, or for any other purpose whatsoever. To do so otherwise is an unlawful practice under the Act, whether a fee or charges are claimed from the down payment, whether the down payment is in the form of money, goods, chattels or otherwise, or whether made as a separate charge to the customer.

It is a violation of the Act for dealerships to fail or refuse to return a customer's down payment when financing was not able to be secured for the purchase of the vehicle. Dealerships in Illinois have been subject to enforcement action by the Illinois Attorney General's Office for violations of Section 2C of the Act. Additionally, private actions have been successfully waged by consumers against dealerships. (*See Bates v William Chevrolet/ Geo, Inc.*, 785 N.E. 2d 53, 1st Dist. Ill. App. Ct. 2003.) In that case, the court rejected the dealership's arguments stating that the failure to return the customer's down payment after rejecting her credit application violated Section 2C of the Act. The customer was also awarded damages and attorney fees.

Dealerships also continue to be challenged under Section 2C of the Act over the use of clauses or riders to the buyer's order or retail installment contract which state if the dealer is not able to assign the contract to a finance company, the customer must return the purchased vehicle and forfeit to the dealership a portion of the customer's down payment for dealership's costs of repair or damage. Such clauses may be scrutinized as attempts to avoid Section 2C. Check your dealership's transactional documents and consult with your attorney to ensure Section 2C compliance. ■

Julie A. Cardosi is an attorney and president of the private firm, Law Office of Julie A. Cardosi, P.C., of Springfield, Illinois. She has practiced law for 35 years and represents the business interests of franchised new vehicle dealers. Formerly in-house legal counsel for IADA, she concentrates her practice in the areas of mergers and acquisitions and other transfers of dealer ownership, franchise law, commercial law, state and federal regulatory compliance matters, including employment, and other areas impacting day-to-day dealership business operations. She has also served as an Illinois Assistant Attorney General and Deputy Chief of the Consumer Fraud Bureau of the Attorney General's Office. The material discussed in this article is for general information only and is not intended as legal advice and should not be acted upon as such. Dealers should consult their own private legal counsel for application to their specific circumstances. For more information, Julie can be reached at jcardosi@autocounsel.com, or at 217.787.9782, ext. 1.

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IADA **Consultant's Corner**

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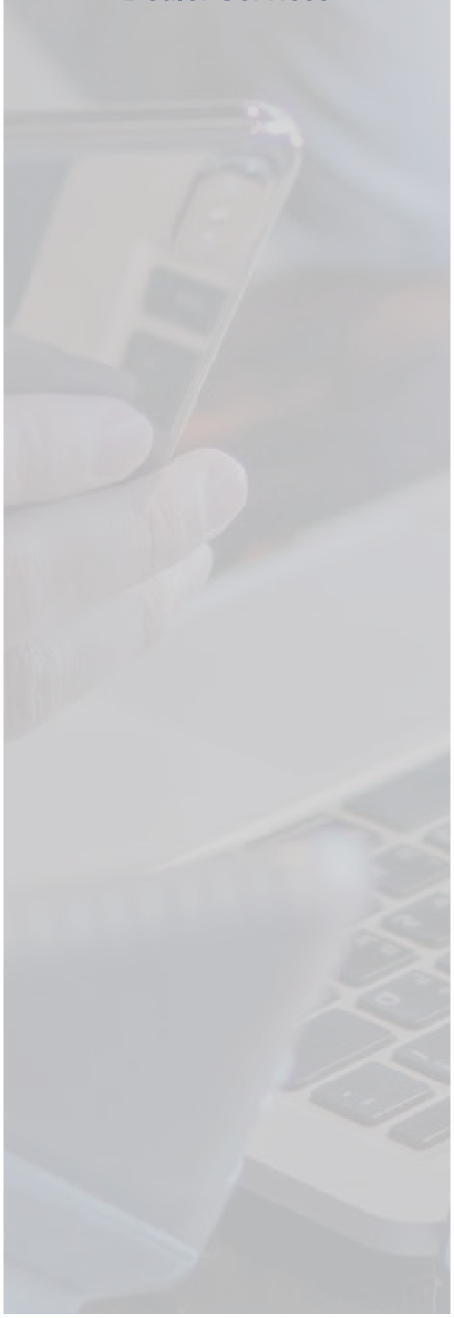

Before Back to the Basics, Let's Get Management Right

Most dealerships are enjoying a tremendous amount of success, particularly financially. There is a lot that could be written about getting back to the basics and staying with your processes during a time where it's tempting to shortcut, and success has been had, even with shortcuts in place.

But let's talk about this from a different angle and look at management's role. It's easy to complain your people are taking shortcuts, and it's easy to lament that it's harder to find good people now more than ever. It's also easy to kick back and enjoy these profitable times and not have great care about the future. Let the good times roll.
In the interest in long-term success and producing consistently excellent results — regardless of inventory levels or market conditions — I'd ask you to take a step back and look at how your management style might be contributing to some minor shortcomings today that could lead to a drop off when making money gets harder.

First, let's start with the easy stuff. Do you set high expectations and communicate them to everyone? Does everyone — and I mean everyone — know what the goals are and how the team is progressing toward hitting those goals every day? Do you have the tracking and daily monitoring in place to accomplish this? Do you have a game plan for hitting these goals that includes training? Do your current pay plans support what you are asking people to do and drive the behavior that matches the culture of your store? Are you part of the complaining or the solution for your teammates, tearing down obstacles for success? One of the things that gets missed by so many managers is how much easier and more effective it is to hold people accountable after you've torn down every identifiable obstacle to success. Now let's get to the good stuff. It's been said that management is like parenting: you must communicate what is expected. Be consistent with those things and have clear consequences. So, my question to you is: at your dealership, does everyone know what is expected of them and what the consequence would be if they didn't follow the plan? This takes a lot of thought, work, and communication upfront and being consistent is hard work, just as it is at home. But ultimately, it's less stressful and is far greater to produce the desired results. If you or your managers complain about a salesperson's behavior, force yourself to take a step back and hear yourselves as parents complaining about not being able to get a kid to do their homework or stop playing video games.

Where do you start? Identify the activities that are non-negotiables for each position. Then for each activity, establish the consequences for not following the process. Take a simple example: we have a meeting every Saturday at 8:00 am. If someone is late or doesn't show up, what are the consequences? They might look like this: first, if the door is closed, the meeting has started; the employee will wait in the hallway until the meeting is finished. If this is the first offense, have a conversation about the importance of being on time. This salesperson will be reminded of the importance. A second offense will be written up and placed in the employee file on the permanent record. A third offense means being sent home for the day, unable to sell cars on a Saturday. A fourth offense might be termination.

The managers don't have to wonder what they are supposed to do. We don't have frustrating interruptions once the meeting starts. The expectations are clear and easy to understand, and no one can claim injustice or being treated differently than anyone else. Now go back and identify the non-negotiables for each position and layout consequences for every task. Then get full management buy-in and communicate these non-negotiables to the entire team.

You see an interesting dynamic when you go from dealership to dealership. The bigger the dealership, the more likely it is to have consistency and non-negotiable processes. The question that might come to mind is, do they have consistent processes, and this very spelled-out way of doing business because they are high volume? Or do they have a high volume because they have consistent processes? Ask yourself if you think any of those 1000 car dealerships you hear about allow their salespeople to have their own processes, and if the managers do the job several different ways. I think you know the answer.

In these dealerships, no one person is bigger than the team.

Many years ago, I had a client dealer who consistently sold 180 — 200 cars per month. The dealer pulled his managers together and spent a great deal of time building a game plan around what it would take to sell 400 cars. This included staffing, advertising, and inventory. It also included process and payment plans. The truth is they never got to 400 vehicles in a month. But they also never sold under 300 again. This was a management-driven success, nothing to do with luck and for sure nothing to do with the market. ■

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DEALER SERVICES

For more information, contact Francis Fagan with Brown & Brown Dealer Services at 312.608.4979 or francis.fagan@bbrown.com. Francis is the Regional Training Director for Illinois and Indiana. At Brown & Brown Dealer Services, we emphasize training. Visit our website for our training calendar and meet our nationally renowned trainers at bbdealerservices.com.

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Weighing In on EVs and the Value of Dealerships

On Jan. 5, 2022, The Washington Post published an op-ed article by Liam Denning entitled “Car Dealership Laws Aren’t Fit for the Electric Age.” On Jan. 13, 2022, NADA’s president and CEO, Mike Stanton, responded. The following sections contain a summary of the op-ed and Mike Stanton’s response.

An Admittedly Biased Summary of Liam Denning’s Article in The Washington Post

The op-ed begins with Liam Denning’s view of the auto dealership world. It isn’t pretty. He sees dealerships as no more than a revolving door for products. (Isn’t that what any good retail store tries to be?) The pandemic and supply chain issues emptied lots, then kept them empty. He saw the dealerships’ response to the pandemic as an opportunity to raise auto prices as volume fell. To support that claim, he said volume for 2020 was 7% less than for 2019, but that gross margin almost doubled, making their response to the pandemic nothing more than a chance to raise prices while volume fell. He then notes that dealers have a “growing challenge” as they move forward.

How accurate are his claims? They are misleading. Although he doesn’t talk about auto manufacturers or other industries, they too had unexpectedly profitable years after the pandemic shutdown. And although net profit was up for U.S. dealers, net profit included net operating profit and incentives paid by automakers to dealers who exceed sales targets. Also, chip shortages meant manufacturers focused on building SUVs and trucks because they have higher margins than small cars. Higher net profit is to be expected for everyone under those circumstances.

The article then moves to an admiring analysis of EV manufacturers, with Rivian Automotive Inc. and Tesla Inc. mentioned by name. He says nothing about how direct sales affect EV profits, but he does say EV manufacturers are highly valued at the moment. He then talks about how the current system came to be. State laws passed decades ago were designed to prevent predatory behavior by big U.S. automakers and force them to use independent franchises for vehicle sales and service. After the history lesson, he claims that the current market is different from the 1950s market.

Why?

He says three U.S. brands no longer dominate the market. The current market, he claims, is too competitive to allow a repeat of the same issues that caused legislation to be written in the first place. Really? Tesla dwarfs all other EV manufacturers. And although Elon Musk has plans to fill the global market with Teslas, Denning ignores Musk’s gigafactories in Berlin, Shanghai and Texas.

Even though Denning names Rivian and Tesla as two important companies in the developing EV market, citing sky-high valuations, he is wrong there, too. The three largest EV manufacturers are Tesla, VW and General Motors … not Rivian. Rivian is riding on expectations, not accomplishments. But since newcomer Tesla is the EV manufacturer currently dominating the EV market, why would anyone conclude states should throw away hard-earned legislative protections? Remember, too, that Musk — who is admittedly brilliant — will never remind anyone of the late Fred Rogers.

America's car and truck dealers are all-in on EVs and raring to get going in promoting them.

Next, Denning says that high dealership margins come from selling vehicles and then taking care of them. He implies that EV sales departments meet several times with buyers while educating them about their potential purchases and that franchise dealers are all about the hard sell. Since EVs have fewer parts, though, he suggests service departments will be much less profitable in the future.

It's hard to know what to address first. Selling is selling, and doing it right means building a customer relationship. That's why the best dealers have always made a point of helping their communities prosper. There are even many dealerships where the customers and employees are multigenerational. Dealerships like that do not fit a "hi, bye" model, especially in small communities. Dealerships have to care about customers, or they don't last. And "less service" is not the same as "no service." Tesla, in particular, has skimped so far on building up the service side of the business. As sales volumes increase, that's going to be a problem.

Denning then turns his attention to Michigan, Florida and New York. Yes, the market is changing, which means the way autos are built and sold will also change. Yes, dealerships have invested a great deal of time and energy working with legislators. Yes, Rivian and Tesla valuations are high and are affecting the market.

None of that somehow makes dealers dishonest or irrelevant.

That's our summary of Liam Denning's article. Read on for Mike Stanton's excellent response, with which we fully agree.

How NADA's Mike Stanton Responded

Dear Editor:

Liam Denning's piece on car dealerships (Car Dealership Laws Aren't Fit for the Electric Age, Jan. 5) uses decades-old tropes to make the case for direct sales as the best path to EV adoption. But he misses the mark by failing to grasp what is actually involved when average Americans buy or lease a new vehicle.

The truth is, America's 16,500 dealerships and million-plus highly skilled product specialists and technicians are essential to achieving the government's goals for broad EV adoption. Here's why:

The next stage of EV adoption won't mean getting affluent buyers into $100k+ luxury or performance vehicles. It will mean getting average consumers into mass-market vehicles they depend on every day to get to work and manage family life. It will mean helping those customers figure out how to finance their vehicles and how to handle their trade-ins. It will mean educating them about the differences EVs present. And it will mean keeping these vehicles on the road when inevitable repairs and recalls happen — without long wait times.

Today's EVs are great vehicles — but they're not perfect. It's possible that EVs may need less service in the future, but in 2021 the data shows they require more service and repairs than ICE vehicles.

Tesla's recent recall of some half million vehicles and GM's recent recall of some 100,000 Bolts suggest that EVs are not immune to safety issues that must be fixed.

Because local dealerships compete for customers on sales and service, the result is that pricing is competitive, and service is plentiful — from multiple same-brand dealers. It means you can always get a dealer on the phone, and you can always get a local appointment, with no waiting or frustrating 1-800 calls. With new complex new products like electric vehicles, personal service and education is needed more than ever.

EV buyers agree. In the largest and most comprehensive survey ever conducted of future EV buyers in the U.S., the analytics firm Escalent presented future EV buyers with a factory sales model and a franchise dealership model. Only 20% preferred the direct approach. 23% were neutral. And a full 57% chose the current dealership model.

When 20,000 future EV buyers demand for dealerships be a big part of their EV purchase experience, it is clear that the franchise dealership model works just as well for EVs as it does for traditional vehicles.

America's car and truck dealers are all-in on EVs and raring to get going in promoting them. Our best environmental policy is to leverage the network of America's 16,500 dealerships to help America successfully make the transition to EVs.

Sincerely,
Mike Stanton, President and CEO
National Automobile Dealers Association ■

Auto Buying Preferences

The auto industry is starting to undergo a massive switchover from ICE autos to EV autos, and there's no shortage of people to tell you EVs are going to have a big impact on the industry. What's less clear is how that implementation will occur. Many people expect direct retail from manufacturers to expand, but fewer people ask what customers want and like.

Escalent is an analytics advisory company that focuses on business disruptions and transformations. The company conducted a survey, May 5-June 16, 2021, of 1,248 new-vehicle buyers from a global database. Those who responded were selected based on age (18-80), gender and location, and the survey's demographics were weighted to reflect actual vehicle sales based on the vehicle segment. The survey was done on an opt-in basis as part of a panel.

What were the results? It wasn't the slam-dunk for direct retail you might have expected. The majority of those surveyed (57%) prefer traditional car buying. Only 20% prefer direct retail. If you think the older segment skewed that result, think again: 94% of those less than 30 were satisfied with dealerships. Overall, 87% were satisfied. What about a hybrid buying experience? Again, the preference was for being in-person at the dealership for at least part of the transaction:

- 75% for purchases
- 60% for financing
- 85% for taking delivery versus home delivery
- 79% for repairs and services versus having a technician come to a customer's home

The obvious takeaway is that most people, including younger customers, want to conduct business at the dealership. In particular, 63% want to take EVs for a drive before buying them. Test drives got a higher approval rating than any other source of information. However, they are less interested in getting information from a dealership salesperson; 31% said a salesperson would be a primary information source.

The 2021 Global Automotive Consumer Study, conducted by Deloitte, confirmed these survey results. Approximately 71% of customers want to buy their autos in person, and 64% are uncomfortable buying 100% online. When asked why they preferred going to the dealership, 75% said they wanted to see their vehicle before buying it, and 64% thought a test drive was necessary. Only 38% wanted to negotiate in person and face-to-face.

That doesn't mean they wanted to spend a lot of time there. They didn't want to be at the dealership for more than an hour. That's probably why car buyers also preferred doing online research and paperwork, including the financing portion. They wanted transparency and time while evaluating decisions such as buying extended warranties.

For decades, consumer pain points have included the following:

- Disliking long waits
- Evaluating financing options while under pressure
- Meeting too many people
- Having too much paperwork

Those pain points were a fact of life before the pandemic. Less than 2% of all vehicles were sold online. The pandemic changed that: 30% of U.S. new car sales in 2020 were sold online. But there's a difference between doing something because you have to and doing something you want to. People like going to dealerships. But they don't want to be there for hours.

Buying a vehicle by using a hybrid process gives customers convenience and speed. It also allows them to see their vehicle in person and test drive it before making a final decision.

As a dealer, the key to understanding these survey results is reducing the pain of buying a car and increasing the convenience. Seeing a car and taking it for a drive is not a pain point and can only be done in person. People are always going to want that part of the auto-buying experience. But there's a great deal that can be done to make other parts of the experience more pleasant than they've been in the past.

Dealerships aren't going away. However, changing business practices to include better selling methods won't go away, either. And that's a good thing.

2022

Nominee for TIME Dealer of the Year

Curtis Pascarella

Phillips Chevrolet
Frankfort, Illinois

The IADA board, membership, and association partners are proud to announce that Curtis Pascarella from Phillips Chevrolet in Frankfort has been nominated as TIME Dealer of the Year in partnership with Ally. This nomination is the most prestigious honor a new car dealer can receive. We here at IADA are so proud of Curtis, are excited he received this recognition, and congratulate him for this esteemed consideration.

Curtis tells TIME and Ally: "It has been most rewarding to be a part of creating an award-winning, highly successful organization with our team members over the years. This has given us the resources to grow and help the surrounding communities and charitable organizations. Integrity and a high standard of business ethics is something I truly believe in and is a key factor to where we are today."

In learning of his nomination, we also learned more about our esteemed colleague. At age 13, he spent the summer and weekends working at the used-car lot owned by his father, Philip. And when his dad purchased a Chevrolet store in Frankfort in 1968 (which became Phillips Chevrolet), Pascarella continued his education at the dealership part-time during high school and college, then full-time upon graduation. He earned a B.A. in economics from Northern Illinois University in Dekalb in 1977.
"I am fortunate to be a second-generation dealer with an outstanding teacher — my father," he said. "He came from nothing and had to quit school to support his family. I saw how his hard work and persistence made him successful, and I carry those traits with me. I truly love this business and its challenges."

Pascarella held various positions within the organization and was named dealer in 1990. Since taking over, he has significantly grown the business. "My team and I have built this business to where we are today, the #1 Selling Chevrolet Dealer in Illinois for retail sales for the past 15 consecutive years," he said. The dealership has achieved numerous awards for outstanding sales and customer satisfaction: "GM Dealer of the Year," "J.D. Power Dealer of Excellence," "Better Business Bureau Torch Award," "DealerRater Dealer of the Year," and many others.
He also owns two other Illinois dealerships: Phillips Chevrolet in Lansing and Phillips Auto Group of Bradley in Bourbonnais, which sells Chevrolets, Hyundais and RVs. Pascarella added, "I could not be successful without the strong support of my wife and family," noting that his wife, Donna, daughter, Lesley Wilson and son-in-law, Adam Wilson, all work for the dealership group. He is also committed to promoting from within and is proud to see his team members advance in their careers.

Pascarella has been on the Board of Directors for the Illinois Auto Dealers Association since 2015 and is a member of the Frankfort Lions Club. His success has allowed him to give back to his surrounding communities in many different ways. He is proud to supply nine driver's education vehicles to Lincoln-Way Community High School District 210 in Lenox, Illinois.

He supports a wide range of fundraising efforts and organizations, including the Children's Heart Foundation, American Cancer Society Making Strides Against Breast Cancer, Toys for Tots, National Future Farmers of America (FFA) scholarships, and the Anthony Rizzo Family Foundation, to name a few. Pascarella also holds food drives, blood drives and coat drives at his dealerships.
He was nominated for the TIME Dealer of the Year award by Pete Sander, president of the Illinois Automobile Dealers Association. Curtis and his wife, Donna, have three children. ■

CELEBRATING THE CHAMPIONS OF OUR INDUSTRY: Ray Fregia

This year we also have a second Time Quality Dealer nominee in IL., Ray Fregia, Jr, Courtesy Ford,. Lincoln, Danville, nominated for the award by Damon Lester, president of the National Association of Minority Automobile Dealers.

"I am fortunate to have found a career I am passionate about and that has allowed me to give back to the community. I use the success that I have achieved to help others experience the same opportunities in their lives."
— Ray Fregia Jr.

Our most sincere congratulations to Ray on his outstanding accomplishments and extraordinary contributions!

Safety Leadership Starts With You

Time and time again, the topics of safety leadership and risk management culture are brought up at businesses around the country. As leaders, you have a responsibility to help keep your operations running smoothly and ensuring your employees are working to the best of their abilities. But from an overarching perspective, safety leadership must start at the top — with you.

Risk Identification — When it comes to risk management, identifying the root causes of accidents and injuries and remedying them immediately using a risk management plan can help create a healthier, more stable business. Take the time to periodically conduct a workplace analysis that includes the inside and outside of the building. Focus on:

- General operations
- Machines and equipment
- Employee processes and work practices
- Housekeeping safety
- Clean walking surfaces
- Well-lit and organized storage and loading zones
- Any other areas and activities necessary to perform safely well at your workplace

Take notes when potential hazards are found, gather the information, and develop plans for what is needed to control situations that may lead to unacceptable consequences. As necessary, endeavor to promptly correct workplace hazards. Safety guidelines are more effective if presented in a written format — create a formal safety manual and present it to employees. In such a manual, include the means for holding employees accountable for any unsafe work habits or conditions.

Lead by Example — Your actions as a leader hold a great deal of value. As you interact with others, you should demonstrate a high level of understanding for the safety of your business, and your actions should reflect the culture of a workplace that encourages others to follow your lead. If you see areas needing work, note them and address them. Any employee infractions should be documented and followed through, and training should be assigned promptly. By continuously following your risk management plan and showing interest in a safe workplace, you demonstrate to your employees the level of dedication and respect you have for them and your business model.

Listen to Employees — Your employees are on the front lines and often interact with job-specific risks about which you may not be entirely familiar. If they raise safety concerns or offer suggestions about areas of their jobs, take the time to listen to them and work to remedy the situation. Job hazard analyses are also more accurate when employees are involved.

In turn, work with them on areas where they may need further training and regular refresher courses for specific tasks. By working alongside your employees to develop relevant topics, you can keep them involved in regular training.

A risk manager is an important part of any business. Your role requires care, organization, and planning, as well as confidence and the energy to take control of a business's risk management culture. You will recognize the importance of designing and following through on a comprehensive risk management plan to best help protect your business's people and bottom line.

This article, from Federated Mutual Insurance Company, is for general information and risk prevention only and should not be considered legal or other expert advice. The recommendations herein may help reduce but are not guaranteed to eliminate any risk of loss. The information herein may be subject to and is not a substitute for any laws or regulations that may apply. Qualified counsel should be sought with questions specific to your circumstances.

Warranty Reimbursement — Blazing a New Trail

Starting Jan. 1, Illinois motor vehicle dealers have been able to claim "Fair and Adequate Compensation" for warranty and recall repairs. Pursuant to the changes made to Section 6 of the Motor Vehicle Franchise Act (815 ILCS 710/6) by Public Act 102-232 (https://bit.ly/3LBHSZt), manufacturers must reimburse their dealers for parts and labor in warranty and recall repairs at the same rate as those dealers charge when making repairs that are not covered by warranty. Importantly, P.A. 102-232 now prohibits manufacturers from imposing cost recovery surcharges on dealers who claim their "retail rate" for warranty and recall repairs. The parts and labor increases are similar to the reimbursement authorized under several other state statutes but represent a significant increase for Illinois dealers.

Time Allowances Increased

Public Act 102-232 creates new time allowances for warranty and recall repairs that are the first in the nation. While setting a new bar for warranty time allowances is indisputably good news for Illinois dealers, it creates a bit of uncertainty as dealers and manufacturers implement the new time allowances. Until Jan. 1, 2022, the warranty time allowance merely had to be "reasonable and adequate" and was often based on the manufacturer's time guide. Under the new warranty reimbursement statute, dealers can request reimbursement based on an extended warranty agreement agreed to by the manufacturer and dealer or based on the manufacturer's time guide multiplied 1.5. More specifically, Section 6(b) provides in part as follows:

> Any time guide previously agreed to by the manufacturer and the dealer for extended warranty repairs may be used in lieu of actual time expended. In the event that a time guide has not been agreed to for warranty repairs, or said time guide does not define time for an applicable warranty repair, the manufacturer's time guide shall be used, multiplied by 1.5.

From what IADA has learned from dealers, it seems that the majority of manufacturers have elected to use their own warranty time guide multiplied by 1.5. However, at least one manufacturer interprets Section 6(b) as mandatory rather than permissive and insists on reimbursing dealers based on the time allowances used under their extended warranty guide. IADA believes that this is a misinterpretation of Section 6(b) and that an extended warranty time guide is to be used only when both the manufacturer and dealer agree to it. Under our interpretation, if either party refuses an extended warranty time guide, then warranty reimbursement time allowances are based on the manufacturer's times allowance multiplied by 1.5. Because the warranty time allowance guidelines are brand new, our analysis is based on our interpretation of P.A. 102-232 rather than settled case law. Depending on how hard manufacturers dig in, a possible

With luck, the manufacturers who are slow to the table will decide that it is more efficient to program a computer to multiply by 1.5 than to hand review thousands of warranty submissions.

dispute could require resolution through a Motor Vehicle Review Board protest.

Regardless of which time allowance you select, IADA recommends that you contact your factory representative right away and request your increase. Some manufacturers are not adjusting their warranty time allowances until dealers submit a request. Your request can be as simple as the following:

> *Pursuant to Section 6 of the Illinois Motor Vehicle Franchise Act, as amended by Public Act 102-232, (dealership name) requests to adopt (the manufacturer time guide multiplied by 1.5/name of extended warranty time guide) for warranty time allowances, effective immediately. Please contact me if you require additional information to implement the revised time allowance.*

While the new time allowances apply to warranty repairs, recall repairs, and stop-sale repairs, they are not likely to extend to extended warranty or goodwill repairs.

Claim Submission

At press time, there is still a wide variance between manufacturers when it comes to the ease of submitting warranty claims for the increased time allowances. Some manufacturers are up to speed on having a seamless way for Illinois dealers to claim the higher time allowances, while others waited until mid-January to start the programming process or are manually reviewing each warranty submission. With luck, the manufacturers who are slow to the table will decide that it is more efficient to program a computer to multiply by 1.5 than to hand review thousands of warranty submissions.

No More "Gotcha!" Chargebacks

The new warranty law added a provision that prohibits manufacturers from charging back on a dealer's warranty claim, except when the manufacturer can show fraud or illegal actions by the dealer. This provision prevents a manufacturer from invalidating a dealer's warranty submission based on a technical defect in the dealer's submission. This chargeback provision will prevent manufacturers from dinging your account based on a technicality.

Odds and Ends

Following is a list of many of the more minor changes to the Illinois warranty law that dealers should be aware of, even though IADA has not heard about any disputes yet.

- Manufacturers must compensate dealers for interest and storage costs for new vehicles subject to recall or stop-sale order that prevents the sale of a vehicle until the vehicle is repaired and ready for sale.
- Manufacturers cannot reduce any warranty reimbursement payment based on pre-established market norms or market averages.
- Manufacturers cannot place restrictions on repair frequency based on failure rate indexes or national failure averages.
- A manufacturer cannot invalidate a timely submitted warranty claim solely because the unavailability of parts caused additional use and mileage on a vehicle.
- Once a dealer submits a claim for warranty reimbursement, the manufacturer must approve or disapprove the claim within 30 days. If the manufacturer does not disapprove of a claim within 30 days, the claim is approved. Approved claims must be paid within 30 days after the approval date.

As you can see, the new warranty laws represent a sea change for Illinois dealers. IADA extends its thanks to the many dealers who contacted their legislators to urge support for the warranty law and the Chicago Automobile Trade Association legislative team. We are STRONGER TOGETHER! ■

The Ins & Outs Of Dealership Communication

By Dominion DMS

Communication within your dealership can make a world of difference for your customers, your employees, and your staff. Even if you believe your dealership is great at communicating inside and out, improvement is always possible.

Working toward more effective communication can mean:

- **Increased Revenue —** Do your service technicians spend a lot of time walking back and forth to the parts back counter to discuss and retrieve parts needed for a vehicle? Are you service advisors waiting for customer authorization on services? How long do customers need to wait at the dealership to get updates on their vehicles and pay? This time adds up to fewer cars serviced, fewer cars sold, and money left on the table.
- **Happier Employees —** Businesses that present more transparency and communication improve employee morale. This means more engaged team members. In fact, according to the McKinsey Global Institute, effective communication can improve productivity in any workplace by up to 25%. Happier employees also mean reduced turnover.
- **A Fulfilling Customer Experience —** Put yourself in the shoes of a customer for a moment. Which sounds better: spending the day in a dealership waiting room, or going about their day with the trust that they know their car is in good hands? People are known to take better care of their cars over their own health. Your customers want to take their vehicles somewhere where they will be frequently updated on services.
- **Transparency in Your Dealership —** If you communicate better and more frequently with your employees they are more likely to communicate better with you. This means problems are solved quicker, your staff is more relaxed, and your customers come back.

If one or more of these would be beneficial at your dealership, now is the time to start.

Barriers to Effective Internal Communication

If communication is lacking throughout the dealership, there might be a physical or psychological barrier causing it. The cause may be deeply rooted or something easily fixable.

Do any of these sound familiar?

A Lack of Transparency

There could be any number of reasons why staff members might not be in sync. Often it's because nobody understands the goal. For example, if you expect your dealership to service 1,200 vehicles a month, does everybody in your service department focus on that? If so, are they aware of how they are performing? Not being transparent about information like expectations or even the vision of the business can get in the way of meeting goals.

Clearly defined goals set the right expectations. There should be a process or tool to help maintain an easy flow of internal communication.

Unclear Direction from Managers

An easy mistake a manager can make is to point out an issue without involving employees in finding a solution.

Let's say a service manager received complaints from customers about paint scratches on serviced vehicles. Relaying this to the service staff without a prevention plan going forward may not help. Reminding employees to be careful with vehicles is reasonable, but what if the vehicles were damaged prior to arriving at the dealership? Your team may suggest implementing a more consistent check-in inspection of the vehicle's condition upon arrival. This inspection could actually lead to higher service revenue in repairs to these damages along with more trust from the customer.

Employees Can't Ask Questions

Do you remember the old saying, "There are no stupid questions"? Is that what your employees actually believe? Fostering an environment where your team feels comfortable speaking up will strengthen your dealership. Creating a habit where experienced employees are encouraged to mentor others will improve their morale and allow new employees to get up to speed more quickly.

Not Recognizing and Celebrating Good Work

Staffing issues can mean that teams are stretched more thinly than before. With everyone so busy, it is easy to forget to show appreciation. The perception of being unappreciated can lower morale and lead to burnout. When employees feel recognized and seen by managers, they feel more open to voicing their ideas. Satisfied employees are far more likely to provide superior customer service and productivity.

Stressful Training

The more difficulty new employees have with their training, the less likely they will be comfortable asking questions or communicating well with others. According to a 2016 study by the National Auto Dealers Association, 28% of dealership terminations occur within an employee's first 90 days. Starting a new job often demands learning a lot of information. Investing in effective training programs can pay dividends in quicker new hire productivity while reducing turnover.

How to Improve Dealership Communication

There are several ways a dealership can implement to increase and improve communication between departments. These tips can break down many of the barriers listed earlier that prevent good communication within the dealership.

Start with Yourself

You are in charge. This means you influence a lot of what happens at your dealership for better and for worse. Create a culture of good communication. Set up ways to promote transparency in your dealership. Spend more time with your staff to create a comfort level for employees to ask questions, understand expectations, and feel more recognized. This should result in better goal attainment, a happier workforce, and more satisfied customers.

Communicate Digitally

It is hard to beat a face-to-face conversation, but that is not always possible or efficient. Digital communication is better than none at all. There are paid and even free options available for sending messages between departments. It may even be functionality that is already available. Using an internal chat tool can provide quick answers to keep your business running at its peak.

Create One Source of Truth for Information

A dealership typically invests in many different types of software, with different and sometimes redundant sources of information. Between your DMS, your CRM, and other tools in use at dealerships today, it can be confusing and inconsistent. A best practice is to choose one system to be the source of truth that all employees rely on. This will make transparency easier, and provide the foundation to communicate across departments.

Between all of the benefits, barriers, and tips discussed, there is one overarching theme: effective internal communication is important for a successful dealership, and it starts with you as the manager. It offers many benefits and prevents a lot of potential problems. Overall, it can improve productivity, boost profitability, and create a positive employee and customer experience.

If you are unsure where to start, take a look at your dealer management system. See what features are available that may make following the tips provided easier. As a DMS provider ourselves, we strive to make important processes like internal communication easier for you with dashboards, chat features, and collaboration tools. ■

Dominion DMS is a pioneer in Microsoft-based dealer management systems with decades of experience partnering with franchise dealerships to deliver a superior experience, reduce costs and protect their business. Our cloud-native VUE DMS offers digital security, flexibility and efficiency to help dealers meet today's rapidly-changing market. Explore more of our resources at VUEDMS.com.

We encourage you to visit our website and browse more of our content by scanning this QR Code.

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