White Papers

better vantagepoint

Dealership Dispute, Compliance, and Risk Mitigation Solutions.

"10 + 10 = Exposure"

By Tom Kline, *Lead Consultant & Founder, Better Vantage Point, LLC.*

Answers these questions honestly:

1. Do you have a Compliance Management System (CMS) and whose responsibility is it?
2. When was the last enterprise risk assessment to ensure all personal and dealership assets are protected? (Who has looked at the "big picture?")
3. Who trains the staff about compliance and how often?
4. Has anyone ever done an analysis of your insurance policies to determine if there are any holes in your coverage?
5. Do you have a process at the dealership to find and fix online consumer complaints?
6. Do employees have a channel and mechanism to bring their complaints to the attention of management?
7. When was the last update to the Employee Guidebook? Do employees sign a Legal Rights Agreement?
8. Are you using arbitration to settle disputes with consumers? (In practice, do you understand why this strategy is highly ineffective?)
9. Are you prepared for a local media story? Do your employees know what to do, what to say, or who to direct the reporter to?
10. Who audits your websites on a monthly basis to ensure compliance with advertising laws? Who inspects your other advertising?

Does your dealership have work to do?

Any one of these issues could cost you a lot of money. (Remember, it's not how much money you make that's important. What's critical is how much money you keep!)

Consider the "what if." What if…this were to happen or that were to happen? How would you handle it?

If those ten (10) didn't stimulate you enough, here are another ten (10):

1. What would you do if a regulator walked into your dealership? Do you have a plan as to how you would handle that situation?
2. One very large dealership group with more than eighty (80) stores allowed the Federal Trade Commission (FTC) to survey its customers to ask them about potential dealership wrongdoing. What would be your thinking here? How would you handle that?
3. Have you started your work on the new Gramm Leach Bliley regulations? The deadline is December 9, 2022. Unfortunately, the new regulations are complicated enough that you cannot simply write a check for an "app" to be compliant. Some of your work will require good ol' fashioned shoe leather.
4. Is anyone tracking how your waste (oil, batteries, tires etc.) is being disposed of and have you ensured your vendors have the adequate insurance to protect the dealership if it's not handled properly?

5. Do you have a recall policy for your used vehicles? Whether or not the used car is "your brand," did you know the dealership would likely be liable if a customer were in an accident as the result of an unfixed recall?

6. Have you ever checked to see how your IRS 8300 processes are working? Are your cashiers receipting in monies with enough detail for you to track the transactions? (Did you know the fines for non-compliance are up to $3 million and potential jail time?)

7. Did you recently inspect your Red Flag compliance? Are your F&I managers just "blowing past" that screen and selling vehicles without paying attention? This is a critical issue which will help in your defense if you are ever taken to court for selling a vehicle to someone with a stolen identity.

8. As a dealership, are you sending out Adverse Action Notices in compliance with the Fair Credit Reporting Act (FCRA)? Failure to send these could result in a class action lawsuit to include punitive damages for "willful non-compliance."

9. Are you selling repossessed vehicles or salvage vehicles without disclosing this status?

10. Does your staff know how to handle an Office of Foreign Asset Control (OFAC) "hit" on a potential buyer's credit application? Do you have a procedure in place?

These questions are but a few of the concerns for your dealership when you are thinking about your daily risk. As one dealer friend of mine advises, "Button up!" Another says, "Stop everyone from reaching into your pocket!"

Practice your "what ifs" and prepare!

In my experience, it's not necessarily "if," but "when!"

What's Your Total Cost of Risk (TCOR)?

By Tom Kline, *Lead Consultant & Founder, Better Vantage Point, LLC.*

Financial statements track how you are doing financially every month. Consider measuring and benchmarking TCOR as a part of your ongoing financial statement process.

What is TCOR and why should you care about your dealership's Total Cost of Risk (TCOR)?

Business is about keeping the money you make. Your sales and gross profits could be at record highs, but your losses might be, as well. Unless you are tracking TCOR, your money may be walking out the back door because of losses or customer problems. Consider changing the way the dealership accounts for losses at the store (TCOR).

The only way to improve in any area is to measure it and benchmark it.

TCOR is a metric used to evaluate your dealership's internal risk process.

Here is how it's calculated:

Insurance premiums + self-insured losses + losses associated with lower profits and productivity + risk administrative expenses (internal & external) = Total Cost of Risk (TCOR)

Tracking this metric will help you laser focus on which parts of the dealership cost you money. Consider customizing and defining each aspect of the formula to specify the guidelines for your dealership. These guidelines will be different for every owner-operator. It's important to be consistent in how you establish and execute the accounting at your dealership based on those guidelines. Consistency will produce accurate data leading to meaningful answers.

Here's an example: Let's say you sell vehicles to people who have credit challenges (secondary customers). In my experience, if you "spot" them in their vehicles, and then cannot get them financed for whatever reason, they tend to write more negative online reviews. Hopefully, you have a process at the dealership to bring them back in and try to satisfy them in some way.

(If not, start today. Most lawsuits and regulatory problems start with upset customers. In fact, a dealership in Tennessee recently had its license revoked after multiple claims of deceptive acts. Now, the owner has been convicted of twenty-one (21) felony counts. His problems all started with customer complaints. Pro Tip: After you have satisfied the customers' concerns, ask them to "update" their review. If you ask them to "change" their review, the customers will feel manipulated, Then, it will look like the only reason you helped them was to have them update the online review.)

If you tracked the personnel time and all other expenses associated with these types of issues, you would be able to determine the actual cost of taking care of these customers. This is only one aspect of TCOR. (Please refer to the formula above.) If the dealership accounts for these costs accurately, it means you can no longer hide these losses in "Other Income." In many dealerships, "Other Income" becomes the "garbage pail" of accounts, where you charge expenses, so the managers who are paid on gross won't complain about chargebacks.

Using the secondary customer example above - whether or not TCOR is being tracked - we can discuss which policies and procedures can be put into place to stop these types of losses. There are plenty! We will not know the effectiveness of the procedures unless the numbers are tracked accurately.

Recently, I have been hearing dealers espouse a case of the "yets."

- "I haven't been sued yet."
- "I have not heard from a regulator, yet"
- "We haven't had any major problems, yet."

So, I don't need to track TCOR…

Depending on the accounting controls at the store, the losses may be bigger than you realize. Unless you are measuring these costs, it is unknowable how much money is being poured into issues at your dealership.

Do you really know your risk costs? Reputational losses? Customer satisfaction charges? Please consider tracking and measuring these numbers moving forward. I'll bet you'll be glad you did.

better vantagepoint

Dealership Dispute, Compliance, and Risk Mitigation Solutions.

757.434.7656 | www.BetterVantagePoint.com
808 Gates Avenue, Suite B3, Norfolk, Virginia 23517