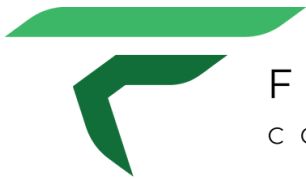




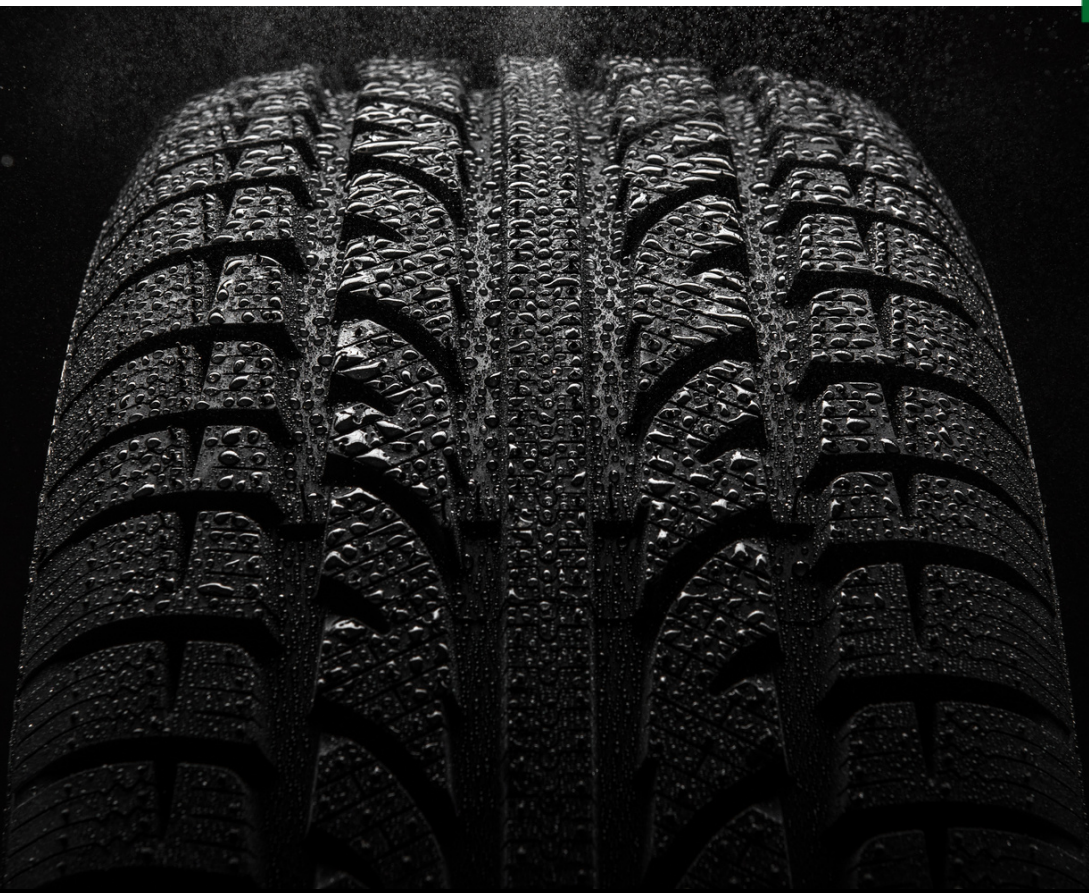
HOW DEALERS WIN WITH

# WARRANTY REIMBURSEMENT

BROUGHT TO YOU BY



FORMULA AU+OMOTIVE   
CONSULTING + TECHNOLOGIES



# MAXIMIZE A SIGNIFICANT REVENUE STREAM

Automotive dealers today face a challenging business environment with ups and downs in sales, inventory and prices. Everyone in the retail automotive industry understands just how crucial it is for dealerships to find additional revenue to survive and thrive in an ever-changing marketplace.

There is a solution that requires no upfront investment, and if outsourced to a vendor, very little work on the part of the dealer: securing retail rates (a dealer's client repair rate) for labor and parts warranty reimbursement. Reimbursement at retail can be a significant revenue stream for dealerships.

Market research reveals the average dealer can add \$100,000 to \$200,000 in gross profit every year when properly reimbursed.

However, many dealerships don't tap into this revenue stream. Others accept less than what they are legally entitled to. There are several reasons why.

All 50 states have legislation entitling dealers to be reimbursed at retail, yet state statutes are often couched in the kind of legalese that make them nearly impenetrable to anyone who isn't in the legal field.

Also, the burden is put on the dealer to pursue entitled increases. With limited internal resources, undertaking this herculean task means taking the eye off the ball of other equally important operational needs.

**It's no secret that automakers will do whatever possible to keep their warranty costs in check:**

- CPI agreements that lock dealers into a lower rate for a set term.
- Protocols and preferences that seem to change on a dime.
- Factory auditors who jump at the chance to rebut or deny submissions.

With so much money at stake, it pays to enlist the help of a warranty reimbursement vendor to do the heavy lifting of submitting rate increases. However, not all vendors are created equal. Vendor auditing is also a crucial step to ensure maximum profit.

## Why Audit Your Vendor?

One of the largest independent dealer groups in the country recently underwent a vendor audit that revealed over \$14 million left on the table every year. This was in addition to the millions of dollars in retail repayments successfully procured by the vendor.

# A PROFIT BOOST FOR YOUR DEALERSHIP

The battle over factory reimbursements for warranty work has been raging for nearly as long as there have been franchised auto dealers. However, dealerships have the law on their side. The benefits of partnering with a qualified vendor to ensure you get the money you're legally entitled to are substantial.

## Add Gross Profit Back To Your Bottom Line

Legislation in 50 states entitles auto dealers to be reimbursed by automakers for warranty work at retail, which is actually the dealer's customer repair rate. However, typically dealers only receive a fraction of what they are owed.

When you work with a true professional services firm to prepare and submit a retail warranty submission you can add hundreds of thousands of dollars in gross profit back to your bottom line.

## Lift Up Your Service Center

The service center is a vitally important department for overall dealership financial health. Every vehicle sale produces pure profit if your service and parts can generate sufficient gross to cover all dealership expenses. Achieving this level of 100% absorption is daunting, but maximizing reimbursement at retail is a key component of moving the needle towards it.

## Combat Service Center Talent Shortages

The need for technicians is substantial, if not dire. Paying a premium to attract new hires and retain current employees could certainly be supported by automakers respecting the warranty reimbursement at retail laws that are in place.

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# \$400,000

**in additional Gross Profit Per Year.**



## Real Client Story

Updating statutory guidance for a BMW Mini client paid off in a big way. With help from Formula Automotive, the dealer achieved a warranty parts increase of nearly 50% for a 71% increase in parts gross profit. The dealer also submitted for a warranty labor rate increase and gained over \$25 per hour for warranty work, equating to a 15% increase in gross profit. The bottom line? The dealer added \$400,000 in additional gross profit per year.

# DON'T BELIEVE THE MYTHS

## **Myth 1: Dealers Must Accept CPI Agreements**

With Consumer Price Index (CPI) agreements, automakers grant dealers “automatic” increases for warranty work that are tied to CPI. In most years that increase in nominal and lands well under 10 percent. These agreements also typically lock the dealer into the increase for a few to several years. No dealer is required to accept a CPI agreement.

In fact, in most cases accepting a CPI agreement is like throwing away money. That’s because the retail rate, which dealers are legally entitled to, could be an increase of 20 or even 30 percent depending on state statutes. That means if you accept a CPI agreement you could be leaving thousands, even tens of thousands, of dollars on the table every year.

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## **Myth 2: Dealers Can Easily Handle Submissions In-House**

Dealers can, of course, handle preparing and submitting a retail warranty reimbursement - but it’s far from a walk in the park. The process can be arduous and time-consuming.

Tasks such as pulling potentially thousands of repair orders, reading-up on the state laws where you have stores, and deciphering automaker protocols and preferences that seem to shift with the wind can be a full-time job for several employees. Taking key personnel away from their core duties costs time and money that most dealers would rather avoid.

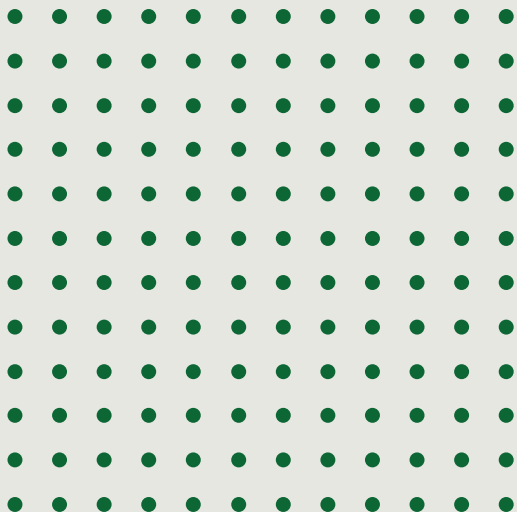
A quality vendor saves you the time and hassle of meeting submission requirements. They are well versed on every state’s law and automaker requirements to make sure factory auditors have no objections and reimbursements arrive as quickly as possible. Vendors have the best technology, experienced team members with extensive technical and operational backgrounds, and proven processes to make accurate calculations for your best rate, not educated guesses.

# DON'T BELIEVE THE MYTHS cont.

## **Myth 3: Hiring A Vendor To Handle Submissions Is Too Expensive**

A quality vendor doesn't get paid until you do. One way to make sure the effort is worth it is to ask a vendor for a no-cost projection of how much more you could be adding in gross profit if you move forward. Also consider that your team member or members tasked with performing the submission will likely be focusing on nothing else - no sales, accounting tasks, service repairs - for as long as it takes. That's a hit to your bottom line with no guarantee of results.

## Real-world pitfall of CPI Agreements



A BMW dealer signed its annual agreement in December 2022. After signing, the group underwent a warranty-reimbursement analysis that revealed a retail rate between \$30 to \$40 per hour higher than that in the automaker agreement, equating to approximately \$200,000 in profit annually.

That profit will go unrealized until 2024 when the agreement expires and the dealership can submit for the rate they are legally entitled to.

# READ THIS BEFORE YOU HIRE A VENDOR

There's no shortage of warranty reimbursement vendors in the retail auto space, but they are not all created equal. Before you sign on the dotted line, ask every vendor the following questions.

## 1. DO YOU PROVIDE NO-COST PROJECTIONS OF ADDITIONAL GROSS PROFIT?

Any vendor worth its salt will offer a no-cost projection. All that should be required from you is a few labor and parts figures. You deserve to know how profitable a submission could be before bringing a vendor on-board.

## 2. WHAT PARTICIPATION IS REQUIRED FROM MY DEALERSHIP STAFF?

A professional vendor will limit your staff's participation to providing minimal access to your DMS and signing a contract agreement to work together. That's it. If a vendor asks you to pull thousands of repair orders or perform other tasks, that is not the vendor for you.

## 3. WHAT PRECAUTIONS ARE IN PLACE TO PROTECT MY DEALERSHIP DATA?

To prevent cyber-attacks on dealership systems and protect personal and financial data, it's important that vendors follow the highest level of data security and are compliant with the FTC's Safeguards Rule. Dealerships should ask vendors to provide a document detailing their data safety measures and compliance with the Safeguards Rule.

## 4. HOW MUCH EXPERIENCE DO YOU HAVE WITH AUTOMAKERS?

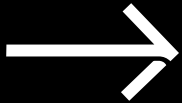
Vendors with the expertise you want will have performed thousands of submissions representing every manufacturer. This is key because manufacturers have their own rules which can add confusion to the process. Yes, you want a vendor highly experienced with your franchises. But, you also want one highly experienced with all automakers to tap into market intelligence that can help with your submissions.

## 5. ARE YOU PROFICIENT WITH MULTI-STATE DEALER GROUPS?

If you have rooftops across multiple states this is a crucial question to ask. No two states have identical statutes. Another consideration is the interpretation of the various elements in the laws. It's imperative to precisely follow the letter of the statute. To accomplish that, a vendor must have practical and legal experience to create submissions that conform to various provisions so you are paid what you are entitled to under the laws.

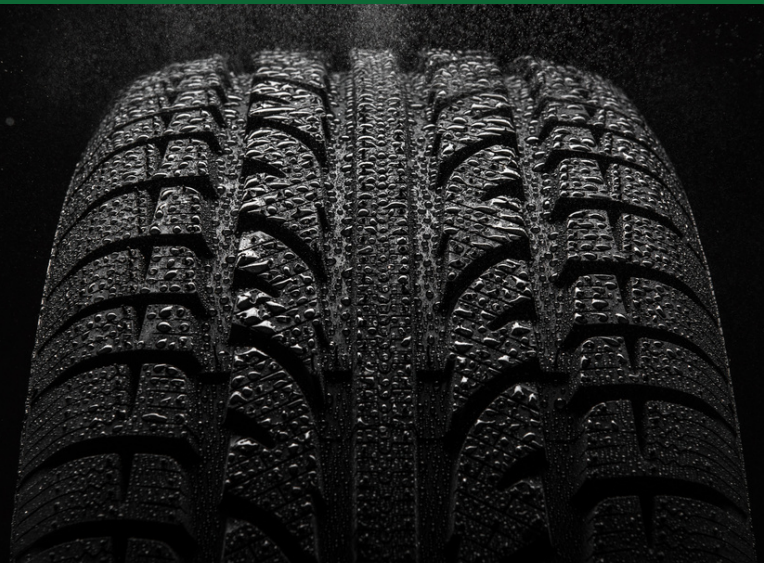


# FINAL THOUGHTS



Securing warranty reimbursement at retail may sound too good to be true - but it's what your dealership is legally entitled to receive. Maximizing this revenue stream by hiring professionals to prepare and submit rate increases can add thousands or tens of thousands back to your bottom line.

And with no upfront investment and very little work on your dealership's part, it's added gross profit you can't afford to leave on the table.



# MEET OUR TEAM

We've spent years assessing dealers' warranty rates and the performance of other warranty providers, discovering opportunities in a majority of cases, consisting of significant underperformance or high fees, often a combination of both.

Formula was created to offer a better alternative for dealers.



**CHRIS FORGIONE**  
PARTNER / CO-FOUNDER



**NICK BRUNOTTE**  
PARTNER / CO-FOUNDER



**MITCH JENKINS**  
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