# kada

# ARE YOU LEAVING MONEY ON THE TABLE?

Maximizing Profit on Warranty Parts and Labor

Presented by:





# OVERVIEW

- 1. Statutory vs. Manufacturer Filings
  - What's the difference ?
- 2. Legal details
- 3. What's in it for me?
- 4. Best practices for maximizing your potential return



### AS FACTORIES CUT DEALER MARGINS AT EVERY TURN, RETAIL WARRANTY REIMBURSEMENT HELPS RECOVER LOST PROFITS



### STATUTORY FILING (WARRANTY REIMBURSEMENT AT RETAIL)



- Warranty Reimbursement at Retail enables dealers to receive **reimbursement** for warranty parts and labor at **retail customer rates**
- This can make a difference of hundreds of thousands of dollars in net profit for your dealership
- All 50 States now provide Statutory filing guidelines that will make you more gross profit on every warranty repair
- This is different from the traditional market area labor rate request and also provides for parts at the same mark up as retail

# LEGAL DETAILS

- Reimbursement rates for Warranty work were initially established by the Manufacturer as "reasonable"
- 2. Challenged by dealers in many states as unreasonable compared to retail rates
- 3. Most dealers are entitled to the same labor rates and parts mark-up on warranty work as on customer pay
- 4. The law allows dealerships to "apply" for an increase from current warranty parts reimbursement markup and labor rate.
- Most states have specific limitations on how often you can file for both a parts and labor increase.





# RETAIL WARRANTY REIMBURSEMENT

- Many state Statutes have been in place for many years and our experience indicates the following:
- 30% of dealers have never filed under statutory guidelines
- 70% of dealers have filed, but not maximized their results
- 80% of dealers fail to file on an annual basis
- If you're not getting the following you have left money on the table
  - Average Bellavia Blatt client receives Cost + 70-75% on parts
  - Average Bellavia Blatt client receives warranty labor reimbursement at 93-95% of their current Retail Door Rate.

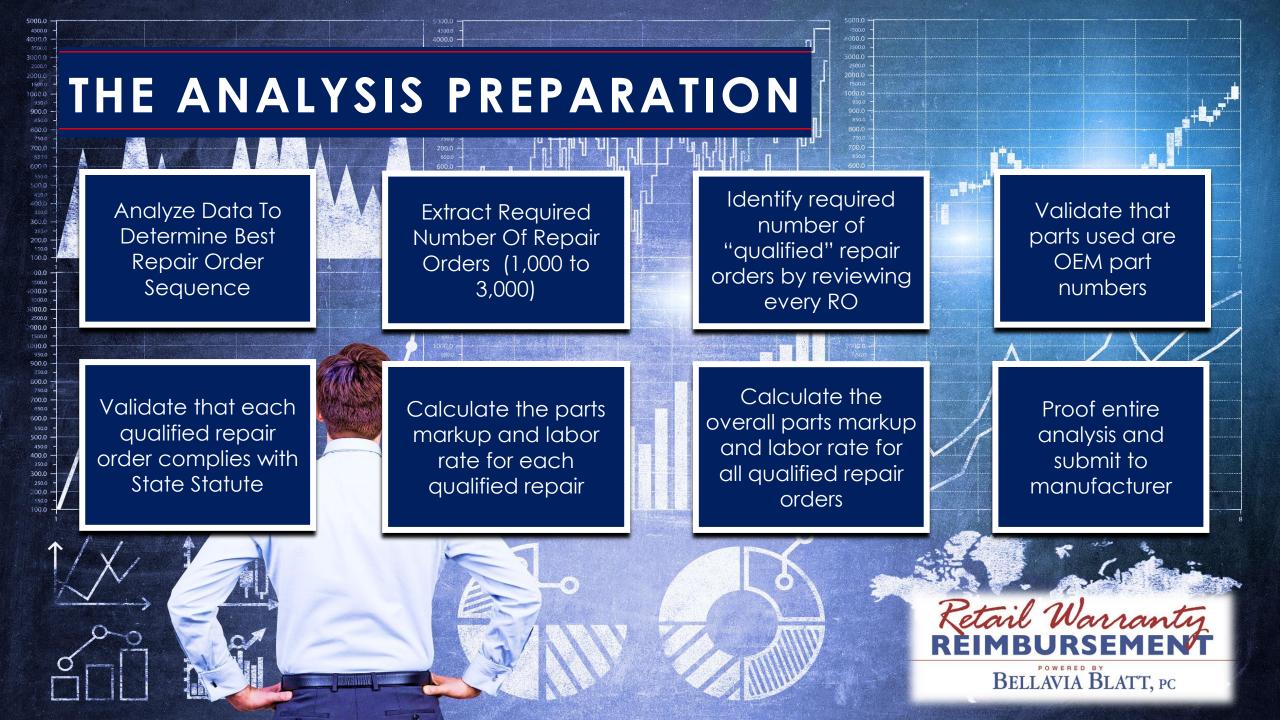


# ADDITIONAL PROFIT OPPORTUNITY

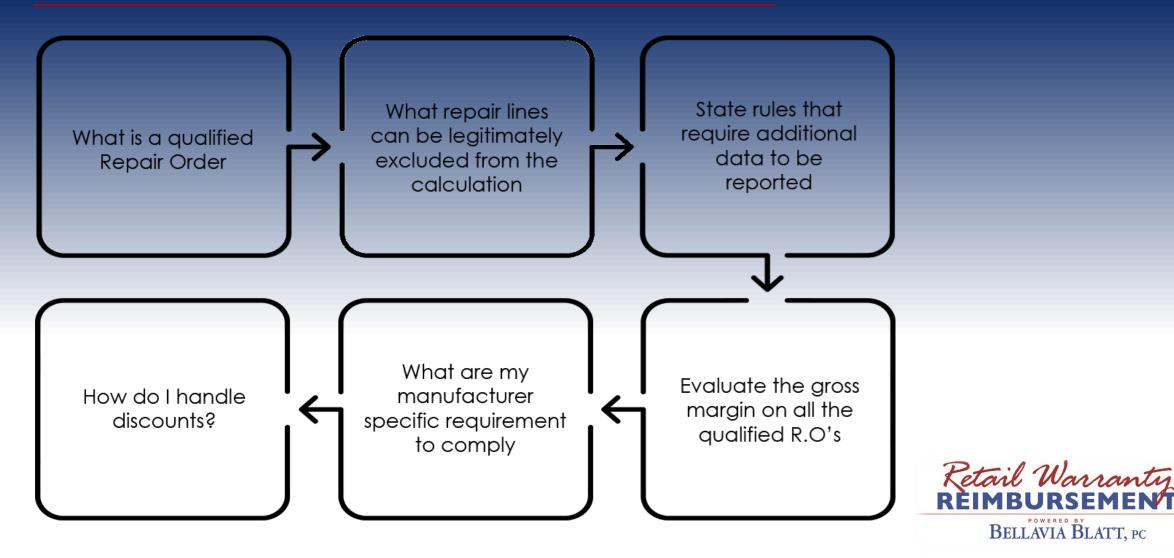
- Average Medium –Large Dealership
- Most of this gross falls to the bottom line as net profit!



XYZ Ford	Before	With RWR Increases	Projected Gross Profit Increase
Warranty Parts Sales	\$1,046,229	\$1,366,480	
Warranty Parts Gross	\$312,338	\$585,634	\$273,296
Warranty Parts Gross %	29.8% Cost + 40%	43.0% Cost + 75.4%	
Warranty Labor Sales	\$1,184,784	\$1,322,140	\$137,356
Warranty Labor Hours	9889	9889	
Warranty labor Rate	\$119.81	\$133.70	
Yearly Profit Increase			\$410,652



### THE ANALYSIS CONSIDERATIONS



#### Notify the manufacturer that you are going to file

# SUBMITTING YOUR REQUEST











Generate points of contact

- Sending Proper notification to the manufacturer with appropriate legal details
- Submission perfection is mandatory or it will be rejected
- Unless you have extensive experience preparing Statutory Submissions, mistakes are likely

### **Based on the initial analysis**

File for increases now Adjust your pricing strategy on Retail Parts and Labor and delay your filing



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### MAXIMIZING YOUR RESULTS

#### During that delay period...

- Develop a plan to increase your
  margins on customer pay work
  - Perform a competitive market analysis
  - Identify ways to improve margins based on that market analysis
  - Implement your strategy and monitor performance
  - Should I implement a Parts Matrix and/or Labor Pricing Grid?



# MAXIMIZING YOUR RESULTS

#### Here are some tips that will help maximize your results:

- Limit or eliminate discounts on retail repair type work.
- If you do any discounting, discount the parts when applying for labor and discount labor when applying for parts.
- Clearly label the discount as either parts or labor and apply it to the specific repair line, not the entire repair order.
- Consider adjusting technician flag time on battery replacement to 0.2 0.3 at your full retail rate.
- Consider adjusting technician flag time on brake pad and rotor machining to 1.2 hours at your full retail rate (Many manufacturers recognize brake work as a qualified repair).
- Install bulbs at full retail with reduced labor times.





# MAXIMIZING YOUR RESULTS

#### Here are some tips that will help maximize your results:

- Alignments are included when necessary to complete a qualified repair so always include the alignment with the repair at your full retail rate, not as a separate discounted operation.
- Some manufacturers require inclusion of routine alignments so consider adjusting the technician flag time and labor charge.
- Some manufacturers require inclusion of wiper blades. Install them with no labor charge and at full price for the parts.
- Charge your full retail rate for any diagnostic work, no problem found or declined repairs





# MAXIMIZING YOUR RESULTS

Choose a qualified Professional to do the work for you:

- We are Legal & Fixed Operations specialists and have over 20 years experience successfully submitting Warranty at Retail requests
- We work with you to optimize your current pricing strategy to maximize your results. Other vendors do not have this expertise
- Our analysts select the best repair order sequence to maximize the results and all have extensive Fixed Operations experience
- We charge a <u>reasonable flat fee</u> while others charge a base fee plus a percentage of your uplift for the next 12 months.



### **RETAINING A PROFESSIONAL SAVES TIME AND GETS INCREASED PROFITS SOONER FOR DEALERS**





**Submission** 



**Repair Collection &** Analysis

**Legal Response to OEM's** 

#### **TEAM OF ANALYSTS**

- Data obtained via remote access.  $\succ$
- ➤ Streamlined collection of thousands of customer repair orders for review.
- Preparation of hundreds of pages  $\blacktriangleright$ of documentation

#### **TEAM OF ATTORNEYS**

- Review responses from OEM's
- Identify errors in OEM  $\blacktriangleright$ interpretation in state laws
- Prepare Replies to OEM's
- Advise/lead clients on OEM negotiation



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January 10, 2017

#### By Email and U.S. Mail

Steven Blatt, Esq. Bellavia, Blatt & Crossett, PC 200 Old Country Road, Suite 400 Mineola, NY 11501

#### Re: Warranty Parts Reimbursement for .

Dear Steve:

Our firm represents , with respect to the above-referenced matter. has forwarded your letter of November 30, 2016 (received by on December 6, 2016) to me for response. Please direct any future correspondence concerning this matter to me.

On behalf of your clients, you contend that Supplemental Reimbursement Procedure violates Alabama law because it is allegedly "purposely over burdensome" and has allegedly been adopted "in bad faith." denies these allegations.

While there appears to be no Alabama case law on this issue, the procedure adopted by is the same as the procedures used by GM, Ford, and Volvo that were challenged in prior New York litigation and which were ultimately upheld by the courts, including the Second Circuit. See <u>Tom Rice Buick-Pontiac</u>, <u>GMC Truck, Inc. v. General Motors Corp.</u>, 551 F.3d 149 (2d Cir. 2008); <u>Aspen Ford v. Ford Motor Co.</u>, 2006 WL 842397 (E.D.N.Y. Mar. 28, 2006); <u>Bay</u> <u>Ridge Volvo American, Inc. v. Volvo Cars of North America, Inc.</u>, 2007 WL 541692 (S.D.N.Y. Feb. 20, 2007). The procedure was also approved by the dealer board and the state courts in Louisiana. See <u>Marler Ford Co., Inc. v. Ford Motor Co.</u> (LMVC April 10, 2003), aff'd, 885 So.2d 654 (La. App. 5 Cir. 2004). So not aware of any relevant differences between the Alabama statute and the warranty reimbursement statutes in New York and Louisiana with respect to this issue. can hardly be accused of bad faith for adopting a policy that has been approved by all of these tribunals.

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#### ALWAYS USE LEGAL COUNSEL TO SUBMIT YOUR APPLICATIONS

 Applying for Retail Warranty Reimbursement is a Legal Process

- Navigating and following Your State Statute is essential
- Begin with a request that complies with the Statute
- The Manufacturer will know that you have retained a professional to prepare your submission

# COMMON OBJECTIONS FOR APPLYING FOR RETAIL WARRANTY REIMBURSEMENT

### "I'm Afraid of Retaliation"

- 50 states have retail reimbursement statutes
- We monitor our submissions and have no reports of retaliation
- This is the benefit of having a law firm in your corner

### "We Can Do It Ourselves"

- Staff loses time from their everyday responsibilities
- Staff lacks experience with Statutes and OEM process
- Staff cannot maximize parts/labor revenue or address legal objections







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- Filing a statutory increase for Warranty Parts and Labor is your choice
- If you haven't done so it could mean hundreds of thousands of dollars of additional gross profit
- Optimize your pricing strategy to maximize your results
- Use a vendor with extensive Legal & Fixed Operations experience
- Once approved, this increase will drive significant profits (most falls to net profit) now and forever!
- > It's your money. You earned it.

# APPLY FOR WARRANTY PARTS & LABOR AT RETAIL PRICING TODAY!

*Call:* 516-873-3000 *Email:* info@dealerlaw.com *Visit:* dealerlaw.com/warranty-parts-labor-reimbursement









**ANY QUESTIONS?**