



**GET THE
FACTS**

CONSUMER BENEFITS OF YOUR LOCAL FRANCHISED AUTO DEALER

Local franchised auto dealers create fierce price competition and prevent manufacturer monopolies; protect consumer safety with recall, warranty and repair service; generate good-paying local jobs, tax revenues and economic benefits; and simplify the otherwise complex car purchasing and registration process.

1.

PRICE COMPETITION

Dealers increase competition and drive consumer costs down.



Dealers compete fiercely with each other, to the consumer's benefit.

- Having multiple retailers of the same brand in the same market creates price competition and superior customer service as they compete for business.
- If an auto manufacturer operated all its retail stores in a region, they would have a monopoly on the brand and would be able to set non-negotiable pricing.

Today's new-car prices are transparent, allowing customers to benchmark pricing and negotiate.

- The manufacturer's suggested retail price (MSRP) is readily available, and consumers can easily obtain invoice and independent pricing information for a vehicle.
- Armed with this information, consumers can go to different dealers to negotiate price.
- In a factory-direct model, the factory fixes the price of its vehicles without any opportunity for consumers to either benchmark or negotiate prices.

"Middleman costs" are a myth.

- Retailing expenses exist regardless of the distribution model used.
- In a factory-direct model, the costs of showrooms, car lots, sales staff and holding inventory would simply shift from the dealer to the factory.

2.

CONSUMER SAFETY

Dealers ensure safety recalls and warranty work are addressed.



Dealers are more economically aligned with consumers than manufacturers when it comes to safety recalls or warranty work.

- Dealers are incentivized to respond quickly to safety concerns, since they are paid by the automaker to perform warranty and recall work.
- In contrast, automakers have an economic disincentive to issue recalls or incur warranty expenses, which may imply a mistake, significant expense and/or a lawsuit.
- Automakers also have an economic disincentive to follow through even after a recall or warranty action is announced.

Franchised dealers create an extra layer of accountability for public safety.

- Many states require both the manufacturer and retailers to be responsible for warranty and safety claims, in case a manufacturer goes out of business.
- For example: Former Suzuki dealers still service Suzuki cars and trucks even though that manufacturer no longer sells in the United States.
- State franchise laws usually require that franchised dealers have service facilities to perform warranty and recall work.

Having a dealer advocate on their side makes safety, warranty and service solutions easier for consumers.

3.

LOCAL ECONOMIC BENEFITS

Dealers generate good local jobs and significant tax revenues, delivering a huge impact on their local economies.



Dealers fuel local economic activity, creating jobs and economic opportunity for local residents.

- Dealers employ more than 1 million people across the country in locally owned and operated small businesses.
- Dealerships provide good-paying jobs with benefits, and opportunities for personal advancement and professional development.

Franchised new-car dealers pay billions in state and local taxes.

- New-car sales account for 15% of all retail sales in the United States.
- New-car sales generate 15% of all U.S. sales tax revenue.

Dealer revenues stay in local communities, whereas profits generated by factory-owned dealerships flow up a vertical ladder to out-of-state shareholders.

Local dealers hire local people.

- When the going gets tough, a multinational giant can close a local retail outlet and move on. Local dealers will be there for consumers in good times and bad.
- Dealership jobs cannot be outsourced overseas.

KEEP

COMPETITION
SAFETY
JOBS
TAX REVENUE
& SERVICE

WITH
LOCAL
FRANCHISED AUTO DEALERS

4.

ADDED VALUE

Dealers simplify a complex process and personalize the car buying experience.



A new-car dealer serves a consumer for the entire ownership experience.

- Dealers provide test-drives of multiple vehicle models and competing brands, sales, financing, trade-ins, registration and tags — as well as repair, warranty and recall service work.

Consumers want a convenient purchasing process.

- Dealers offer a wide variety of financing options, which are frequently more affordable than bank loans.
- In addition to conducting online research, most consumers want to see and test-drive a car before they buy it.
- More than 60% of all new-car purchases include a trade-in to cover a portion of the down payment, and dealers provide a hassle-free market for trade-ins.
- Dealers take on the complex system of titling, registration and reams of regulatory paperwork, so consumers can simply sign and drive away.

Consumers value personal service and local relationships.

- While making a purchase that's second largest to a house, consumers want to interact in person, not with a website, a faceless 1-800 number, or a manufacturer or distributor located hundreds or thousands of miles away.

CURRENT AUTO DEALER FRANCHISE LAWS PRESENT THE BEST OPPORTUNITY TO ENSURE LOCAL OWNERSHIP AND OPERATION OF DEALERSHIPS, WHICH BENEFITS CONSUMERS AND LOCAL COMMUNITIES.

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