COLORADO INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION

FRONT LINE

Q1 2022

AUTO THEFT

CIADA Members Sharing Solutions

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NIADA Hires New Director of Governmental Affairs

SAVE THE DATE:
Summer Golf Tournament

PLUS!
5 Ways to Fill Open Positions Faster

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Auto Theft & Sharing Solutions

By David Cardella, CEO CIADA

It is hard to find a phrase that worries a dealer more than auto theft. Okay maybe hail or investigation or embezzlement or bounced check. I think you get my point. There are a multitude of issues we face every day in this industry, but auto theft is one that makes all of us cringe. Each day we work hard to find inventory and separate ourselves from the competition. When we arrive at work to open up in the morning and find our businesses broken in to immediately thoughts come to us on how we would like to deal with the thieves. As business people we have to take a deep breath call the authorities and help them any way we can. We have to take extra steps now to protect ourselves. Cameras, alarms on buildings and vehicles, security patrols, safes bolted to the floors and anything else we can do to protect our business and investment.

CIADA is aware of these hardships. Dealers have contacted us about being unable to acquire theft coverage through their insurance company. We are looking to alleviate this problem, but several factors play a part in the coverage costs and denial. Theft coverage deductibles may become so expensive in the future we may have to look for alternatives to protect ourselves. CIADA is looking for alternatives to these higher costs now so if you have an idea let us know and we will pass it along to your fellow dealers. Helping each other is what has always separated us from other industries and associations.

Pay attention to your operational procedures, stay safe and thank you for being a member of the oldest and strongest state association in the country! ■

5 Ways to Fill Open Positions Faster

By Christina Wofford, Senior Vice President of Marketing & Communications, Digital Air Strike

Many dealerships already had a problem recruiting and keeping quality employees, but the COVID-19 pandemic has only exacerbated the issue.

The "Great Resignation" also resulted in 4.4 million people quitting their jobs in September alone, according to the U.S. Labor Department. Remote employment has grown exponentially, while candidates for customer-facing jobs have only decreased.

Competition for qualified candidates is fierce, while recruiting has become even more of an online affair. Here are five ways to use technology to fill open positions faster:

1 **Post Jobs on Your Google Business Profile (formerly known as Google My Business).** The average person searches on Google 3-4 times a day. Since Google owns more than 90% of the worldwide search market, your dealership is missing out if you're not promoting your open positions on your Google Business Profile, which shows up on the first page of Google when consumers and job seekers search for you. This is a great place to promote your open positions, great benefits, and even testimonials from happy employees.

2 **Start Social Recruiting on Social Media.** More than 55 million companies are listed on LinkedIn, with 14 million open jobs posted. Almost 2 billion users visit Facebook daily. Make sure your jobs are posted across social media – – including on Facebook's feature just for recruiting, Facebook Jobs. Go a step further and don't just post your open positions on social media but make sure your feeds include posts that would make someone WANT to work at your dealership. Highlight employees, your benefits, and why someone will enjoy a career in the automotive industry. Encourage your employees to comment on and share the posts to extend your reach and explain why others want to work for you.

3 **Use Social Ads to Promote Competitive Positions.** Advertise your open positions to active job seekers on social media and get creative with targeting. Use geo-targeting to reach candidates based on demographics, interests, and online behaviors. Include location targeting to promote your open positions to your competitors' rock star employees and reach younger workers graduating from college or a trade school. Find an outstanding creative and marketing team to design an enticing ad and write eye-catching copy to ensure your ads attract more candidates.

4 **Utilize an AI Chatbot on Your Website.** Visitors to your website may also be looking for a job. Feature your open positions prominently and in an interactive way by including them in your website chat with links to your open positions and an explanation of all your great benefits. Make sure your chatbot is also linking to your current positions and benefits. With AI, your chatbot can ask/answer qualifying questions and do some of the heavy lifting so your team can step in to reach out to serious contenders only.

5 **Protect and Promote Your Reputation as an Employer.** More than 70% of job seekers read reviews about companies, and 33% of candidates have rejected an offer because of bad reviews. Make sure your reputation correctly reflects your dealership. Monitor and manage sites like Glassdoor, 38 million employer reviews, and 50 million monthly site visitors. Respond to all reviews and use your responses to good and bad reviews as an opportunity to explain and showcase the benefits of working at your dealership.

Take the work out of hiring by following these five easy steps. Expert marketing teams can get the job done right if your dealership doesn't have time to monitor and post jobs. ■

Firms Partner for Dealer Fraud Protection

By Used Car News

The company 700Credit LLC, a provider of credit reports and compliance solutions, along with eLEND Solutions, an automotive FinTech company, announced an alliance that integrates eLEND's ID Drive, an advanced data capture and driver license authentication solution.

The integration is designed to help auto dealers protect their business and reputation from the serious and growing threat of identity and financial fraud and classify their showroom traffic by looking at their FICO score.

"The challenges of identity fraud have only grown," said Ken Hill, managing director, 700Credit. "Our alliance with eLEND means that now our dealer customers, with the swipe of a driver's license, can authenticate that license, pre-screen the customer, and perform a Red Flag ID Verification including Synthetic Fraud. The combination of document and data verification between 700Credit and eLEND's products offers auto dealers powerful protection, while also enabling rapid digital data capture and export."

The addition of ID Drive means that 700Credit dealer customers can rapidly confirm identity and pre-screen their showroom clients through the ID Drive scanner at the beginning of the sales process. This shields them against fraud while providing visibility into the customer's buying power upfront so they can provide customers with an accurate payment quote at the top of the sales funnel.

"Because ID Drive prequalifies upfront, auto dealers can rapidly get the customer into the right deal structure, accelerating the transition to, and through, F&I, which can reduce costly rehashes," said Pete MacInnis, CEO and founder of eLEND Solutions. "This creates important efficiencies for dealerships and provides a better customer experience." ■

KONTOS KOMMENTARY

2022 Kontos Outlook

By Tom Kontos, Chief Economist, KAR Global

2021 was a banner year for wholesale vehicle values. On a full-year basis, we saw values above pre-COVID/2019 levels by 30% for the year, as a perfect storm in used vehicle demand faced a perfect drought in used vehicle supply—much of which was brought on by the chip shortage.

As we look ahead to 2022 and what the year may bring for our industry, there are several key things to keep in mind and look out for as the year unfolds—consider this my Kontos Krystal Ball:

Repossessions will probably be the "first responders" to the used car shortage. Because of government stimulus plus deferrals and forbearance programs that banks and lenders have provided, people were able to postpone or avoid potential repossessions. We will possibly now see an uptick in repos as these programs are slowly phased out—not back to pre-pandemic levels, but we should see increases.

In mid-2022, I suspect we will be talking a whole lot less about the chip shortage, as manufacturers use creative new approaches to address this problem. New car inventory will move closer to normal helping used vehicle demand stabilize.

I also anticipate more stable wholesale values—in other words no dramatic rises or falls in 2022. We will likely see a return to pre-pandemic seasonal patterns with the usual uptick during tax season in the spring, and a gradual softening the rest of the year.

In general, I will be keeping my eye on the economy—focusing on employment, inflation and GDP growth. One area that is of major concern to many economists is inflation and the spillover impacts that might accelerate higher interest rates that could potentially make new and used vehicles less affordable.

As we transition to renewables from fossil fuels and electric vehicles from internal combustion engines, it's going to be costly and will take a while to figure out how we will produce and consume energy in a new way. These things take time and will be expensive in the near term. This is important to keep in mind, as we see more and more electric vehicles entering the car ecosystem.

In short, 2021 brought us new records in pricing and new lows for inventory. I'm looking forward to analyzing trends for all of our customers and partners throughout 2022 with the hope that greater stability will be beneficial to both. ■

Disclaimer: The views and analysis provided herein relate to the vehicle remarketing industry as a whole and may not relate directly to KAR Global. The views and analysis are not the views of KAR Global, its management or its subsidiaries; and their accuracy is not warranted.

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IN-PERSON COURSES

COMPLIANCE SEMINAR

Monday, April 11

Make your team aware of critical updates!

Class from 9:00AM to 12:00PM

$75 members / $100 nonmembers

(includes lunch)

TITLE TRAINING

Friday, March 25

Training for all things titles, processes, and troubleshooting.

Class from 8:00AM to 12:00PM

$99 per person

PRE-LICENSE TRAINING

Every Wednesday

Prepare your salespeople for the mastery exam!

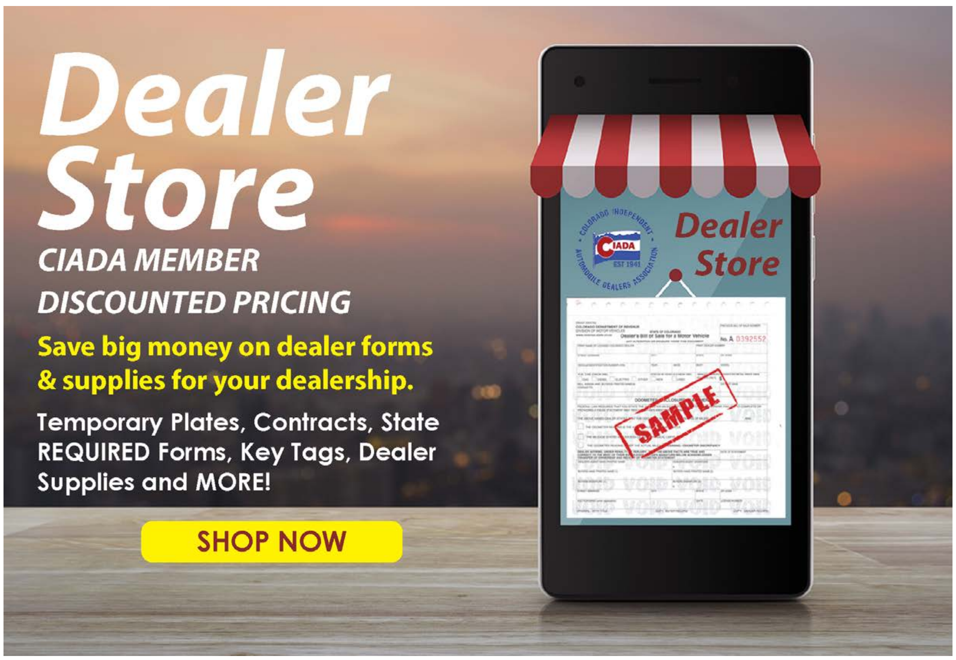
Class from 8:00AM to 5:00PM

$99 per person

TO REGISTER, ciada.org/events/

DealerNotes

BRIEF UPDATES FOR **COLORADO AUTO DEALERS**



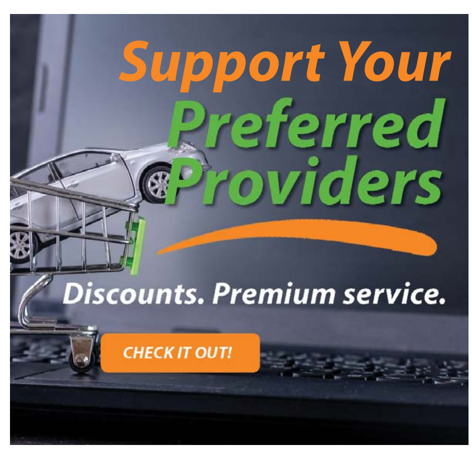
IN-PERSON COURSE

Prelicensing and Salesperson/Dealer Operator Course

CLASS EVERY WED.

State Approved Pre-Licensing class certificate is required for anyone applying for a Colorado used motor vehicle dealer license, used powersports dealer license and wholesale motor vehicle dealer license.

TO REGISTER, ciada.org/events



Tips to Stay Compliant During F&I Presentations

BY JEREMY BECK

Today, more than ever, it's critically important to train dealership staff to give consumers the right information in a compliant manner. The best way to ensure that your staff maintains compliance is through proper training. In addition, take the time to sit and listen to sales and F&I presentations. The most common mistakes we see, and where staff need the most training, are as follows.

USING THE TERM 'WARRANTY' INCORRECTLY

Sometimes salespeople use the word "warranty" when referring to a vehicle service contract (VSC). This is a definite no-no. If the word "warranty" is in the product, the dealership is not legally allowed to sell the product to the consumer — warranties must be free of charge. This violates the Magnuson Moss Warranty Act to interchange the words "warranty" and "service contract."

Your dealership could be subject to state and federal enforcement action, potentially unfair and deceptive practice claims, and potentially be held liable to cover repair costs. Scare you? It shouldn't. It should help you ensure that you and your employees are using the correct verbiage and terminology when properly describing products to the customer. It's no different than telling a customer the car is red when it's yellow or that it's a premium trim model when it's a mid-range trim model. The difference is knowledge. Knowing what you don't know, but will be held liable for, is critical.

> It is becoming more common for independent dealerships to offer warranties with vehicles that have a certified pre-owned (CPO) status.

Warranties are a great value add that gives your dealership a competitive advantage and provides customers with peace of mind and higher levels of customer satisfaction.

However, sometimes staff will use the word "warranty" when referring to a VSC because it's a commonly used word that the average consumer understands. Using the wrong word in this situation can lead to big misunderstandings, especially if the consumer walks away believing that something on their vehicle is covered that isn't. Ultimately, this results in higher levels of customer dissatisfaction and bad reviews for both the dealership and their F&I product vendor, as well as the potential federal violations I mentioned above.

During F&I presentations, it's important to clarify the difference between a warranty and a VSC so the consumer does not think they are getting a warranty when they purchase a VSC, or vice versa, when the customer believes that the warranty that came with their vehicle offers the same benefits as a VSC.

USING THE TERM "BUMPER TO BUMPER"

When explaining the benefits of a limited warranty that comes with a vehicle, F&I managers sometimes use the term "bumper to bumper." This is very misleading. Not even the manufacturer warranty when a vehicle is brand new provides bumper-to-bumper coverage, so saying that your limited warranty provides bumper-to-bumper coverage is just wrong.

> To the average consumer, the term "bumper to bumper" implies that everything is covered.

If you are selling a VSC that does cover literally everything, maybe the term can be used, but personally I recommend not using this term during an F&I presentation.

Instead, I would have F&I managers take the time to clearly explain what is covered with a limited warranty and what is not — the same with VSCs. Sometimes, I ask dealers when do they make their best decision, when they have more information or less information? Inevitably, the answer is "more information." Your customers are the same as you. The more information you give them, the better decision they will make, and the more likely that decision will be to purchase a product that gives them a level of coverage they feel comfortable with.

SELLING PRODUCTS THE CUSTOMER DOESN'T NEED

> Many F&I managers are still not doing a thorough needs analysis with every customer. These days it's important to tailor F&I presentations to individual needs.

For example, don't sell a customer a five-year, 100,000-mile contract when they only plan to keep the vehicle for two years.

If your only goal is to sell products to make money, regardless of your customers' needs, at some point, your customer will realize they were taken advantage of. Not only will they resent you for selling them something they didn't need, but they will also leave you a bad review and tell their family and friends to never purchase from you.

> If you value your dealership's reputation, hold your F&I managers accountable for conducting a needs analysis and tailoring presentations to individual needs.

QUOTING PAYMENTS

Another common area where dealership staff makes mistakes is in quoting payments. It's a pretty common practice to give some wiggle room in the initial quote, so the F&I manager doesn't have to bump up the estimated payment ceiling when they factor in pricing for F&I products.

> The best way to ensure that your staff maintains compliance is through proper training.

This practice is not only unethical but also illegal. Yet many dealership staff have no idea that what they're doing is wrong. Let's face it, laws and regulations change all the time and vary from state to state, and even on the local level. It's difficult to keep up. Ideally, your F&I partner is keeping you updated and on the straight and narrow with this information. Additionally, they should be offering guidance on the right and wrong ways to advertise vehicle and product information, especially when payments are included in your advertising.

When a car shopper arrives at the finance office, there should be no surprises. If you introduce F&I products early in the car-buying process, the consumer will be prepared for a higher payment because you've already explained the value to them.

> The good news is that more technology is becoming available that allows your customers to calculate their own estimated payments right down to the penny, factoring in state and local taxes and fees.

When quoting payments, the math has to work for your customer. When you tell them the price of the vehicle, what the payment is, what the terms are, and what the interest rate is, your customer should be able to "do the math" to get to the same payment as you're presenting.

If you're unsure of how to maintain compliance while implementing transparency in your F&I department, ask your F&I partner for guidance and training. Your partner should be able to help train your staff and provide materials to help educate your customers. ■

Jeremy brings over 20 years of experience in the automotive industry to the EasyCare and GWC University training teams. Before joining APCO, Jeremy spent four years as a national training manager, leading internal and external training and development programs in the F&I space, including developing a highly regarded dealer leadership academy. Before that, he spent over 14 years in the retail automotive franchise space.

Taking a Multi-Tiered Approach to Fight the Growing Ways Fraudsters Operate

By Angelica Jeffreys, Automotive Financial Services Executive, Equifax

Fraud. It's a term that is often identified by the abuse types or tactics used by perpetrators: account takeover, payment fraud, malicious content, and synthetic ID. This siloed use of terminology has contributed to the belief that fraud activity is siloed. However, fraudsters don't rely on single activities or single types of abuse. Today's fraud network is comprised of various, interconnected relationships of different abuse tactics.

In the new digital-centric world, fraudsters are leveraging vast amounts of digital content for the purpose of false information, financial fraud, and phishing attacks. Using different web forums, marketplaces, and social media channels across the internet, fraudsters create spam and scam attacks to trick everyday consumers into sharing sensitive information — later sold or used to steal rewards, store credit, or even cash and identities.

Seeing Fraud from a Holistic Viewpoint

Whether it's ransomware, loan stacking, loan fraud, payment fraud, or something else, fraudsters don't take a singular approach to attacking businesses. Therefore, there's no such thing as a single fraud solution. Addressing the various forms of fraud requires auto lenders and dealers to leverage the right tools at each stage of the customer journey.

Intercepting fraud requires a multidimensional approach. Using multiple fraud point solutions is overly complex and difficult to manage. Lenders and dealers today are leveraging solutions that provide a holistic view of their fraud risk, correlated across a growing number of channels. These solutions use advanced analytics, artificial intelligence (AI), machine learning (ML), and intelligent data orchestration to provide risk managers with insights to help manage fraud decisions throughout the customer journey.

Sophisticated Fraud Alerts

As organizations shift more of their operations to digital, fraudsters are focusing more of their activities on things like new account fraud and often creating new, fraudulent identities or synthetic identities. Synthetic identity fraud is built on the foundation of a fictitious identity, often created with a combination of real data and fabricated information. Fraudsters then attempt to gain credit with the fictitious identity to monetize it.

These manufactured identities are used for short-term gain and then abandoned. When this is the case, there is no one for the lender to contact to collect funds. This poses a problem for organizations as these misclassified non-payment matters get sent to collections, further wasting resources. Lenders and dealers are now setting up sophisticated alert solutions that can help protect businesses from losses associated with synthetic identity fraud while minimizing false positives. Delivered in batch or real-time, the alerts use patent-pending ML algorithms to detect synthetic identity behaviors and patterns at various entry points.

Advanced Identification & Payment Solutions

Mobile devices are the new normal for today's on-the-go consumers. The changes in technology and offerings to accommodate mobile consumers drive even higher expectations to transact with ease. If their experience aligns with their expectation, consumers are more likely to complete transactions and repeat them.

Low friction experiences are expected. When consumers encounter friction in a transaction, they tend to abandon it. This leads to both lost revenue and the opportunity to gather valuable consumer insights. As such, lenders and dealers are using API-based payment enablement tools that streamline the way consumers make online payments. These businesses can provide real-time payment options leveraging a suite of sophisticated data to the consumer while limiting risk of card-not-present fraud.

Aside from payment options themselves, lenders and dealers are now leveraging sophisticated data from partners and carriers to authenticate a consumer's identity. This allows for pre-population of consumer data during online checkout or form completion, providing a simpler experience with less friction. Businesses then benefit from quicker and easier digital consumer verification and lower transaction abandonment.

While this technology is important, dealers and lenders are going one step further. To fight fraud effectively without disrupting the consumer's experience, organizations are changing how they approach identity authentication and fraud prevention in today's digital era. Through layered authentication practices, dealers and lenders can vet consumers properly, accurately, and thoroughly at the first point of contact to develop a baseline for subsequent interactions with each consumer. This enables businesses to determine if consumer behavior is consistent or if there's an anomaly that might indicate fraud. The impetus to get digital authentication right the first time provides dual protection for the business and the consumer.

Fraudsters know there is no single-source tactic to steal a victim's identity or perpetrate into the inner system of a business. Businesses involved in the automotive industry are also realizing that there is no single-source tactic to fraud prevention and are now taking important steps to cover all possible bases to thwart the rising threat of fraudulent activity. ■