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Best practices - Addendum window stickers

by Gil Van Over

This year's columns have been dedicated to describing this whole thing called compliance. We are now in the process of describing best practices that, if implemented, are designed to help reduce exposure to litigation and regulatory inquiries. Today's topic is the use of addendum window stickers.

Federal Requirement

There is not a federal law governing the use of addendum window stickers. These addendums are generally used on new vehicles to add to the cost displayed on the Monroney Label. The display and use of the Monroney Label is governed by a federal law and will be the subject of next week's Compliance Corner.



Dealers Attacked

Some dealers have faced attacks from the state Attorney General or the Division of Motor Vehicles or the plaintiff's bar over the use of addendums. The attacks are not generally about the dealer's right to set vehicle pricing, but rather about perceived deceptive methods of adjusting vehicle pricing.

Perceived Deceptive Addendums

Some of the risks a dealer runs when using addendums include:

The added items listed on the addendums do not appear to support the amount of the additional mark-up. For example, charging \$5,000 for pinstripes would seem to be a bit much.

The items listed on the addendum are non-existent. Kind of like phantom pinstripes.

The mark-up is for a list of items that are not individually priced. Having a list of tint, pinstripes, door edge guards, wheel well enhancements and a rear spoiler for a group price does not play well.

Including soft adds that have a benefit or a warranty to the consumer, such as etch or environmental protection products.

Inconsistent pricing between the addendum price and the starting price on the sales documentation, specifically if the starting price is higher than the addendum price.

Having Market Value Adjustments on every car in inventory, even those which have been in inventory over a year.

Dealer's Best Practice

A dealer who is intent on using addendum window stickers as part of its selling strategy should consider these best practices to help avoid charges of deceptive selling:

Every product listed on the addendum be fairly priced, separately priced and physically installed on the vehicle prior to offering the vehicle for sale.

Only include hard adds.

Only consider Market Value Adjustments if the vehicles are truly in short supply.

The addendum price is the starting point in the sales negotiation.

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