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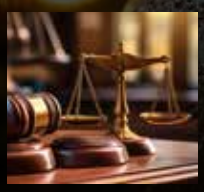
THE FRONT ROW

THE MAGAZINE FOR WASHINGTON INDEPENDENT AUTO DEALERS SINCE 1988

New Year, New Tools:
Dealer Education Launch & Important 2026 Tax Updates

Fines of the Times: Dealers face growing compliance challenges with hefty fines

The Best Thing a Dealer Can Do to Avoid Legal Problems



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- New Years Week sale Wednesday, December 31 | Sale start 9:00am PT
- Auction Closed Thursday, January 1 – Gates open on regular schedule

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DIRECTOR'S MESSAGE

New Year, New Tools: Dealer Education Launch & Important 2026 Tax Updates

BY RICK OLSON, DIRECTOR

The final month of 2025 has arrived with many expectations for the next year. Some will come as a shock, others may not, but let's see if we can help your dealership with the details.

New Education platform is ready:

We have finally launched the online education platform for our dealers to experience. The plan for several years was to convert to a more simplified and up-to-date educational option for dealers to utilize if they could not attend our physical meetings, convention or live courses.

You will be able to access the education through your login for our website or by logging in through *wsiadainstitute.com* on your desktop computers. There are just a handful of options available for dealerships to access, but we will be adding more each year.

The goal of this system is to allow dealerships to have more training readily available with subjects like professionalism, daily operations, accounting, marketing, and others. These will be available to you and your staff, and the credit for the attendance remains with the dealership.

New Taxation begins January 1, 2026:

The year will begin with increases in existing taxes after the 2025 Legislation to offset the budget shortfall. Business & Occupation Tax and Vehicle Sales Tax are just some of the existing taxes that will be increased.

Then there is the 8% Luxury Sales tax for any vehicle with a price of $100,000 or more.

Several questions about this tax have come to light during the regional chapter meetings and the easiest way to explain is that if your vehicle's base price is over $100,000, then the 8% has to be factored in.

The tax is not activated if you calculate trade-ins, sales tax, licensing fees, and/or service contracts into the cost. If your base sticker is $73,000 and these are added in to reach $100,000, the Luxury tax does not get applied.

A constant reminder: it is illegal under Washington State Laws to pass along Business & Occupation tax to a customer. This should be built into the purchase price of the vehicle.

DAA Celebrates WSIADA members in December

The association is always grateful for the support that we receive from our friends at MAG Auctions. Each year, MAG Auctions provides an extra benefit for active members of the Washington State Independent Auto Dealers Association with a month of celebration.

On Friday, December 5th, members who come to visit DAA Seattle's location and meet with me and the staff at our table will receive a punch card with an extra auction bonus of $500. This punch card is only available on the 5th to be given out to those who are there in person. They will not be available digitally or at other time after the December 5th.

In addition, each Friday there will be an additional giveaway at the checkout during the remainder of December. Don't miss out on the extra savings!

Lastly, on behalf of WSIADA, I want to wish everyone peace, joy, and meaningful moments with those you love this holiday season and throughout the coming year. ■

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WSIADA
As the holiday season draws near, we want to take a moment to share our sincere appreciation for being part of our community. Your continued support and commitment have made this year truly special, and it's been our privilege to serve you.
Wishing you and your loved ones a joyful holiday season filled with warmth, happiness, and celebration. Here's to a bright new year ahead, full of health, success, and wonderful opportunities!

Fines of the Times

By Penelope Bell, Associate at Automotive Compliance Education (ACE) and gvo3 & Associates

Fines, fines, everywhere the fines … Oh wait, that is supposed to be "Sign, sign, everywhere a sign," from the 1970 hit "Signs" by Five Man Electrical Band. The song was later covered by Tesla – the band, not the automaker – in 1990. That is the version I remember, as I was not alive in 1970. But the change to the lyrics is appropriate to fit today's litigious environment. We are seeing penalties and violations all around us, and the auto industry is no exception.

Let's discuss some of the violations dealers should be cognizant of and the associated penalties.

OFAC: Up to $1.5M

Controlled by the U.S. Department of the Treasury, the Office of Foreign Assets Control oversees and enforces economic sanctions against groups of individuals, such as terrorists, drug dealers and money launderers. They are known as specially designated nationals, or SDNs, and OFAC is responsible for maintaining a current list.

OFAC must be checked on all types of transactions — cash, wholesale, retail and lease. Dealerships have several resources they can utilize to conduct OFAC checks, including third-party software providers. You can also perform a "Sanctions List" search at ofac.treasury.gov or use the analog approach of downloading the list and manually searching through the names.

Civil penalties for noncompliance range from $80,000 to over $1.5 million per occurrence, and the fines are adjusted annually. In addition to civil fines, criminal penalties can include up to 20 years of prison time.

The auto industry is no exception to the penalties and violations we're seeing all around us.

Red Flags Rule: $3,500

The Federal Trade Commission's Red Flags Rule states that every dealer is obligated to have an identity theft-prevention program in place to minimize the chances that a thief can use a victim's personal information to obtain a vehicle. You must also ensure consistent application of the program on every transaction.

For more information regarding implementation of a Red Flags policy, I am going to refer to an article I wrote last month, "How to Clear a Red Flag," August 2025, page 40, which includes recommendations to address red flags.

Civil penalties for failure to comply with the Red Flags Rule result in a $3,500 fine per violation.

Used Car Rule: $53,000

The FTC also oversees the Used Car Rule. The purpose of the rule is to provide the consumer with information about the warranty on a used vehicle.

To avoid violations, regularly check the Buyers Guides for completion, accuracy and to ensure the guides are adhered to and prominently displayed on all used vehicles and demos for sale.

Failure to comply with the Used Car Rule can result in steep penalties of $53,000 per violation for the dealer.

IRS Form 8300: $25,000

The Financial Crimes Enforcement Network, also known as FinCEN, is the agency that controls the recording and record-keeping of Internal Revenue Service Form 8300. Dealerships and financial institutions are required to complete the form for transactions involving a cash payment of over $10,000.

This form provides a trail for authorities to investigate criminal and terrorist activity. It is required for three types of cash transactions:

- A single cash transaction involving more than $10,000
- Any two or more related transactions that involve more than $10,000 in cash
- Any suspicious transaction that has the appearance of money laundering, even if it is under $10,000

Keep in mind that cash is not limited to U.S. currency. If a cashier's check, traveler's check or money order is less than $10,000, it is considered a cash instrument.

The IRS will impose a $25,000 penalty if a dealer intentionally or willingly fails to file a Form 8300.

Having a process in place to ensure accuracy and completion for these areas of compliance is a road sign to success and the best way to avoid any penalties and violations at your dealership.■

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OUR STORY

My Puget Sound Commercial is a full service commercial real estate company in partnership with the founding company My Puget Sound Realty of Keller Williams. The team started in 1999 and has been in the top producing real estate teams in the South Sound Region for decades and now a small organization ranking #1 for the last 8 years.

Our Commercial Division was founded by Austin Scarsella whose family has handled all types of commercial sales and holdings of real estate for generations. The team of MPSC is knowledgeable, results driven and backed by the most innovative, scalable technologies that the commercial real estate industry has to offer.

We offer investment opportunities and strategies. We specialize in Multi-Family, Industrial, Retail, Office and Small Businesses. We strive to provide unparalleled professional, and comprehensive services to our clients.
By putting our clients first we can ensure that your goals can be met.

Our commitment to every project and client is dedicated to local services and we are licensed within the State of Washington; and directly connected to the South Sound Region. We provide a full range of services to assist in meeting the needs of our clients every step of the way. We also have commercial partners across the nation for your out of area investments.

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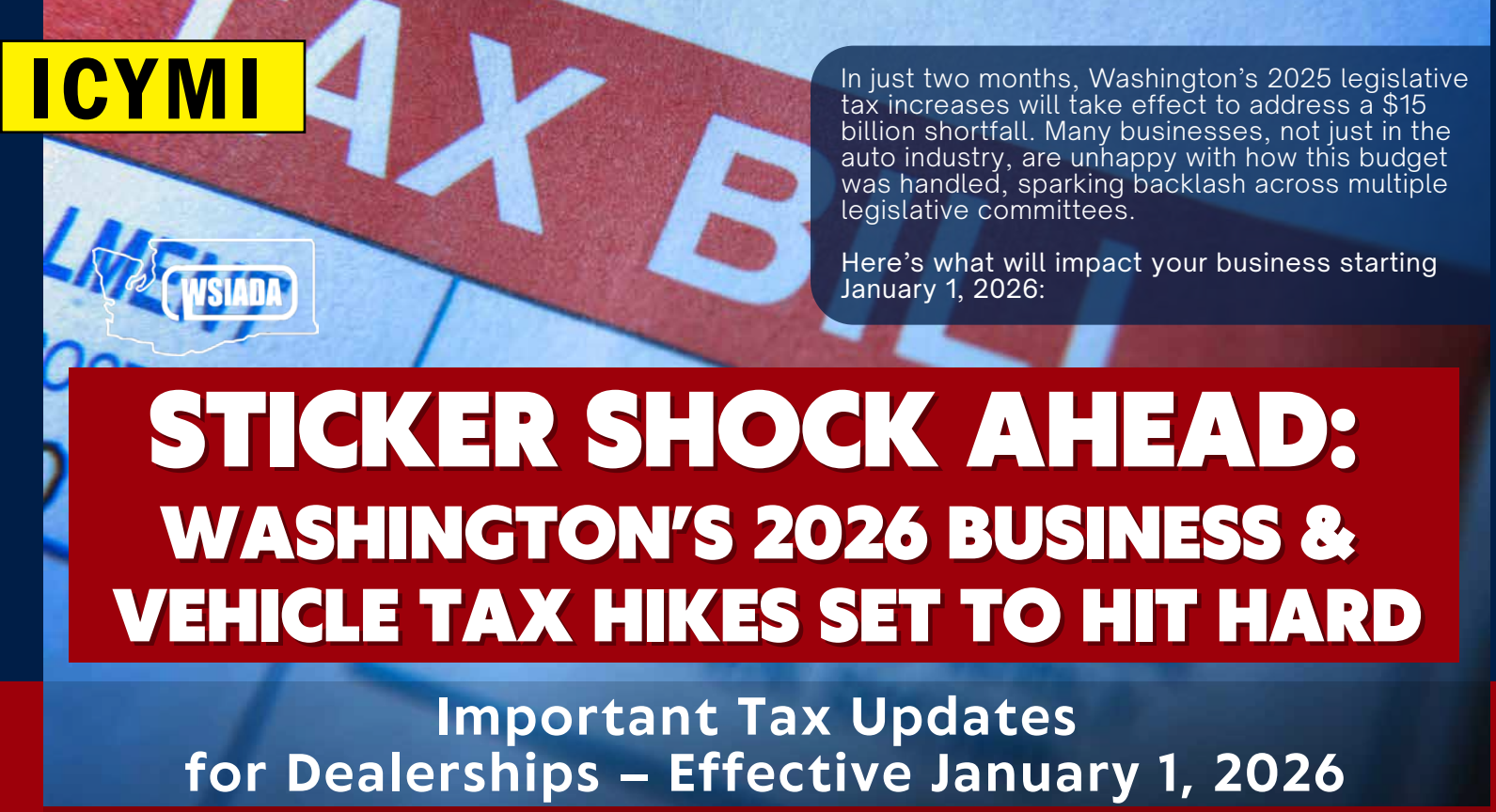

ICYMI

In just two months, Washington's 2025 legislative tax increases will take effect to address a $15 billion shortfall. Many businesses, not just in the auto industry, are unhappy with how this budget was handled, sparking backlash across multiple legislative committees.

Here's what will impact your business starting January 1, 2026:

STICKER SHOCK AHEAD:
WASHINGTON'S 2026 BUSINESS & VEHICLE TAX HIKES SET TO HIT HARD

Important Tax Updates for Dealerships – Effective January 1, 2026

B&O TAX

Increasing from 0.47% → 0.5%

- Surcharge is temporary and expires on 12/31/29.
- It's a gross receipts tax measured on the value of products, gross proceeds of sale, or gross income of the business.
- It's the responsibility of a business selling goods and services to consumers and cannot be listed as a separate line item on an invoice. This violates the Washington State Consumer Protection Act.

VEHICLE SALES TAX

Increasing from 0.3% → 0.5%

- Is added to the retail sales tax for your business location when selling a vehicle to a customer.
- Ex: Auburn retail sales tax is currently 10.3%. If a vehicle is sold by a dealership in Auburn, the sales tax would include the Vehicle Sales tax and become (10.3% + 0.5%) 10.8% to the customer with their purchase
- This tax is deposited into the General Fund to support state-funded services.

LUXURY TAX (NEW)

8% tax on vehicles priced over $100,000

- A new tax specifically targeting luxury vehicles with 8% tax with an annual increase of 2% beginning 7/1/26.
- According to the IRS, this includes: Most standard cars, SUVs, vans, trucks.
- A trade-in vehicle's value is not deducted from the selling price when calculating tax liability.
- Exemptions: Gross Vehicle weight rating over 10,000lbs., i.e. commercial vehicles.

PLAN AHEAD NOW TO ENSURE COMPLIANCE AND PROTECT YOUR DEALERSHIP.

WSIADA can help ensure your dealership is ready for the transition.

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FROM ZERO TO AI:

How Dealers Can Start Using Artificial Intelligence Today

By Todd Smith, CEO of QoreAI

Walk into most dealerships and ask about AI, and you'll hear the same thing:

"That's just another vendor fad. We tried it and it didn't work. I don't even know where to start."

All fair reactions. Dealers have been burned by technology promises before. The problem isn't that AI can't deliver, the problem is most people have been sold AI wrong.

AI isn't about robots selling cars. It's about using tools already in your hands to work faster, smarter, and with more precision than the store down the street.

This isn't optional. Dealers who build AI habits today will have a structural advantage tomorrow. Let's cut through the noise and get practical about how you can start using AI in your dealership immediately.

The Pushback You'll Hear (and Why It's Wrong)

"It's just another vendor fad."
Yes, some vendors slap "AI" on their product without changing anything. That doesn't make the technology a fad. AI is already embedded in search engines, CRMs, inventory tools, and even your phone. The question isn't if AI will stick, it's whether you'll control how it's used in your store.

"We tried it and it didn't work."
Most failed attempts came from either bad prompts or trying to bolt AI onto old processes. The fix isn't giving up. It's starting small, getting reps in, and learning how to ask AI the right way. Think of it like a new salesperson: rough at first, valuable once trained.

"I don't know where to start."
That's the easiest problem to solve. Start with one department, one problem, and one prompt. You don't need a platform rollout or vendor pitch deck. Just start testing.

The Myths Holding Dealers Back

Myth 1: AI replaces people.
Wrong. AI is a collaborator, not a replacement. Just like CRMs didn't eliminate salespeople, AI won't eliminate dealership staff, yet. It makes people more effective, now.

Myth 2: You need a tech team.
You don't. Most AI entry points are no harder than typing into Google. The skill is in asking the right question, not coding.

Myth 3: It's all about Chatbots and Voice AI.
The fastest wins aren't futuristic robots greeting customers. They're day-to-day tasks: summarizing data, writing follow-ups, analyzing performance, and creating marketing campaigns faster.

Where Dealers Can Start Today

Here's how every role in the store can begin using AI immediately:

General Managers

Summarize reports: Securely upload your OEM program guide or monthly financial statement and ask AI to give you the five biggest takeaways.

Vendor management: Drop a contract into AI and ask for a summary of key risks, obligations, and renewal terms.

Sales Managers

CRM notes coaching: Paste in a salesperson's CRM notes and ask AI to highlight missed opportunities or better ways to phrase follow-ups.

Roleplay coaching: Use AI to simulate customer objections so salespeople can practice real scenarios before they hit the lot. Or use this free GPT I built on a plane ride to learn and practice how to handle tough conversations.

Service Advisors

Customer-friendly explanations: Turn technical repair notes into plain English customers actually understand.

Proactive outreach: Ask AI to draft short, polite reminders for customers due for service before their warranty expires.

BDC Teams

Appointment scripts: Use AI to test and refine call scripts that increase show rates.

Personalized email: Generate variations of outreach emails to avoid sounding canned and increase engagement.

Marketing Directors

Campaign drafts: Create ad copy variations for Facebook, Google, or direct mail in minutes.

Segmentation ideas: Securely feed in customer lists and ask AI to group by behavior, like "customers with two prior purchases who haven't serviced in 12 months."

The Secret Weapon: Prompting

The difference between junk results and game-changing output is how you ask the question. Dealers don't need to "learn AI." They need to learn how to prompt.

Bad prompt:
"Write an email for service."

Good prompt:
"Write a short, friendly email reminding a customer their Honda Accord is due for service. Keep it under 100 words, include a call to schedule, and emphasize convenience."

A simple three-step framework works across the store:

1. Context – Who/what are we talking about?
2. Task – What do you want it to do?
3. Constraints – How long, what tone, which audience?

Get those three right, and AI stops being a gimmick.

Real-World Examples

This isn't theory. Dealers are already using AI in ways that save time and money:

- A GM saved two hours by asking AI to turn 20 pages of OEM program updates into five action items.
- A Service Manager used AI to identify customers about to roll out of warranty and drafted outreach scripts that filled service bays.
- A Marketing Director tested five ad variations in minutes instead of waiting a week on an agency. The winning ad doubled response rates.

Pitfalls to Avoid

AI works, but only if you approach it the right way.

- Over-trusting: AI isn't perfect. Always fact-check outputs.
- Overcomplicating: Don't chase integrations or big platforms until your team has mastered prompting.
- "Set it and forget it" thinking: AI is a teammate. It's only as good as the people using it.

Building an AI Muscle in Your Store

Success comes from turning AI from a novelty into a habit. Here's how to make it stick:

- Assign an AI Champion in each department, someone curious enough to test, document, and share wins.
- Run weekly AI experiments. Fifteen minutes is enough. Example: "This week, let's use AI to rewrite our trade-in emails."
- Track measurable wins. How many hours saved? How many more customers responded? Did CSI scores improve?

Over 90 days, this creates an "AI muscle" in the dealership. Staff start reaching for AI the way they reach for their phone.

Why This Matters

AI won't replace the personal trust between a dealer and their customer. But it will change which dealers thrive.

- Dealers who embrace AI will run leaner, faster, and with more precision.
- Dealers who ignore it will spend more, wait longer, and fall behind competitors who deliver better customer experiences at lower costs.

This isn't about chasing shiny tech. It's about winning the race for efficiency and customer loyalty.

Do This Today

1. Pick one area—sales follow-up, service outreach, or marketing campaigns.
2. Write three prompts using the context-task-constraints formula.
3. Test the results against your current process.
4. Share the win with your team.

That's it. No integrations, no consultants, no budget meetings. Just execution.

AI isn't coming, it's already here. The difference between winners and losers won't be who buys the most tools. It will be who builds the habit of using AI to work smarter every day.

Dealers who start now won't just save time. They'll create a culture of intelligence, speed, and adaptability that competitors can't touch.

Stop waiting. Start prompting. Your future margin depends on it. ■

Senate bill seeks to end prosecution for diesel emissions control 'deletes' and 'tunes'

By CDLLIFE

On October 15, 2025, Senator Cynthia Lummis introduced "The Diesel Truck Liberation Act," *[lummis.senate.gov/wp-content/uploads/Diesel-Truck-Liberation-Act.pdf]* a bill that seeks to protect individuals from prosecution for removing or altering emissions control devices in diesel trucks, a practice often referred to as a "tune" or a "delete."

Lummis said that if passed, the bill would "end the Obama and Biden EPA's war on truck owners and mechanics."

The bill includes the following four provisions:

1. Prohibits the federal government from requiring manufacturers to install or maintain emissions control devices or onboard diagnostic systems.
2. Removes EPA authority to enforce Clean Air Act requirements related to vehicle emissions controls.
3. Individuals cannot be prosecuted or sued under federal law for tampering or improving emissions equipment.
4. Vacates existing prison sentences for emissions-related violations and expunges criminal and civil records related to these offenses.

A Wyoming Senator introduced legislation that would put a stop to enforcement of diesel emissions control tampering rules.

Lummis said that she was inspired to introduce the bill by the story of diesel mechanic Troy Lake, a Colorado business owner who was sentenced in December 2024 to 12 months and 1 day in custody and a fine of $2,500 after he pleaded guilty to conspiring to violate the U.S. Environmental Protection Agency's (EPA) Clean Air Act.

In pleading guilty, Lake admitted to instructing employees to disable the computerized on-board diagnostic (OBD) systems on at least 344 heavy-duty commercial trucks, which violates the Clean Air Act's prohibition against tampering with monitoring devices.

"The Biden EPA threw Troy Lake and other mechanics in prison for keeping school buses, fire trucks, and ambulances running in cold, harsh climates," said Lummis. "When Washington bureaucrats can make you a criminal without Congress ever voting on it, we have a huge problem. I want this overreach to end. Democrats weaponized the EPA to wage war on rural America, and we cannot let that happen again. This legislation is the first step toward justice and sanity." ■

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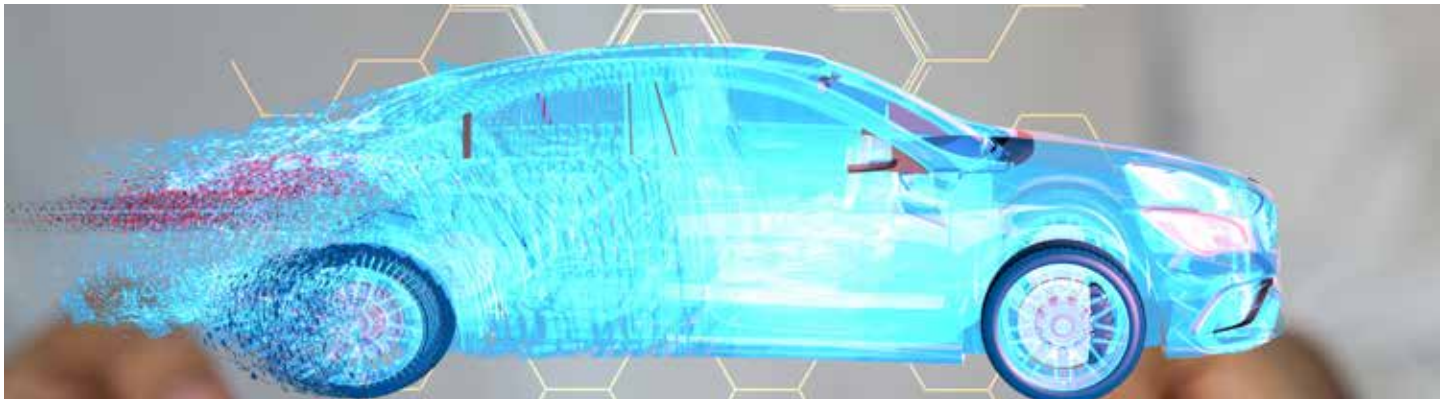

INDUSTRY ALERT

Dealer Confidence Is Dipping: Here's How to Stay Profitable Anyway

Learn how to protect margins, capture every lead, and build stronger customer relationships.

By AutoRaptor

The latest Haig Partners Dealer Confidence Survey shows what many independent dealerships already feel: margins are shrinking, costs are rising, and confidence in the market is dipping.

But here's the good news: dealerships that focus on efficiency, customer relationships, and technology adoption are outperforming peers, even in uncertain times.

This article breaks down what falling dealer confidence really means and gives you practical steps to stay profitable in 2025 and beyond.

Why Dealer Confidence Is Falling

- Rising operating costs: From staffing to advertising, every expense feels higher.
- Shifts in consumer demand: EV uncertainty, used car fluctuations, and cautious buyers.
- Pressure on margins: More price transparency online, making it harder to hold gross.

According to the Haig Partners survey, more than half of dealers expect lower profits in 2025 compared to 2024.

What It Means for Independent Dealerships

Confidence dips don't mean the market is collapsing. They mean dealers must run smarter.

- Independent dealerships face tighter marketing budgets.
- Sales teams can't afford missed follow-ups.
- Customer loyalty is more valuable than ever.

4 Steps to Stay Profitable

1. Capture Every Lead

Every lead counts. A modern CRM ensures:

- No follow-ups slip through.
- Text, email, and calls are tracked.
- Managers can see activity in real time.

2. Protect Your Margins

- Use CRM reporting to identify low-ROI ad sources.
- Focus on repeat and referral customers (cheaper to convert).
- Coach sales teams to sell value, not just price.

3. Strengthen Customer Relationships

Consistent follow-up builds trust.

- Use personalization: reference past vehicles, anniversaries, and service milestones.
- Leverage AI tools, like AutoRaptor's AI Sales Assistant, to re-engage dormant leads.

4. Train Your Team Smarter

- Use call recording and AI transcription to coach salespeople quickly.
- Track lead handling KPIs.
- Reward consistency, not just closing big deals.

Dealer confidence may be dipping, but profitability is still within your control. Independent dealerships that embrace smarter processes, build stronger relationships, and use the right tools are the ones that thrive. ■

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The Best Thing a Dealer Can Do to Avoid Legal Problems

BY TERRY O'LOUGHLIN, F&I+SHOWROOM

I had the pleasure of addressing a 20 Group recently regarding the current legal culture. The exasperation of the assembled dealers was palpable, as it normally is when dealer prosecutions are discussed. I always emphasize at these meetings that dealers need to track the approach taken by regulators: simple legal analysis.

Law School and Legal Analysis

I thought that I would study the various bodies of law when I began law school, reading each statute and regulation. Law students most certainly read these bodies of law ultimately, but the primary focus of law school is identifying key issues from fact patterns, ascertaining which laws apply, and reaching a result. Dealers should also employ this kind of thinking, considering their many compliance obligations.

IRAC – It's Not a Nation in the Middle East

The acronym IRAC means issue-rule-application-conclusion. Dealers and their designates, such as general managers, finance managers and compliance officers, need to understand this thought process to be proactive and effective. The compliance obligatory imperatives are quite numerous, as indicated below. I related to this 20 Group that I probably could visit their stores and find something wrong, even though they may have a rigorous compliance program, as the legal challenges for dealers are so many. Dealers should focus more on the issues that can get them into trouble.

Why IRAC? Dealers' Compliance Obligations

Dealers may be in the most regulated business in the United States as the following indicated NADA publication so pointedly illustrates. They must attempt to follow all these laws, but like law students, they need to especially focus on the key issues where regulators are focusing their attention.

The partial list of dealer compliance imperatives is contained in an excellent publication by the National Automobile Dealers Association, "Regulatory Maze," which is available online. Every dealer should have a copy of this publication and study it. Their financial existence is at risk for infractions of these laws.

Dealers would better protect themselves from legal minefields by adopting more of a lawyer mindset when considering the various regulations they're bound to.

IRAC Also Applies to Regulators

It's important to note that IRAC also applies to regulators. Dealers should pay attention to the typical and current issues being prosecuted. Regulating agencies are pulled in various directions. For example, state attorneys general address issues regarding antitrust, civil litigation, criminal appeals, Medicaid fraud, lemon law, consumer protection, and so forth. Which issue is pressing on your attorney general's office presently? Inquiring dealer minds should want to know.

The Dealer Regulatory Hit List

The Vehicle Shopping Rule/ CARS Rule has taken a detour. Various issues identified in this defeated rule remain, but which ones? A neutered Consumer Financial Protection Bureau, defanged Federal Trade Commission, and uncompromised state agencies will continue their grim trudge to prosecute dealers. With over 150 potential Unfair or Deceptive Acts or Practices infractions, there are many pitfalls for dealer liability. Every dealer should understand UDAP.

Advertising is a chronic and everlasting issue for dealers due to its prominence and ease of prosecution. Dealers should pay heed to their advertising in its many forms. In the past year, a major dealer association was informed that its membership will now be targeted by the attorney general for violations. This same attorney general's office hadn't been prosecuting advertising infractions for many months but now will be doing so with severity.

In addition to false advertising, other issues which have risen to prominence in the past few years are price and fee transparency, discrimination, junk fees, and applying joint and several liability, i.e., both dealer and employees, such as general managers, would be responsible for paying all the penalties, together or separately.

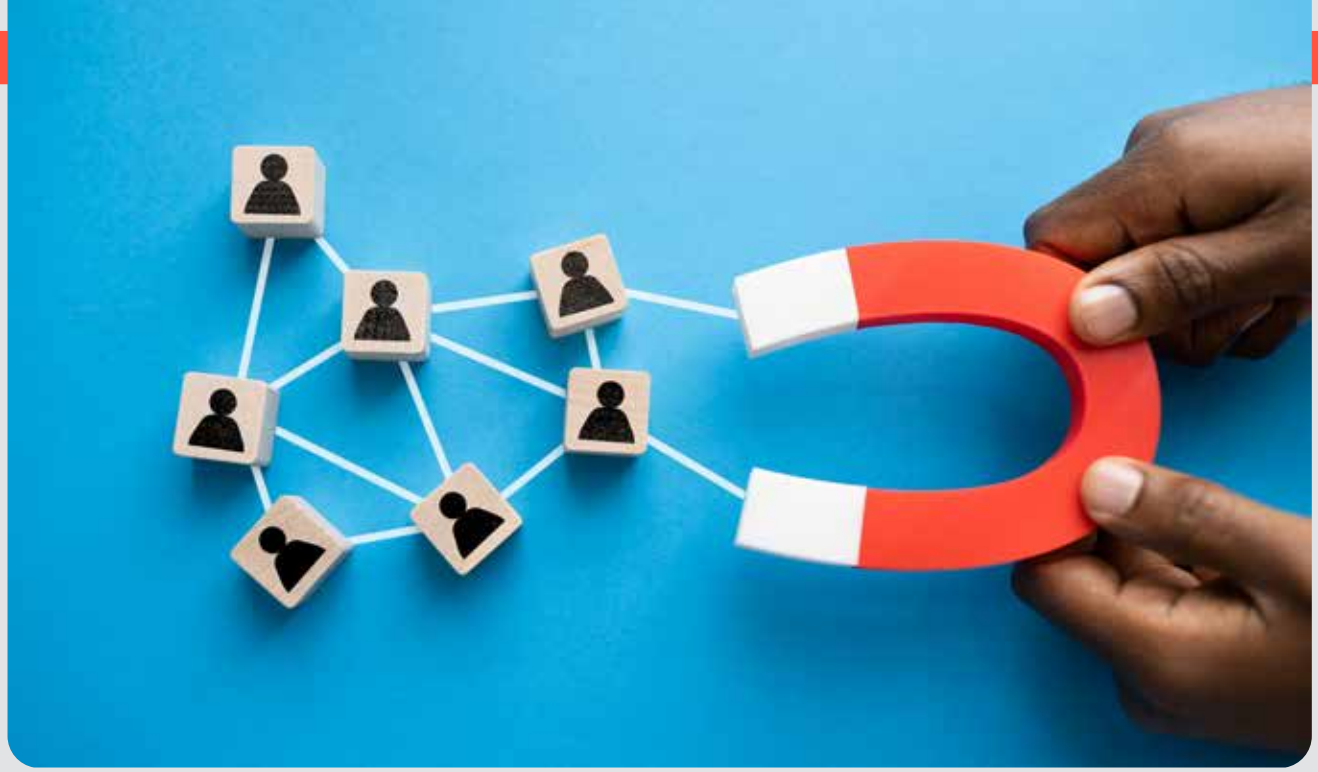
Moreover, states, most notably California, are proposing their own CARS rules. Other states, such as New York and Massachusetts, have passed new laws regarding UDAP and junk fees. Pennsylvania also passed related legislation.

The hit list will continue.

Exasperation – Compliance Is Inescapable

The ancient yet continuously relevant philosophy of Stoicism posits that one should accept what is, rather than fight it. Compliance is. Dealers need to accommodate this reality and deal with it by tracking key issues and preparing today for tomorrow. Cite the issue. ■

Terry O'Loughlin is director of compliance for Reynolds and Reynolds and is admitted to the Pennsylvania and Florida bars. Before joining Reynolds, he was employed by the Florida Office of the Attorney General, where he investigated automobile dealers and financing sources. He previously was a public accountant.



Are Recalls the Untapped Key to Customer Retention?

BY BILL SPRINGER, DRIVESURE

It's easy to treat recalls like a headache. They clog up the schedule, frustrate customers, and don't exactly make anyone excited. But what if that "problem" is actually one of the most powerful opportunities in fixed ops?

According to Chris Miller, Founder & Chairman of Recall Masters, recalls aren't just compliance tasks. They're actually one of the best tools dealerships have to win back lost customers, strengthen loyalty, and grow revenue.

Handled the right way, recall visits can transform a negative into a positive, bringing customers back more often, generating additional revenue, and creating trust that lasts long after the initial repair.

RECALLS: FROM BURDEN TO RETENTION LEVER

Customers and OEMs may dread recalls, but dealerships shouldn't. Recalls bring in customers who may not have been back for 9–18 months — people on the brink of being lost forever.

Handled with care, a recall visit:

- Gets overdue vehicles back in the lane
- Reintroduces customers to the dealership experience
- Generates revenue beyond warranty work
- Sets up repeat visits and even vehicle purchases

In fact, studies show that 40–50% of recall responders return within a year, nearly double the baseline retention rate.

THE HARD TRUTH: HALF OF RECALLS GO UNREPAIRED

Here's the surprising stat: over 50% of vehicles with parts-available recalls leave the service lane unrepaired.

That's not just a compliance issue; it's a customer experience failure. When a driver finds out after the

fact that their dealership didn't fix a recall during their last visit, trust takes a hit.
Chris recommends treating recalls as a department-wide responsibility, not just a service-lane checklist. That means integrating recall checks into:

- Online scheduling and BDC calls.
- Service advisor intake processes.
- Multi-point inspections and advisor scripts.

THE FINANCIAL UPSIDE DEALERS MISS

For dealerships that take recalls seriously, the payoff is huge:

- Typical recall campaigns deliver a 20:1 gross revenue ROI, sometimes up to 50:1
- More than half of recall-related revenue is customer-pay parts and labor
- Roughly 1 in 10 recall customers return to purchase their next vehicle from the dealership

And the OEM side benefits too. On average, recalls drive about $60 in customer-pay parts sales per visit, proving that manufacturers aren't just losing when a defect surfaces.

A LEXUS LESSON: TURNING NEGATIVES INTO POSITIVES

Chris shared one of the most famous stories in fixed ops: when Lexus launched in the U.S., it had to issue an immediate recall. Instead of panicking, they assigned a dedicated contact to every affected customer, personally walking them through the process.

The result? Lexus built a reputation for exceptional service and loyalty that still defines the brand decades later.

The takeaway: recalls can either reinforce negative perceptions or become a legendary loyalty moment.

THE DATA ADVANTAGE: WHY CONTACT QUALITY IS EVERYTHING

80% of campaign success depends on data quality. That's why Recall Masters pulls from dozens of sources to identify the right owner and ensure accurate contact info.

By layering in email, phone, direct mail, and text outreach with a tested cadence, they consistently hit 25–50% response rates. Direct mail still drives the long tail, while texts and emails generate quick wins.

WHAT BEST-IN-CLASS RECALL HANDLING LOOKS LIKE

The difference between an average and world-class dealership is drastic. Chris outlined what leaders do differently:

- Integrate recalls into scheduling: set expectations and add time for repairs upfront
- Confirm parts availability before outreach, avoiding frustration
- Train advisors with customer-friendly language ("covered at no cost" vs. "recall work")
- Deliver a VIP experience during recall visits: loaners, shuttle service, car wash, MPI with video
- Follow up on declined work with incentives to bring customers back within 30–90 days

LOOKING AHEAD: SOFTWARE RECALLS AND PREDICTIVE ANALYTICS

Recalls aren't going away, especially as vehicles become "computers on wheels." While some issues will be fixed through over-the-air updates, mechanical recalls will remain. And they'll often be tied to higher-cost parts and more profitable repairs.

Additionally, with predictive analytics, Recall Masters is spotting patterns that forecast future defects based on build data and parts usage. This means dealerships could soon have the ability to prepare for recalls before they're officially issued.

FINAL TAKEAWAY: RECALLS ARE RETENTION GOLD

It's easy to see recalls as an annoyance. But the numbers tell a different story: done right, they're one of the most effective ways to bring back lost customers, generate new revenue, and build long-term loyalty.

The dealerships that embrace recalls as part of their retention strategy will be the ones that win the loyalty battle in the years ahead. ■

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CIRCLE THE CORRECT ANSWER.

1 According to the article, what is the main reason many dealerships fail when trying to use AI?

A) They don't have a tech team
B) They use the wrong software
C) They rely on bad prompts or outdated processes
D) They spend too much money on AI platforms

2 Which of the following is one provision of Senator Cynthia Lummis's proposed Diesel Truck Liberation Act?

A) It increases fines for emissions tampering violations
B) It grants the EPA more authority over vehicle emissions
C) It vacates existing prison sentences for emissions-related offenses
D) It requires new onboard diagnostic systems for diesel trucks

3 Which of the following violations carries the highest potential fine for auto dealers?

A) Red Flags Rule — $3,500 per violation
B) Used Car Rule — $53,000 per violation
C) IRS Form 8300 — $25,000 per violation
D) OFAC — over $1.5 million per occurrence

4 According to Chris Miller of Recall Masters, what is the biggest missed opportunity when dealerships treat recalls only as compliance tasks?

A) Losing out on potential ad revenue
B) Missing chances to build customer loyalty and retention
C) Reducing technician training opportunities
D) Increasing warranty reimbursement time

5 What percentage of recall-related revenue typically comes from customer-pay parts and labor?

A) 25%
B) 40%
C) More than 50%
D) 10%

6 According to the article, which area remains a chronic and high-risk issue for dealership prosecution?

A) Warranty claims
B) Advertising practices
C) Inventory pricing
D) Employment contracts

7 According to the Haig Partners Dealer Confidence Survey, what is one key reason dealer confidence is falling?

A) Excess vehicle inventory
B) Rising operating costs and shrinking margins
C) Decreased government incentives for EVs
D) Fewer dealership acquisitions

8 What does the article suggest as the first step to begin using AI in a dealership?

A) Hire a technology consultant
B) Create a full-scale AI rollout plan
C) Start with one department, one problem, and one prompt
D) Purchase a chatbot system

9 Which rule requires dealers to have an identity theft-prevention program in place?

A) OFAC
B) Red Flags Rule
C) Used Car Rule
D) IRS Form 8300

10 What does the acronym IRAC stand for in the context of legal analysis and dealer compliance?

A) Issue – Rule – Application – Conclusion
B) Identify – Review – Act – Confirm
C) Investigate – Respond – Adjust – Conclude
D) Interpret – Regulate – Apply – Conform

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