



NADA Guiding Principles on

Evolving Business Models and the Dealer Franchise System

NADA POSITION STATEMENT ON

Evolving Business Models and the Dealer Franchise System



NADA and its dealer members recognize that the dealership business model is in a dynamic period of evolution, driven largely by technology and increased expectations of the customer experience.



NADA fully supports the dealer franchise system as the most consumer-friendly, effective, and efficient model of distribution and service for motor vehicles (ICE or BEV) in the U.S.



Both dealers and OEMs should publicly recognize and acknowledge these facts.

Franchise System

NADA is **FOR** using the dealer franchise system for all new vehicles sold and serviced in the U.S.

NADA is **FOR** each state applying its regulatory requirements to all entities allowed to sell motor vehicles in the state, and consistent enforcement of such requirements.

NADA is **AGAINST** the further creation of different sets of regulatory requirements for different OEMs for the distribution of motor vehicles in the U.S.

Downstream Revenue/ Subscription/Activation Services/OTAs

- A. OTAs that for **no charge** (i) repair the vehicle, (ii) perform safety or emissions recalls, or (iii) improve vehicle drivability or other performance are very popular and should not be the subject of dealer-promoted regulation (except to ensure cybersecurity, privacy, etc.).
- B. It is appropriate for dealers to pursue a role in distributing OTAs that deliver enhancements to the vehicle **in exchange for revenue**.
 - It is important for dealers both to distinguish between these two types of OTAs and to focus their attention on the latter.
 - Indeed, it is probably prudent to utilize a different term (such as “downstream revenue opportunities” or “accessories”) when discussing this second group of OTAs.

NADA is **FOR** dealers working with their OEMs regarding downstream revenue/ subscription/activation services to enhance the customer experience and create win-win solutions for dealers and OEMs.

NADA is **AGAINST** OEMs selling vehicle features directly to consumers without dealer involvement and revenue sharing.

Vehicle Inventory Allocation/Reservations/Build to Order (BTO)

NADA is **FOR** reservation/ ordering programs when the customer reservation/ order is placed via the dealer that the customer chooses.

NADA is **FOR** transparent pricing and delivery policies that are fully disclosed at or before the time the customer places the reservation/order and requiring OEMs and dealers to honor any commitments made at the time the customer places the reservation/ order.

NADA is **FOR** OEM vehicle allocation policies (including in connection with reservation/ordering programs) that are fair, transparent and administered in a consistent and non-arbitrary manner.

NADA is **AGAINST** inventory allocation/ reservation/ordering programs that fail to fully embrace the franchise distribution system.

Omnichannel/Customer Experience/Data Sharing

NADA is **FOR** dealers and OEMs sharing data pursuant to NADA's established Data Sharing Principles.

NADA is **FOR** dealers working with their respective OEMs to determine an optimal customer experience via two-way data sharing that creates win-win scenarios for dealers and OEMs.

NADA is **AGAINST** third-party vendor agreements that do not take proper dealer protections and interests into account.

NADA is **AGAINST** one-sided OEM agreements that only consider the OEM interests.

Business Efficiencies

NADA recognizes that there may be inefficiencies that could be eliminated in the interest of further improving customer satisfaction.

NADA is **FOR** identifying efficiencies that may lead to a reduction of costs inherent in distribution.

NADA is **AGAINST** OEM-to-dealer cost shifting that benefits the OEM only.



Source: NADA