



Colorado Automobile Dealers Association

ENDORSED PROVIDER PROGRAM

Policy and Guidelines

CADA Policy Statement

The philosophy behind CADA endorsements

The Colorado Automobile Dealers Association was founded in 1933 by a small number of Colorado dealers organizing to protest a federal excise tax that would raise the price of vehicles for their customers and hurt what relatively few sales were present at that time. The association has grown considerably since then—it now represents approximately 260 new car and truck dealers throughout the state. Colorado Automobile Dealers Association (CADA) is the voice of the automotive retail industry across Colorado, advocating on issues of importance to the auto industry to groups ranging from the United States Congress, the Colorado General Assembly, numerous federal and state regulatory agencies, city councils, the media, and the driving public.

To support these efforts, CADA leadership and management have created a business model that relies very little on membership dues—less than ten percent of total revenue. To earn non-dues income, we rely primarily on our services divisions and endorsed provider programs. Through the *CADA Endorsed Provider Program*, CADA carefully selects, recommends, and endorses certain products and services to members. By choosing to do business with these selected vendors, members are able to help fund CADA efforts on their behalf.

Your CADA board responds to dealers' needs

CADA's Endorsed Provider Program was designed for dealers and created to meet dealer needs. It serves as clearinghouse for information about the providers of the many products and services that most dealerships need. Many dealers do not have the time, expertise or available funding to thoroughly identify and research the many companies offering a particular product or service. The association on many occasions receives inquiries from dealerships looking for recommendations on companies that provide a certain type of product or service. The purpose of the Endorsed Services Program is to conduct that due-diligence on behalf of all members, on an ongoing basis.

Endorsements must meet eligibility requirements

CADA thoroughly reviews selected companies and evaluates their products and services for specific member benefits. If any of these companies do not meet CADA's quality standards, they do not receive an endorsement. Where necessary, CADA retains legal counsel, risk management specialists or other experts to conduct the due diligence that an individual member would not have the time or resources to perform.

Only those products and services of *major importance* to dealers—both large and small—are considered for endorsement after meeting one or more eligibility requirements:

- Those that improve dealer profitability
- Those providing protection to dealers such as insurance, environmental programs, and business forms and bonds.
- Those which support vital management operations, for example, data processing;
- Those having a critical legal impact between dealers and consumers, such as vehicle service contracts
- Those providing group purchasing power to dealers, for example, dealer buying cooperatives, telecommunications services, and business forms vendors.
- Those that support the dealer association in ways that improve service and member value.

Endorsement is tough to earn through a thorough review process

Before granting an endorsement, selected companies offering a like service or product that wish to pursue an endorsement are invited to participate in a complete review. Those companies responding are subjected to an examination of relevant areas, for example: their financial status; reputation; quality and value in relation to price; claims payment practices; marketing plan; service to dealer accounts; and when applicable, a legal and licensing review.

After gathering information, meetings are held with CADA staff and management personnel of companies considered most strongly. The review process is guided by the CADA Member Services Committee and leadership staff. An on-site inspection is made of company facilities where appropriate. Then a recommendation is made to your CADA Board of Directors. Only the Board has the power to grant an endorsement.

Your best interest is served

The companies chosen for endorsement are the ones offering the most *complete* service and providing the all-around best benefits to dealer members and their customers.

CADA has an ongoing watchdog role

Aside from the obvious benefits of using endorsed providers, members gain the benefit of continued monitoring by CADA. In any situation where a dealer experiences a legitimate problem with an endorsed company, the dealer can obtain the help of CADA for a solution – the dealer does not stand alone.

Dealer loyalty to endorsed services helps fund your association priorities

An additional benefit to dealer members is derived from the commission revenues received by your association. These revenues are without additional cost to members but provide income to CADA to make possible the association's wide range of services to members and help efforts to keep member dealers dues low.

Selection Criteria / Guidelines

Each endorsed product or services category will be thoroughly examined by CADA as to its relevance to the motor vehicle industry and dealership operations, according to the Eligibility Requirements outlined above. Each prospective endorsee should be compared to similar companies who wish to seek endorsement and a selection made to identify the vendor offering the most benefits to the broadest range of dealers and their customers.

Companies responding will be subject to an examination of:

A. Their financial status:

1. Dun & Bradstreet report
2. Certified audit of previous year's statement or Annual Stockholder's report
3. Best's Report (insurance companies only)

B. Reputation in their particular field in areas where they are operating:

1. Length of time in industry
2. Penetration in Colorado and nationally
3. Selective survey of dealer accounts
4. Recorded complaints (BBB, Consumer and state regulatory agencies)
5. Company growth

C. Quality of product or service:

1. Value in relation to price

D. Quality control:

1. Quality control procedures in the following areas:
 - a. Manufacturing
 - b. Administration
 - c. Field testing
 - d. Complaints (procedures and analysis)
 - e. Company personnel and training programs

E. Competitive pricing:

1. Complete retail price information on products/services
2. Commission or price to dealer:
 - a. Commission paid or net price
 - b. When and how commission are payable
 - c. Chargebacks on commissions paid:
 1. Basis for computing
 2. How handled
 - d. Volume purchase discounts/rebates
 1. When earned
 2. How paid

F. General Marketing:

1. Personnel representation: If by General Agent, give detailed information of General Agent
2. Company marketing, advertising, and promotional efforts
3. Company sponsored incentive programs:
 - a. Dealer

- b. Salesperson
- c. Association
- d. Other/managers
4. Geographic representation
5. Dealer agreement and termination provisions by either party (include sample dealer agreements)
6. Warranties or insurance agreements (include samples)
7. Marketing literature or brochures (provide samples)
8. Sponsorship of association events and activities

G. Service to Dealer Accounts:

1. Frequency of dealer contacts
2. Dealer training:
 - a. In-house
 - b. Seminars and Workshops
 - c. Technical service advice
 - d. Training manuals:
 1. Sales
 2. Claims handling and procedures
 3. Service
3. Personnel recruitment assistance
4. Geographic representation

H. Billing practices:

1. Frequency
2. Methods
3. Clarity of billing statement
4. Discounts, late charges, penalties
5. Transportation charges
6. Exchange and refund policies

I. Claims payments (or related support, when applicable):

1. Simplified claim filing
2. Approval procedures:
 - a. 800 phone number
 - b. Normal approval time
 - c. Claim verification and audits
3. Disputed claims or payment
4. Average turn-around time for payment
5. General claims administration procedures
6. Association contact (company liaison to handle complaints/disputes)

J. Legal and licensing review

1. Proof of proper current license(s) held by endorsee and personnel (proof of filing, per Colorado. Admin Code or statute)
2. Legal requirements met – federal and state
3. Supply association with all forms, agreements, contracts, warranties, and other documents relative to service or product considered for endorsement and used by company for compliance with applicable laws and implications on dealer and customer
4. Review of advertisements/point of sale materials

K. Provide recommendations and references

After obtaining all of the above information, meetings involving CADA staff and/or consultants where advisable will be held with the management personnel of selected companies being. A site inspection may be made of the finalist company's facilities by the Member Services Committee when appropriate.

A staff recommendation will then be made to the full CADA Board of Directors. Generally, the proposed endorsee will make a summary presentation to the Board. Then, if acceptable, the Board would grant the endorsement.

Contracting with Endorsee

When an endorsement is granted, a contract will be executed between the endorsee and the association.

The CADA endorsed vendor agreement should provide for the following:

1. Whether endorsement is exclusive or non-exclusive.
2. A specified term with termination provisions.
3. Service terms including lead development, monitoring of member satisfaction, promotional mailings, the right to use CADA logos and to mention the endorsement in written material, and exposure to CADA members at association meetings.
4. Non-dues Revenue:
 - a. Promotional service fee and/or commissions to be provided to CADA.
 - b. Commitment to provide financial support in the form of sponsorships for association events.
 - c. Commitment to advertise in CADA publications
5. Program requirements specific to the particular endorsement including provision for audit.
6. Other items as determined by mutual agreement of the endorsed vendor and CADA (and its professional counsel).
7. Arbitration clause

Monitoring

Dealer members rely on the credibility of CADA when selecting to place business with endorsed services or product vendors over others. Consequently, to protect and enhance the credibility of CADA and to protect member dealer interests, it is imperative that CADA monitor the performance of each endorsed company in regard to compliance with the terms of the endorsement agreement and the maintenance of quality and price competitiveness of the service or product endorsed.