

## **Trojan Horse Contracts**

### **A WARNING TO ALL DEALERS – IMMEDIATE ACTION REQUIRED!**

Many dealers have received an announcement from their computer vendor but many may have failed to respond appropriately. Like the Trojans of old, dealers need to react to this announcement before they open the walls of their dealership to this insidious Trojan horse.

A seemingly innocuous letter (The Trojan Horse) has recently been rolled past many a dealer's defensive gates. It notifies them of changes to their master contract. No details of the changes are included in this letter, leading most dealers to treat it simply as a courtesy announcement. Others called the Gillrie Institute and we did the research.

We found that the master contract is actually the defining document regarding the legal relationship between the dealer and a computer vendor. The changes are comprehensive and, in almost every case, they improve the vendor's position at the dealer's expense. The vendor has acted unilaterally - no dealer would ever opt to alter the contract in this fashion. Woe to the dealer who does not take the time to access the online document, examine the new terms and determine a defensive position. The gift horse is about to disgorge the hidden troops!

Dealers! Read the new terms and respond immediately by certified letter to your computer vendor. If you do not agree to the changes, it is imperative that you respond quickly as outlined in the new master contract. Some dealers are writing their vendors a short letter and saying "all the new changes are simply unacceptable".

### **What can I do today to cut expenses?**

#### **It all starts with the billing analysis**

All cost cutting programs begin with the statement, "How much are we paying for ..."?

In a dealership, technology represents the 4<sup>th</sup> largest expense and it can be the most difficult to understand. There are thousands of line items and it's hard to avoid the feeling that the confusion is intentional!

It's not just the main computer (or DMS) but also the network, phone system, key tracking system, PC's, printers, websites, third party software and more that need your attention.

A quick look at these items will result in a rather incomplete picture of the scope of the project. Surely you can decide to just cancel a product or put off a purchases but it is a different story when you want to keep the items that work for you and still reduce costs.

In spite of the byzantine nature of the billing a dealer receives, you may be able to figure out what you need to cancel. Now comes the hard part. Does your current vendor allow you to cancel some maintenance and reduce your monthly cost? You need a strategy and it's different for each vendor. As a consequence, dealers keep paying for hardware and software they don't need or want.

We can help. Send us your bill and we'll complete billing analysis at no charge and with no further obligation. Also include the bills for leases and third party solutions. We'll call you to explain what we found and help you formulate a plan.

It's not unusual for us to find that a dealer has not received the discounts that we know we can realize but they still have years left on their contract with the vendor. The vendor is not likely to offer to change the pricing without some incentive. In this market, with dealers jumping ship much more frequently, the dealer's leverage is to negotiate a new contract and a possible term extension. A dealer attempting this sort of negotiation would be well served by obtaining some help to identify the special contract terms that forestall periodic price increases and unwieldy staggered agreements. If you get concessions but the contract protections are not included, you will find that you haven't really improved your position for the long haul. You may actually open the door to more serious problems. The answer is to get professional, experienced help with your project.

We started this article with a warning. Let's repeat it. If you take control and take timely action, you will prevail. Don't just let things follow their own course or you may find that course was carefully designed with some dangerous hazards. We'll always help you with an initial consultation at no charge.

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