

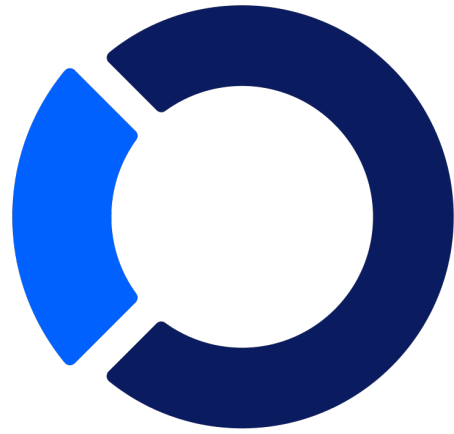


How to Maximize Warranty & Service Profits

Thursday, February 6, 2025



GNYADA Dealer Webinars are Sponsored by:



OPENLANE

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DMV-DIRECT

REGISTRATION, TITLING, & BEYOND...
CALL 718.747.0400

GNYADA's vehicle registration and titling service, DMV-DIRECT, has been dealers go-to source for fast, convenient, & reliable DMV services.

DMV-DIRECT provides many DMV related services, including:

- Permanent Registration Issuance
- Duplicate Titles In 3 To 5 Days
- Out-of-State Registration & Title Processing for 42 States
- On-Site Connecticut Plates Issuance
- Dial-In Information Verification
- In-Transit Processing
- Duplicate Registrations
- Registration Renewals
- Title-Only Transactions
- Plate Surrenders
- Dealer Plate Renewals
- Rental Plate Renewals
- Repossessed Vehicles Processing
- MV-82 & Transmittal Forms Supplied
- Boat Registrations – Renewed and Duplicates
- Trailer Plates
- Commercial Plates





February Education and Training Classes

February 11

Essential Skills For
New Service Advisors

February 12

Next Level Auto Sales

February 20

BDC Sales &
Boot Camp



Visit www.gnyada.com/education to Register

Maximizing Warranty & Service Profits



Jim Roche
Founder & CEO, WarrCloud, Inc.

30+ Years Automotive Technology Experience

3X NADA Speaker

Author

- Fast Lane, How to Accelerate Service Loyalty & Unlock Its Profit-Making Potential
- Fast Break, Creating a Customer-Centric Operating Philosophy for Automotive Service

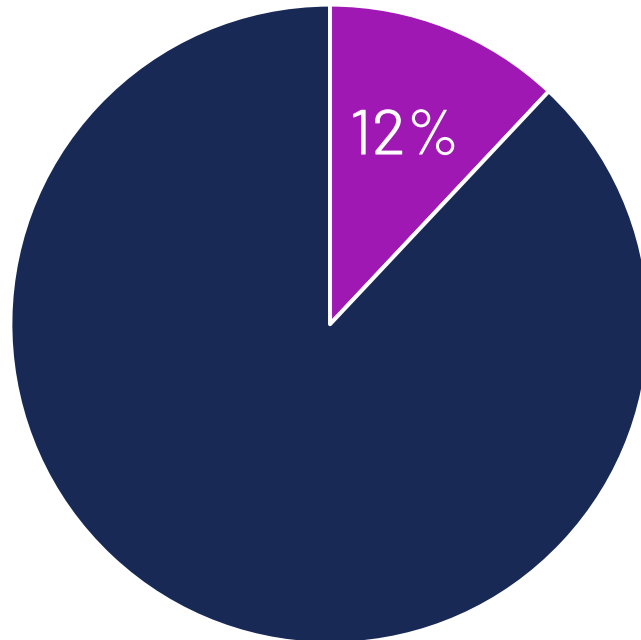
Previously

- Cox Automotive
- Xtime
- Founder, AutoPoint

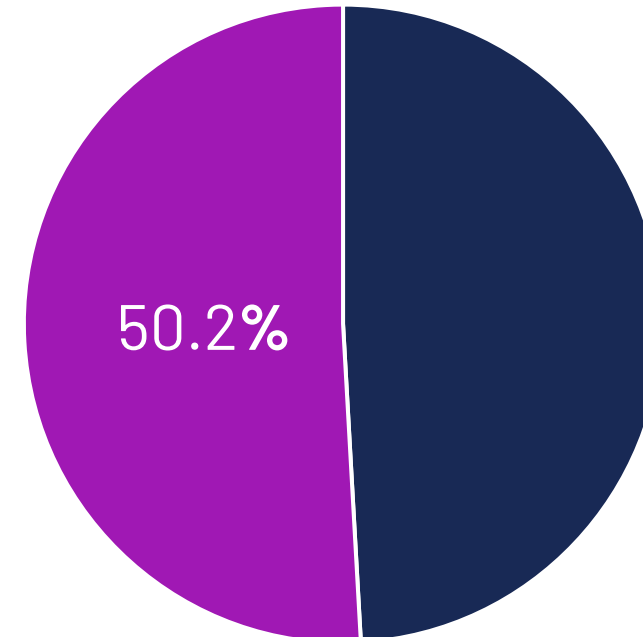
Shifting Service Dynamics

Service is a Major Profit Driver

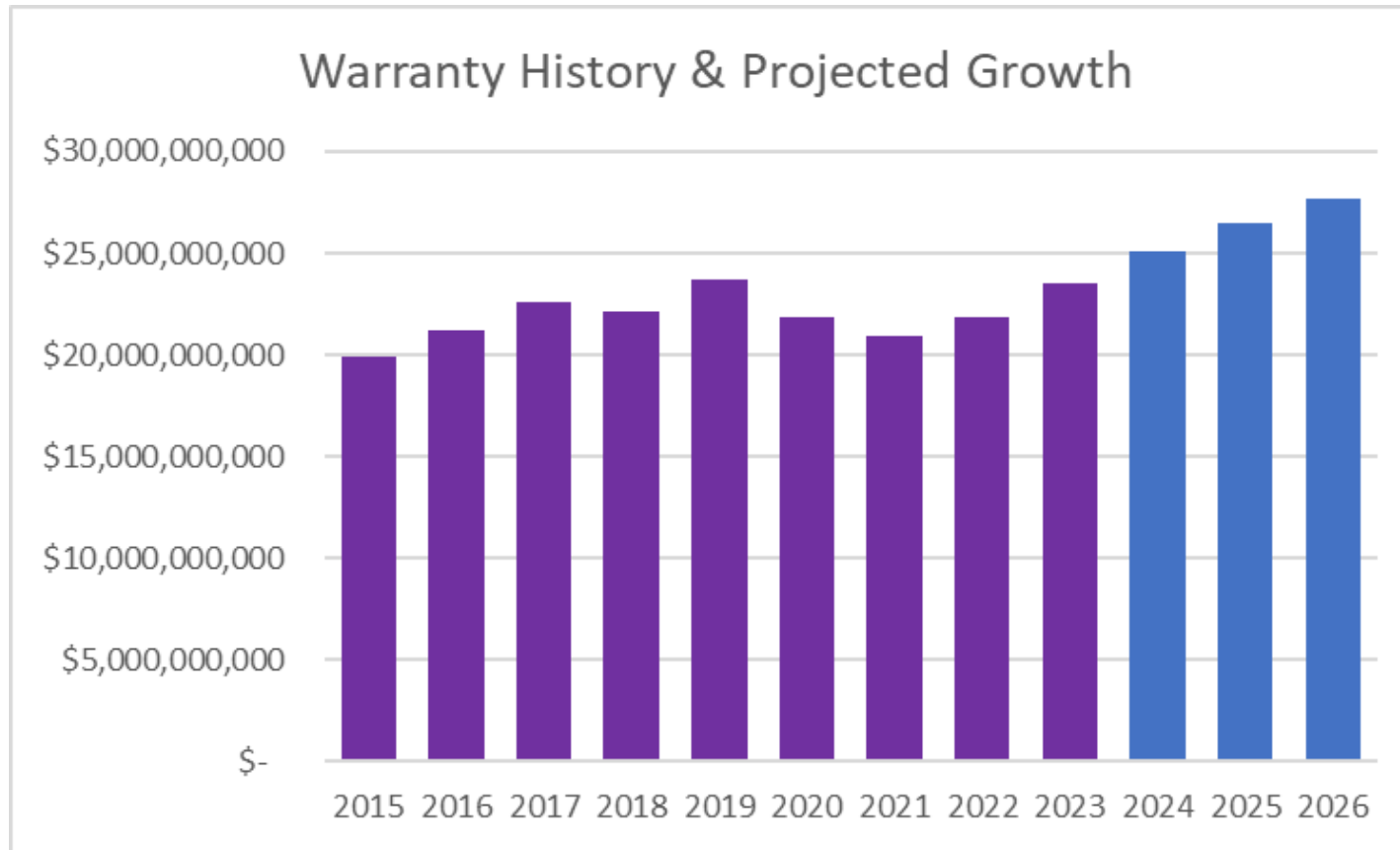
Total Dealership Revenue



Total Dealership Gross Profit



Warranty Revenue History and Projected Growth



5-Year Growth
2015 - 2019:
38.2%
7.7% Average

Projected
Additional Growth:
17.8%

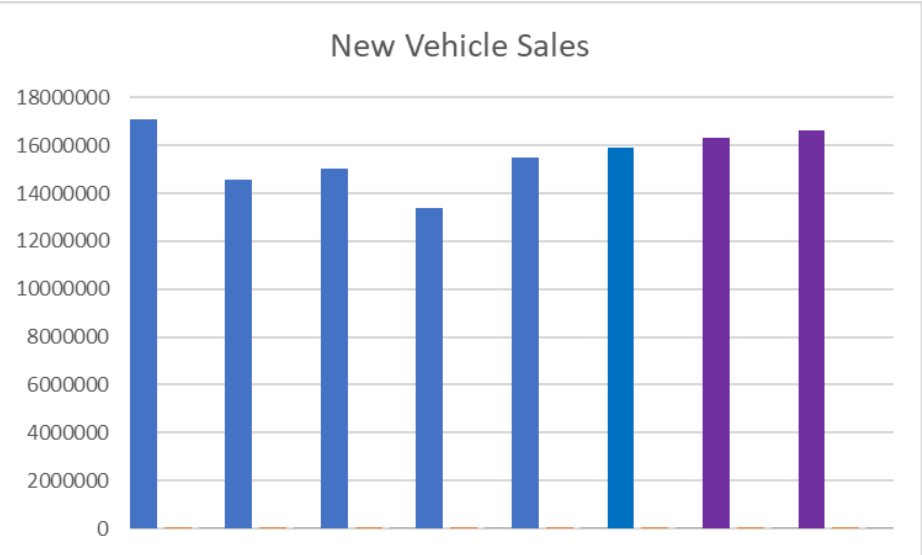
Customer Pay Decelerating



CP Deceleration Will Continue as EV's Cut Into CP Opportunities

Macro industry trends are a strong tailwind for warranty processing

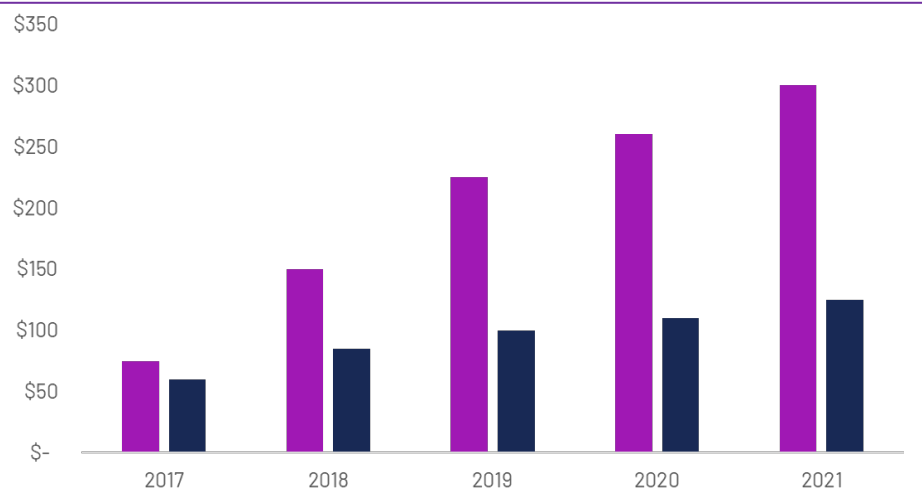
New vehicles sales steadily increasing through 2026 – 2025 expected to be 16.3M new vehicle sales.



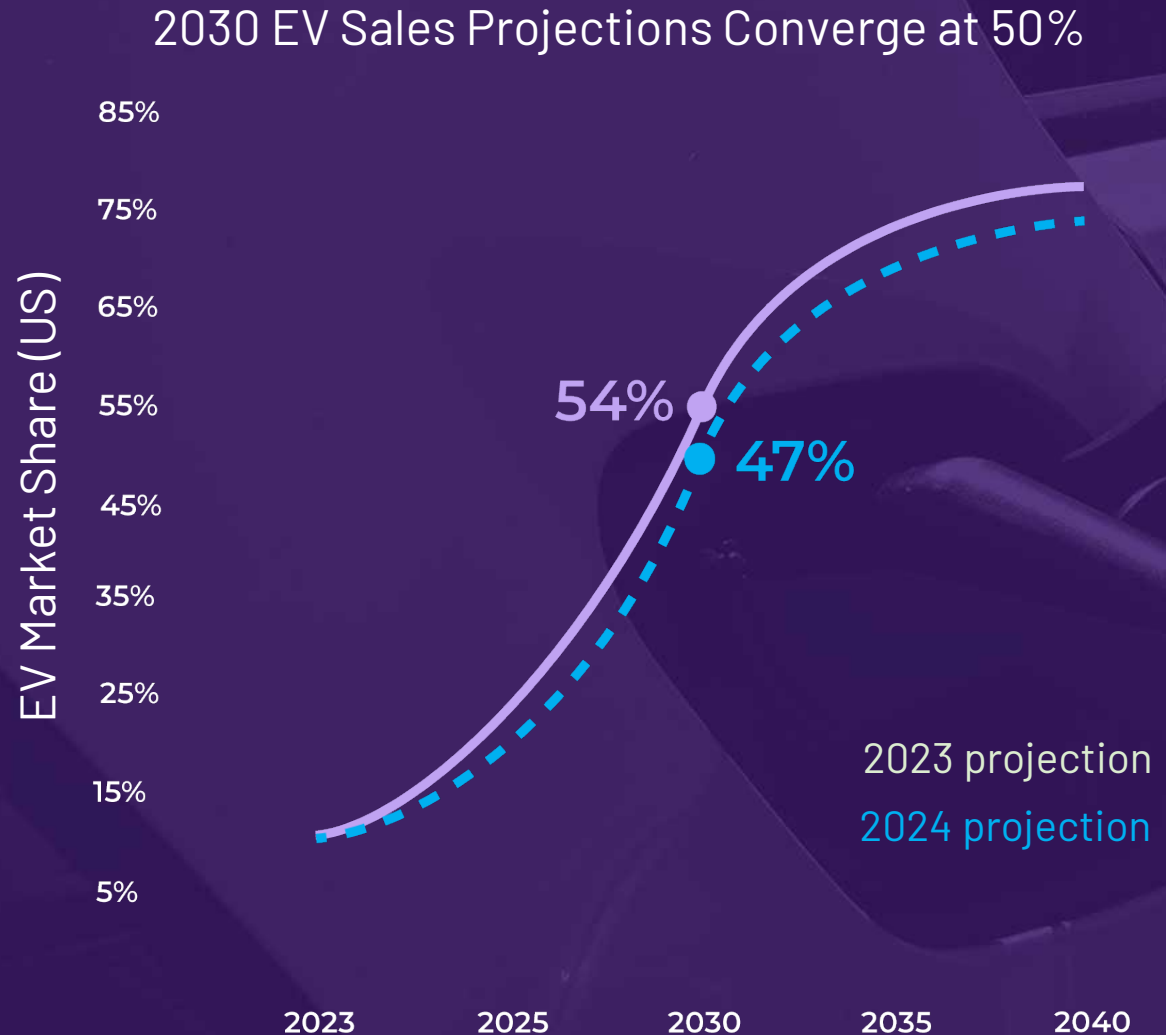
Over 100 New EV's/Plug-in Hybrids Coming to Market Through 2026

2025 EV Sales Forecast Up 36% in US to 11.2% of Total

First 12 Months in Service Warranty Costs by Model Year



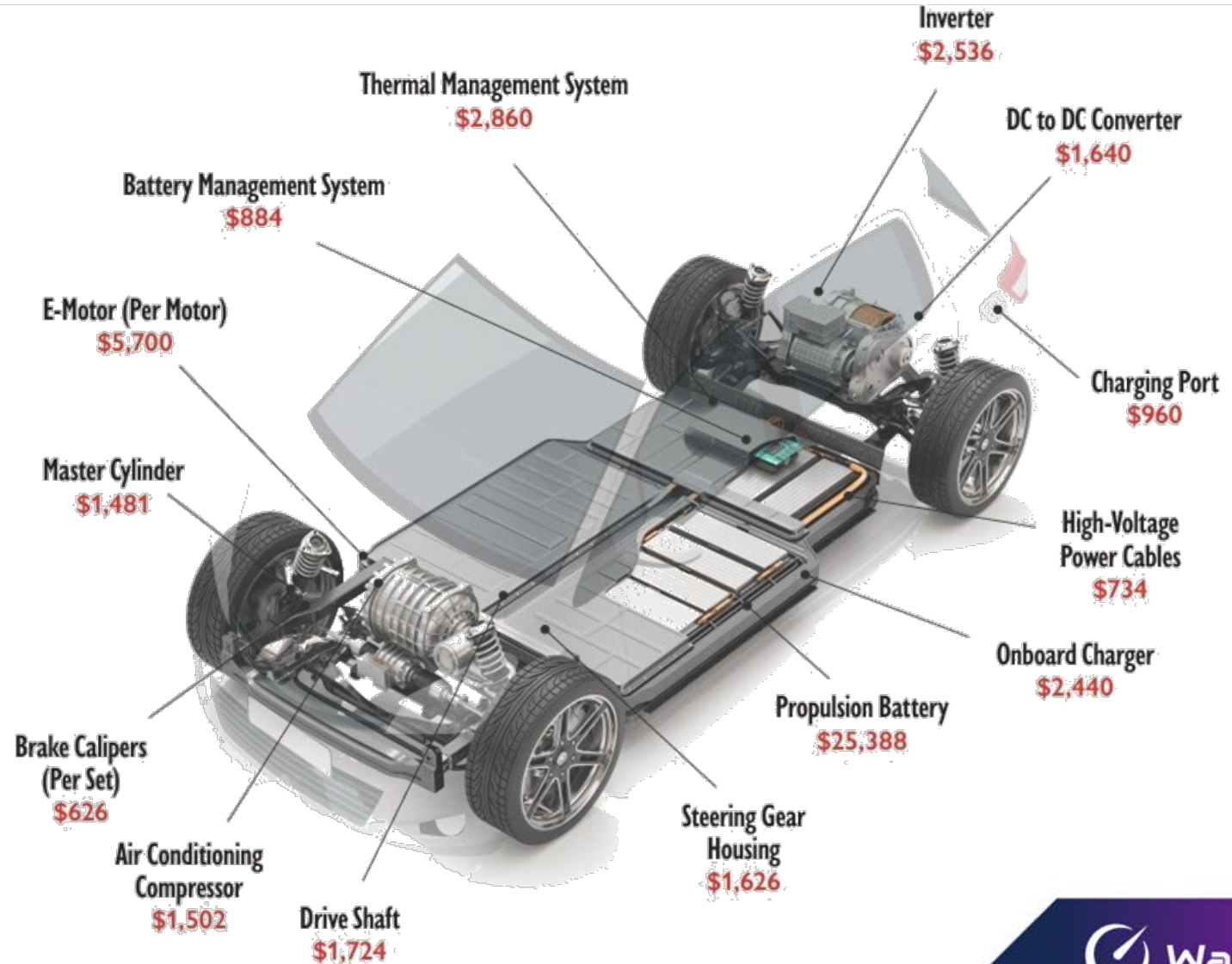
The Rise of EVs will create a tectonic shift



Projections show
50%
of car sales will
be EV or PHEV by
2030

Average Cost of Repairs to Key EV Systems

**More
Technology
Drives Higher
Repair Costs**

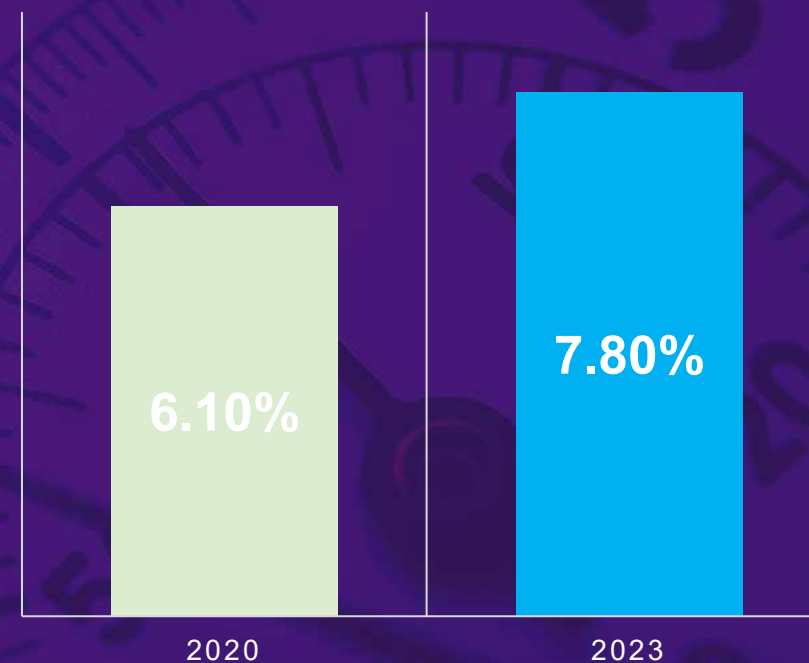


*Source: CNA National, 2023

Trends in Warranty Claims Processing

**Processing claims
consumes
14 – 16%
of warranty
gross profit.**

**Estimate Of
Claims Expense**

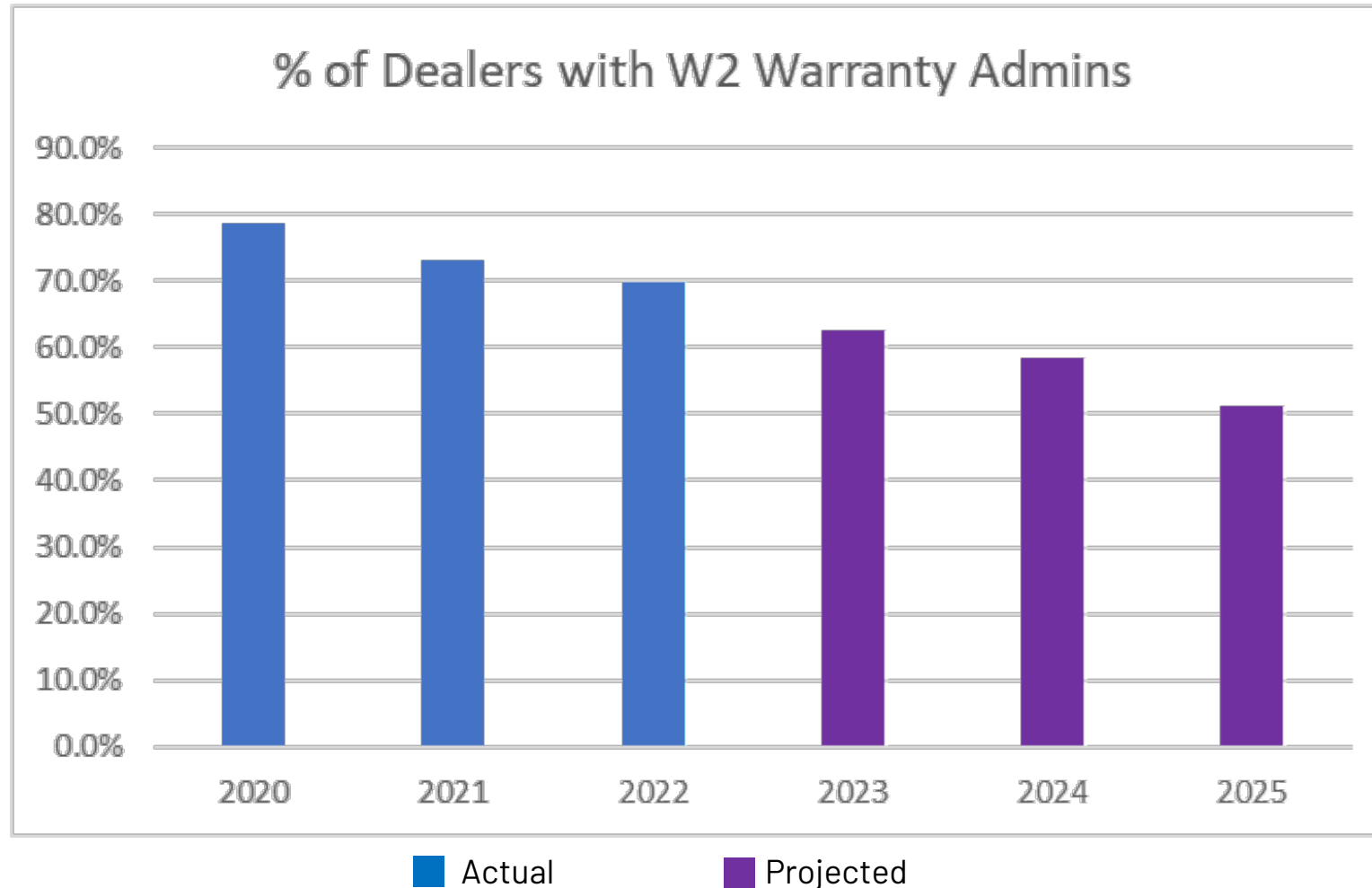


Each claim takes
15 – 22
minutes

2020 - 11.1 mins.

2023 – 21.8 mins.

Critical Market Labor Shortage for Warranty Processing



*Source: WarrCloud

Service Technician Dissatisfaction is Growing

Leading Reasons for Dissatisfaction:

- Pay
- Management
- Training
- Warranty Work



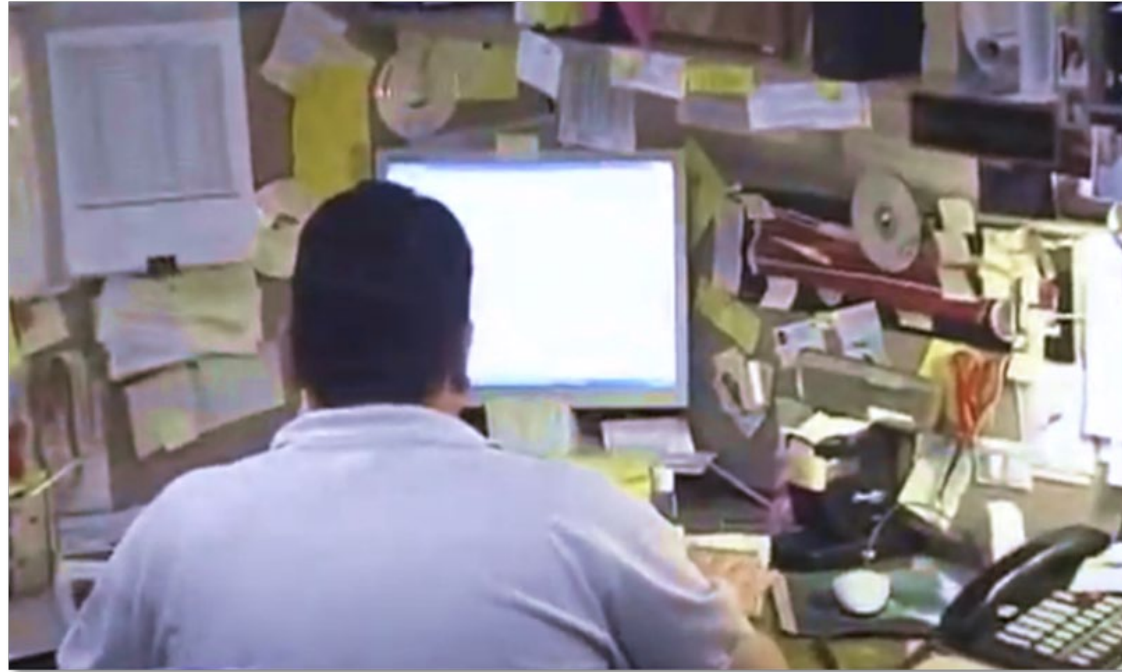
Why Warranty Claims Processing is Increasingly Cumbersome



The Problem

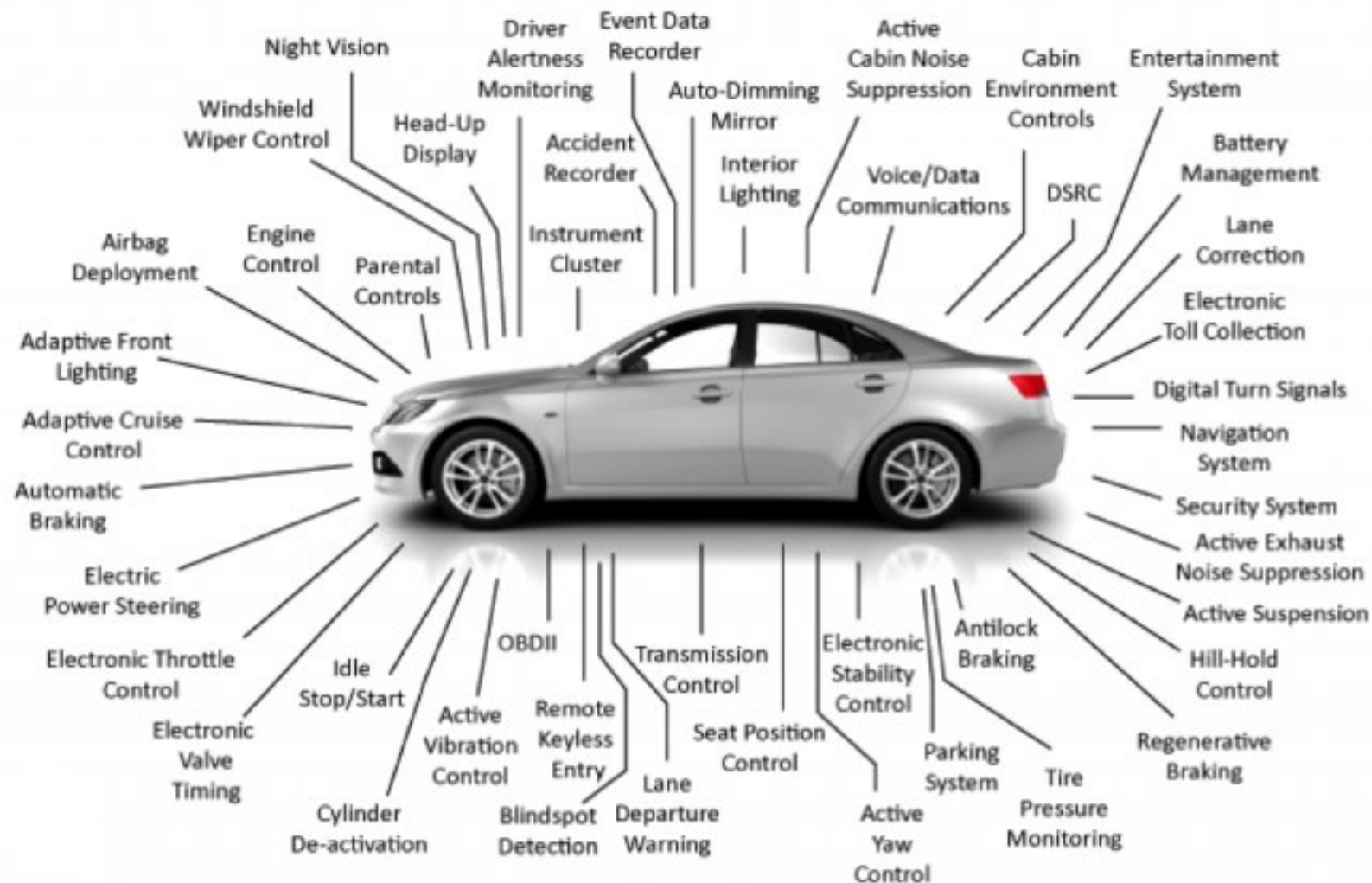
Warranty
Processing has
barely changed in
80 years.

The medium has
changed, but the
task is the same



1

Increasing Complexity



2

Increasing Variation

Variations of models, trim accessories, and options

Page 1 of 63

SAFETY RECALL 20TA02 (Replaces Notice 20TR02) - Remedy Notice

Multiple Models and Model Years
Vehicle May Stall During Driving at Higher Speed
NHTSA Recall No. 20V-012 & 20V-042

Model / Years	Production Period	Approximate Total Vehicles	*Approximate Stop Sale Dealer Inventory
2014 - 2015 4Runner	Early September 2013 - Mid-February 2015	112,500	9
2018 - 2019 4Runner	Late May 2018 - Early April 2019	121,400	
2018 - 2020 Avalon	Early April 2018 - Early October 2019	33,700	
2018 - 2020 Camry	Mid-November 2017 - Mid-February 2019	590,800	
2018 - 2020 Corolla	Mid-October 2017 - Early July 2019	371,300	
2019 Corolla Hatchback	Mid-June 2018 - Early November 2018	16,300	
2017 - 2019 Highlander	Mid-July 2017 - Early December 2019	519,500	
2014 - 2015 Land Cruiser	Early September 2013 - Mid-March 2015	4,500	
2018 - 2019 Land Cruiser	Mid-July 2018 - Early April 2019	2,500	
2019 - 2020 Land Cruiser	Early October 2018 - Early October 2019	1,500	
2018 - 2020 Sequoia	Early April 2018 - Late July 2019	14,500	
2017 - 2020 Sienna	Early September 2017 - Early September 2019	14,500	
2017 - 2020 Tacoma	Early September 2017 - Mid-September 2019	14,500	
2018 - 2020 Tundra	Early April 2018 - Mid-July 2019	14,500	
2014 FJ Cruiser	Early September 2013 - Early August 2014	14,500	

Vehicle Grades
LE-Plus, XLE, SE, Limited, Platinum

Vehicle Grade

OpCode	Flat Rate Hours
TA0201	2.5
TA0202	1.9
TA0203	1.5
TA0204	1.4
TA0205	1.5
TA0206	1.6
TA0207	3.4
TA0208	2.6
TA0209	1.5
TA0210	2.6
TA0211	2.7
TA0212	2.9
	2.1
	1.8
	1.7
	2.4
	1.5
	2.6

IMPORTANT UPDATE

The attached Dealer Letter has been updated. Refer to the details below:

DATE	TOPIC
February 18, 2021	• The remedy for Phase 7 vehicles is now available. • Estimated Remedy Availability Timing has been updated for Sequoia and Tundra. • Estimated Remedy Availability Timing has been updated for Land Cruiser and 2018-2020 Sienna (FWD).
February 25, 2021	• The remedy for Phase 6 vehicles is now available. • Dealer Letter Mailing Date Section has been updated. • Estimated Remedy Availability Timing has been updated for Highlander, RAV4, Crossover, and 2018-2020 Camry.
January 13, 2021	• The remedy for Phase 5 vehicles is now available. • Dealer Letter Mailing Date section has been updated. • Lower Vehicle Reimbursement Procedure section has been updated. • Toyota has added approximately 5,000 vehicles to this Recall.
December 16, 2020	• Estimated Remedy Availability Timing has been updated for the vehicles added on October 26, 2020. • The NHTSA recall no. applicable to the vehicles added on October 26, 2020 has been added.
October 26, 2020	• The Dealer Letter Mailing Date section of the Dealer Letter has been updated. • Toyota has added approximately 1,321,000 vehicles to this Recall. • The remedy for Phase 4 vehicles is now available.
September 30, 2020	• The remedy for Phase 3 vehicles is now available. • The claim filing instructions for Highlander have been updated.
September 1, 2020	• The remedy for Sierra vehicles that have been connected for wheelchair accessibility by a Toyota authorized mobility company is now available. • Additional vehicle rental options have been added to the Dealer Letter.

Warranty Reimbursement Procedure - Sierra Hybrid Vehicle

© 2020 Toyota Motor Sales, U.S.A., Inc.

Safety Recall 20TA02 (Interim)

Warranty Reimbursement Procedure Continued...


* The Technical Instructions for Highlander were updated on September 1, 2020. The increased efficiency of this update Highlander has been issued with a flat rate time reduction of 0.5 hours (TA0207, TA0208) are only to be used for repairs performed on or before September 1, 2020.

Model: OpCode: Description:

Model	OpCode	Description
Sienna (FWD)	TA0201	Replace Low Pressure Fuel Pump
Sienna (AWD)	TA0201	Replace Low Pressure Fuel Pump

• The Sierra remedy OpCodes (TA0201 - FWD or TA0201 - AWD) should be completed.
• The flat rate times include 0.5 hours for administrative cost per unit for the cost of 0.5 hours at 17.00 \$/hr (GLS differential or equivalent).
• If an OpCode is added to the "OP" under OpCode TA0201.
• Towing can be claimed under any of the Op Codes listed "TWR" in the event the customer's vehicle has been towed to a dealership.
• Towing invoice MUST be attached to all towing claims. The invoice is not attached.

Sheet1 Sheet3 Sheet4 Sheet2 Sheet6 Sheet7 Sheet8



**These changing trends create a tectonic shift
in automotive service that
impacts every part of the business.**

The Tectonic Shift Survival Toolkit

Since customer pay opportunities will decline, we need to **increase the number of warranty opportunities.**

Impact Area No. 1

Service Marketing

① Shift your service marketing focus

There are 46 million U.S. vehicles that have open safety recalls.

1 Shift your service marketing focus

Check for **open recalls** in your:

- Primary Market Area
- Your Service Lane
- Existing Inventory

Impact Area No. 2

Gross Margins

Regularly analyze and adjust your warranty,
labor rates and parts markup to optimize the
bottom line.

Research/conform to state laws.
Currently 5 states (NY, AK, MN, MT and IL (as of 9/2024)
allow dealers to use retail flat rate for warranty
labor times.



Impact Area No. 3

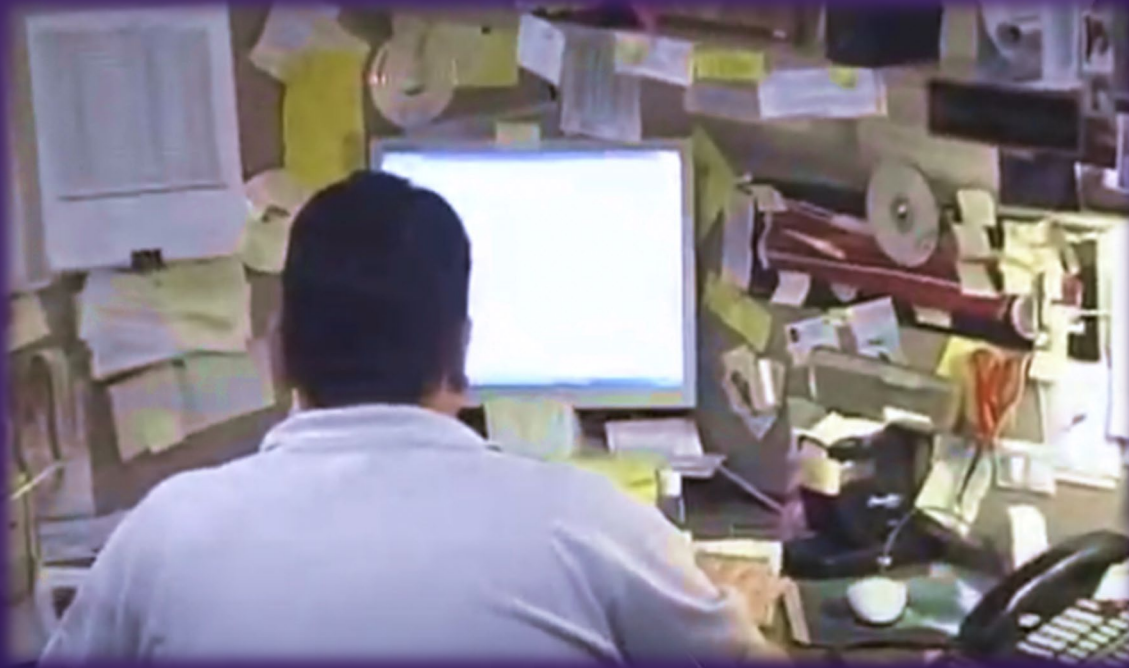
Accurate Warranty Processing



Ensure you're getting every allowance owed to you on every warranty repair.

Dealers on average **may be leaving 12.4%** reimbursement revenue on the table.

Manual Warranty Processing is More Demanding Than Ever



Recall - Subframe
2011-2015 vehicles can get
an additional amount for
materials/supplies of

\$160.57

2016-2017 will get
\$202.37 per claim

The cost of the
grease AND one-
way screws may be
claimed at a
maximum of **\$6.02**
per vehicle

Headliner Recall
21TD03
Additional
materials/supplies
can get **\$5.00** per
claim.

BEST PRACTICES

Best Practices

- Daily/Weekly/Monthly – managers should review WIP RO's, ID opens and get them closed
This will improve your OEM Dashboard score and can take you from red->green->blue
- Listen, ask questions, clearly record and fully describe the 3 C's
You'd be amazed at the number of abbreviated/incomplete complaints
Helps avoid audits
- Look up and attach recall reports to every RO
This is a best practice that doesn't happen often enough
This protects you from significant chargeback if audited

More Best Practices

- Some OEM's Allow Claim for Shuttle Service Monthly ex: Ford
\$36 daily amount per vehicle up to 2 – that's \$1,600/month
NOTE: that's per shuttle! 2 gets you \$72 per day, that's \$3,200/month
- For pick up/delivery for mobile service, enforce necessary documentation on warranty RO to ensure full reimbursement.
Stop/start process for mobile service makes proper documentation more challenging.
- If parts are needed on an open RO, close it until the parts arrive then open a new RO
Not known by many dealers, preferred by some OEM's
Will improve Dashboard scores for open/close metrics

AI Technologies for Dealers

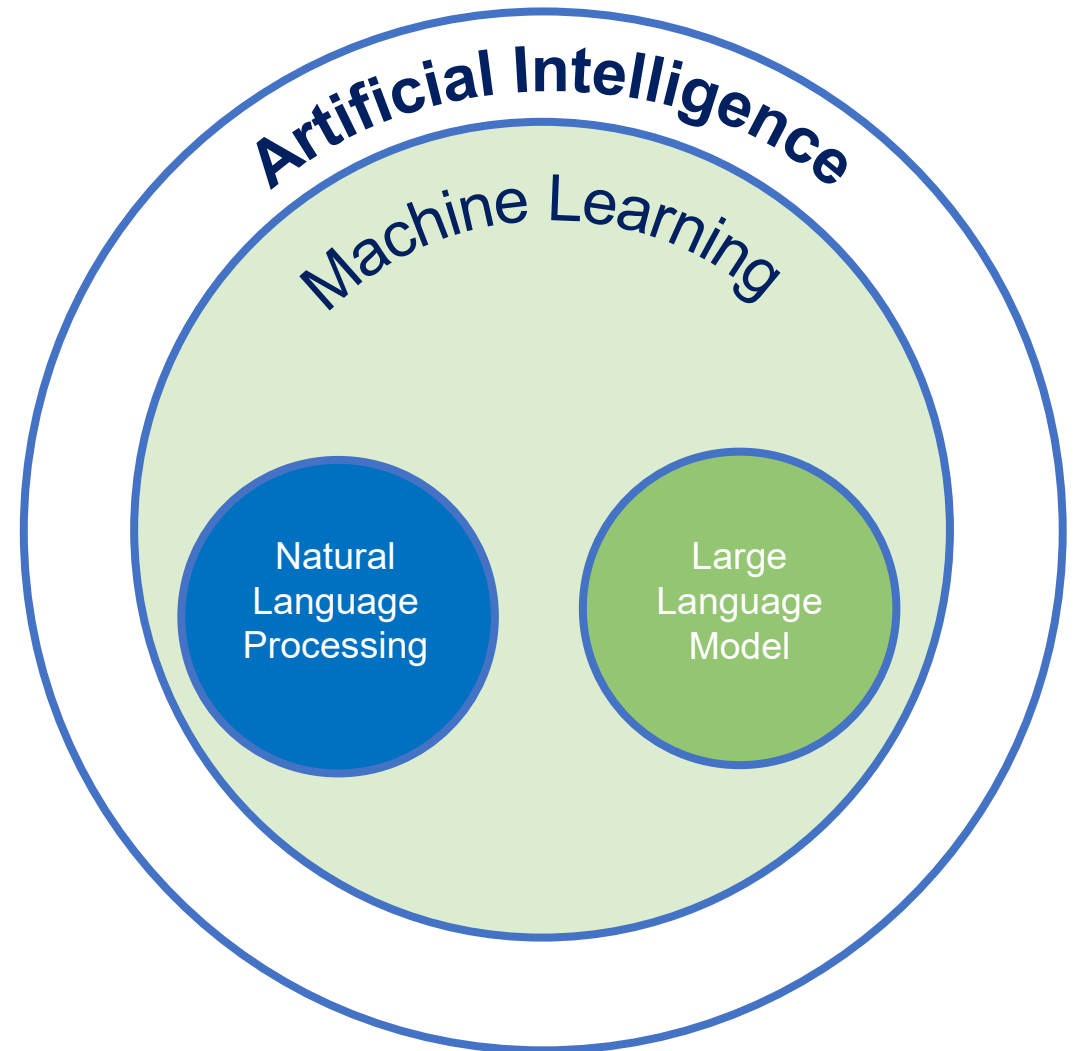
Artificial Intelligence

Artificial Intelligence (AI) is the science of getting computers to act intelligently without being implicitly programmed

Machine Learning (ML) is a subdiscipline of AI focused on using algorithms and software to mimic smart actions, its performance improves with repetition

Natural Language Processing (NLP) is a subdiscipline of ML that makes it possible for computers to understand, analyze, and generate human language

Large Language Model (LLM) is a subdiscipline of ML that uses large amounts of data to understand and generate natural language to perform a wide range of tasks



Robotic Process Automation

Robotic Process Automation (RPA) is a technology of software robots that emulate human actions interacting with digital systems and software. It is not AI.

The key difference between AI and RPA is AI performs tasks that require intelligence, while RPA automates routine, manual tasks.



The Winning Combination

AI



RPA



The key is to combine both RPA and artificial intelligence to create a fully autonomous intelligent process automation.

Why it Matters to You

Drives down costs

Reduces errors

Improves employee satisfaction

Increases available time to focus on the guest experience

- Increases CSI
- Improves customer retention



Smart Sourcing

“Smart Sourcing (or Intelligent Outsourcing) is the practice of business process outsourcing augmented by technology, typically AI.”



End Result – Additional Hours....And More !

- Typical Dealership Will See An Additional 103 Hours per Month
- More Revenue
- More Profit
- Better CSI (service staff has more time to spend on the guest experience)
- Improved Technician Satisfaction



Average Dealer Results

AI warranty processing + best practices

Increase warranty revenue by

**15.1% in year 1,
13.1% thereafter**

Additional \$153,317 for Y1 dealer

Reduce costs
by more than
50%

Claims processed
within 24 hours,
greatly
**improving
cashflow**

Improved OEM scores:

**First time success
Time to submit
Time to close**

Key Takeaways

- A changing UIO mix in the market will drive down customer pay opportunities
- But more vehicle technology will increase warranty opportunities
- This will cause a tectonic shift that requires you to rethink all parts of your service business
- Leverage AI and other new technologies to drive more gross profit and improve the guest experience - which will ultimately improve customer retention

QUESTIONS