

THE BENEFITS OF THE AUTO DEALER FRANCHISE SYSTEM

BACKGROUND

The franchise system has served the American consumer since it was first introduced in 1898. In a free market, competition breeds excellence and auto dealers have been pushed to innovate and improve in order to satisfy consumers. The franchise system currently in place is an important part of the auto industry's overall success. The working relationship between dealers and manufacturers that exists has been carefully crafted across the country and the franchise laws help maintain balance.

New car franchised auto dealers offer a number of benefits to the car buying process. International nameplate automobile dealers have a powerful, positive impact coast-to-coast on their neighborhoods, cities, and states. Dealerships are the heart of the auto industry. They are committed to serving their communities and are more than a place to shop for and buy a new vehicle; they are employers, sources of charitable giving, tax bases, and service centers. Auto dealers also provide consumer safety through recall, warranty and repair service.

POSITION

AIADA's dealer members represent the retail side of an industry sector that supports 9, 500 dealer franchises that employ more than 570,000 American workers with a combined payroll of \$32 billion. In 2015 alone, auto dealers sold over 16 million cars to consumers across the country. AIADA **SUPPORTS** maintaining the balance that exists between dealers and manufacturers and existing state franchise laws.

MORE ABOUT THE ISSUE

- State franchise laws are constantly changing and legislators in state houses all across America have been quick to make changes to accommodate innovative companies and respond to new or changing market conditions. Last year, alone, 17 states enacted changes to their motor vehicle franchise statutes and every year for the past 10 years an average of 20 states have done the same.
- The state franchise laws exist to balance the bargaining power between small dealers and large automaker and are still needed to this day. For example, General Motors, the smallest of the top seven automakers, is still eight times bigger than AutoNation, the largest of the top seven auto retailers.
- A recent study by the Center for Automotive Research found that dealerships supply almost \$19.3 billion in personal tax revenue. Another study found that almost 90 percent of dealerships lend their support to community causes and organizations. In 2013 alone, almost half of surveyed dealers said they gave more than \$25,000 to charity.