

How Auto Dealerships Manage and  
Mitigate Security and Compliance Risks  
Using Paperless Workflow Technology

A WHITE PAPER



Leveraging process improvement to remove waste and create a competitive edge.

**By J. Robert Leman**

[This Page Left Intentionally Blank]

It's almost a full-time job keeping up with compliance needs affecting the auto dealership.

## How Auto Dealerships Manage and Mitigate Security and Compliance Risks Using Paperless Workflow Technology.

### Table of Contents

1. Preface
2. The Regulatory Maze
3. Stop the Paper Chase
4. End-to-End Document Management
5. Remove Waste, Add Value
6. Three Workflow Models
7. Push Paper or Produce Profits

#### ***About the Author:***

J. Robert Leman is a professional writer and journalist. He writes extensively about technologies and business processes for the automobile dealership. He is a regular contributor to Wards Dealer Business magazine and several other leading monthly automotive retail print and online periodicals.

Dealers able to adopt new business processes for handling the paperwork required for doing business and remaining compliant are able to reduce risk, remove waste and produce efficiencies throughout the dealership.

## PREFACE

Auto retailing today is more complex than ever.

Selling and servicing vehicles profitably – and retaining satisfied customers – has become increasingly difficult. Pursuing operating excellence is time consuming. Add into this mix a hundred different regulations with which a dealership must comply and a dealer's day is never done it seems.

These regulations, federal, state and OEM, pepper the auto dealership; they touch almost every aspect of the business. The audit trails a dealer must create to prove compliance will consume reams of paper and dozens of ink and toner cartridges, and require considerable other resources to copy, scan and file paperwork and other records. Manual processing of paperwork wastes time, and more importantly, creates opportunities for errors that can impact the financial health of the dealership and customer satisfaction. Paper records also have enormous appetites for storage.

Dealers able to adopt new business processes for handling the paperwork required for doing business and remaining compliant:

1. Better protect and secure sensitive customer and dealership data.
2. Improve how the dealership complies with regulations, including those governing retention of repair order, warranty, finance and other dealership records.

This white paper, *How Auto Dealerships Manage and Mitigate Security and Compliance Risks Using Paperless Workflow Technology*, discusses a practical way for dealerships to accomplish these benefits.

More than 100 federal regulations affect today's auto dealership.  
Every dealer must heed them. Proper record keeping processes can help.

## The Regulatory Maze

More than 100 federal regulations affect today's auto dealership, according to the National Automobile Dealers Association (NADA). Every dealer must heed them. Penalties for noncompliance can be painful.

No dealer wants this kind of news for his or her dealership – or to pay the penalties of noncompliance.

Managing this regulatory maze without risk is a challenge indeed. What's more, many regulations require the dealership to maintain records as evidence of compliance. This recordkeeping not only consumes resources, but manual records handling and storage can put the dealership at risk.

### Consider:

#### Example 1:

Someone carelessly leaves deal jackets destined for storage atop a table in the customer lounge. Sensitive customer information inside, if stolen, puts the dealership at liability risk.

#### Example 2:

From an actual occurrence at a dealership, a thief with a camera phone snaps images of repair orders left on a service writer's desk, capturing customer information - He later calls these customers and pretending to be from the dealership "informs" them of a mistaken overcharge, typically under \$50. He invites the customer to the dealership for a paper check refund -- or if the customer's card number is provided by phone, a credit will be issued. Most customers choose the latter option.

#### Example 3:

From the headlines, "Nissan Dealership pays \$400,000 to Settle Sexual Harassment and Retaliation Lawsuit."

Events like these happen all too often.

### Your Compliance Paperwork, Please

The range of state and federal regulations with which auto dealers must comply is overwhelming.

Each paper document used in the auto dealership presents security risk. Compliance documents can consume reams of paper. Printing, scanning, shredding, filing and storing is costly and resource intensive.

Here is a list of just some of the more than 100 federal regulations to which an auto dealer must comply (your state may have different and additional regulatory requirements):

- Red Flags Rule
- The Gramm-Leach-Bliley Act
- The Fair Credit and Reporting Act (FCRA)
- The Truth-in-Lending Act (TLA)
- The Equal Employment Opportunity Act
- The Dodd-Frank Rule
- Adverse Action Letters and Risk-Based Pricing Notices
- The Occupational Health and Safety Administration (OSHA)
- The federal Environmental Protection Agency (EPA)
- The federal Magnuson-Moss Act
- The Federal Trade Commission (FTC) - Disclosure of Written Consumer Product Warranty Terms and Conditions (the Disclosure Rule); Pre-Sale Availability of Written Warranty Terms (the Pre-Sale Availability Rule); and, Informal Dispute Settlement Procedures (the Dispute Resolution Rule); Regulation Z and Regulation M

## A poorly managed and maintained warranty process can result in factory audit chargebacks of \$100,000 and higher.

“It’s almost a full-time job at most auto dealerships keeping up with, understanding, and knowing how to correctly respond to and handle today’s varied and numerous compliance laws and regulations,” says **Terry Dortch**, *President of Automotive Compliance Consultants*, a leading national auto dealership compliance consulting firm.

One proven way dealerships can improve security and regulatory compliance is by reviewing how documents used throughout the dealership are created, processed, handled and stored.

- “The way repair order information moves from employees to employees has a powerful effect on personnel requirements, administrative efficiency, and ultimately, on customer convenience,” notes one OEM’s retail paperflow guidelines.
- Time lost to manual warranty processes can cost a dealership \$500,000 or more a year in lost tech and parts profitability, concludes one industry study. Where dealerships fail to heed security and compliance practices, the dealership is at risk.

Retention of key records is also important. Knowing what records must be kept and for how long “can be a tough call,” notes CPAs Dixon-Hughes in its Dealerships’ Guide to Records Retention. That said, this table provides a quick summary of just a few key records dealers must retain and for how long. Data are compiled from several reliable sources. As recordkeeping requirements may vary by state, please consult your CPA or state association for specific guidance. Visit [nada.org/regulations](http://nada.org/regulations) for its 2012 guide of more than 100 regulations affecting auto dealerships.

Table 1: Critical records and their retention periods.

Records	Retention Period
Repair Orders, Customer-Pay, Warranty and Internal	7 years
Deal Jackets and related customer files	10 years
OSHA records	7 years
I-9 Employment Verification	4 years

Regardless of warranty-claim retention requirements, RO and warranty claim processes themselves present significant risk to the dealership. Example 2 on the prior page is one way paper ROs can put the dealership and customer at risk of identity theft. Furthermore, too often RO and supporting documents go missing, are misfiled or otherwise unavailable quickly when requested.

- Documents that travel manually through the service process are at a high risk of being lost.
- Unsecured documents containing customers’ personal information can expose a dealership to serious liability.

Warranty staff saves time by not having to manually process and search for documents. Paperless technology delivers a fast, accurate electronic search, saving time.

- When an OEM audits, the dealership's ability to access and make available supporting documentation promptly is critical to a quick resolution favoring the dealership.

## Stop the Paper Chase

Removing paperwork from the document workflow and optimizing processes is good business. Consider these document-handling statistics from Coopers & Lybrand as cited by NADA:

- A company will spend \$20 in labor to file a document, \$120 in labor to find a misfiled document, and \$220 in labor to reproduce a lost document
- 90% of all corporate information resides on paper documents.
- Of all papers handled in an office in a day, 90% are simply shuffled.
- The average document is copied 19 times.

All dealerships struggle under too much paper. Luxury dealers especially wrestle with burdensome OEM document requirements. Warranty claims can require 30 to 40 or more pages of supporting paperwork.

Center BMW of Sherman Oaks, California is a technology-driven dealership focused on business improvement. The dealership processes 80 ROs a day. A recent effort to eliminate paper use and handling throughout its RO and warranty processes:

- Reduced paper and ink/toner use by 70%.
- Increased customer turn by 10 minutes per car.
- Improved how quickly and completely the dealership is able to comply with OEM audit requests to streamline the audit process.

Because of these improved backend efficiencies, the dealership is now extending paperless technology to its human resources and sales/F&I functions as well.



An industry study says paperless workflow technology can save a service tech 50 minutes per day.

## End-to-End Document Management

Paperwork is generated everywhere in the dealership:

- Service write-up and RO processes
- Warranty processing
- Showroom
- Quick service lane
- Security and compliance
- F&I and more

Fortunately, auto dealers have options today for how they'll manage the documents required to do business: paper-based, semi-paperless or paperless document management and archiving methodologies.

Paperless technology delivers the only 360-degree solution (See Table 4, page 9 for more detail).

"The biggest benefit of paperless warranty processing is efficiency," says **Chris Previtire, Service Director for Center BMW**.

"For me, our service administrators and our warranty clerks, a paperless system like this eliminates the chaos of running around looking for documents," he adds. "Our techs can now focus on diagnostics and repairing cars, not handling paperwork."

He says the dealership now processes each customer 10 minutes faster each than before. "By condensing the repair time per vehicle, we are able to get another customer in more quickly, and in most cases out the same day."

"In addition, our warranty staff doesn't have to sift through hundreds of pages or more to find a code needed for a warranty claim. It's a fast, electronic search now, again saving time," he says.

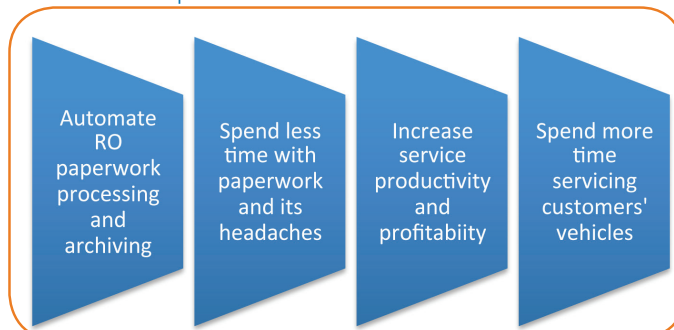
"At warranty audit times, that simplicity and efficiency highlights a dealership's professionalism as well", says **Center BMW Operations Manager Jason Corey**.

### Back-end Paperwork, Oh My!

Every RO – especially warranty ROs – consumes efficiency and paper:

- The RO itself
- Vehicle data sheets
- Service histories
- Diagnostic system reports
- Technician inspection reports
- Repair data sheets, including part numbers
- Pre-authorization approval, if required
- Declined services documentation
- Signed invoices

Table 2: Business process automation – a win win for dealers and customers.



"Our OEM did audit us and asked us to pull 120 different warranty claims, some of which were more than 100 pages long. Our paperless system retrieved all those pages quickly, so the auditor was able to identify just the pages needed for the audit, reducing our printing to just those few documents," he says.

For service administrators and warranty clerks, a paperless system eliminates the chaos of running around looking for documents. Techs focus on diagnostics and repairing cars, not handling paperwork.

**John Mantione, Vice President & General Manager for Fields BMW** of Winter Park, FL agrees.

“We were being overrun by paper work, with bankers boxes of stored documents overflowing into hallways. We were spending tens of thousands of dollars a year in outside storage,” he says. “During factory audits, when looking for particular documents, a piece of paper always seemed to be missing.”

Nine Fields dealerships in Florida and Illinois recently replaced the majority of the paper work a service department creates in the repair order, diagnostic and warranty support functions with electronic processing, filing, retrieving and storing. “We’re now saving handling time, storage space, and money on document management companies—and simplifying the OEM audit process for our dealerships,” Mantione says.

## Remove Waste, Add Value

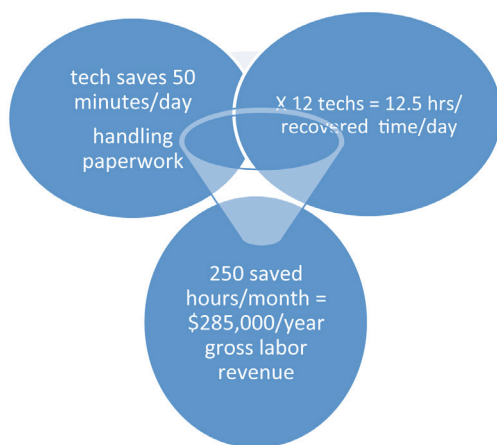
A research study by an independent automotive consulting firm found that by utilizing paperless workflow archiving technology, a single service tech saves 50 minutes per day.

When you do the math, there’s a very compelling reason to consider this new approach. Fifty minutes per day multiplied by 15 techs equals 12.5 hours of lost time each day. 12.5 hours/day times 20 work-days/month equals 250 lost hours per month!

At a \$95 per hour labor rate, the savings equals \$23,750 per month. This monthly savings equals \$285,000.00 per year in gross labor revenue.

According to the study by API International, for every \$1 of labor realized, there was an amount of parts revenue sold with the labor. Using a very conservative \$1 in parts for every dollar of labor sold means a total increase in gross revenue of \$570,000.

Table 3:  
Paperless R.O. processes help increase bay turn and tech productivity.



Paperless processes can mean additional savings:

- Reduced need for printers, printing inks and toners, scanners and paper shredders.
- Reduced need for storage systems, storage physical space and filing personnel.
- Reduced frustration due to misplaced, misfiled or missing documents, especially at critical times like an OEM warranty or government compliance audit.
- Reduce warranty chargebacks due to paperwork errors, misplaced claims and other problems that can cost dealerships \$500,000 or more in penalties from their OEMs, notes compliance expert Dortch.

Paperless processes minimize a dealership's print environment that helps to reduce security risks.

## Three Workflow Models

Mitigating security risks must be one of the dealership's top priorities:

### Manual paper processes:

High-security risk flows along with every document handled and stored manually. Unsecured documents containing customer information can expose customers and the dealership to loss and liability.

### Print and scan processes:

Partial electronic archiving helps minimize security risk exposure. It minimizes human interaction. Many documents will still require scanning and shredding, adding exposure risk and cost. As no RO can be closed until all supporting documentation is collected, warranty claims remain open.

### Paperless processes:

A minimized print environment that helps reduce security risks.

Documents from multiple sources can be captured electronically and delivered to a secured archive with minimal exposure of confidential customer information, thus limiting dealership liability.

This chart details the features of each document-processing system:

Table 4: Impact areas of the three archiving models.

WORKFLOWS	Paper-Based	Semi-Paperless	Paperless
<b>Printing</b>	All documents <sup>1/2</sup>	All documents <sup>1/2</sup>	Few documents <sup>3</sup>
<b>Scanning</b>	None	All documents <sup>1</sup>	Few documents <sup>4</sup>
<b>Physical Storage</b>	All documents <sup>1</sup>	All documents—temporarily <sup>1/2</sup>	None <sup>3</sup>
<b>Shredding</b>	None	All documents <sup>1</sup>	Few documents—no third party <sup>4</sup>
<b>Human Error Risk &amp; Security Risk</b>	High <sup>1/2</sup>	High <sup>1</sup>	Low <sup>3</sup>
<b>Retrieval/Audit</b>	Difficult <sup>1</sup>	Moderate <sup>1</sup>	Easy <sup>3</sup>

<sup>1/</sup> Cost impact <sup>2/</sup> High security risk <sup>3/</sup> Profit impact <sup>4/</sup> Reduced cost impact

## Paperless RO systems eliminate paperwork handling and maximize convenience and security to customers.

### Push Paper or Produce Profit

The reams of paper and toner and ink cartridges an auto dealership consumes monthly are enormous. For some highline brands, a factory warranty audit can consume three to five reams of paper – when the auditors need to review just a dozen or so key documents.

With paperless workflow technology, nearly all need for paper is eliminated. Paper shuffling is reduced. Filing is secure in PDF format to a secured server. All documents related to a particular RO or other identifier are accessed quickly, from anywhere in the dealership, by any authorized user. Requested documents assemble quickly on screen for fast review, authorization or transmission to clerks for invoicing and billing.

Table 5: Paperless RO systems eliminate paperwork handling and maximize convenience and security to customers.

Cost to Customers	Cost to Dealership
Extended service check-in times due to advisors having to print and handle paper	Advisors spend on average 10 minutes per RO printing and handling paper.
Customer service is weakened	Advisors are focused instead on paper production and not building customer rapport and confidence.
Customer vehicle needs are neglected	Vehicle walkarounds are rushed or neglected due to paper-driven time constraints, reducing opportunity to identify and recommend upsell needs at the write-up time.

Where paperless workflow technology is in use:

- The dealership will better comply with factory warranty audits and various state and federal regulations requiring document processing and storage. paperless documentation keeps sensitive customer data away from prying eyes.
- Technician productivity increases nearly an hour a day, driving as much as \$500,000 extra dollars to a busy dealership's bottom line from annual profit and profitability gains.
- Dealership staff – from service writer to managers – will be more productive and efficient.
- Paper and toner/ink costs can be halved.

For more information about paperless workflow technologies for your auto dealership, contact [Canon Solutions America](#) and learn about Canon's revolutionary business process optimization solution, known as the Intelligent Dealer Electronic Archiving System (IDEAS).