

Dealership Advertising Cheat Sheet

The FTC Is Paying Attention to Your Dealership's Advertising— Are You?

A new advertising campaign can be a great way to drum up business for your auto dealership. If you're not careful, though, it can be an even better way to get in trouble with the Federal Trade Commission.

The FTC has recently cracked down on dealer advertising violations—and it can cost your business upwards of 5 or 6 figures if you are found liable. Beyond being against FTC regulations, untruthful or deceitful advertising will hurt your reputation with existing and future customers.

So, how can you make sure your dealership's advertising captures the attention of prospective customers, but not the attention of the Federal Trade Commission's (FTC)? Here are some tips provided by KPA's auto compliance experts to help your dealership stays out of trouble.

Is Your Advertising in Compliance with FTC Regulations?

- 1 Always be sure to include **expiration dates** in your ads.
- 2 Avoid making **untrue or misleading statements**.
- 3 Make sure any **visual disclaimers** are big enough to read, easy to understand, and placed in a prominent area near an advertisement's claim.
- 4 Don't advertise **guaranteed trade-in allowances**.
- 5 Avoid **"rebate stacking"**—i.e. offering limited rebates that artificially lower the price or monthly payment of a vehicle for which very few, if any, consumers would qualify because they do not qualify for all the rebates or the rebates conflict with one another.
- 6 Remember to include **all required finance and lease disclosures** on advertisements.
- 7 Be careful about using **abbreviations**.
- 8 Be careful about advertising **\$0 down payments**—this must mean nothing will be collected as the down payment
- 9 Never advertise or offer **free goods or services** conditioned upon the purchase of a vehicle.
- 10 Watch for **open recalls** that pop up on your new vehicle inventory.



Truth-In-Advertising*

Three Major Rules Cited by the FTC

- 1 Advertising must be truthful.
- 2 Advertisers must have evidence.
- 3 Advertisement cannot be unfair.

What makes advertisements ...

Unfair

According to the FTC's Unfairness Policy Statement an ad or business practice is unfair if:

- ♦ It causes or is likely to cause substantial consumer injury which a consumer could not reasonably avoid
- ♦ It is not outweighed by the benefit to consumers

Deceptive

According to the FTC's Deception Policy Statement an ad is deceptive if it contains a statement – or omits information – that:

- ♦ Is likely to mislead consumers acting reasonably under the circumstances
- ♦ Is "material" – that is important to a consumer's decision to buy or use the product

*<http://www.autodealermonthly.com/article/story/2007/04/the-truth-of-advertising-compliance.aspx>
<https://www.ftc.gov/tips-advice/business-center/guidance/advertising-faqs-guide-small-business>

How the FTC decides if it is deceptive

A typical inquiry follows these steps:

The FTC looks at ...

- ◆ What the ad does not say.
- ◆ If the claim would be "material."
- ◆ Both, "express" and "implied" claims.
- ◆ If the advertiser has evidence to support the claims.
- ◆ The ad from the point of view of the "reasonable consumer."

Penalties for companies that run false or deceptive ads

The penalties depend on the nature of the violation.

The remedies that the FTC or the courts have imposed include:



Corrective advertising, disclosures and other informational remedies



Cease and desist orders



Civil penalties, consumer redress and other monetary remedies

When do you need to pay attention?

If your add includes what the FTC calls "trigger terms," there are other disclosures that must be included and presented with equal prominence.

Advertising finance options

Trigger terms

- ◆ Downpayment amount
- ◆ Number of payments or period of repayment
- ◆ Amount of any payment
- ◆ The amount of any finance charge

Disclosures

- ◆ Include the amount or percentage of the down payment
- ◆ List terms of repayment
- ◆ Identify the annual percentage rate, or APR - the abbreviation is acceptable

Advertising lease options

Trigger terms

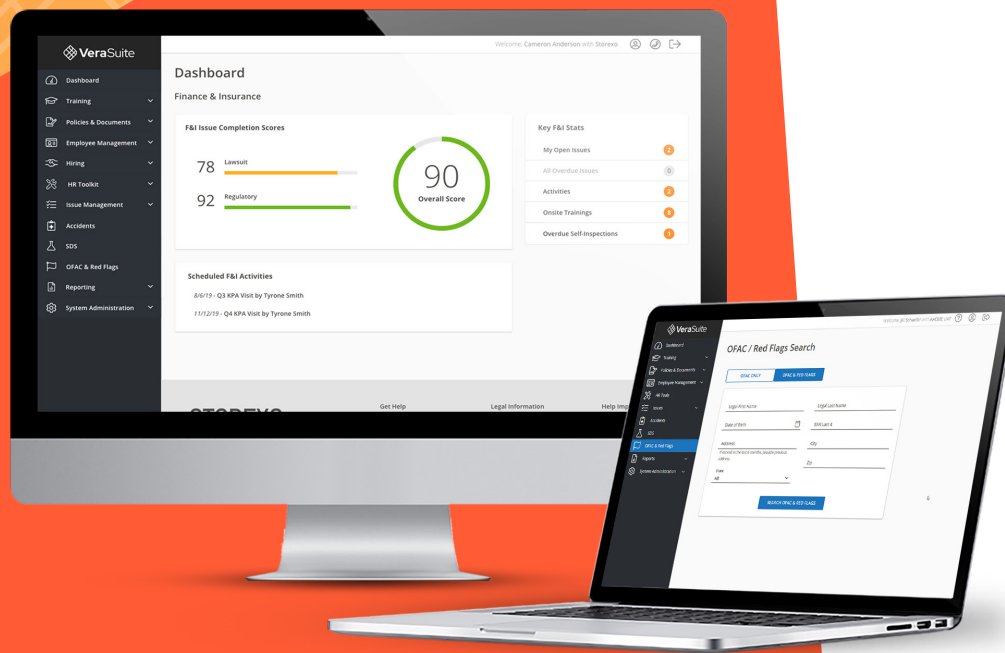
If an advertisement of a closed-end lease states:

- ◆ The amount of a payment
- ◆ Or, a statement of capitalized cost reduction (or other payment) required when the lease starts (or that no payment is required)

Disclosures

Then the ad must also state:

- ◆ That the transaction is a lease
- ◆ The total amount due at signing
- ◆ The total number of payments
- ◆ Whether or not a security deposit is required



Ready to take a new look at managing your risk? Visit www.kpa.io or call 866.356.1735.

Dealerships find themselves in the FTC's and state attorney generals' crosshairs more often these days, as both have stepped up their scrutiny of consumer protection practices. Protect your dealership from regulatory fines and legal actions with KPA's F&I compliance solutions.

The pressure to stay on top of all these regulations is enormous. We know, because we've been providing protection for auto dealers for fifteen years.

Online, onsite, and on-call resources deliver a detailed compliance program assessing risk and helping to design and implement policies, programs, and training. These work together to ensure all customer facing personnel and programs are both accountable and effective.

KPA's F&I software and services are specifically designed for vehicle dealers including automotive, truck, RV, marine, and power sports, all of whom are looking for a verifiable compliance program. Limit liabilities and protect your dealership with KPA's front-end compliance solutions.