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## The Other Shoe Drops

This summer, all GM dealers received notices concerning their Area of Primary Responsibility (APR) and, where applicable, their Area of Geographic Sales and Service Advantage (AGSSA). Some dealers challenged those market assignments. Many did not. If you are a dealer who wondered what impact the new APRs and AGSSAs would have, we now have some answers.

General Motors recently issued notices to dealers about their first half 2011 Retail Sales Index (RSI) performance. Many dealers are concerned by how deficient GM claims they are.

Frankly, there are many factors that can have a negative impact on RSI calculations. If you are a dealer who is concerned about the RSI calculation you have received, then take action. As with all critical communications from your factory, you must be proactive. GM is not sending these notices as an academic exercise. GM is papering its file for potential future action. You must respond and paper your file with GM.

Frankly, there are a number of reasons why a dealer's RSI numbers may be deficient that have little to do with the dealer's ability to sell vehicles.

- *Design of the APR and AGSSA.* Even after some dealers appealed their new assignments, many are still dissatisfied with their APR and AGSSA. The reason is that, despite General Motors reinstating a number of rejected dealers, there were a lot of GM dealers who went out of business or were terminated and not reinstated. This left many geographic areas that are unrepresented by General Motors dealers. It is GM's practice to try to assign those areas to someone. Those assignments may, but often do not, include territory in which a dealer has a sales advantage. As a result, a dealer can become responsible for sales in a geographic area where it does not have a sales advantage, and that is a common reason why a dealer's RSI performance declines.
- *Retroactive Application.* Even though dealers did not receive their new APR and AGSSA definitions until June 2011, it appears that GM may be using them to calculate RSI for the entire first half of 2011. Dealers who did not know of their responsibility so that they could take steps to penetrate the new areas for which they are responsible by direct mail and other methods were negatively affected.
- *Allocations.* There are many GM dealers who feel that they are not getting enough vehicles to sell what they can, and most dealers report severe shortages in important segments. There clearly have been shortages in some critical model segments where dealers need vehicles to meet the expected results. Dealers who cannot get vehicles cannot sell vehicles.



- *Bailout Controversy.* The bailout-fueled bankruptcy “sale” is still highly charged politically. The dominant political sentiments in a dealer’s market can impact buyers’ decisions in favor of or against GM products.
- *Localized Factors.* The same localized factors that affect sales penetration calculations for dealers of any brand may also be involved. Many dealers are affected by geographic and demographic issues that make it more or less likely that they will perform at the same level as other dealers in the state

If you inquire, the calculation of RSI will probably be represented to you by GM’s representatives as simply a statistical fact. The calculation of RSI is based upon a comparison of your numbers of sales by segment against the average sales by all dealers in those segments in the state. But the factors that affect a dealer’s market can cause dramatic differences from the “average”.

If you are a dealer who is unhappy with the notification you received from General Motors about your RSI, do not be silent. Silence is not golden in franchise matters. Make your position known.

If you feel that your RSI does not accurately reflect your dealership’s performance, tell GM why. Perhaps you need some help with your analysis, and there are experts who understand RSI calculations and the factors that affect those calculations. You may also wish to discuss the impact of the RSI calculation on your dealership with a knowledgeable attorney.

Make sure that you respond in writing to a franchisor letter criticizing your RSI. Identify the reasons why you feel that the letter does not accurately reflect your dealership’s hard work, and let GM know why its calculation does not tell an accurate story about your dealership’s performance.