

Formula Automotive Warns Auto Dealers to Consider Options Before Accepting Automaker CPI Increases for Warranty Work

Consumer Price Index (CPI) automatic increases may fall short of the legally entitled retail rate, leaving tens of thousands in profit on the table every year.

NAPLES, FL, UNITED STATES, October 2, 2023 /EINPresswire.com/ -- [Formula Automotive](#)

[Consulting and Technologies](#), a new company specializing solely in warranty reimbursement for automotive dealers, cautions dealers to do their due diligence before signing an automaker's CPI agreement for warranty work.

Agreements for automatic increases tied to CPI generally arrive in the mail around this time of year and may fall short of the legally entitled retail rate which can cost dealers thousands, or even tens of thousands, of dollars every year in profits from warranty work.

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*Christopher A Forgione,
Formula Automotive partner
and co-founder*

“It's no surprise automakers will do whatever it takes to keep warranty costs in check,” said [Christopher A Forgione](#), Formula Automotive partner and co-founder. “The problem with CPI agreements is that factory rate increases

could be 10 or even 20 percent less than a dealer's true retail rate, and some automakers lock dealers into three-year agreements. That lost profit can equate to a huge hit to a dealer's bottom line.”

Formula Automotive stresses that dealers are not obligated to sign CPI increase agreements. The best way to ensure factory rates are fair is to work with a warranty reimbursement vendor to complete an analysis to determine the true customer pay retail rate.

Nearly all states have introduced amendments to franchise laws that mandate dealers be reimbursed at their client repair rate for warranty parts and labor. When dealers are paid fair retail rates for warranty work, the revenue stream can help lift up their vitally important service centers and even combat talent shortages by enabling dealers to pay a premium to attract new hires and retain current technicians.

“The need for technicians is critical,” said Forgione. “CPI agreements that short-change dealers out of money they are legally entitled to may negatively affect hiring and the dealership as a whole since service department revenue accounts for a significant chunk of the overhead needed to run the entire operation.”

Formula Automotive points to the example of a BMW dealer to highlight what’s at stake. The dealer signed their annual agreement in December 2022. After signing they underwent a warranty-reimbursement analysis that revealed a retail rate between \$30 to \$40 per hour higher than that in the automaker agreement, equating to approximately \$200,000 in profit annually. Locked into the CPI agreement for two years, that profit will go unrealized until 2024 when the dealership can submit for its legally entitled retail rate.

Soft-launched six months ago, Formula Automotive has already completed 250 warranty reimbursement audits with the average dealer client adding \$100,000 to \$200,000 in annual gross profit. The company is on track to complete 500 projects by the end of the year with a projected gross dealership profit of \$50 million in 2023.

To learn more visit <https://formulaauto.com/>

About Formula Automotive Consulting and Technologies

Formula Automotive Consulting and Technologies serves the retail automotive industry as a leading provider of warranty reimbursement services. The company helps dealers by providing both parts and labor submissions with optimal rates leveraging data, technology, and statutory nuance. Led by fixed operations experts with years of experience in the industry, the team has performed thousands of rate increase projects, in all eligible states for every auto manufacturer.

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