

Chapter 6

Advertising, Common Dealership Mistakes and Salesperson Licensing



Advertising

In California, used car dealerships are subject to specific rules and regulations when it comes to advertising. The following are some key rules that used car dealerships must follow when advertising in California:

1. **Truth in Advertising:** Dealers must ensure that their advertising is truthful and not misleading. Any claims made in the advertising must be substantiated and must not deceive or mislead potential buyers.
2. **Disclosures:** Dealers must make certain disclosures in their advertising, including the vehicle's year, make, model, and VIN, as well as the price and any applicable fees or charges. If the vehicle has previously been used as a rental or a taxi, this must be disclosed as well.
3. **Terms and Conditions:** Dealers must include any relevant terms and conditions in their advertising, including any financing or lease terms, warranties, or return policies.
4. **Fees and Charges:** Any fees or charges associated with the sale of the vehicle must be clearly disclosed in the advertisement.
5. **License Number:** All advertising must include the dealer's license number, as issued by the California Department of Motor Vehicles.
6. **Prohibited Practices:** Certain advertising practices are prohibited, including using false, deceptive, or misleading advertising, advertising vehicles for sale without disclosing that they are not available for immediate delivery, and advertising prices or terms that are not available to all customers.
7. **Electronic Advertising:** When advertising online or through other electronic means, dealers must comply with additional rules and regulations, including providing clear and conspicuous disclosures and obtaining the consumer's express consent before contacting them via email or text message.

Failure to comply with these rules and regulations can result in fines, penalties, and even the suspension or revocation of the dealership's license.

Advertising at a used car dealership is vital to the success of the dealership. Especially since most smaller dealerships are not on major streets that have a bunch of traffic. All media methods are forms of advertising. It is important to ensure that in all advertising has the proper disclosures:

- Name of the dealership
- The address of the dealership
- Which vehicle is for sale including:
 - Year
 - Make
 - Model
 - Vin

The main reason to ensure that each advertisement has a specific vin number associated with it is to substantiate that each vehicle has its own unique identifier.

All terms of the sale must be specified in the ad as well.

IMPORTANT – Do not specify that a vehicle is “certified” unless it has gone through a rigorous inspection process and does not have any of the following stipulations:

- The odometer has not been altered changed or modified in any way.
- The vehicle is free of recalls.
- There are no title brands on the vehicle.
- There have been no structural alterations or frame damage to the vehicle.
- The vehicle cannot be sold as is.

In general, unless you are a franchise store, it is a recommended practice to avoid the term “certified” in any way, shape, or form unless there is a detailed outline of what the used dealer is going to clarify as a certified vehicle.

A gift or giveaway cannot be conducive to a sale. Any promotional items must be extended to all guests, regardless of whether they end up purchasing a vehicle.

The advertising price of a vehicle must be honored, even if the customer has agreed to a higher price and has no knowledge of the advertised sales price. This is an area that many dealerships get in trouble with on a regular basis.

Recommended Areas to Start with Advertising

DMS software- DMS software, or Dealer Management Software, allows the dealership to help bring their brand and vehicles to the market in a way that customers can interact with on a regular basis. It is important to select DMS software that also helps with the marketing needs of the dealership as well.

One of the best, low-cost ways of getting the dealership’s initial brand out to the public is making sure that you have a good website. A website is the number one way that customers are going to be able to find your inventory and interact with your business. There are some very specific things that you need to make sure your website accomplishes:

- Make your website mobile compliant- The programming of your website needs to be able to cleanly interact with all devices that your customers are looking for inventory such as phones, tablets, computers etc.
- Website privacy policy – CA Civ. Code 1798.102 Indicates that California customers of any website have the means to control the information that is shared and sold. This includes, but is not limited to, California dealership websites.

Building a Better Website

As a business owner, you will hear a lot of information about SEO and marketing companies advertising that they can increase your Google ranking. SEO or Search Engine Optimization can be a great way to help increase the amount of traffic to your website, but it is something that takes time and good,

organic content. Since many dealers do not want to take the time to do this, focusing on local SEO can be far more beneficial for more immediate returns.

Google Business Profile

Formally Google, my Business, has led the way for a long period of time and is vital to the success of your online presence for customers to help find you. The great thing about it is it's free as well, all it takes up is your time. It is important that when you create a listing that all the information on your Google Business Profile is the same across all listings on the internet. Also, a key to success will be adding as much content including pictures, videos etc. that can help enhance the Google profile as well.

Facebook Business Page

Facebook and Google are interchangeable for a lot of local marketing campaigns. Making sure that all the information on Facebook matches what you have listed on all the local directory listings.

Important test reminder

Remember as a general practice for all dealerships, a listing or means of advertising needs to be removed from any advertising medium within 48 hours of selling the vehicle.

There are several effective ways for used car dealerships in California to advertise their vehicles electronically. Here are some of the preferred methods:

1. **Online Classifieds:** Popular online classifieds sites such as Craigslist, Autotrader, and Cars.com allow dealers to post listings of their inventory for free or for a fee. These sites often have a wide reach and can attract a large number of potential buyers.
2. **Social Media:** Used car dealerships can also use social media platforms like Facebook, Twitter, and Instagram to promote their inventory. By posting pictures and descriptions of their vehicles and using relevant hashtags, dealers can reach a large audience of potential buyers.
3. **Dealer Websites:** A well-designed and informative dealer website can be an effective tool for promoting inventory. Websites can include detailed information about each vehicle, including photos, specifications, and pricing, as well as information about the dealership's location, hours, and services.
4. **Email Marketing:** Dealerships can use email marketing campaigns to reach out to potential buyers with targeted promotions and special offers. By collecting email addresses from interested buyers, dealers can build a list of qualified leads and nurture those relationships over time.
5. **Online Marketplaces:** Platforms like CarGurus and Carvana provide a digital marketplace for dealerships to sell their vehicles online. These sites often offer tools and resources to help dealerships manage their inventory, pricing, and promotions more effectively.

By using these electronic advertising methods, used car dealerships in California can reach a wider audience of potential buyers and increase their chances of making a sale.

Common Dealer Issues

Here is a detailed list of some unlawful car dealer activities in California:

1. Failure to disclose material information about the vehicle: California law requires car dealerships to disclose certain information about the vehicles they sell, such as previous accidents, repairs, or other damage. Failing to disclose this information can be considered fraud.
2. Advertising violations: Car dealerships must comply with advertising laws in California. This includes disclosing the total price of the vehicle, any additional fees, and any conditions or limitations on the sale.
3. Unlicensed sales activities: It is illegal for anyone who is not a licensed salesperson to conduct sales activities on behalf of a car dealership.
4. Title fraud: Car dealerships must be honest about the vehicle's title history and cannot engage in title fraud, such as "title washing" or "salvage fraud."
5. Odometer fraud: Car dealerships cannot tamper with or roll back the odometer of a vehicle to make it appear to have fewer miles.
6. Unlawful finance and insurance practices: Car dealerships cannot engage in unlawful practices related to financing or insurance, such as charging excessive interest rates, misrepresenting the terms of a loan or lease, or selling unnecessary insurance products.
7. Unlawful repossessions: Car dealerships cannot engage in unlawful repossession practices, such as taking a vehicle without providing proper notice or without a court order.
8. Discrimination: Car dealerships cannot engage in discriminatory practices based on race, ethnicity, gender, or other protected characteristics.

These are just a few examples of unlawful car dealer activities in California. If you believe you have been a victim of illegal car dealership practices, you can file a complaint with the California Department of Motor Vehicles or seek legal advice from an attorney.

Selling vehicles from an unlicensed location is a serious offense in California and can result in penalties for both the dealer and the individuals involved. The specific penalties will depend on the circumstances of the case, but they may include fines, license suspension or revocation, and even criminal charges.

If a car dealer allows someone else to use their license, they may be subject to penalties as well. Allowing an unlicensed individual to conduct sales activities on behalf of the dealership is a violation of California law and can result in fines, license suspension or revocation, and criminal charges.

In addition to these penalties, both of these actions can also harm the dealer's reputation and result in a loss of business. It is important for car dealerships in California to comply with all licensing and regulatory requirements to avoid these potential consequences.

Stolen Vehicles:

Here are some helpful tips to prevent buying a stolen vehicle:

1. **Check the Vehicle History Report:** A vehicle history report can provide important information about the car, including any previous accidents or ownership changes. If the report shows that the vehicle has a salvage title, it could be a sign that it was stolen at some point.
2. **Verify the Vehicle Identification Number (VIN):** The VIN is a unique identifier for each vehicle and checking it can help ensure that the car is not stolen. You can use online VIN check services to verify the number against government databases and other records.
3. **Ask for Proof of Ownership:** When buying a car from a private seller, ask to see the title or registration documents to ensure that they are the rightful owner. If the seller cannot provide this information, it could be a red flag that the vehicle is stolen.
4. **Check the License Plates:** Make sure the license plates on the vehicle match the registration documents and that they have not been altered or tampered with. If the plates do not match, it could be a sign that the car is stolen.
5. **Be Cautious of Deals that are Too Good to Be True:** If a deal seems too good to be true, it probably is. Be cautious of sellers who are offering a vehicle at a significantly lower price than other similar vehicles on the market.
6. **Trust Your Instincts:** If something does not feel right about the transaction, trust your instincts and walk away. It is better to be safe than sorry when it comes to buying a potentially stolen vehicle.

By following these tips, you can help protect yourself from buying a stolen vehicle and ensure that you are getting a legitimate and legal car.

Pro Tip:

If you can, run a KSR to verify the legal owner, outstanding fees due on the vehicle or if there is already some kind of registration process that has already been started. Also, keep a watchful eye for REG 227 which is an application for a duplicate title.

Salesperson License:

In California, an OL 16S is a form that is used to apply for a Salesperson License. It is a form that must be completed and submitted to the California Department of Motor Vehicles (DMV) by anyone who wishes to become a licensed salesperson for a car dealership in California. The OL 16S form requires personal and contact information, as well as employment history, education, and criminal history.

The OL 16S is helpful for salespeople in California because it is a necessary step to obtain a salesperson license. Without a license, salespeople cannot legally conduct sales activities on behalf of a car dealership. A salesperson license can help increase a salesperson's credibility and trustworthiness with customers, as it indicates that they have met certain requirements and standards set by the state.

An OL 16A is a form that dealers use for existing salespeople in order to notify the DMV of a change of employment involving either hiring or firing.

It is important to note that all of these items are now handled electronically via DMV and the forms have been converted to questions through the online DMV portal.

Keep in mind that a salesperson will also have to complete a DMV 8016 form to complete their background check as well.

Unlicensed Salespeople

"Bird dog fees" typically refer to payments made to unlicensed individuals who refer customers to a car dealership. These individuals may be friends, family members, or acquaintances of the dealer, and they are not licensed salespeople. Bird dogs are not authorized to conduct sales or negotiate deals on behalf of the dealership, but they can earn a commission or fee for bringing in new business.

In California, an unlicensed salesperson is someone who works for a car dealership in a sales capacity but does not hold a valid salesperson's license. Unlicensed salespeople are not authorized to conduct sales or negotiate deals on behalf of the dealership, and they cannot earn a commission or fee for their sales activities.

It is illegal in California for an unlicensed individual to engage in sales activities on behalf of a car dealership. Only licensed salespeople can legally conduct sales and negotiate deals.