**Pay Attention to Changes in Your Dealership’s Area of Responsibility**

When was the last time you received a letter from an OEM stating that it was expanding or reducing your dealership’s area of responsibility (“AOR”)? Did you analyze the impact that the expanded or reduced AOR would have on your dealership’s sale performance or did you simply file away the letter for safekeeping? Unfortunately, most dealers take the latter approach and do not realize that a change in their dealership’s AOR can impact the dealership’s performance measurements until it is too late.

It is common for an OEM to adjust a dealership’s AOR. Generally, an OEM will adjust a dealership’s AOR based on census tracts or some other method. Although a plain reading of a letter adjusting a dealership’s AOR may seem like a minimal change to dealer operations, a change in the dealership’s AOR could have a significant impact on the dealership’s performance metrics.

For example, in the event an OEM expands a dealership’s AOR, the dealership should expect sales performance calculations to decline. Since OEMs analyze their dealer’s sales performance as a percentage of the average sales penetration in the dealer’s state or region, the number of total sales by which the dealership’s sales performance is being measured increases. As a result, the dealership’s total sales will now be measured against a greater number of regional sales resulting in a lower penetration rate. In effect, your dealership could be a strong performer before your AOR was expanded and a poor performer immediately after the expansion.

In the event the OEM reduces your dealership’s AOR, there is a strong likelihood that the OEM may be planning to add a new dealership in or near the area removed from your dealership’s AOR. Further, the dealership will no longer receive OEM direct marketing and/or warranty recalls for customers residing in the area that was removed.

So, what should you do when you receive a notice that your dealership’s AOR is being modified? First, you should immediately compare your current territory with the proposed territory. Take notice of any geographical factors, such as a mountain range or a heavily traveled highway, that might impact where customers will purchase and/or service their equipment. Further, you should review whether the proposed AOR might increase competition between your dealership and an existing or new dealership.

Second, you should communicate any concerns about the proposed AOR to the OEM in writing. If the OEM does not take action to resolve your concerns, then you likely have a statutory right to protest the adverse changes under your state’s franchise law. However, it is important to remember that your state’s franchise law likely sets a deadline by which you can file a protest, such as 45 days from the date you received the notice. As a result, you should act quickly in determining whether you need to file a protest to preserve your right to do so.

No matter what you decide to do, it is important to remain vigilant in protecting your dealership by analyzing any changes to your dealership’s AOR. If you have concerns about an OEM’s changes to your AOR, then contact counsel to discuss protecting your legal rights before it is too late.

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