100 Shades of Success:

There's More to Your Retail Warranty Reimbursement Submission Than 100 ROs

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The real work happens before the repair orders are selected as part of a retail warranty reimbursement submission. A thorough analysis of six months of dealership data can mean the difference between optimizing reimbursement and leaving another year of profit on the table.

Ask most dealership service leaders what it takes to increase their factory warranty labor rate or parts markup, and they will probably mention a submission of 100 qualified repair orders to the manufacturer. That is understandable. In most states, 100 sequential qualified customer-pay repair orders that meet specific eligibility requirements form the basis of a retail warranty reimbursement rate request.

But that description leaves out the most consequential part of the process. Finding a set of 100 qualified repair orders is relatively straightforward. Determining which repair orders belong in a compliant submission, understanding what each repair order contributes to the calculated rate, and deciding when to submit requires a much deeper level of expertise.

For dealership owners, general managers and fixed operations directors, the distinction matters. The reimbursement rate established today can affect the profitability of warranty work for the next 12 months or longer, depending on state law and the manufacturer's policies. A submission that is technically acceptable but produces a lower rate than the dealership could have legitimately established represents a missed profit opportunity that may not be recoverable until the next eligible submission window.

The objective, therefore, should not simply be to complete a submission. It should be to establish the optimal rate supported by the dealership's eligible retail transactions and applicable law.

The 100-RO Rule Is Only the Starting Point

The standard approach in many states involves 100 consecutive qualified customer-pay repair orders from a period within the preceding 180 days. For a smaller store that cannot reach 100 consecutive qualified repair orders

within 90 days, many of those same states allow all qualified repair orders closed during a 90-day period instead. State statutes differ, however. Some have different eligibility rules, exclusions, calculation methods or submission procedures.

Even where the familiar 100-RO methodology applies, the first 100 repair orders that appear to qualify are not necessarily the best starting point for the analysis. Nor are the most recent 100 orders automatically the most advantageous.

The standard eligibility window may extend across six months, which means the entire available period deserves examination before the dealership commits to a particular set of qualified ROs for submission.

Think about what happens in a busy service department over six months. Labor rates change. Menu pricing is adjusted. Customer-pay discounts are introduced or discontinued. Different service advisors write repair orders with different combinations of op-codes. Parts prices fluctuate, and the department may introduce new packages or revise its maintenance offerings. Those changes affect the data.

A dealership that looks only at its latest 100 repair orders may overlook an earlier qualifying period that better reflects its established retail rates. Conversely, older data might reveal that a recent pricing change has improved the dealership's position enough to justify waiting for a stronger submission window.

The point is not to select whichever orders produce the biggest number per-se. The point is to understand the complete dataset and identify the strongest submission that the applicable law permits.

Six Months of Data. Every Repair Order. Every Job.

A comprehensive submission analysis begins with the full six months of available repair-order data, not a quick search for 100 apparently eligible repairs.

Why? Because the selection of the final repair orders should be the outcome of the analysis, not based on a starting assumption.

The first task is to establish which repair orders meet the applicable requirements. That involves more than confirming that an order is customer-pay, closed and within the required date range. The nature of the work performed, the parts sold, the pricing applied and the statutory exclusions

must also be considered.

Then comes the job-level review.

A repair order can contain several different jobs, each with its own labor operations, parts, charges and eligibility considerations. One job may qualify while another does not. A routine maintenance operation, for example, may be excluded under the governing statute, while a separate qualifying repair on the same order may be eligible.

That distinction is important because excluding an entire repair order when only one job is ineligible can unnecessarily remove legitimate data. Including an ineligible job, on the other hand, can distort the calculation and create grounds for a manufacturer to challenge the submission.

The same scrutiny must be applied to discounts, promotional pricing, special programs, wholesale transactions, tires, reconditioning and other categories where applicable law establishes exclusions. The precise treatment varies by state and manufacturer; no universal exclusion list should be applied without checking the governing statute and understanding the manufacturer rules; both written and unwritten.

This is where a seemingly straightforward process becomes a data-analysis exercise.

A dealership may have thousands of repair orders in the six-month window. Reviewing only the orders that appear likely to qualify is insufficient if the objective is to identify the optimal compliant submission. The analyst must understand the full sequence, identify every qualifying transaction, assess individual jobs and determine how the eligible data changes across possible submission windows.

Looking at op codes simply isn't a deep enough analysis to determine what is included or excluded. If you think through it logically, there is simply no way the standard repair op code, or the dreaded miscellaneous op code, means automatically all of those jobs should be included in the data analysis. What about the parts on the job, the 3 C's, the discounts, who the customer is and on and on? Without that comprehensive review, the dealership is effectively making a financial decision with incomplete information.

The Rate Is Hidden in the Details

Selecting eligible repair orders is only half the job. The next challenge is determining what the individual jobs contribute to the reimbursement calcu-

lation.

For labor, the relevant calculation commonly involves the labor sales attributable to qualifying work divided by the labor hours that generated those sales. But accurate results depend on identifying the right qualifying labor operations.

Consider a repair order containing a customer-pay repair, a discounted maintenance service and a diagnostic operation. The total labor revenue on the invoice is not automatically the correct numerator for the reimbursement calculation. Nor should every hour recorded on the order automatically enter the denominator.

Each job must be evaluated to determine which labor sales and hours belong in the calculation. Errors in either direction can materially change the resulting effective labor rate.

Parts reimbursement presents a different set of challenges. Under common statutory methodologies, the calculation compares qualifying retail parts sales with the corresponding cost of those parts to establish an average markup percentage. The treatment of discounts, eligible parts and excluded transactions can significantly affect the result.

And neither calculation should be performed in isolation from the underlying transactions. A dealership may have a strong overall labor rate but inconsistent pricing across jobs. It may have attractive parts pricing on certain categories while promotional discounts depress the average on others. The only way to understand these relationships is to review the eligible jobs and the underlying data.

That analysis must also be grounded in the current law. The precise formula, permissible repair-order population, exclusions and documentation requirements are not identical in every state. The applicable methodology must be confirmed before calculations are finalized.

Should You Submit Now or Wait?

This is arguably the most valuable question a dealership can answer before submitting.

A rate submission should not be treated as an administrative deadline that must be met as soon as 100 qualifying repair orders become available. It is a business decision with a potentially yearlong financial consequence. Suppose a dealership has recently increased its labor prices, improved its

parts pricing practices and reduced unnecessary discounting. The newest eligible transactions might reflect those improvements, but the available six-month dataset may still contain an earlier period that produces a different result.

Alternatively, the analysis might reveal that current pricing practices are weakening the dealership's effective labor rate or average parts markup. In that case, leadership must decide whether that pricing is the right strategy for the dealership in current market conditions. If it is, the dealership should expect a smaller warranty rate increase, because the rate is simply a reflection of what it charges its retail customers.

There is no universal answer that says every dealership should submit immediately or wait. The correct decision depends on the current rate, the potential improvement, the applicable law, the manufacturer's process and the financial impact of delaying the submission.

What matters is that the decision is deliberate and supported by evidence. A submission should be the result of a business analysis, not simply the completion of a checklist.

What Does a Missed Rate Increase Really Cost?

The financial implications are easy to underestimate because warranty reimbursement is often viewed as a once-a-year administrative task.

Consider a dealership that performs 500 warranty labor hours per month. If a properly established reimbursement rate were $10 per hour higher than the rate the dealership actually secures, the difference would amount to $5,000 per month, or $60,000 over 12 months, assuming the same volume of hours and that the entire difference flows through to reimbursable labor. Even a relatively small rate difference can have a meaningful effect on the financial performance of fixed operations.

The same principle applies to parts reimbursement. A difference in the approved markup can affect the amount recovered on eligible warranty parts transactions over the course of the year, or significantly longer.

And the exposure does not necessarily end when a submission is approved. In many jurisdictions, dealers face limits on how frequently they may establish or modify reimbursement rates. Some statutes expressly restrict submissions to once within a 12-month period. The exact restriction and the events that trigger a new eligibility period must be verified under the applicable law. Consequently, a dealership that secures a lower rate than

it could have legitimately obtained may have to live with that outcome for much of the following year.

Further, some laws allow for the manufacturer to select repair orders 30, 60 or 90 days before or after the submission range. This is partially why the goal should be to select an optimal range of repair orders that reflect your true retail pricing in parts and labor as opposed to just trying to blindly attempt to maximize the rate.

Other laws allow the manufacturer to perform an annual audit of warranty rates. If the manufacturer tries to reduce your current rates, now the dealership must audit the manufacturer's work to ensure any adjustment is justified.

These factors are why warranty reimbursement must be strategic, rather than an administrative task. There is simply too much to lose by not considering all these areas and how they may affect the dealership.

That is why the phrase lost profit deserves attention. The missed opportunity is not simply the difference between two numbers on a spreadsheet. It is the cumulative financial effect of operating under a lower reimbursement rate while the dealership waits for another opportunity to establish a better one.

Manufacturers Are Looking Beyond the Headline Number

Dealerships should also recognize that a rate submission is subject to the requirements of the applicable statute and the manufacturer's review process. A calculated number, even one that looks attractive, does not make an incomplete or inaccurate submission defensible.

Manufacturers may audit repair orders, challenge calculations and request supporting information as permitted by law. Depending on the jurisdiction, the issues may involve eligibility, the accuracy of the declared rate, the treatment of discounts, the classification of repairs or whether the submission follows the required methodology.

The practical lesson is that a submission must be supported by an accurate analysis. The dealership should be able to explain where the numbers came from, why particular jobs were included or excluded and how the final rate was calculated.

Documentation is not a substitute for accuracy, but accuracy without supporting documentation can be difficult to defend.

Dealerships should also be cautious about assuming that an old submission template, a process that worked for another franchise or a procedure used at a sister store remains appropriate. State laws change, statutory interpretations evolve, and manufacturers may update their administrative requirements within the limits imposed by law.

An effective process must account for those changes before the submission is filed - not after a challenge arrives.

Going It Alone: A Reasonable Choice, but Not a Simple One

Many dealerships have capable staff who feel they can manage a retail warranty reimbursement submission. The reality is, they are right, many dealerships can secure an increase on their own. The question is whether it is the optimal one. Choosing to handle the process internally may look attractive on the surface if you are seeing approval letters for every brand every year.

An internal team may have excellent reporting out of their dealership management system, a strong understanding of local pricing practices and the ability to coordinate the work without engaging an outside provider. But leadership should make that decision with a realistic understanding of the work involved.

First, someone must understand the current statute governing the dealership's location, including the permitted submission methodology, eligibility rules, exclusions, calculation requirements and timing restrictions.

Second, the team must extract and reconcile six months of data, review the complete population of repair orders, evaluate individual jobs and calculate the underlying rates. That requires both an understanding of dealership operations and the ability to work confidently with transaction-level data.

Finally, the dealership must prepare a defensible submission, retain supporting documentation and respond appropriately if the manufacturer requests clarification or challenges the result.

These responsibilities are especially important as state statutes change and manufacturers refine their review procedures. A process that was adequate several years ago or even last year may no longer be sufficient for a new submission.

The relevant question is not whether dealership employees are capable of doing the work. It is whether the dealership has the expertise, time and

resources to perform the analysis thoroughly - and whether that is the best use of those resources.

A professional organization specializing in retail warranty reimbursement may offer experience across multiple dealerships, familiarity with different statutory frameworks, established data-review processes and a broader perspective on common submission issues. It may also provide an independent assessment or audit to see if your team is doing a good job. If the pricing is contingent on success, what do you have to lose by having an independent evaluation performed?

Of course, using an outside provider does not automatically produce a better outcome. Dealerships should evaluate providers on their methodology, transparency, documented results, fee structure and willingness to explain their recommendations. The objective is to select the approach that best protects the dealership's financial interests.

The Right Submission Starts Before the First RO Is Selected

Retail warranty reimbursement deserves the same disciplined financial attention that dealership leaders give to labor gross, effective labor rate, parts gross and technician productivity.

The submission is not simply an exercise in locating 100 qualified repair orders and calculating a number. It is an opportunity to examine six months of operating data, identify the transactions that legitimately qualify, understand how individual jobs affect the resulting rates and determine whether the dealership is ready to submit.

The strongest process begins with a comprehensive review of the entire available dataset. It tests the assumptions behind the calculations, identifies pricing practices that may be undermining customer pay and warranty rates and compares the financial consequences of submitting now versus making improvements first.

Only after that work is complete should the dealership settle on its submission strategy.

Because once a rate is established, the next opportunity to improve it may be many months away. The 100 qualified repair orders are the deliverable. The expertise is knowing which set of repair orders to submit, what they reveal about the fixed ops department and when the dealership should act.

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Jordan Jankowski is the Chief Operating Officer at Armatus Dealer Uplift. He has played a key role in consulting on 25 warranty reimbursement laws across the country and is widely considered a subject matter expert in this highly technical arena. Jordan manages a team of over 70 people, who produces thousands of retail warranty reimbursement submissions each year.