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SB 178/HB 212: How MAAP Price Rules Punish Dealers and Consumers

*Many carmakers now impose rules that can punish dealers if they advertise a price below their **Minimum Allowable Advertised Price (MAAP)**. These rules apply to all print and online advertising. If a dealership violates them, it can lose support worth tens of thousands of dollars/month – and dealers just can't compete without that support.*

These rules effectively prohibit dealers from advertising their own significant discounts – often worth \$1,000 or more. As a result, many dealers often can't advertise their real prices – and consumers don't get accurate price information.

How MAAP Rules Work

The language of the 2019 Toyota Dealers Marketing Covenant (TDMC) shows how the rules work – note, all bulleted language comes directly from Toyota's instructions to dealers.

1. Dealers are formally free to advertise any price but must follow price guidelines to participate in Toyota's Marketing Covenant (TDMC).

- Toyota dealers are free to set and advertise any price for any vehicle. However, TDMC compliance requires that dealers, and any third parties acting on the dealer's behalf, meet the following standards:
- **1.1 GUIDELINES ON MINIMUM ALLOWABLE ADVERTISED PRICE (MAAP)**
- B. For retail vehicle advertising, all Toyota dealers must avoid advertising below the MAAP, which is defined as Dealer Invoice including Dealer Installed Options, less Consumer Facing Offers (e.g., customer cash) and/or non- performance based Dealer

2. Dealers that don't follow MAAP rules don't get key marketing support (the MCB) and can face other sanctions

- Dealers who comply with the TDMC standards will earn a Marketing Covenant Bonus (MCB). Noncompliant dealers will not earn the MCB. To the extent dealer marketing also violates the Toyota Dealer Agreement, TMS reserves the right to take additional action pursuant to its terms.

3. MAAP rules cover all forms of advertisement and Internet pricing

- MAAP applies to all advertised dealer prices.
- 1. Dealer website(s).
- 2. All Media (print, digital, TV, radio, direct mail, outdoor, social, etc.) and includes third-party sites (e.g., Autobytel.com, Edmunds.com, KBB.com, Truecar.com, and other similar websites).
- 3. Email blasts (dealer owner base or other).
- a. Only a unique, one-to-one, single communication (e.g., a sales consultant communicating with one customer via an individual email, response to an electronically generated lead via email or phone, etc.) is excluded from MAAP.

4. MAAP violations prompt dealers to lose monthly support (the MCB) worth 1.5% of sales

- The MCB is awarded on a monthly basis on compliance with TDMC guidelines.
- The amount of the MCB is equivalent to a percentage of 1.5% of base MSRP inclusive of Factory Installed Options on the retail vehicles that have been RDR'd in the eligible month.