

# BBB Advertising Standards

The Better Business Bureau of Minnesota and North Dakota has promoted truth in advertising since 1912. Back then, advertising was limited to print ads. Today, the average consumer will encounter over 2,000 advertisements per day in many forms including banner ads and text messaging.

Since 1984, the BBB has worked with GMADA and MADA to create an ethical advertising environment and promote the effectiveness of self-regulation. A set of voluntary advertising standards have been developed to assist dealers and their ad agencies.

The Better Business Bureau provides valuable services to the automotive industry:

- Advertising Standards: A set of guidelines have been created to assist dealerships with their advertising.  
<http://www.bbbmnd.org/advertisingstandards.html>
- Prior to Publication Ad Review Service: Advertisements sent to the BBB before print or broadcast are reviewed for compliance of industry standards. The BBB usually works with the General Manager, owner or the dealerships ad agency representative.
- Secret Shoppings: The BBB conducts secret shoppings over the phone and on-site to make sure that the dealership's advertising is consistent with their selling practices.
- Advertising Challenges: Each month the BBB verifies 60-80 automobile advertising claims spanning all forms of media in Minnesota for adherence to the Automotive Ad Standards and applicable federal and state laws.
- Competitor complaints: The BBB will investigate advertising issues initiated from competing dealerships and will keep the competitor's name/dealership anonymous.
- Advertising Seminars: The BBB offers free advertising seminars to auto dealerships to address concerns and give instruction relating to the Automotive Advertising Standards.
- Ad Alerts and Case Reports: The BBB provides information to dealerships on emerging issues in advertising. The BBB also provides MADA and GMADA reports of our efforts on behalf of the industry.

A dealerships participation in this self-regulatory program displays their commitment to ethical advertising and selling practices. Participation in this program also serves to prevent consumer complaints about advertising and improves the overall reputation of the industry.

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## INTRODUCTION

These standards of practice set forth certain basic principles in advertising the sale and lease of new and used automobiles and trucks. The standards apply to advertisements both in both print and electronic media.

The foundation for the standards lies in the Better Business Bureau's "Code of Advertising," the Basic Principles of which are:

- a. The primary responsibility for truthful and non-deceptive advertising rests with the advertiser. Advertisers must be prepared to substantiate any claims or offers made before publication or broadcast and, upon request, present such substantiation promptly to the advertising medium or the Better Business Bureau.
- b. Advertisements which are untrue, misleading, deceptive, fraudulent, untruthfully disparaging of competitors, or insincere offers to sell, shall not be used.
- c. Advertisements should advise customers of facts and qualities of a product that will allow a more intelligent choice.
- d. An advertisement as a whole may be misleading although every sentence separately considered is literally true. Misrepresentation may result not only from direct statements, but by omitting or obscuring material facts.

Advertisers, advertising agencies and media should also be sure that they comply with federal, state and local laws and regulations as they relate to advertising and selling practices, including licensing requirements where applicable.

The Better Business Bureau will continue to work with the Automobile Dealer Steering Committee to develop and publish additional standards as needed. The basic principles of truthful and non-deceptive advertising, as outlined in the BBB "Code of Advertising," address more general advertising issues and may be looked to by dealers for further guidance.

**1. Availability of Vehicles.** A specific vehicle advertised for sale shall be in the possession of the advertiser and willingly shown and sold, as advertised, illustrated, or described at the advertised price and terms. Or, it should be available for order, with delivery guaranteed within a reasonable period of time. If a vehicle is available only by order, this condition must be clearly and conspicuously disclosed.

If a dealer advertises a price or special terms for a new vehicle, the identical price and terms must be available on all similarly equipped new vehicles of the same make and model offered for sale by the advertiser unless otherwise clearly and conspicuously disclosed in immediate conjunction with the price or special term reference, i.e. "3 only at this price."

If a dealer advertises a new vehicle and has insufficient similarly equipped vehicles to meet reasonably anticipated demand at the advertised price and terms, the dealer must specify the number of so similarly equipped vehicles in immediate conjunction with the special advertised price or terms. For example the phrase, "3 only at this price" could be placed next to the advertised price.

A dealer may not place an ad for a new vehicle or fail to take reasonable steps to rescind placement of an ad for a new vehicle if the dealer knows or should know that the available supply of similarly equipped vehicles will be depleted by the time the ad appears.

**2. Inclusion In Price and Add-Ons.** When the price of a vehicle is advertised in a local medium, the vehicle shall be fully identified as to year, make, and model. In addition, the stated price must include all charges which the customer must pay for the vehicle including, but not limited to, "freight" or "destination charges," "dealer preparation," "dealer handling," "additional dealer profit," "additional dealer margin," and "undercoating or rustproofing" if the vehicle is already so equipped. The advertised price need not include state and local taxes, tags, registration and title fees, and a document administration fee not to exceed \$75 which reflects the cost of services actually performed by the dealer in processing title and registration documents.

If a customer must meet certain eligibility requirements (i.e. first-time buyer, military discount) to receive an advertised price, all of the essential requirements must be clearly and conspicuously disclosed in immediate conjunction with the advertised price. The disclosure must be made in a manner and sufficient detail for a reasonable consumer to determine his or her eligibility for the advertised price.

**3. Minimum Trade-In Allowances.** Since the amount of trade-in allowance will vary depending on the condition, model, and age of a buyer's vehicle, no specific trade-in amount or range of amounts shall be used in advertising.

**4. Disclosure of Material Facts.** When certain types of vehicles and transactions are advertised, either in print or electronic media, this standard requires disclosure of certain material facts. Any such disclosure must be made in a clear and conspicuous manner to minimize the possibility of misunderstanding by the audience. Factors to be taken into consideration include, but are not limited to, ad layout, headlines, illustrations, type size, contrast, crawl speed and editing. Commonly known abbreviations may be used in advertising, however, those not generally known shall be avoided.

An asterisk may be used to give additional information about a word or term. However, asterisks or other reference symbols should not be used as a means of contradicting or substantially changing the meaning of any advertised statements.

- a. **Used Vehicles** - Vehicles of the current and one preceding model year which are "used" shall be clearly and conspicuously identified as such in immediate conjunction with the model, model year or price designation contained in the ad. The term "rental return" is sufficient identification of used vehicle status.
- b. **Lease Payments** - When a payment amount is for a lease, the word "lease" must always be used clearly and conspicuously in immediate conjunction with the stated payment amount.
- c. **Credit Terms** - When credit terms are advertised, they must comply with the specific disclosure requirements of the credit advertising provisions of the "Truth in Lending" Act and Regulation Z.

- d. **Lease Terms** - When lease terms are advertised, they must comply with the specific disclosure requirements of the lease advertising provisions of the Truth in Lending" Act and Regulation M.
- e. **Television Disclosures** - Any disclosure appearing in television advertisements must clearly and conspicuously feature all necessary information in a manner that can be read and understood (if type is used) or which can be heard and understood (if audio is used).

**5. Invoice or Cost Ads.** This standard recognizes that the public is entitled to believe that the terms "invoice", "cost" and similar terms mean "net cost" without qualification.

The terms "invoice", "factory invoice" or "dealer invoice" shall not be used as a reference price (such as "\$100 over invoice") unless the invoice price is the actual net cost to the dealer, or unless the amount shown relating to the reference price is the maximum total of all dealer holdback, advertising rebates, incentives, rebates or other costs not directly associated with the price of the vehicle as delivered to the dealer and the amount advertised over invoice.

The term "cost", "dealer cost", or other similar terms shall not be used as a reference price unless it reflects the actual net cost to the dealer. "Actual net cost" equals invoice cost less the maximum total of all dealer holdback, advertising rebates, incentives, rebates or other costs not directly associated with the price of the vehicle as delivered to the dealer.

Examples: \$599 Over Invoice

\$650 Over Cost

Because these prices reflect actual net cost, no further qualification is required in advertising.

## **6. Truth in Lending Law.**

**7. Rebate Offers.** The terms "rebate", "cash rebate", or similar terms may be used only when payment of money will be made by the retailer or manufacturer to a purchaser after the sale, and the advertising should make clear who is making the payment.

**8. Free Offer.** The word "free" may be used in advertising whenever the advertiser is offering an unconditional gift. If receipt of the "free" merchandise or service is conditional on a purchase:

- a. The normal price of the merchandise or service to be purchased must not have been increased nor its quantity or quality reduced. A "normal price" is not established if vehicles are usually sold at a price negotiated rather than an established regular (normal) price;
- b. The advertiser must disclose this condition clearly and conspicuously together with the "free" offer (not by placing an asterisk or symbol next to "free" and referring to the condition(s) in a footnote); and

- c. The "free" offer must be temporary; otherwise, it would become a continuous combination offer, no part of which is free.

**9. Buy-Down Interest Rates.** No buy-down interest rate may be offered if any of the costs of securing the buy-down are passed onto the customer in any way.

**10. Price Equaling.** An advertisement which expresses a policy of matching or bettering competitors' prices should fully disclose any conditions which apply and specify what evidence a consumer must present to take advantage of the offer. Such evidence should not place an unreasonable burden on the consumer such as producing a signed contract from another dealer or requiring the consumer to find a vehicle with such identical features that the possibility of doing so is highly unlikely.

**11. Origin or Prior Use of Used Vehicles.** If an ad for a used vehicle of the current and one preceding model year contains any reference to the origin or prior use of the vehicle, the ad must clearly and conspicuously disclose the specific origin or prior use (i.e. rental return, taxi cab, etc.) in immediate conjunction with the model, model year or price designation contained in the ad.

**12. Rental Return Vehicles.** Dealers shall affirmatively disclose the prior use of all vehicles of the current and one preceding model year known by the dealer to be rental return vehicles by affixing a window label immediately adjacent to the FTC Buyers Guide which clearly and conspicuously discloses the prior use of the vehicle in rental service.

**13. One Price Advertising.** "One price," "set price," "firm price," "non-negotiable price" and similar terms shall mean that the dealer will maintain the same non-negotiable prices for all customers for the same vehicles, and that such prices will not change unless a general price adjustment is made for all customers.

The dealer may not alter the vehicle price offered in a particular transaction. Altering a vehicle price includes "reappraising" a trade-in vehicle, changing the terms of sale, or changing vehicle features or options where the effect is to alter the net offered price.

**14. Discount Certificates and Coupons.** Advertising may not state that a dealer accepts discount certificates or coupons not issued by a motor vehicle manufacturer as a reduction of the purchase price or as a down payment for a motor vehicle unless the selling price of the advertised vehicle is an established regular price not arrived at through a negotiation.

A discount certificate or coupon, which uses a manufacturer's rebate or other manufacturer incentive as a fulfillment, must clearly and conspicuously disclose the involvement of the manufacturer and any eligibility conditions to obtain the incentive.

**15. Advertiser Identification.** Advertisers may not use motor vehicle manufacturer names or logos on direct mail pieces or other advertisements in any fashion which falsely suggests that the manufacturer is sponsoring or specially recommending a particular sales event or dealer or that the manufacturer is conducting the mailing on behalf of the dealer.

The name and address of each dealer sponsoring a promotion must be clearly and conspicuously disclosed in the advertisement or mailing.

**16. Amounts Due at Lease Signing.** All motor vehicle lease advertisements which state the amount of any periodic lease payment must clearly and conspicuously disclose the total amount due at lease signing in immediate conjunction with the periodic payment amount.

No advertisement to promote a motor vehicle lease may use the term "0 down," "Zero down," "No cash down," or similar terms if the customer is required to pay any amount due at lease signing.

No advertisement to promote a motor vehicle lease may use the terms "Bring no money," "Leave your checkbook at home," or similar terms if the customer is required to pay any amount due at lease signing or any taxes, registration or official fees at lease signing.

"Amount due at lease signing" includes (without limitation) trade in allowance, capitalized cost reduction, first month's payment, acquisition fee and security deposit.

"Amount due at lease signing" does not include taxes, registration and official fees. A lease ad shall make reference to extra taxes, registration and official fees with a phrase such as "plus tax and license."

**17. Lease Interest Rate Disclosure.** Until a generally accepted standard is adopted for motor vehicle lease interest rate calculation and comparison, no advertisement to promote a motor vehicle lease may refer to lease interest, lease interest rate, lease interest factor, cost of money factor or similar terms.

**18. Acquisition Sales.** No advertisement may mislead a consumer about the source or ownership of an advertised vehicle or the true nature of the advertised transaction. For example, a dealer may not advertise an "acquisition sale" or the terms "acquisition fee" or "take over payments" if the ad falsely conveys the impression that a prospective customer would assume the obligations and/or equity of a current seller or owner under an existing credit sale or lease. Since the term "acquisition fee" is associated with lease transactions, it should not be used to describe a "down payment" quoted in a credit sale advertisement.

### **19. Superlative Claims.**

**Subjective** superlative claims are expressions of opinion or personal evaluation. For example, "ABC Motors is your best choice when looking for a new car." Such opinions, statements of corporate pride and promises are considered "puffery" and not subject to test of their truth and accuracy. Subjective superlative statements, which are not misleading, are permitted.

**Objective** superlative claims are statements of fact that can be proved or disproved. For example, "ABC Motors has the largest inventory of used vehicles in Minnesota." Such claims shall not be used unless the advertiser can reasonably substantiate the claim.

Some objective claims may be impossible to reasonable substantiate. For example, “ABC Motors has the lowest prices in Minnesota.” Such statements are not permitted.

## **20. Misleading Credit Availability Claims.**

Credit availability claims shall not be used unless true. For example, “ABC Motors can finance everyone – regardless of credit history” may not be used unless consumer credit will be extended to anyone regardless of the person’s credit worthiness or financial ability to pay.

Misleading credit availability claims – even though literally true – are not permitted. For example, “All credit applications accepted” may be literally true, but a reasonable consumer may be misled to believe that credit will be extended regardless of their credit worthiness.

It is not permissible for an advertiser to substantiate a credit availability claim with credit offerings in unreasonable amounts or on unreasonable terms. A credit offering is not reasonably available unless the advertiser is willing to finance at least 1/3 of the purchase price of an offered vehicle.

No advertisement may contain misrepresentations, misleading statements, or create the likelihood of confusion or misunderstanding that an automobile financing offer:

- a. is only available to specified or limited number of consumers, when it is not; or
- b. is available for “THIS WEEK ONLY” or a limited time, when it is not; or
- c. is from or approved by the United States Bankruptcy Court, the State of Minnesota or any other governmental agency or unit. The use of official looking seals, emblems, photos, graphics or other symbols of government that suggest official approval or sponsorship is prohibited.