

16.3 Ways to EXPLODE F&I Income

And Delight Customers!

By Ronald J. Reahard

It seems F&I products and past practices are under attack from all sides. Fortunately, new F&I products and sales processes offer tremendous profit opportunities.

“Who Moved My Cheese?” Change happens. Nowhere is that more apparent than in the automobile business, and especially in the F&I office.

Finance reserve is slowly but surely going away. Tiered buy rates, subsidized financing by the manufacturers, and an increase in credit-challenged customers continue to reduce average rate spread. Finance reserve is also under attack by the media and in numerous lawsuits, declaring this to be “hidden profit.”

Vehicle service agreements are now available on the Internet, through direct mail, and even at Sam’s Club. Consumer advocates deride credit insurance as overpriced and a rip-off, and several dealers and F&I development compa-

nies have been fined for “payment packing.”

Informed consumers have higher expectations, and will not tolerate high-pressure sales tactics. Every manufacturer has placed a renewed emphasis on customer satisfaction, and every customer satisfaction survey now includes F&I.

It seems F&I products and past practices are under attack from all sides.

Fortunately, new F&I products and sales processes offer tremendous profit opportunities. Twenty years ago, Guaranteed Auto Protection wasn’t needed. Today, with zero down and 60 month financing, almost every customer needs GAP. As our customers’ needs change, the products we offer in the F&I office must change as well.

More importantly, we must change how we sell those products, so the purchase and F&I experience *exceeds* the customer’s expectations. Today, we don’t want customers to be “satisfied” or even “completely satisfied.”

We want customers to be *delighted!*

Change happens. Get used to it. Dealers (and F&I managers) who fight change almost always lose. As Haw discovered in the book *Who Moved My Cheese?* by Spencer Johnson, “The quicker you let go of old cheese, the sooner you find new cheese.”

Here are 16.3 ways to embrace the changes F&I is currently experiencing, and find some tasty new “cheese” by turning those changes to your advantage.

WHO, WHAT, WHY, WHEN, WHERE, & HOW

Who sells what? F&I managers sell F&I products. Salespeople sell cars — not financing or any other F&I products.

What products should you sell? Only F&I products YOU believe in!

Why? Don't ask someone to sell something you don't believe in, and would not buy yourself!

When should customers be introduced to the F&I manager? Immediately! Never keep customers waiting!

Where? The F&I manager should meet the customer in the salesperson's office.

How? Be urgent to help customers, not urgent to sell customers!

IT'S A TEAM EFFORT

Every member of the dealership team has a responsibility to the other members of the team.

Responsibilities of the sales department include: 1) Automatic referral to F&I at time of commitment. 2) No pre-exposure to F&I products. 3) A proper introduction to the financial services manager. 4) Plant the seed for a vehicle service agreement. 5) Commit the customer — not the dealership, or F&I profits.

Responsibilities of the F&I department and an F&I professional include: 1) Help customers make informed decisions regarding their options. 2) Ensure every vehicle sold is delivered. 3) Make a profit by finding and filling customer needs. 4) Knowledge of finance sources — their lending policies and buying criteria. 5) Knowledge of F&I products — what's covered and why the customer needs it. 6) Know the applicable laws and regulations that impact F&I. 7) Prompt and proper completion of all paperwork. 8) Practice, drill, and rehearse — daily.

SEX, LIES AND LEASING

Some people may lie to get sex; you don't have to lie to get people to lease. But you do have to offer it.

Use residual based financing as a solution to a specific customer need. The key is to offer residual based financing to every eligible customer, because every customer is entitled to know all the options available in connection with their purchase.

Residual based financing should be

presented as simply an alternative means of financing their purchase that helps eliminate the risk of excessive depreciation. It should be another payment option, not a last resort!

GET REAL!

Demonstrate your belief in F&I products daily. We offer these products because they help people! You must care about the customer, and other members of your team.

Show your belief by knowing your products, believing in your products, buying the products you sell, and enthusiastically offering every F&I product to every customer — especially friends and family!

Develop and implement a plan for achieving your goals and objectives, script every day for success, and have the self-discipline to do what you need to when you need to do it, whether you want to or not.

PRACTICE SOCRATIC SELLING

Today's customer will not tolerate a sales pitch in the F&I office. They expect a financial services professional capable of reviewing their repayment, risk management, and vehicle protection options and assisting them in making an informed decision.

Today, the best sales pitch is NO sales pitch! Every F&I product presentation must be based upon a specific customer need. Socratic Selling means leading customers to a positive buying decision by allowing them to self-discover the value of the product being offered.

USE A MENU

A menu greatly reduces the time a customer spends in F&I by enabling your manager to quickly offer all the products available in connection with their purchase. It also protects the dealership, as it provides proof the products were offered, and that the customer affirmatively requested the product they purchased.

A menu also increases profits by ensuring every customer is offered every product every time. Customers rarely cancel options they have selected, reducing chargebacks. A menu ensures full disclosure, so there are no surprises on the loan agreement.

And finally, a menu increases customer satisfaction because it takes the pressure out of the F&I process. Customers want to know what their options are, but they

don't want to be "sold" anything.

THE BIG SECRET!

A menu doesn't sell anything to anybody. Even a menu-based presentation still requires: 1) Good needs discovery — Why does this customer need this product? 2) The menu must be tailored to the products and packages offered by your dealership. 3) It has to be used! Every option has to be offered to every customer every time — you cannot sell what you do not offer! 4) There can be no "selling" the first time through the form. Simply tell the customer what each product is and what it does. 5) Give the customer ownership — of their options. "These are your options available in connection with your purchase." 6) Always sell from a position of strength.

Concentrate on what is best for the customer — NOT on whatever product makes you the most money!

OFFER PACKAGES

Whether you call it the "Premier Option," the "Preferred Option," or the "Ultimate Option," packaging individual F&I products increases the sale of all products.

Package pricing makes it easier for a customer to decide on a package of products as opposed to evaluating each product separately. Too many choices requires too many decisions, and that results in too many "No's."

GIVE DEMO RIDES

Selling an intangible product requires taking every customer on a demo ride in the F&I office.

A demo ride requires: 1) Discovering customer needs using open-ended questions. 2) Shut up (and listen) — focus on what customer is really saying. 3) Massive product knowledge — know what it is, what it does, what it covers, and why they need it! 4) Paint a picture with words — and put the customer in the picture! 5) Use visual aids to make the intangible ... tangible. 6) Use comparisons to build value. Compared to physical damage insurance, a vehicle service agreement is a real bargain.

PROVIDE INFORMATION OVERLOAD

If they ask for one rate — give them 40! Remember, 100 percent of a customer's present behavior is based on

100 percent of their past experience.

Customers expect evasiveness. Be forthcoming. Collapse confrontation with a genuine desire to help customers. Demonstrate an urgency to serve, not an urgency to sell. They expect a sales pitch. Tell them they don't have to buy anything.

When they realize you're there to review their options, answer their questions, and provide them with the information they need to make a well-informed decision, they're much more interested in taking advantage of your expertise.

IT'S YOUR FUNERAL

Use customer acknowledgements (waivers) if the customer declines to purchase a particular product. Using waivers ensures 100 percent of the products are offered to 100 percent of the customers 100 percent of the time.

Asking a customer to acknowledge that they have been offered the protection, and they have elected to decline it, often will generate interest after an initial "No." Customer acknowledgements are also a great way to CYA (cover yourself — always) in the event someone later claims to have the protection, or claims they were never offered it.

GET A GRIP

Professionals monitor their performance. Monitor F&I department and individual performance daily.

Utilize a daily F&I progress report showing month-to-date performance vs. objective. Utilize a call-in log showing lenders, callback results, cash down, credit score, tier level, etc.

Whenever you monitor performance, performance increases. Perform a chargeback analysis on a regular basis. It's not what you make, it's what you keep that counts.

HAPPINESS IS A GOOD DEAL

Use odd prices — \$1822, not \$1795. Odd prices have built in credibility, and reduce the customer's perception that they need to negotiate the price.

Establish a set price for each product, and stick to it. Any reduction in price must always require reciprocity — a reduction in coverage.

Use odd interest rates whenever possible — 8.61 percent, not 8.25 percent. Everyone needs to feel like they got a good deal!

EVERYBODY RIDES

Help your credit-challenged customers obtain financing! Understand and communicate with sales managers and sales people the criteria used by each subprime lender.

Evaluate every credit application and credit bureau and obtain all necessary support documentation prior to submission to a lender. Interview marginal finance customers prior to their selecting a vehicle.

Establish and maintain good lender relations, know lender guidelines, and structure deals accordingly.

MOTIVATE YOUR TEAM

Delighting external customers first requires delighting your internal customers. Every day, catch your sales people

and sales managers doing something right — not doing something wrong.

Include F&I incentives as part of sales person's compensation. Your pay plan is your job description. Implement a balanced, performance based pay plan. Always credit your teammates for your success. Nothing beats an enthusiastic, turned-on team!

IT'S YOUR PARTY

Train and equip your team for success. The commitment to training begins with you.

Wherever you are in life, you've gone as far as you can go with your current level of knowledge and skill. Professionals work on themselves everyday.

Professional F&I managers practice, drill, and rehearse 20 minutes every day. Implement a program of continuing education and professional training on an ongoing basis. Equip yourself and your office with the necessary tools — visual aids, AFIP certification, etc.

THOSE THREE LITTLE QUESTIONS

Every customer asks three questions about you.

1. "Can I trust you?"
2. "Do you know what you're talking about?"
3. "Do you really care about me as a person, or are you just trying to sell me something?"

EXPLODE F&I INCOME, DELIGHT CUSTOMERS

To explode F&I income and delight customers, dealers must develop and implement a plan, reevaluate all F&I products, demonstrate their belief in F&I products daily, and train and equip their F&I team.

F&I managers must utilize need-based selling, offer 100 percent of the products to 100 percent of the customers 100 percent of the time using a menu. F&I managers must take every customer on a demo ride, monitor individual and departmental performance daily, help credit-challenged customers obtain financing, and practice, drill, and rehearse 20 minutes every day.

And finally, always remember the three little questions every customer asks about you. If you stop selling products and start helping customers, you'll soon be enjoying the taste of new cheese! ■

Editor's note: This article is based upon the F&I workshop "16.3 Ways To Explode F&I Income... and Delight Customers!" conducted by Ronald J. Reahard at the 2002 National Automobile Dealers Association (NADA) Convention in New Orleans. Ronald J. Reahard is president of Reahard & Associates, Inc., a national F&I training company providing custom tailored in-dealership F&I training programs, consulting services, and real-world solutions. Reahard is an AFIP Certified Course Instructor, and he can be contacted at www.ron@go-reahard.com.