


FOR BETTER F&I RESULTS, START **TRAINING** YOUR **SALES MANAGER**



Many frustrations that develop between the sales and F&I staffs can be alleviated by explaining what you need and why. Positive reinforcement can lead to surprising improvements.

BY RONALD J. REAHARD

Sales and F&I are supposed to be on the same team in a dealership. However, you often wouldn't know it because there is virtually no communication between the sales manager and F&I manager before, during or after a deal goes to the finance office.

Does it seem like your sales manager commits to an exact payment or interest rate before the loan has been approved by a lender? Have you tried to explain why this is not allowed and it's just not getting through?

The first step in training your sales manager is to remember that people do what they do because of the consequences they experience as a result of their actions. While a person's immediate needs or objectives begin behaviors, it is their positive or

AT A GLANCE

- Explain to the sales manager the reasoning behind your requests.
- Understand the motivations and actions of others.
- Reward good practices instead of punishing bad ones.
- Demonstrate your belief in the products you see.
- Train legal compliance.

negative consequences that maintain those behaviors. Positive reinforcement maximizes performance, while negative reinforcement results in a level of performance that is just enough to avoid an unpleasant consequence.

Let's imagine that the dealer pats his sales manager on the back for a record sales month and rewards him with a trip to an exotic locale. This far outweighs a furious F&I manager who is angry because the sales manager quoted every payment that month at buy rate, and threw in a VSA at cost to close the deal. As frustrating as it may be to an F&I manager, the sales manager's actions make perfect sense to him. The only way to get a sales manager to change his behavior is to get him to want to change it.

Put yourself in the sales manager's place. Ask yourself:

What is causing this behavior or situation to occur?

How can I get him to want to change?

How can I get him to want to help me?

To a great degree, increasing F&I income depends on your ability to train your sales manager by encouraging him, recognizing his efforts, and through positive reinforcement. Only if you help the sales department achieve its goals, will your sales manager help you achieve your goals.

COMMUNICATE YOUR NEEDS

The underlying purpose of any training should be to improve communication between the sales and F&I departments, as well as every member of your dealership's team. That means talking to your sales manager about the status of every deal. Every sales manager and salesperson has to be constantly reassured that you are doing everything possible to put the deal together, hold the deal together and protect the front-end gross profit. When you always communicate

what you're doing and why you're doing it, rather than forcing the sales team to ask, the team will quickly begin to trust and respect your judgment.

Instilling the importance of automatic referral to F&I during a sale should be part of the sales manager's training. If the sales manager knows a customer is going to her bank to arrange her own financing before she agrees to buy, it's critical that you have the opportunity to talk to her before she leaves. You may be able to help close the sale. Plus, there is a good chance the customer's lender will blow the deal or reduce the gross profit by telling the customer she's paying too much for the car, or she's not getting

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enough for her trade-in. The lender may also try to sell its own vehicle service agreement and GAP products, so speaking with the customer can help both departments.

You will improve your chances of getting more deals bought if you explain to your sales manager why an F&I professional needs to interview every customer prior to submitting the deal to a lender. Customers must be interviewed to confirm the information on the credit application, and to learn the circumstances and details surrounding any adverse credit information disclosed by customers or revealed by their credit bureau report, prior to submitting the credit application. Every customer has a story, and you have to hear that story, because you only get one chance to convince your paper buyer. You must find reasons why this customer is now a good risk, and document it, to help your paper buyer justify an approval or a change in tier level.

Sales managers should understand why the F&I department needs to evaluate the

information contained in the credit bureau report with the customer. This enables you to assist the sales department (and the customer) in structuring a deal prior to submission to a lender. It also increases the likelihood of receiving an approval, despite the negative aspects of the deal (credit score, negative equity, debt to income ratio, etc.).

LEGAL LIABILITY GOES BEYOND F&I

When it comes to compliance, it's critical that you inform sales managers about the laws and regulations that impact both sales and F&I. Furthermore, they should understand the importance of transparency in dealing with today's informed consumer.

Installment loan agreements now state that "the interest may be negotiable" and that the dealer "may receive a portion of the finance charge." Today's consumer and your state attorney general have zero tolerance for salespeople, sales managers or F&I managers who lie, give customers inaccurate or misleading information, or avoid answering their questions.

A few of the laws, regulations and information you must provide your sales manager and sales team include the Equal Credit Opportunity Act (ECOA), the Fair Credit Reporting Act (FCRA), credit scoring errors, the FTC's Used Car Rule, the Gramm-Leach-Bliley Act, the USA Patriot Act requirements and the Sherman Anti-Trust Act.

For example, does your sales manager know that he may not ask customers if they receive alimony, child support or separate maintenance payments unless customers are first told that they don't have to provide this information if they won't rely on these payments to get credit? Do your salespeople know that inflating a customer's income, to improve their chances of obtaining a loan, is not "fudging the numbers," it's a felony? Do they know what a tying arrangement is, and that certain tying arrangements are considered to be per se illegal activities?

Sales managers and salespeople must also understand that all dealership customers are entitled to a thorough review and explanation of each option available in connection with their purchase, as well as every document they sign. As an F&I professional, you have a legal obligation to offer every product to every customer every time, and provide a full and complete dis-

closure of every agreement prior to asking for a signature. A professional disclosure will allow you to answer any questions or concerns customers may have regarding those documents before they leave the F&I office, leading to reduced chargebacks and greater customer satisfaction.

You must also train your sales manager that quoting inflated monthly payments on the showroom floor as a negotiating tactic, or leaving room in the payment for F&I products, is simply not an option anymore. Customers are entitled to accurate, non-misleading monthly payments. In addition, quoting payments that do not include the amount financed, the term and the APR has been determined to be a deceptive and unfair trade practice in numerous states.

Every time a dealership employee tells customers he's going to get them the "best rate," he creates legal liability for the dealership.

EXPLAIN YOUR PROCESS AND GOALS

Sales managers must also be trained on

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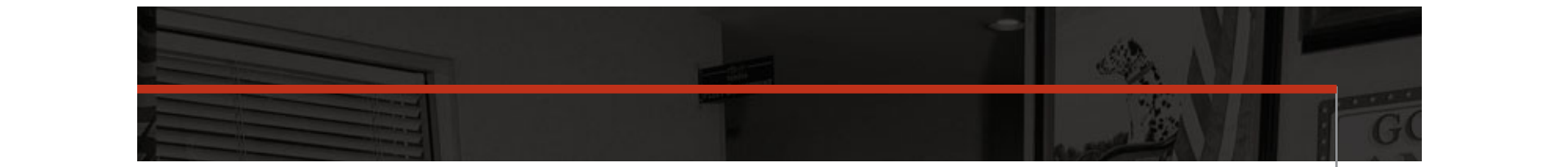
the processes used in the F&I office to sell products. You need to explain:

- What exactly you do in the F&I office
- Why you want to greet the customer in the salesperson's office
- Why it's important that you bring them back to the F&I office as soon as possible
- Why you need to review the customer statement and credit bureau with the customer
- Why you're asking so many questions,

drawing pictures and telling stories when you're supposed to be selling!

Help sales managers understand the difference between selling tangible and intangible products. Customers can't see, touch, smell, taste, hear or fall in love with financing, credit insurance, vehicle service agreements or tire & wheel road hazard protection. They have to feel they need these products, or they won't buy them. Selling intangible products requires discovering customer need by examining the buyer's order, the credit application, the credit bureau report and by asking open-ended questions. Only then can you take customers on a "demo ride" in the F&I office, by helping them visualize a situation where this product would benefit them.

In the F&I office, needs discovery is the key to successful selling. It is the foundation on which you must build your sale. Remember, the customer does not walk into the F&I office wanting any of your products. Understanding the unique qualities of each customer and each particular circum-



stance is what allows you to help a customer “see” he really does need a particular product. This is done by using visual aids and painting pictures with words, and putting the customer in the picture. Your sales manager should know that your goal in the F&I office is to help customers by finding and filling their needs, because that is the only way you make a profit.

SHARE BELIEF IN THE PRODUCTS

Success in the F&I office requires that you truly believe in your products, and that you constantly communicate that belief to the other members of your team. This is best achieved through your actions on a daily basis. Bragging that you “clubbed him like a baby seal” when you have a nice deal is not only unprofessional, it communicates to everybody in the dealership that you don’t really believe in your products. True F&I professionals never denigrate F&I products because they believe in them, and they communicate that belief to those around them.

The products you offer in the F&I office

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are the most important products your dealership sells because they change people’s lives. Buying a new car doesn’t change your life, but credit life insurance, GAP and even tire & wheel road hazard protection can.

It’s easy to tell whether F&I managers really believe in their products: They buy them! If you don’t buy the products you sell, you’re telling everyone in the dealership that you don’t believe in the products and you’re just selling them to make a few extra bucks

off of customers. You’re not a professional, you’re a hypocrite. Actions speak louder than words. What are your actions telling your sales managers about you?

F&I professionals train continuously to ensure good communication between the sales and F&I departments. They also provide training to help ensure a compliant sales process, and make sure everyone on the sales team knows what exactly it is they do in the F&I office. Finally, F&I professionals communicate, through their words and actions, their genuine belief in the products they sell, and their commitment to helping every customer. That’s what makes them F&I professionals. ■

Ron Reahard is president of Reahard & Associates Inc. Reahard & Associates provides initial and ongoing F&I training at dealerships throughout the United States and Canada. If you would like information about Achieving F&I Excellence!™ at your dealership, contact Ron at 866-REAHARD, or e-mail him at ron@go-reahard.com.