

# BE CAREFUL WHAT YOU DEMAND

Every dealer wants higher production and more profits, but demanding bigger numbers without knowing where they're coming from is a recipe for disaster.

President Barack Obama once said, "If I were busting my butt in the service industry and wanted an honest day's pay for an honest day's work, I'd join a union." Fortunately, he didn't have to. He became president.

In dozens of U.S. cities, fast food workers at McDonald's, Wendy's and Burger King have been demanding that their wages now be "Supersized" to what they consider to be a livable wage of \$15 an hour. This so-called "Fight for \$15," is being supported by the two million-member Service Employees International Union, which has sponsored sit-ins and protests in various cities around the U.S.

Many of these workers walked off their jobs en masse, with huge protests in New York and Detroit, and dozens of protesters were arrested for blocking streets. These workers are demanding they be paid \$15 an hour to squirt pre-measured ketchup and mustard on a disc of manufactured meat, slap a bun on it, and ask, "Would you like fries with that?" If your meal is \$5.10 and you hand them a ten and a dime, most can't even calculate the correct change without the cash register.

The "Fight for \$15" campaign even got a boost from President Obama, who mentioned it during a Labor Day appearance in Milwaukee. At an event hosted by the AFL-CIO, the country's largest PAC, Obama said, "There is no denying a simple truth. America deserves a raise."

My only question is, why stop at \$15/hour? If you're going to demand everyone get a raise for a job requiring minimal skills, training and talent, why not demand a \$100/hour, so everyone at Mickey D's can afford that new car they're also entitled to? In fact, let's make

\$100 an hour the new minimum wage, so everyone in the U.S. can finally buy a new car.

Be careful what you demand. You might get it.

## SCRATCHING THE SURFACE

Automobile dealers would like to see their sales and F&I profits increase. Unfortunately, wanting something without a plan of how to achieve it is nothing more than a wish. Demanding that it happen and letting an employee decide how they're going to achieve it is just plain dangerous.

Success never happens because you demand it or wish it so. It happens because of hard work by someone with a goal, who implements an intentional plan to achieve that goal. That's what every successful individual — and certainly every successful dealer — does. The problem occurs when someone decides to take a shortcut on the road to success.

Rather than put in the time, effort and hard work necessary to get there, it's a lot easier to simply (a) demand more money from your employer or (b) order your employees to "make it happen." Whether you're an employee or an employer, making unrealistic demands is going to have unwanted (and negative) consequences.

One of my recent F&I class included an experienced F&I manager who wasn't exactly excited to be there. He asked me what I thought a "good job" was in the F&I office. I said that, depending on the franchise, most dealers expect \$1,000 per retail unit, with long-term goal of \$1,500 PRU — all with excellent customer satisfaction and minimal chargebacks.



I then explained that the source of the income is just as important: Top-performing F&I departments will generate 70% of their income from product sales, with only 30% from finance reserve. I mentioned that, when someone tells me they're running \$2,000 per retail unit in F&I income, I immediately get concerned.

"Why?" the F&I manager asked. "Those are good numbers."

They are extremely good. But to run those kinds of numbers in the F&I office, that dealership has to be a well-oiled machine, firing on all cylinders. The salespeople have to be selling the vehicle, not the monthly payment or the 0% financing. The desk has to be committing the customer to buy the vehicle, not committing the dealership (or F&I department) to specific financing terms.

Finally, the F&I department has to have an extremely talented, highly skilled, and thoroughly trained and properly motivated F&I professional who can, on average, help every single customer "see" their need for two or more products per retail unit.

His response? He was already over \$2,000, and only running \$1,500 PRU at his dealership would get you fired. The implication, of course, was that he didn't need additional training.

Needless to say, I was immediately concerned about how they're selling F&I products at his dealership. And after witnessing his pre-



sentation, there no way he is running a legitimate \$2,000 PRU. You can't just throw a menu in front of somebody, toss out a couple of benefits, and hit that kind of number. Somebody at the desk or in the F&I office is doing something deceptive in order to meet the demands of the GM at that dealership.

### BEHIND THE NUMBERS

Running \$2,000 PRU in the F&I office is not common. It's not easy. And not many people are capable of doing it legitimately. Those few F&I professionals who do achieve those kind of numbers (and we do have some), are extraordinarily talented. They typically have amazing people skills. They also strive to get even better every day — and not because their dealer demands high production. They believe in what they do, and they are absolutely committed to being the best they can be at their craft. Yes, there are some true F&I professionals out there.

Unfortunately, more often, hitting that benchmark indicates that someone involved in the sales or F&I process is doing something they shouldn't in an effort to achieve the performance that is being demanded of them. If the fast food workers get their way, a few people may see their wages increase to \$15/hour, but many others will be soon be unemployed. If a dealer demands his F&I managers run \$2,000 PRU or they are no longer going to have a job, they'll figure out how to get there.



Discovering the unique needs of each customer is key to selling protection products and, like any skill, F&I professionals must practice it every day, on every deal, to be proficient.

Chances are, it won't be legal.

Achieving consistent and spectacular performance in the F&I office requires an F&I professional who is sincerely excited about the prospect of helping customers, not someone who is constantly afraid of being fired. It requires someone who is genuinely committed to improving their ability to help customers every day. But it also takes intentional preparation, product knowledge, realistic goals, and daily practice. There are no "\$1,500 or you're fired!" shortcuts when it comes to achieving outstanding F&I income!

Many dealers will never even see \$1,500 PRU because their F&I managers don't have the ability to help enough customers see the value of their products. They never learn enough about the customer to show them how a particular product will benefit them specifically.

### THE DISCOVERY PHASE

If you want to meet that benchmark, you first have to be prepared to achieve it. That intentional preparation includes outstanding needs discovery. Needs discovery is the foundation upon which an F&I professional must build every product presentation.

In the F&I office, the greater your F&I manager's product knowledge, the greater their confidence and credibility when discussing a particular product with a customer. F&I professionals who achieve exceptional income per retail unit and products per retail unit all have one thing in common: exceptional product knowledge. The more an F&I professional knows about tire-and-wheel, GAP or environmental protection, the better able they will be to relate how each particular product will benefit the customer sitting in front of them.

F&I performance will not get better because someone demands it. It will get better when you have an intentional and detailed plan of how to get there. Initially, the goal may

be for your F&I department to achieve a minimum of one product per unit and \$1,000 PRU. As performance improves, managers should be expected to stretch their goals a little further each month. Goals provide a framework for increased productivity, personal growth and job satisfaction. F&I excellence begins with establishing daily, monthly, and long-term goals that are measurable and have a specific objective.

Finally, F&I, like any sport or occupation performed at the professional level, must be studied and practiced daily. Every customer is a unique person with a unique vehicle and unique needs. To ensure every customer receives a thorough explanation of their options in a minimum amount of time with a maximum chance of F&I product sales, the financial services process must follow an organized, consistent format.

Professionals are never satisfied with their current performance. They are committed to becoming better every day. That takes practice.

Whether you're an employee or an employer, demands are a dangerous thing. Just as demanding an unrealistic pay increase simply because you want to make more money is likely to have unintended and unfortunate consequences, so too is demanding unrealistic performance simply because you want to make more money. Establishing performance expectations and implementing a plan to achieve them is absolutely critical. But the only realistic "demand" of any employee is to strive to help every customer. Helping more customers is guaranteed to make your dealership more money.

**ADM**



Ronald J. Reahard is president of Reahard & Associates Inc. and ranks among the industry's leading F&I trainers, authors, consultants and speakers.  
RReahard@AutoDealerMonthly.com