

Finance and Insurance at a Glance

Retail dealership net F&I income across the board has risen about 10% each of the last four years. By almost all anecdotal accounts, Regulation Z, issued by the Board of Governors of the Federal Reserve System to implement the federal Truth in Lending Act, as part of an overarching consumer protection program is largely responsible. Because disclosure is such an important part of Regulation Z, early adapters and now most retail dealers have developed a structured system, the menu, to clearly show consumers what they are purchasing. As a result, more products have been introduced and purchased. In many cases, CSI have improved as well.

Specifically, both domestic and regular import net F&I income are up almost 11.5 percent. Luxury net F&I income is actually

down, but may be due to sub-vened rates from their manufacturers' finance arms.

New vehicles: All Dealer Benchmark® \$915

Gap insurance is at 32.6 percent for regular imports and 31.3 percent for all domestic. Luxury imports show low numbers, again with high leasing percentages where the manufacturer's finance arm included gap in the rate; there is a smaller opportunity for luxury dealers to sell gap insurance.

Extended service policy penetration for regular import is 33.3 percent and 38.4 percent for all domestic. Again, luxury lags here, as leasing cycles turn over before an actual need or a value can be determined.

Pre-paid maintenance is hit-and-miss, as the manufacturers' administration fees cause the

actual costs to appear higher than if it were calculated and sold at retail.

Pre-owned vehicles: All Dealer Benchmark® \$872

Gap insurance is at 50.1 percent for regular imports and 39.7 percent for all domestic. Luxury imports show low numbers, for the same reason as the new vehicles.

Extended service policy penetration for regular import is 36.3 percent and 42.7 percent for all domestic. Again, luxury lags as it does in new vehicles.

Pre-paid maintenance doesn't fare any better here than in new vehicles. However, luxury shows a 19.5 percent sales penetration.

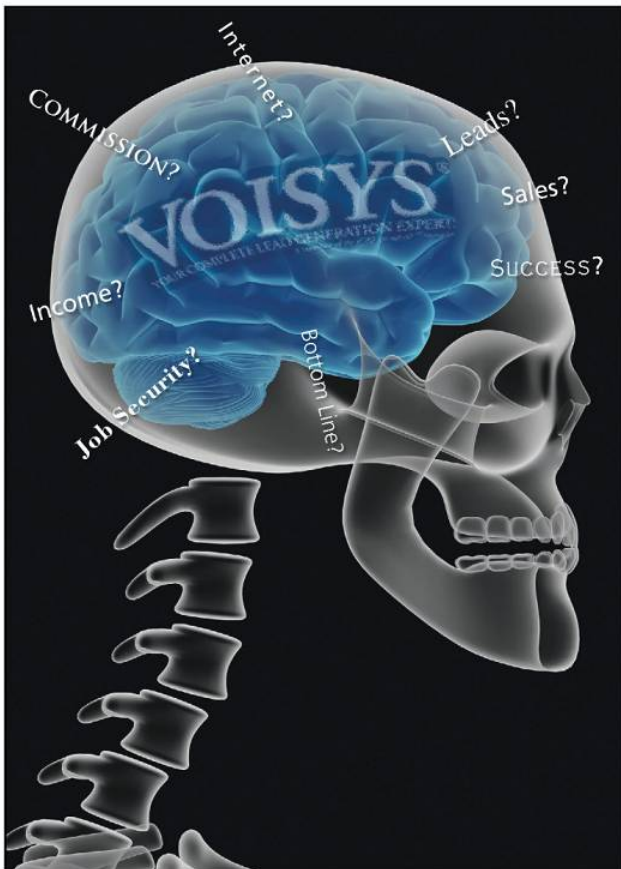
Other products are still gaining momentum as menus continue

to expand for both new and pre-owned vehicles:

- LoJack/vehicle GPS systems (especially in metro luxury markets and border cities)
- Tire and wheel insurance
- Alarms
- Etching

The key to high customer satisfaction and high F&I profits is spending the correct amount of time presenting the products to every customer. **ADM**

**All benchmarks are compliments of NCM Associates and have been provided by Kevin Cunningham, director of business development. Questions, concerns or comments regarding benchmarks or Twenty Group programs can be e-mailed to Twenty@AutoDealerMonthly.com.



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