

In the automotive market today, dealers are faced with many challenges, ranging from compliance issues, class action lawsuits to yes, sadly, a soft climate for selling cars. For a dealership to navigate this minefield it must change the way it does business in F&I to maintain profitability. The F&I department must sustain a profit to ensure the dealership's long-term success. Balancing the need for profit and compliance should be your goal as a successful dealer.

### **Paying the price for past practices**

Gone are the days of an F&I manager who sells consumers rate and packs payments with the product of the day—while the consumer has no idea of what's going on. Rate as an income source in the dealership is declining and will eventually be phased out by a grid of flat rate commissions paid to you by the lender, based upon the consumer's credit rating.

Payment packing lawsuits can be found in almost every state today where consumers use "consumer fraud" laws to allege that the dealership didn't inform them about the purchase they made; even though the retail installment contract and/or purchase order discloses these items.

### **How to change our ways and continue to be profitable**

An F&I manager today needs to sell value and also become a financial consultant to the consumer. This starts by conducting a proper interview with the consumer to understand their driving wants, needs and desires. The interview is critical to establishing trust and understanding how specific F&I products may fit customer needs.

Consumers will buy from someone they believe cares about them. The F&I manager's role is not unlike a customer's personal financial advisor (who is really a salesman in disguise selling them stocks, bonds, mutual funds and IRAs). The good news is that, believe it or not, these financial advisors— dare I say it—make a profit on those products they sell under the guise of being an advisor to the consumer!

The challenge then becomes retraining F&I managers and others in our stores to create value and provide choices to our consumers so they can make intelligent, informed decisions. When value exceeds price a consumer will purchase product.

### **Four easy steps to accomplish these goals**

Step 1: Only select products to sell in F&I that provide a real tangible value to the consumer and that you believe in yourself. I try and follow a simple mandate: is it good for the consumer and CSI-friendly? Is it good for the dealership? Does the product provide value that is tangible and real for the consumer? Does the product have a real insurance company that stands behind the product and will actually pay claims? Would you buy the product yourself? If you can answer yes to all of these questions, then the product is right for your store and your customers. One way to find new and innovative F&I products that meet these requirements is to ask your 20 group members about products they sell that meet these criteria.

Step 2: Train, train, train and train the F&I personnel on how to become consultants to the consumer. Here are some ways to find sources to aid the training:

- A) Talk to your captive finance sources about what training they can offer.
- B) Ask all of your service contract and product providers about what training they can offer.
- C) Talk with your state dealer association about what training they can offer.

Most dealers today don't demand enough training from the companies they do business with and this affects

our business overall. Another best practice: Never sign on with any vendor or company that does not provide long-term, ongoing training as part of the sale.

Step 3: Install a quality electronic menu selling system that provides compliance and value-oriented selling tools in F&I that you can use to offer every product to every customer. The system should also allow you to modify or order your presentation to fit the customer's specific needs that you discern during the interview. The best way to find a source of information about which menu system to buy is to talk to customers actually using the system, so I suggest you do the following:

- A) Get a reference sheet with at least 10 large dealership groups listed with managers you can talk with.
- B) Find out which vendors are doing business with the largest dealer groups in the country because generally, there are good reasons that these guys have selected a vendor.
- C) Select a vendor that has multiple product providers actively involved in their platform for service contract rating and product submission. In this way, if you need to find best in class providers you have access to them.
- D) Make sure the vendor you choose owns all of its own software with no third-party license agreements.
- E) Find a vendor that will provide you with integration and ease of use so your people will want to use the system as opposed to being forced to.
- F) Select a vendor that can show you consistent selling tools that provide value and move the numbers in F&I.

Step 4: Provide multiple choices and options for all customers—and seed the value of F&I products with all customers regardless of how they contact the dealership (e.g. Internet, phone up or walk-in). Too often, many F&I managers still pre-qualify a customer based on what they think a customer will buy. An effective menu presentation helps eliminate that bias, and gives customers a full understanding of their options.

At the same time, many dealers are addressing the value of F&I with sales customers—whether it's during the sales process through a meet/greet with an F&I manager or letting Internet customers know about F&I options as part of their online dialogue. Some of the best practices include:

- A) E-mailing or faxing customers a copy of your electronic menu.
- B) Sharing an accessory menu.
- C) Providing links to online information about F&I products and provider companies (i.e., a web address of the provider) to let those resources help sell your customers on F&I products as a complement to your F&I managers' efforts.

In closing, if you follow the outline above, not only will F&I continue to be a great, reliable source of profit, it will help you avoid the compliance and customer satisfaction headaches that could harm your store.

**Phillip Battista is chief marketing officer of MenuVantage, ([www.menuvantage.com](http://www.menuvantage.com)) a fully customizable, web-based menu selling system that integrates seamlessly with major dealer management systems. A successful ex-dealer, Battista founded Superior Programming, a custom DMS programming company that has developed and delivered the industry's leading DMS interface technology for the past 15 years.**