

It's still the one department where profits are made, but the F&I office can't do it alone. Veteran trainer breaks through F&I's five biggest roadblocks.

By Rick McCormick

Roadblocks to F&I Success

For an F&I professional to realize any amount of success, he or she must accept the inevitable, capitalize on changing conditions, and turn those challenges into profit-generating opportunities. But even if a F&I manager can handle all of that, he or she can't get it done alone.

Today's F&I manager needs access to consistent training. They also have to be involved in the training of the sales department. Most of all, they need the respect of senior management. Once empowered, a F&I manager can repay dealers with record profits and income. But before any of that can happen, dealers must address the five obstacles hampering the progress of this key department.



The Ever-Changing Customer

Let's face it, the customers who entered the economic recession more than 18 months ago aren't the same people today. They have had to learn how to say "No" to the little extras they became accustomed to during the fast times. Unfortunately, this new breed of customer can't decline extras offered in the F&I office fast enough. So, how do we meet this challenge? We have to provide a buying experience in which customers learn things they didn't know before they entered the office.

A vehicle service contract is more critical today than ever before, yet customers believe the exact opposite. We have to help them see how vehicles have changed. Here's an example: The technology equipping today's vehicles has dramatically changed the way cars and trucks are built and repaired. Even low-end cars currently have 30 to 50 engine control units embedded in the body, doors, dash, roof, trunk, seats and just about everywhere else the vehicle's designer found space. That's why repairing a power window is no longer as

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simple as replacing a motor; today, it requires a new module that can cost as much as \$1,000.

And just think about this: Boeing's new 787 Dreamliner requires approximately 6.5 million lines of software code to operate its avionics and onboard support systems. Today's vehicle, on the other hand, executes tens of millions of lines of code, controlling everything from engine performance to the instrument cluster. It just doesn't make sense to own a vehicle today without having a service contract. Just be sure to relay these facts both visually and verbally when making the pitch to your customers.



Poor Time Management

Today's F&I office has become the hub of the dealership, and our daily accomplishments are a direct reflection of the priorities we have established. Serving customers comes first, yet we can go weeks at a time without involving ourselves in training activity that will help us improve our skills and increase sales. There's also the paperwork side of the F&I manager's job. It must be done in a timely and efficient manner to facilitate cash flow.

F&I professionals who cannot establish daily priorities will find it difficult to manage their department, let alone maintain the penetration levels and income the dealership needs. That's why it's key for F&I managers to review their daily duties to help establish a priority list. Just make sure that list is shared with the management team. From there, formulate a strategy to help you focus on what you do best — serving customers and producing profit.

The New Breed of Customer

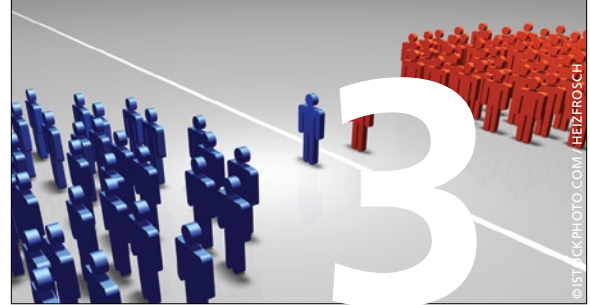
... Knows a sales pitch when they hear it, and your pitch will land you in the minor leagues.

... Can check the facts about your products online, and probably already has.

... Has a favorite buying phrase: "Nothing extra."

... Won't buy anything from someone who won't take the time to explain why they need it.

... Is looking for answers and expert advice, and they're willing to pay for it.



A Divided Dealership

Let's get one thing straight: There isn't a sales team and a F&I team; there is only the dealership team. Friction between these two departments causes customers to become more resistant when they enter the F&I office, which means profits suffer. That's where positive reinforcement becomes important. When a salesperson does something right, let his or her manager know. That will make the salesperson an advocate of the F&I manager and help make the two departments operate more as a team.

It's also a good idea to get the sales staff involved in the F&I process. Most salespeople have never witnessed what customers go through inside the F&I office. Have salespeople sit in on a deal and let them see firsthand how you help — not sell — the customer. The more they know about what goes on in the F&I office, the more cohesive your dealership team will be.

Allowing salespeople to see how you build value in the products you offer will make them advocates of the products as well. Think of the sales team as your internal customers. If you can sell them on the value and importance of F&I products, your external customers will be more likely to enter your office with less resistance.



Tightened Lender Guidelines

Yes, there's some talk out there that finance sources are a little more open to certain situations these days, but, for the most part, guidelines remain tight. So, how do we sell products when banks refuse to lend us the money to do so? Well, we must adjust and change the way we sell F&I products.

Work with sales managers to visually demonstrate to customers how a bigger down payment increases equity and lowers payments. Remember, customers will embrace 65 percent of what we show them and less than 25 percent of what we tell them.

You may also want to consider the biweekly payment option. That structure can accelerate equity and open additional opportunities for F&I product sales. Many dealers have resisted using the biweekly option, but

today's market demands it. You may also want to revisit service-contract payment programs and become skilled at selling that product outside the deal. When banks restrict credit, we must adjust and change the manner in which we offer products.



Ineffective Selling Strategies

There are still F&I managers out there using closes that went out of style years ago. If you're one of them, it might be time for you and your team to get together and create some new, game-changing closes. There's a wealth of information available that can help.

For instance, did you know that 10 percent of us will face a major health issue? That's why a leading insurance institute said that health is the biggest financial risk we face, and why it's the biggest coverage area. I also recently read that 60 percent of custom-

I recently read that 60 percent of customers who purchase a vehicle service contract used it at some point over a five-year period, with the average customer getting back 70 percent of their investment in benefits. What that means is we're six times more likely to need the service contract than the next biggest risk we face in life.

ers who purchase a vehicle service contract used it at some point over a five-year period, with the average customer getting back 70 percent of their investment in benefits. What that means is we're six times more likely to need the service contract than the next biggest risk we face in life. Now that's a game changer!

We are facing a unique time in the F&I office. As we tackle these challenges, we will emerge stronger and more effective in our ability to help customers. Challenges promote growth and produce champions, so let's not make excuses or evade the challenges. Instead, let's face them head on and make 2010 a record year. ■

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