



In light of an F&I manager's limited time with the customer, it's crucial to offer a menu filled with beneficial products geared for your customers' needs.

By Ronald J. Reahard

F&I Products - How Many Are Too Many?

When F&I first became a separate department back in the early '70s, most dealerships offered only four products in the F&I office: financing, credit life insurance, credit disability insurance, and vehicle service agreements. F&I managers didn't need a menu to review the customer's options, because other than financing, the only product being sold was the vehicle service agreement. Credit insurance was simply included in the customer's monthly pay-

ment and presented as a "standard contract feature."

Today, including any products in a customer's payment without his or her knowledge or consent, even if those products are fully disclosed when the installment loan agreement is signed, is a deceptive business practice. In addition, the number and variety of F&I products has grown to include guaranteed auto protection (GAP), involuntary unemployment insurance (IUI), environmental protection, A/C performance enhancement products,

rust-proofing, numerous theft deterrent products, pre-paid maintenance plans, paintless dent repair, excess wear-and-tear coverage, and tire and wheel road hazard protection.

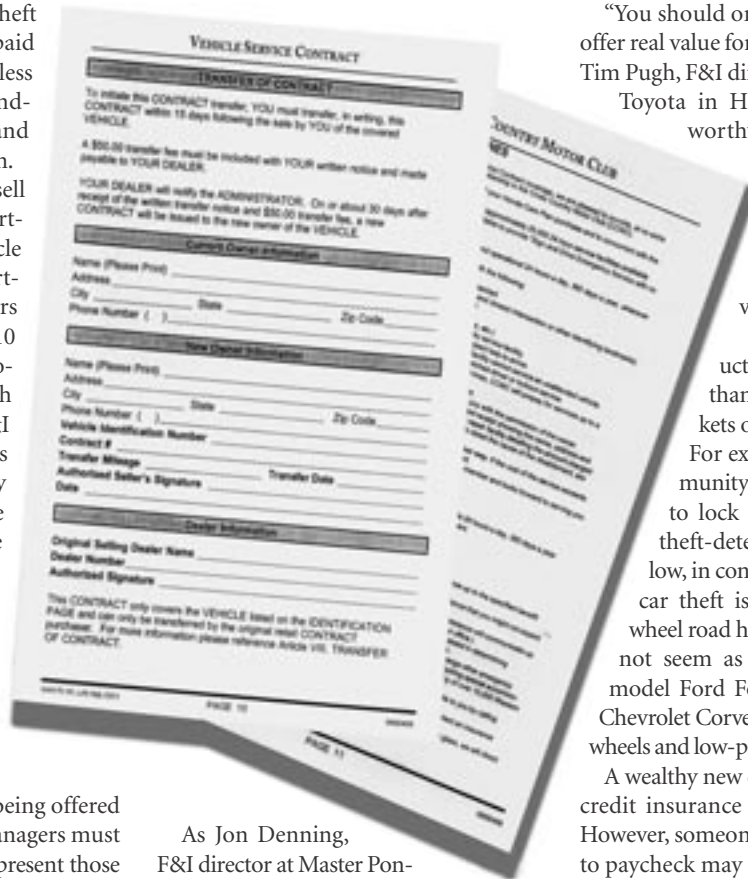
Some dealerships even sell pickup bedliners, remote starting systems, and other vehicle accessories in the F&I department. As a result, managers present as many as eight to 10 products on a menu. The notion is, if you offer enough different products in the F&I office, virtually all customers will find something they need, and consequently, the dealership will make more money. These dealerships don't have an F&I department — they have a FEE department — Finance and Everything Else.

SO MANY PRODUCTS, SO LITTLE TIME

With so many products being offered in most F&I offices, F&I managers must have some type of menu to present those products. A menu allows customers to select the products they know they want, and to ask questions or voice concerns about the products they don't think they need. The menu also allows an F&I manager to focus on what's important to the customer and to discuss why a particular product may be especially important.

F&I managers should simply review the different options, and try to help customers choose the right products based on their own unique needs. In reality, it doesn't matter whether you offer four products or 40 products. Increasing F&I income depends upon a manager's ability to find and fill customer needs, not on the number of products being offered in the F&I office.

Offering more products does not necessarily translate into more profit. The more products being offered, the more time the customer will spend in the F&I office. It takes time to discover the customer's need for each of those products, and to explain the benefits of each product.



As Jon Denning, F&I director at Master Pontiac-Buick-GMC in Augusta, Ga., says, "There's only so much the wagon will hold." The amount of time available to spend with each customer is limited, but you need to maximize both profits and customer satisfaction. So which products, and how many products, should your dealership offer customers in the F&I office?

One thing I know for a fact: an uninspired, halfhearted presentation of 10 products will never be as effective, or as profitable, as an enthusiastic, customer-focused, needs-based presentation of two or three products. It's an F&I manager's belief in a product, enthusiasm for that product, and absolute conviction that the customer needs that product that will convince the customer to make the purchase.

WHICH PRODUCTS ARE WORTH SELLING?

The first decision every dealer must make is which products to offer customers in connection with their purchase.

"You should only offer products that offer real value for the customer," advises Tim Pugh, F&I director for Mike Calvert Toyota in Houston, Texas. To be worthwhile, these products

need to add value to the ownership experience, help protect the customer's investment, and provide peace of mind.

Obviously, some products will have more appeal than others in certain markets or with specific vehicles.

For example, in a rural community where nobody bothers to lock their car, demand for theft-deterrent products will be low, in contrast to a big city where car theft is a problem. Tire and wheel road hazard protection would not seem as important on a base model Ford Focus as it would on a Chevrolet Corvette with expensive alloy wheels and low-profile, speed-rated tires.

A wealthy new car customer may view credit insurance as a waste of money. However, someone living from paycheck to paycheck may see credit insurance as the most important option available. As Denning says, "Whatever you offer has to be a creditable product, and something that you believe in."

WHO SELLS WHAT?

Once a dealer decides what products to offer, the next decision has to be who should be presenting those products to the customer. There are countless products and accessories that can enhance the customer's ownership experience. However, F&I managers should only sell intangible products, not tangible products such as vehicle accessories.

Bedliners, satellite radios and other accessories are tangible products, and they should *not* be offered in the F&I office. When customers are interested in accessorizing their vehicle and including those products in their purchase, the vehicle sales person or the accessory department should present those products. The only products an F&I department should sell are intangible or "peace of mind" products.

HOW MANY OPTIONS SHOULD YOU OFFER?

A major decision every dealer must make is how many products to offer. The F&I manager has a limited amount of time to discover which products can benefit the customer and then to explain these benefits.

Keep in mind that although every product offered in the F&I office is designed to help the customer, if we are unable to convey how a product will benefit them, and they elect not to purchase it, we have not helped the customer. If we are not helping customers, then the F&I process is adding no value to the purchase experience for the customer. And if the F&I process is not adding value to the purchase experience, then it is alienating customers and hurting customer satisfaction, because we're wasting their time.

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If you're not achieving at least 10 percent penetration with a particular product, you may need to consider whether the dealership should even continue to offer that product. With 10 percent penetration, 90 percent of customers did not feel the product would benefit them. The question is, why? It may be the F&I manager doesn't believe in the product. It may be the manager needs additional training on the benefits of the product. It may be due to the manager's compensation plan. Or, it may be that in your market, with your vehicles, and with your demographics, customers perceive the product to be of little benefit.

A professional F&I manager has a responsibility to the dealership, and to customers, to review all the options available in connection with their purchase. Unfortunately, even with a menu, it is virtu-

ally impossible for even the best F&I manager to sell more than two or three products to a customer, because after the second or third product, they realize they're being sold. But a customer will buy six or seven products if the products are part of a package.

There is a limit, however. Customers who want two or three products may very well select an option package that includes five or six products. But they will not buy nine products when they want only one or two.

The top dealerships in the country with the highest \$PRU in F&I income typically offer no more than six or seven products in the preferred option package on their menu. According to Tim Pugh, after that, "it just becomes more than the customer can absorb." More importantly, the products offered in the F&I office should be tai-

lored to your market, the brand of vehicles you sell, and your customer base.

A Porsche or Lexus dealership may not offer credit insurance, but instead may offer environmental protection, paintless dent repair, tire and wheel road hazard, LoJack, GAP, and a vehicle service agreement. On the other hand, a Chevrolet dealership may offer credit life, A&H, GAP, VSA, paint sealant, and a theft deterrent product.

The key to determining which products, and how many products, to offer in the F&I office comes down to which offer the most value for your customers. Mike Calvert Toyota has six products on the menu. But as Tim Pugh says, "Every dealership has to establish its core products."

Those products must be presented on a menu that uses option packages to

make it easy for a customer to buy multiple products without enduring multiple presentations. The best or "preferred option" should include no more than six or seven of the products that offer customers the most value. The customer then forfeits one or more products in the "standard option," with a "basic option" that includes at least three products, plus an "alternative option" that allows customers to purchase individual F&I products à la carte.

After a professional F&I manager helps the customer see the benefit of one or two products, the customer will likely purchase a package that includes those products, plus one or two additional products.

So, how many products are too many? There is no limit, as long as every product offers real value for your customers. However, if penetration is under 10 percent for one or more products, it may be time to re-evaluate your offerings.

To maximize product sales and profits, the F&I department should not be expected to sell too many products, or be limited by having too few. And whether you offer four products, or 10 products, they must be presented on a menu with no option package containing more than six or seven products or less than three products. This helps reduce the time customers spend in the F&I office, and makes it easier for them to buy multiple products.

With finance reserve under attack from all directions, dealers and F&I managers need to identify the products that offer the most value and provide the greatest income opportunities. Then they can help customers select an option package that fits their needs. ■

Ron Reahard is president of Reahard & Associates Inc., an F&I training company.

The company provides local, regional and monthly in-dealership F&I training programs, consulting services and solutions.

He can be reached at (866)REAHARD or ron@go-reahard.com.

