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# MAGIC BEANS AND GIANTS

Top trainer offers a four-step process for improving F&I productivity and profitability in an era marked by a growing demand for transparency and real value.

**Fee-fi-fo-fum, I smell the blood of a car salesman! We all know the fairy tale.**

Jack is a poor boy living with his widowed mother. He sells their only source of income, a cow, to an old man in exchange for some magic beans. His angry mother throws the beans on the ground, and a massive beanstalk grows overnight.

The next morning, Jack climbs the beanstalk to discover a giant's castle in the sky. When the giant falls asleep, Jack steals his bag of gold coins and makes his escape down the beanstalk. Later, Jack returns to steal the giant's goose that lays golden eggs and his golden harp. When the giant awakes and gives chase, Jack cuts down the beanstalk. The giant falls to his death, and Jack and his mother live happily ever after — on the giant's money.

We've just received a fairy tale update:

Jack's mother is now president, the beanstalk is a national historic site, the castle was seized by eminent domain, and Jack runs the Consumer Financial Protection Bureau.

The moral of the story? If you've worked hard to build a successful business, taken enormous financial risks others would never take, lived beneath your means, saved your money and invested wisely, and provided good jobs for scores of employees, don't go to sleep, because some weasely thief or beady-eyed bureaucrat is out there plotting new ways to take it away from you.

## BACK TO THE REAL WORLD

Whether business is good or business is bad, the giants of the automotive industry don't depend on magic beans or profit fairies to grow their business. They get up every morning and look for ways to improve their

odds, maximize every profit opportunity, and turn every challenge into a competitive edge.

Survival of the fittest is the ageless law of nature, but the fittest are rarely the strongest. The fittest are those endowed with the qualifications for adaptation, the ability to accept the inevitable and conform to the unavoidable, to capitalize on changing conditions, and to turn them to their advantage. When business is good, anybody can succeed. But whenever there is a business downturn, there will be survivors, and there will be victims.

Which will you be? How can your dealership increase profits when every customer is an Internet buyer, front-end grosses on new cars are virtually non-existent, you have stricter lender requirements, less reserve, more regulations and cutthroat com-

petition? More and more dealers (and major dealer groups) are doing it with their F&I departments. So how can you? Here are four things you can do right now at your dealership to improve your F&I profits.

### 1. BE EASY TO DO BUSINESS WITH.

Does your F&I team treat customers the same way you would treat your mother? If not, then you need to change your process! Selling is not about outsmarting customers, it's about helping that human being on the other side of the desk. Customers appreciate having someone help them make an informed decision about the options available in connection with their purchase.

It ought to be fun to buy a car at your dealership, and it should be an enjoyable experience in the F&I office as well. When they leave the F&I office, every customer should have a smile on their face. They should be glad they had a professional take the time to review their options and help them make the right decision for them and their family.

As a dealer, being easy to do business with also means you can't ever fall in love with your existing process, just because it's worked great for you for the past 20 years. Everybody's process has had to change thanks to the Internet. In the F&I office, processes don't sell products. Technology doesn't sell products. And menus don't sell products. F&I professionals do! Being easy to do business with requires that your F&I managers be trained to sell customers the way they want to buy, not the way you want to sell them.

### 2. MAKE F&I A SEPARATE DEPARTMENT.

The finance office cannot be a subsidiary of the sales department. Every dealership needs a system of checks and balances to ensure the information on the credit application is correct, and what is being submitted to a lender is correct.

Someone must confirm no one is coaching customers, doctoring credit applications or powerbooking vehicles. Inflating a customer's income or adding imaginary options to increase the amount a lender will advance on a vehicle is not fudging the figures. It's a felony.

There are new rules and new risks when

it comes to quoting payments. Customers are entitled to accurate, non-misleading monthly payment quotes. When they don't get them, it's deceptive and unlawful.

Do the payments on your deal sheet or worksheet bear any resemblance to reality? Who's making sure no one is packing payments or creating legal liability by promising customers we're going to get them the best rate? Does the payment agreed to on the menu match the payment on the contract? No deal should ever be submitted to a lender until an F&I professional confirms all the information on the credit application is correct, including the customer's income.

### 3. ESTABLISH RULES FOR QUOTING PAYMENTS.

Give your sales desk written guidelines for quoting payments. These should state there can be no packed payments by anyone, any-

## IN THE F&I OFFICE, FEATURE-ADVANTAGE-BENEFIT PRODUCT PRESENTATIONS ARE AS OUT-OF-DATE AS PHONEBOOKS.

where, anytime. There should also be no "low-ball" rates. A 419 FICO score does not equal a 4.19% rate.

If you're doing spot deliveries, you had better have a written, consistent, and fully documented process that ensures every vehicle delivered stays delivered — at the interest rate, payment, and terms it was delivered at. These areas are all real CFPB hot buttons.

The guidelines on any payment quote should include a maximum payment range of \$5, to take into consideration the number of days to first payment. Any payment quote should also include disclosure of the down payment, amount financed, term, and APR — always. The F&I department should be solely responsible for converting cash customers to dealership financing. The sales department is responsible for the car, not the financing. Financing should never be an obstacle to the sale.

### 4. FOCUS ON YOUR CUSTOMERS.

To increase F&I profits, your process has to

add value to the customer's purchase experience by educating and informing them. In the F&I office, feature-advantage-benefit product presentations are as out-of-date as phonebooks.

The F&I process must be perceived by customers as helping them obtain the vehicle they want at a payment they can afford, which means an F&I manager has to actually do it! That requires an F&I professional review their credit application and credit bureau report prior to submission to a lender to learn the circumstances and details surrounding any adverse credit information.

Every customer has a story. You have to hear it and document it so they can provide a paper buyer reasons to buy the deal or improve the tier level. An F&I professional must also help customers understand your lender's criteria, their FICO Score, and how financing through one of your sources will

help them.

You have to embrace open-source selling to improve communication, transparency, and customer trust. They should watch their F&I manager enter their information into the computer, submit their deal to a lender, and then customize a menu based on each customer's needs.

Your F&I process has to exceed expectations by being transparent, giving customers more than they ask for, and expediting the sale. That requires concentrating on what is best for the customer, not just what is best for the dealership. The more valuable your F&I process is, the more products your F&I managers will sell, and the more money you will make. Unless of course, you happen to have some magic beans. 



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