

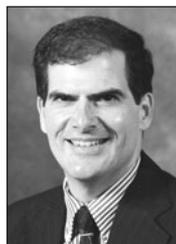
Best Practices mean Bigger Profits!



You cannot achieve F&I excellence if you're willing to accept F&I mediocrity. You only get superior performance when you expect superior performance.

By Ronald J. Reahard

"Set and demand standards of excellence. Anybody who accepts mediocrity—in school, in job, in life—is a person who compromises. And when the leader compromises, the whole organization compromises."
— Charles Knight, CEO, Emerson Electric



"Increasing F&I profits still depends upon utilizing best practices throughout the sales and F&I process."

—Ronald J. Reahard

Former Secretary of State Henry Kissinger once asked a new assistant to prepare a report. The assistant worked day and night, and finally submitted his report to Kissinger. An hour later, he got it back with a note attached telling him to redo it. The assistant stayed up all night rewriting the report, but once again Kissinger asked him to redo it. After rewriting the report three times, the assistant finally told Kissinger, "I've done the best I can do." Kissinger replied, "In that case, I'll read it now."

The fact is, you cannot achieve F&I excellence if you're willing to accept F&I mediocrity. You only get the superior performance when you expect the superior performance. Once the expectation of F&I excellence is established, a dealership must

incorporate best practices in the sale and financing of every vehicle to ensure it happens.

F&I excellence is the result of utilizing best practices on the part of the sales representatives, the sales manager, the financial services manager (FSM), and the dealer. Virtually every dealership that achieves F&I excellence utilizes most (if not all) of the following best practices, and puts them in writing to ensure everyone on the team knows exactly what is expected of them.

BEST PRACTICES — SALES REPRESENTATIVES

1. Every dealership customer should be introduced to the FSM when the customer makes a commitment to purchase, whether the commitment is made in person or by phone. There is no valid excuse for not affording every customer the opportunity to have the FSM verify their figures, check their documents for accuracy, and review the options available in connection with their purchase.

2. Sales representatives are responsible for fully completing the purchase agreement, including correct mileages, serial numbers, and license numbers on both the vehicle being sold and the trade-in, if any, prior to introducing the customer to the FSM. All conditions of sale, optional equipment/accessories added, and any promises made to the customer should be written on the Purchase Agreement, prior to obtaining the customer's signature.

3. In the event the customer makes a commitment to purchase over the phone, and will not be coming into the dealership prior to taking delivery, it is the sales representative's responsibility to find out when the customer would prefer to have the FSM contact them to review the various options that are available in connection with their purchase.

4. If the customer indicates they desire the dealership to arrange their financing, sales representatives are responsible for assisting them in completing a credit application prior to introducing them to the FSM. Sales representatives are not responsible for converting customers to dealership financing or leasing, and are specifically discouraged from discussing interest rates or payments with customers who indicate they will be paying cash or have their financing arranged elsewhere.

5. Any interest rate quoted should be the rates as determined by dealership management, along with the disclaimer "all rates, terms, and payments are subject to credit approval." Due to potential legal liability, at no time should any customer be told the dealership will try to get them "the best rate" available. Any payments quoted should be calculated using the average rates determined by management and include a range of \$5 to reflect the numerous variables involved.

6. Sales representatives are responsible to ask the customer if their vehicle has a vehicle service agreement when having it appraised. Sales representatives are also responsible to mention that a vehicle service agreement is available on the vehicle they are purchasing. Sales representatives are not responsible for selling vehicle service agreements or any F&I products, and are specifically discouraged from attempting to "pre-sell" F&I products prior to introducing the customer to the FSM.

Under no circumstances should a sales representative discourage a customer from purchasing a VSA or any other F&I product on a car they're considering.

BEST PRACTICES — SALES MANAGERS

1. Sales managers and the financial services manager are equally responsible for training and educating sales representatives with regard to the laws and regulations involved in the sale and financing of a vehicle, and ensuring both departments work together as a team to maximize all the profit opportunities available on every sale.

2. Sales managers are responsible to ensure that (1) the customer has made a commitment to purchase/lease the vehicle

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at the price/payment agreed upon, (2) those figures have been reviewed with the customer, (3) the sales person contacts the FSM immediately upon the customer's commitment to purchase, and that (4) the customer is then introduced to the FSM.

3. Dealership sales managers are responsible for ensuring that all necessary customer documentation is available, i.e., proof of insurance, copy(s) of driver licenses, a fully completed purchase agreement, including correct mileages, serial numbers, and license numbers on both the vehicle being sold and the trade-in, payoff and ACV of trade-in, if any, have been obtained by the sales representative prior to introducing the customer to the FSM.

4. It is the sales manager's responsibility to ensure that all conditions of sale, optional equipment/accessories added, and any promises made to the customer are written on the purchase agreement, prior to obtaining the customer's signature.

5. Any monthly payments quoted by a sales manager should be referred to as an "approximate principal and interest pay-

ment" and include a range of \$5 to reflect the numerous variables involved. Any payments quoted prior to the customer being introduced to the FSM should in no way commit the dealership to either an exact monthly payment, down payment, interest rate, or a specific lender, as this is nothing more than an educated guess until the customer's financing has actually been approved by a lender. Due to potential legal liability, at no time should any customer be told the dealership will try to get them "the best rate" available.

6. If the customer has indicated they desire the dealership to arrange their financing, it is the sales manager's responsibility to ensure that the sales person assist the customer in completing a credit applica-

tion prior to introducing them to the FSM.

7. Sales managers are not responsible for converting customers to dealership financing or leasing, and are specifically discouraged from discussing interest rates or payments with customers who indicate they will be paying cash or already have their financing arranged. Sales managers should, however, attempt to determine how the customer will be paying for the vehicle, and indicate financing and leasing is available through dealership.

8. Any interest rate quoted by a sales manager should be limited to the rates determined by the dealer and dealership management. Any payments provided by the sales manager should be calculated using these rates, along with a disclaimer "all rates, terms, and payments are subject to credit approval." Because of the numerous factors that affect the monthly payment, the FSM should be involved in the rare case where a customer demands to know exactly what the payment and/or interest rate will be before he/she will buy the car.

**BEST PRACTICES —
FINANCIAL SERVICES MANAGERS**

1. The financial services manager and sales manager are equally responsible for training and educating sales representatives with regard to the laws and regulations involved in the sale and financing of a vehicle, and ensuring both departments work together as a team to maximize all the profit opportunities available on every sale.

2. Upon notification from a sales representative that a customer has made a commitment to purchase a vehicle, it is the FSM's responsibility to meet the customer in the salesperson's office, review the credit application and determine the customer's financial needs prior to submitting their application to a lender.

Expect F&I excellence. Refuse to accept mediocre performance.

3. The FSM is responsible for confirming that all information is correct and completed on the purchase agreement, including correct mileages, serial numbers, and license numbers on both the vehicle being sold and the trade-in, payoff on trade in, if any, and a copy of the customer's drivers license and insurance information has been obtained. Upon finding incorrect/missing information the FSM should immediately notify the salesperson and/or sales manager.

4. In the event the customer makes a commitment to purchase over the phone, it is the FSM's responsibility to contact the customer prior to their taking delivery to review their repayment, risk management, and vehicle protection options.

5. The FSM is responsible to coordinate with the sales representative when scheduling the delivery of the vehicle. Scheduled deliveries take priority, and every effort should be made to ensure that an FSM is available to complete the transaction at the time scheduled.

6. Financial services managers are responsible to create a monthly schedule showing which FSM is on duty, which FSM is off, as well as any scheduled vacations. A copy of the monthly F&I schedule must be approved by the GM with a copy

provided to all sales managers and receptionist prior to 1st day of each month.

7. Every FSM is responsible to practice a minimum of twenty minutes per day. Professionals practice; and daily practice is the key to achieving F&I excellence.

8. The following documents are required to be in every retail deal handled by the FSM:

- Signed financial services overview (menu) showing the customer has had their repayment, risk management, and vehicle protection options reviewed and explained.

- Signed credit insurance, GAP, and VSA waivers (if customer/vehicle was eligible and the product was not sold).

9. The following reporting is required of

x	Vehicle Appearance _____ % of retail sales
x	Theft Deterrent _____ % of retail sales
x	Tire & Wheel Road Hazard _____ % of retail sales
x	Other _____ _____ % of retail sales
Income Per Retail Unit \$ _____	

every FSM:

- Lender call-in log updated continuously
- Lender performance evaluated monthly
- Individual F&I progress report provided dealer daily
- FSM's training assignment completed daily
- FSM's performance reviewed/evaluated monthly
- F&I chargebacks reviewed/evaluated monthly
- Maintain credit insurance claim-log.

10. The following mutually agreed upon minimum acceptable standards of performance are expected of every FSM:

x	Finance Penetration _____ % of retail sales
x	Credit Life Penetration _____ % of vehicles financed
x	Disability Penetration _____ % of vehicles financed
x	GAP Penetration _____ % of vehicles financed
x	VSA Penetration _____ % of retail sales

BEST PRACTICES — DEALER

1. Expect F&I excellence. Refuse to accept mediocre performance.

2. Develop and implement your own best practices within the dealership, put them in writing, and make sure they're followed!

3. Utilize a balanced, performance-based compensation plan that rewards excellence.

4. Demonstrate your belief in F&I products daily, and your commitment to achieving F&I excellence through an ongoing, in-dealership training program.

CONCLUSION

No matter how good your salespeople, no matter how talented your sales managers or dedicated your financial services manager, increasing F&I profits still depends upon utilizing best practices throughout the sales and F&I process.

It requires developing and implementing those best practices, so everyone on the team knows exactly what is expected of them in the sales and F&I process.

But most of all, it requires the commitment to achieving F&I excellence. And that commitment starts at the top! ■

***Editor's note:** Ron Reahard is president of Reahard & Associates, Inc., an F&I training company providing regional and in-dealership F&I training programs, consulting services, and real-world solutions designed to increase F&I income and customer delight. If you would like information about Achieving F&I Excellence!™ at you dealership, Reahard can be contacted at 866-REAHARD, or e-mail ron@go-reahard.com.*