Achieving $1,600 Per Copy

BY RON REAHARD

An F&I manager from New York asks the magazine's resident F&I pro how achieving a $1,600 per-copy average is even possible. He responds with strategies employed by the Top 25 F&I operations in the nation.

This month's question comes from Mike in Ithaca, N.Y., home of beautiful waterfalls, Cornell University, and the Piggery. Ah, you can almost smell the bacon from here. Mike asks, "I was wondering if you had some thoughts on how some of these dealers are doing $1,600 per car? A quick analysis of 100 deals makes it difficult to imagine how they're achieving those numbers."

Let's take a look at Mike's analysis on this page so we can see where he's coming from. Here's his final comment on his analysis: "I feel these are excellent numbers, yet we're not even close to $1,600 per car. What am I missing?"

Mike, based on your assumptions, I would agree those are excellent numbers. With that said, there are many different ways dealers can and do achieve $1,600 per copy. In fact, in 2015, the Top 25 dealer groups, according to the Automotive News Data Center, averaged between $1,686 and $2,228 per copy in F&I income. And they don't make those numbers up. I know, because some of them are our clients.

So how do they do it? By selling more F&I products and charging more for those products. You cannot possibly achieve $1,600 per copy averaging one product per customer and $1,000 in profit per service contract. In fact, one of the most important indicators of F&I department performance today is products per vehicle retailed (PPVR).

In your example, Mike, your dealership sold 53 F&I products on 60 new cars, and 43 F&I products on 40 used cars. That adds up to 96 products on 100 retail units, or a PPVR of .96. Top-performing F&I managers typically own a two-plus PPVR. That's why most dealers offer five or six F&I products, such as environmental protection, extended maintenance, theft deterrent products, key replacement, paintless dent repair or windshield chip repair. And they package one or more of those products together on their menu. It's virtually impossible to hit those numbers if you only offer three products and you're step-selling each one.

To further boost F&I income, some dealers will also preinstall a theft-deterrent product on every vehicle. They then include that income in their F&I numbers, because F&I managers are expected to justify and sell it. Other dealers have their own reinsurance companies or include an internal pack on F&I products. Obviously, they have to account for that income on their financial statement, but not in F&I income for commission or performance purposes. The same goes for doc fees and accessory sales.

Other dealers have the sales department include and sell one or more F&I products in the initial payment quote from the desk. These products are disclosed to the customer, explained and sold upfront by the salesperson. This revenue is still included on the financial statement as F&I income, since sales managers are paid equally on front-end and back-end gross. In these stores, you'll typically see huge F&I numbers and minimal sales department gross. While this may look good in the rankings, the numbers you sent are a much better indication of actual F&I department performance.

Mike, I hope this answers your question. You can watch my video response to Mike's question and check out the Piggery and its famous bacon by going to my So Here's the Deal blog at www.fi-magazine.com. The video includes even more math, as well as a goal sheet you can use to figure out what it takes to average $1,600 per copy. And don't forget to submit your own video for a chance to get your question answered and a free YETI. Because it's a beautiful day to help a customer … and eat some bacon!

NEW VEHICLES

60 RETAIL UNITS

10 Cash/Outside Liens @ $400PVR	= $ 4,000
12 Leases @ $600 PVR	= $ 7,200
38 Financed @ $300 reserve/flat	= $11,400
24 VSC @ $1000 per VSC	= $24,000
19 GAP @ $600 per GAP	= $11,400
10 T&W @ $500 per T&W	= $ 5,000
	$63,000

USED VEHICLES

40 RETAIL UNITS

10 Cash/Outside Liens @ $400PVR	= $ 4,000
30 Financed @ $600 reserve	= $18,000
17 VSC @ $1000 per VSC	= $17,000
15 GAP @ $600 per GAP	= $ 9,000
11 T&W @ $500 per T&W	= $ 5,500
	$53,500

Total Income New & Used	**$116,500**
Total Income Per Vehicle Retailed	**$1,165**

ABOUT THE AUTHOR

Got a question or objection for Ron? Use your mobile phone to record a brief video (shot landscape style!) of your question and upload it to go-reahard.com/ask-ron/.