



It may seem impossible, but dealers nationwide are reaching and surpassing \$1,500 per copy. Top trainer has a plan you can use to raise expectations — and F&I revenue.

› *By Ron Reahard*

Two-time British Prime Minister Benjamin Disraeli famously said, “There are three kinds of lies: lies, damned lies, and statistics.” We hear a lot about fake news these days, because so much of it is. Both political parties, both sides of every debate, and both sides of the generation gap now have their own alternative facts, news sources and media, with questions, answers and coverage tailored to appeal to their specific audience. For some, we’ve had to dumb the news all the way down to 140 characters.

Most news today is not published or aired with the intent to inform. Its primary purpose is to promote someone’s agenda, reinforce a pre-existing narrative or belief, or generate a strong reaction in order to gain financially or politically. Often this is done using a portion of the truth, alternative facts or a witless tweet to reinforce another fabrication. This is then combined with an anonymous source and used as the basis for a sensationalist headline to grab the viewer’s attention, sell an ad, or garner an online click.

The International Federation of Library Associations and Institutions (IFLAI) recommends eight ways to spot fake news:

- **Consider the source:** Click away from the story to investigate

the site, its mission, and its contact info.

- **Read beyond:** Headlines can be outrageous in an effort to get clicks. What’s the whole story?
- **Check the author:** Do a quick search on the author. Are they credible? Are they even real?
- **Supporting sources:** Click on those links. Determine whether the information given actually supports the story.
- **Check the date:** Reposting old news stories doesn’t mean they’re relevant to current events.
- **Is it a joke?** If it is too outlandish, it might be satire. Re-search the site and author to be sure.
- **Check your biases:** Consider if your own beliefs could affect your judgment.
- **Ask the experts:** Ask a librarian or consult a fact-checking site.

*The Wall Street Journal* recently ran a special section called “The Future of Transportation.” The cover story was “The End of Car Ownership.” In my opinion (or “IMO,” in textspeak), this is merely an outrageous headline written in an effort to get us to read the article. It falls into the “read beyond” category (or “BS,” in geezer-speak).

## \$1,500 PVR IS POSSIBLE

### 50 NEW VEHICLES RETAILED

F&I Income Source	Quantity	Penetration	Income Per	Amount
Cash / Outside Liens	8	16%	\$0.00	\$0.00
Leases	7	14%	\$600.00	\$4,200.00
Financed (reserve / flat)	35	70%	\$400.00	\$14,000.00
Vehicles Retailed - 50		Finance Reserve - <b>\$18,200.00</b>		
VSC	34	68%	\$1,400.00	\$47,600.00
GAP	17	49%	\$600.00	\$10,200.00
Tire & Wheel	25	50%	\$500.00	\$12,500.00
Other	15	30%	\$300.00	\$4,500.00
Products Sold - 91		Product Profit - <b>\$74,800.00</b>		
Total F&I Profit on NEW Vehicles - <b>\$93,000.00</b>				

### 50 USED VEHICLES RETAILED

F&I Income Source	Quantity	Penetration	Income Per	Amount
Cash / Outside Liens	15	30%	\$0.00	\$0.00
Financed (reserve / flat)	35	70%	\$600.00	\$21,000.00
Vehicles Retailed - 50		Finance Reserve - <b>\$21,000.00</b>		
VSC	34	68%	\$1,000.00	\$34,000.00
GAP	17	49%	\$600.00	\$10,200.00
Tire & Wheel	22	44%	\$500.00	\$11,000.00
Other	12	24%	\$300.00	\$3,600.00
Products Sold - 85		Product Profit - <b>\$58,800.00</b>		
Total F&I Profit on USED Vehicles - <b>\$79,800.00</b>				

	Quantity	Products	Financing	Total Income
New	50	91	35	\$93,000.00
Used	50	85	35	\$79,800.00
	<b>100</b>	<b>176</b>	<b>70</b>	<b>\$172,800.00</b>

Average Products Per Vehicle Retailed (PPVR) - 1.76

Average Products Per Vehicle Retailed including Financing (PPVR) - 2.46

Average Per Vehicle Retailed Income (PVR) - **\$1,728.00**

The premise of the *WSJ* article is that ride-sharing and autonomous vehicles are going to upend the decades-old model of individual car ownership, and we'll all be sharing our Teslas or riding to work in a self-driving car. While that may be true in another 100 years, you'll get my car keys when you pry them from my cold, dead hand.

However, the IFLAI recommendations would serve all of us well when we see headlines proclaiming the demise of the franchised automobile dealer, the fact that electric and driverless cars will soon rule the road, as well as the performance and profit statistics of other dealerships. The truth is, in our business, fake news and bogus statistics can entice you to buy products and services that you don't need, that don't do what they promise, or allow you to believe your performance is better (or worse) than it really is.

### What Do You Bench?

We find a lot of dealers rightly question some of the F&I numbers they're seeing from some of the top-performing dealer groups,

especially when they see the eye-popping dollars per retail they're achieving in F&I income. The most recent ranking from Automotive News Data reveals the Top 25 dealer groups averaged between \$1,640 and \$2,244 profit per vehicle retailed (PVR) in 2016. Impressive numbers, but for those dealers and F&I managers who are struggling every month to achieve a \$1,200 PVR, this may appear to be fake news.

Let us consider the source, check our biases, and ask the experts. Certainly, your franchise, your location, your demographics and the F&I products you sell all play a role. But the fact is that there are many different ways dealers can and do produce F&I income at or above the \$1,500-per-copy mark. You may not agree with how some of them do it. You might not want to do it that way at your dealership. But they don't make these numbers up. I know, because some of them are our clients!

It is true that some of these dealers have the sales department include and sell one or more F&I products, such as an environmental protection package, in the initial payment quote from the desk. Other dealers pre-install a theft-deterrent product on every vehicle. They include the income in their F&I numbers, because F&I managers are expected to justify and sell the product (or up-sell the optional cash benefit that goes along with it). Some dealers include a \$500 to \$800 doc fee, processing fee or accessory sales in their F&I numbers. Others administer their own F&I products.

While there are lots of ways dealers can and do achieve \$1,500-plus PVR, most do it the old-fashioned way. They apply hard work, commitment and a genuine belief that these products provide real customer value. It starts with a trained F&I professional who is capable of convincing customers that, in their particular situation, these products would be especially important. The dealer also expects their F&I people to follow a proven process and continue to improve their performance every month.

As a dealer, improving F&I performance may first require raising your own expectations. If you don't really believe \$1,500 PVR is possible, or you only expect your F&I manager to do \$1,000, that's probably the best you'll get. If your F&I manager only has to hit \$1,000 to max out his or her pay plan, chances are that is the upper limit of what they will produce.

If you want to improve performance at your dealership, you have to instill the expectation of continuous improvement, and then implement a process to ensure it happens. Whatever you did last month, that is not going to be good enough this month. Whatever penetrations and dollars you do this month need to be better next month.

You can't realistically expect anyone to double their numbers from one month to the next. But it is certainly not unrealistic to expect your sales and F&I managers to get 1% better every month. If your F&I department ran \$1,000 PVR last month, expect \$1,010 PVR this month and \$1,020 next month.

### Train Effectively

Once you have instilled the expectation of continuous improvement, you must implement a plan to make it happen. "Here's where we are, here's where we need to get to, and here's

how we're going to get there." That plan must begin with a comprehensive, needs-based approach with the focus on helping customers. And every F&I manager must attend the same initial training. Everyone on the team has to be on the same page, following the same plan.

More importantly, ask yourself whether that training is based on the company's agenda (selling more of their product and increasing their income) or your agenda (helping your customers and increasing your income)? If your dealership is not selling that company's service contract or GAP, how much quality training and help do you think your F&I people are really going to get to help them sell more of their competitor's service contract or GAP?

In addition, for any training program to be truly effective, it has to be an ongoing process, not a one-time event. Implementing and maintaining an ongoing F&I training program is the key to continuously improving F&I performance and profits at your dealership.

This is where you have to establish realistic performance goals and expectations every month, with specific training assignments, role-play exercises, evaluation criteria, and progress mile-markers. Training has to be like brushing your teeth; something you people do every day. What are you doing today, to improve your skills for tomorrow? You can't expect your F&I manager's

performance to improve without implementing a process to make it happen!

The only way I know how to legitimately achieve \$2,000 PVR is to sell more F&I products and charge more for them. You cannot get to \$2,000 by averaging one F&I product per customer and \$1,000 profit per service contract. Top-performing F&I departments typically sell at least two products per vehicle, and that doesn't include financing.

Running \$2,000 per copy in F&I income requires good processes, high expectations, and ongoing training. The true value of implementing an ongoing training program in your dealership is that it instills the expectation of continuous improvement. With an ongoing training program, previously unattainable goals now become achievable. Complacency is not acceptable when continuous improvement is expected.

Performance doesn't improve because you demand it. Performance improves when you implement a process to ensure it happens. That's not fake news. That's great news! **ad**



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