Measuring Up

BY RON REAHARD

Top trainer has a three-part answer for an F&I newbie who wants to know how he measures up against his peers.

This month's question comes via email from Gil in Pittsburgh, home of the H.J. Heinz History Center. You might want to stop by and check out their pickle sizer. It's definitely on my bucket list. Gil asks:

"I'm new to F&I, and so far this month I have delivered 57 units. Of those, 29 were financed, 14 were cash, and 14 were leases. I've sold 28 service contracts, nine lease wear-and-tear contracts, four paint-and-fabrics, and zero GAP. GAP is a tough sale because it's included on leases, and we have a lot of people putting a lot of money down to lower their payments. I'm at $53,298 profit. Compared to other finance managers, how I am doing?"

Congratulations, you're off to a good start. As an F&I training company, we evaluate an F&I manager's performance based on several criteria. Let's take a look at each one and see how you measure up.

1. Profit Per Vehicle Retailed: While total F&I income is important, in the F&I office, we have very little control over the number of vehicles sold each month. However, we have tremendous control over the F&I dollars we generate on each of those units, which is why PVR is generally the most important F&I performance indicator to a dealer, followed closely by customer satisfaction and chargebacks.

"NO DEALER EXPECTS A NEW F&I MANAGER TO GO FROM $900 TO $1,500 PVR IN 60 DAYS, BUT WHAT THEY DO EXPECT TO SEE IS CONTINUED IMPROVEMENT. SO IF YOU'RE AT $935 PVR AND 0.72 PPVR THIS MONTH, NEXT MONTH YOUR GOAL SHOULD BE AT LEAST $960 PVR AND 0.77 PPVR."

2. Products Per Vehicle Retailed: Next, we look at PPVR, because we don't want an F&I manager only selling one or two products. An F&I professional should be focused on selling customers the products they need, not just the ones on which they make the most money. So we want to see a significant percentage of all the F&I products the dealership offers being sold.

3. Product Share: Finally, we have to determine where the dollars are being generated. We like to see 70% of total income coming from product sales, and no more than 30% from finance reserve.

Gil, based on what you shared, you have sold a total of 41 products on 57 units, which puts your PPVR at 0.72. Typically, we want to see a minimum of one product per vehicle retailed, which means you're helping every customer. Experienced, top performing F&I managers will average between 1.5 and 2 products per deal, excluding financing. Obviously, you're off to an excellent start, but let's look at areas for possible improvement.

With $53,298 in profit, that works out to a PVR of $935, which is a good start for a new F&I manager — with only one caveat: I don't know how much of that is from finance reserve vs. product sales. Again, most dealers want to see a minimum PVR of $1,000, and some of our top-performing managers are at $1,500-plus. Realistically, it is difficult to hit those numbers when you're doing a significant amount of leasing, since service-contract penetration is usually lower on leases than on retail sales.

Currently, you're at roughly 50% finance, 25% cash, and 25% lease penetration. The lease penetration is not something we have much control over, since that is determined before the customer gets to F&I. However, you do have the ability to convert those cash and outside finance customers to dealership financing. Even if you converted 40% of those cash customers, you'd be at 60% finance penetration.

You're doing an awesome job on your excess wear-and-tear coverage, having sold nine on 14 leases for 64%. It appears you have the greatest opportunity for additional income by increasing the sale of your ancillary products, specifically environmental protection, tire-and-wheel road hazard, windshield chip, paintless dent repair, and key replacement. Using the back of your lease contract to show a customer the standards for wear and use upon lease termination can help them see the value of these other products.

I'm sending you our goal sheet so you can set your performance goals for each month. You can then track your performance throughout each month, and see which areas you need to focus on. No dealer expects a new F&I manager to go from $900 to $1,500 PVR in 60 days, but what they do expect to see is continued improvement. So if you're at $935 PVR and 0.72 PPVR this month, next month your goal should be at least $960 PVR and 0.77 PPVR.

Gil, once you set your goals, email them to me. Then let's talk at the end of the month so we can see how you did. Because it's a beautiful day to help a customer!

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.