

Prerare Your F&I Department for Superior Performance

Six keys to success in F&I: Use the profit pyramid

By Ron Martin

Why does one person succeed while another doesn't? More to the point, why can one F&I manager excel and another can't?

There once was a barrier in track and field that no one could break: the four-minute mile. For hundreds of years many had attempted, but no one could accomplish it. It was said that the Romans actually had tigers chase a man to see just how fast he could run. It was speculated that man was not capable of running a mile in less than four minutes.

That was until a man named Roger Banister did it. You see, Roger Banister didn't

set limits on himself. That's where success begins. After he showed the rest of the world the barrier could be broken, 37 men broke through the obstacle the following year, and the next year 300 did. Roger Banister expected to win, and did, and the rest of the world followed once they saw it could be done. The moral of the story is, "whatever we expect with confidence becomes our own self-fulfilling prophecy."

NO EXCUSES

The same concept holds true in generating F&I income. I often hear F&I people make excuses for poor performance. They look at the dollars per retail numbers that someone else is doing across town and of course claim that person must be doing something deceptive or illegal.

Sometimes I hear the same person say, "My customers are different." And there are of course all the other reasons, i.e., "The sales people aren't turning the customers over to me"; "The customer has unrealistic payment expectations when it's my turn to see them"; or the infamous, "Most of my customers pay cash for their automobiles."

Aren't these people simply limiting the possibilities to succeed just as everyone did before the four-minute mile barrier had been broken?

So if it's that easy to succeed, why doesn't everyone do it? The reason is most of us fear failure. We don't set challenging goals for ourselves, because we fear

we won't achieve them. As long as we have our excuses to hold on to, and don't set high expectations for ourselves, we haven't failed — we've only performed up to the level we expected anyway.

DEALING WITH FAILURE

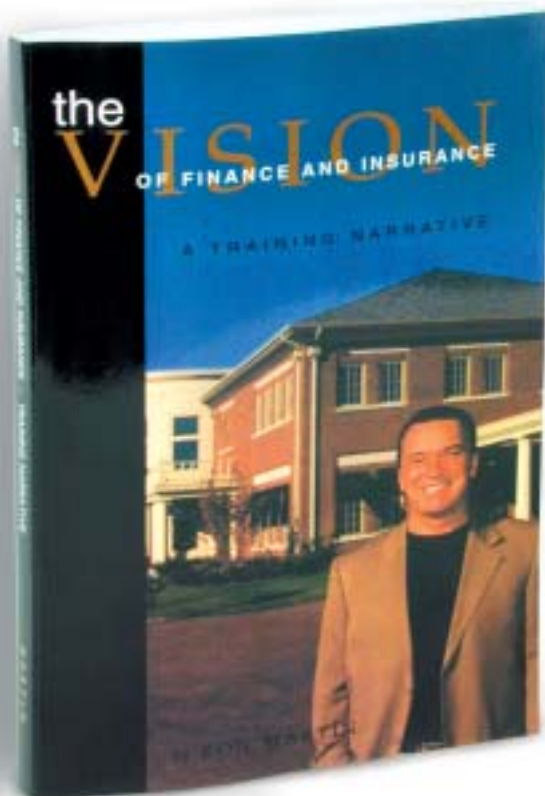
How about failures? A man named Hank Aaron failed more than 1400 times in his career as a major league baseball player. That's how many times he struck out. He also hit more home runs than any other player in major league history. An NFL quarterback named Terry Bradshaw threw more incomplete passes than 99.9 percent of all the quarterbacks that ever played professional football. He also won four Super Bowl championships. Are these two gentlemen failures?

Thomas Edison failed more than 100 times trying to invent electricity. Someone asked him how he dealt with the frustration of failing to achieve his goal so many times. He responded, "Sir, I haven't failed at all. I've just uncovered 100 ways that won't produce electric light to find the way that does." We all know how that story ended. I'm sitting here in my well-lit room while I type on my computer.

THE DRIVING EDGE: EXPECTING TO WIN

Everyone knows Tiger Woods. Even if you don't follow golf, you've seen, heard of, and admire this man. Most of us who are golf fans agree he's the best in the business. He's a cut above the rest of the professional golfers.

Let's look at the facts. In 1999, his 18-hole scoring average was 68.43. The next best golfer that year was David Duvall.



He had a scoring average of 69.17. That's means that Tiger was about a half a swing better than Duvall, but in that year he won \$3 million more prize money.

This difference illustrates what I call the driving edge. The driving edge is the subtle difference between being good at something and being very good at it.



Ron Martin

So how do you get the driving edge? You start by expecting to win. Don't set limits on yourself.

Next, plan your success and implement your plan. That means you practice your trade until you're good at it.

Then finally, and most importantly, you hold on to it. Your hold on to your expectation for success even when sales are down, even when you have just had three cash deals in a row, even when you have a lobby full of people waiting to see you, or when a customer made you feel (or tried to make you feel) two inches tall just because you offered them a way to protect their investment or family. That's how we get the driving edge.

MAXIMIZING F&I INCOME

How about in our profession? How do we get the driving edge in F&I? How do we maximize F&I income, while taking care of our most valuable resource — our customer? We, of course, start by setting a challenging "dollars per retail" goal for ourselves.

Look at what the best are doing and commit yourself to being like them. Don't set limits on yourself. That will just defeat your possibilities before you even get started. So what if you don't succeed the first time, or that you're only able to achieve 90 percent of what you set out to.

THE PROFIT PYRAMID

Plan your success. Concentrate on what I call the profit pyramid, the keys to success in F&I:

- **Turnover**
- **Payment management**
- **Pay plan**
- **Sales ability**
- **Sales meetings**
- **F&I process**

Focus your daily plan on these key areas.

Turnover: Don't settle for 90 percent turnover at point of sale from the sales department. You can't buy into the idea that you're just going to miss out on talking to some customers until they bring you a check.

Make the sales department want to turnover their customers to you because they know that the sale is safe with you and you're going to enhance the customer's satisfaction with their purchase by doing so.

Payment management: We all lose when a customer's payment is mismanaged on the sales floor. Giving the customer unreasonable expectations at point of purchase will not only affect profitability, but will result in a negative impact on customer satisfaction if we can't meet these payment requirements, because a lender has qualified the customer under another rate tier.

Since banks have almost all gone to a tiered method of assigning a customer's interest rate, we don't know for certain what the final rate and terms will be until the bank gives us the approval. Sure, the customer might sign the agreement at a higher rate, but that doesn't mean they're happy about their experience.

Pay plan: An F&I manager's pay plan should compensate the manager fairly and incentivize them in the areas that will result in the highest profitability and customer satisfaction.

What enhances CSI and profitability? Giving a customer an interest rate that is reflective of the marketplace and providing them products with valuable benefits to protect themselves, their family or beneficiary, and their investment.

Sales ability: We must continually work on our sales ability. Good sales people aren't born that way, they are made that way because of an inner desire to excel in their profession. They constantly seek out knowledge to become better at what they do. They read sales material, or attend seminars. But probably the best way to enhance our sales techniques is to set our ego aside and ask other finance managers who are performing at high levels.

Sales meetings: The dealership's weekly (I suggest daily) sales meeting is one of the best opportunities that we have to inspire a team mentality that is necessary to excel as a sales team.

I often hear sales people say that sales meetings are just a reason to come in early and a waste of time. You know why they say that? It's because most sales meetings are! Why do we need to get together just to tell the sales manager how many sales we have and what customers we are currently working with? Shouldn't that be something a sales manager should already know?

And if the F&I manager attends at all they are there to tell us — you guessed it — how many deals are delivered. The sales meeting is the best opportunity we have as business managers to convey ideas to the group on effective turnover, payment management, paperwork issues, or other ways to improve the sales process.

F&I process: The final level of the profit pyramid is the F&I process. This ties all of the keys to success together. It suggests that the means to high F&I profits and customer satisfaction is an efficient process that begins when the customer hits the pavement till the time that they drive home after having a pleasant buying experience.

It doesn't evolve with them purchasing their new vehicle feeling a sense of gratification to the dealership only to be angered by an inefficient, pushy F&I department. This process I refer to as "The Vision of Finance and Insurance," because it is the only way that we can handle the adversity an F&I manager is destined to experience and ensure high profitability while enhancing CSI.

DON'T TAKE THE SHORT CUTS

There are short-cut methods to generating F&I profits and some of them might even be effective at manipulating the customers into realizing your offer. But I'd rather get the same result with a process that makes both the customer and myself comfortable about the experience. ■

***Editor's note:** Ron Martin's company, The Vision of F&I, Inc., conveys his vision through seminars and consulting to dealers across the country. To learn more, or to order his book, The Vision of Finance and Insurance: A Training Narrative, contact The Vision of F&I, Inc., at 219-637-2796 or visit www.thevisionoffandi.com.*