

F&I Is A Team Sport

The Journey To Be The Best

Process Trumps People

A White Paper



**MARINE DEALER
CONFERENCE & EXPO 2015**



Produced by First Approval Source

Contents

1. Being The Best.....	2
2. The Dreaded Scenario.....	2
3. F&I Success is a Team Sport!.....	3
4. The Ten Questions For F&I Success	4
5. Winning F&I Profit.....	7
6. The First Approval Source Difference.....	8

1. Being The Best

You want your store to be the best that it can be. Being the best is a journey with a destination that will continually be just out of reach and always within sight. The path towards excellence is not a flat or straight one – it has its share of twists and turns, ups and downs.

In the course of your store's journey, you may, at some point, have an uncomfortable feeling that F&I could be underperforming and you are just not sure why, or what to do about it.

2. The Dreaded Scenario

Yet another deal comes across your desk with no backend and 2 points of reserve. You aren't just disappointed, you are angry!

Why can't your Finance Manager make you some money? What are you paying him/her for anyway?

How many times have you thought or felt exactly this?

What have you done about it? How many Finance Managers have you replaced?

Perhaps you are saying, "I have never replaced the Finance Manager...and that is the problem!" On the other hand, you might be saying, "Finance Managers are a-dime-a-dozen and I replace them all the time!"

It is true that that you could just be a bad judge of people when it comes to Finance Managers, but there is a far more likely issue that may be far less obvious.

3. F&I Success is a Team Sport!

Someone who is bad at F&I can spoil your chances...but the best F&I person in the world will look like a fool and a failure in the face of a bad or ill-conceived F&I environment throughout your store.

There are many touch-points where F&I profitability may be affected, positively or negatively:

- What is your F&I strategy/philosophy?
- What are your F&I goals/benchmarks?
- Are you advertising and promoting financing on your website?
- Is your store environment finance friendly?
- What interest rate are you suggesting for payments on the signs around your store?
- Have you provided your sales team scripts and a process for handling finance and rate related questions?
- How have you instructed your sales team to introduce backend products (and backend accessories that may have to be put on the front-end)?
- Is your Finance Department fully empowered to maximize backend profit?
- Do you provide the maximum pool of available lenders for your F&I department?
- Can you describe your strategy for maximizing profit in every profit center of your store?

Once you look at these ten points, you can start to see that F&I success (and success at every customer touch-point in your store, for that matter), may rely less on an individual than on a well conceived, articulated, formalized and practiced strategy and process that far supercedes one person's skill. This is not to say that "one bad apple" may not spoil the batch, but it does point to the conclusion that blaming an individual or department for less than stellar performance may be a vast over-simplification and, more dangerously, may lead you to seriously counterproductive actions.

4. The Ten Questions For F&I Success

Let's look briefly at each of these items.

1) What is your F&I strategy/philosophy?

Do you view F&I as a silo in your store? Is it a profit center? Does F&I compete with sales for glory, and, more importantly, commission?

If you don't have an independent profit target for F&I, you are making a huge mistake. If you don't compensate sales people on F&I success, you have created an environment of competition that will grossly limit your profits.

F&I success starts with the belief that it is an important and integrated profit center at your store.

2) What are your F&I goals/benchmarks?

If your goals are not specific and are not stretch goals, you will underperform on the F&I potential for your store. Here are some suggestions:

- Customers Introduced to your Finance or Delivery Department – 100%
 - Every customer at your store should be introduced to a Delivery Specialist, who is independent of the sales person, who can walk through financing options as well as backend products
- F&I Penetration – 57% of all deals
 - Calculate this by taking the number of units sold and dividing that into the number of units that were financed
- Service Contracts – 47% of all deals
 - Calculate this by taking the number of units sold and dividing that into the number of units on which extended service or other backend products were sold
- F&I Gross Profit as a Percent of Store Sales – 5.5%
 - Calculate this by taking new and used unit sales dollar volume and dividing that into the total F&I sales volume minus the dealer cost of any backend products
- F&I Net Profit as a Percent of Store Sales – 4.3%
 - Calculate this by taking new and used unit sales dollar volume and dividing that into the total F&I sales volume minus the dealer cost of any backend products and the real costs of F&I including salary, commission, credit pulls, compliance, etc.
- F&I Cost as a Percent of Gross F&I Profit – 21%

- Calculate this by taking the real costs of F&I including salary, commission, credit pulls, compliance, etc. and dividing that by the total F&I sales volume minus the dealer cost of any backend products

These benchmarks are all achievable. How close are you?

3) Are you advertising and promoting financing on your website?

The first contact many of your customers have with you is on your website. Do you promote financing there? Do you have a simple pre-qualification form available on your site? If you don't have a blog or articles that clearly explain why, if someone has the ability to make payments, it is always better to finance, you are losing revenue opportunities.

4) Is your store environment finance friendly?

Finance friendly does not necessarily mean hanging out a sign pointing to your Finance Department. The fact is, you may not want a Finance Department at all. You may need a Delivery Coordination Department. Once you start promoting delivery and having delivery experts who can address all the aspects of financing and backend products you take away a major psychological barrier for your buyers. When you have signs that point out that your delivery experts can address all of your buyers concerns once they have settled on the unit that they want, you have taken a first step to being F&I friendly. You also need highly visible signage that let's buyer's know that the best financing terms around are available through your store.

5) What interest rate are you suggesting for payments on the signs around your store?

It is almost a certainty that you have signs hanging on your units advertising not only the price, but also the payment. In today's market, if those signs, in small print, advertise 4.99% (or lower) interest rates, you are killing F&I. The winning dealers today have 6.99%, or even 7.99% on their signs. No buyer will ever be disturbed by coming in at a better rate, and you leave F&I a great opportunity to maximize reserve on good credit customers.

6) Have you provided your sales team scripts and a process for handling finance and rate related questions?

Buyers will always ask finance questions. Sales people should never answer them. It is not a matter of being rude, it is a matter of deflecting. "You know, rates are so based on credit profiles

that I just can't say. Our delivery coordinator will be able to work all that out. Did you have a payment in mind for your budget?"

Beyond that, you have to have a process in place that gets every buyer, cash or credit, in front of your finance/delivery expert. The best dealers ensure that 100% of their buyers receive the opportunity to finance and hear about backend products.

7) How have you instructed your sales team to introduce backend products (and backend accessories that may have to be put on the front-end)?

Showing a piece of inventory is not just about describing the benefits of the dashboard and controls, or even selling the finish, configuration or engine power. Sales people sell the emotion of what all the features will feel like when the buyer is using them. While the customer is in the emotional high of the purchase process, sales people have to be introducing the backend products and injecting the them into that emotional high. "Of course, when you add the accessory protection you will know that you will enjoy this depth finder for eight years – no matter what!"

No prices, no monthly charges, just making sure that your buyers know and feel the emotional value of the available backend products.

8) Is your Finance Department fully empowered to maximize backend profit?

Whether called Finance, F&I or Delivery, your F&I team must believe that their job is to maximize profits without being dishonest, disingenuous, or disgusting. Maximizing finance rate is critical to your store. Backend products do, in fact, add great value for the buyer. If you are not enforcing these messages then you are disempowering your team.

Of course there is profit in F&I. If you don't make it there, you have to make it on the front end. Frankly, there is more benefit to the buyer on the backend than the frontend. Make sure your backend team knows that.

9) Do you provide the maximum pool of available lenders for your F&I department?

You may have put this issue in your Finance Manager's hands but the reality is that having more available lenders is better. Ultimately, it is your responsibility to ensure that the maximum

number of lender resources are available. If you don't have a great collection of prime and non-prime lenders available, you have tied the hands of your F&I team.

10) Can you describe your strategy for maximizing profit in every profit center of your store?

Your store has several profit centers and many strategies for maximizing profit in each one of them. You are in charge. Are you able to articulate how you intend to maximize profit throughout your store as a flow instead of looking at every profit center as a silo? For example, what is the impact of more finance leads on your service profit strategy?

The single most important thing that you can do is to look at the flow of a customer from first contact to lifetime revenue and be able to articulate your strategy for maintaining that customer while maximizing value to the customer and your store through a lifetime relationship.

5. Winning F&I Profit

70% of customers who finance through your dealership will be back to buy again.

Manage these ten F&I profit revenue generating items and ensure that your whole store is set to produce F&I success thus driving profit and repeat business with your customers.

6. The First Approval Source Difference

For years, First Approval Source has been helping dealers increase their profits while satisfying the financing requirements of their customers. The leader in customer service and customer satisfaction, the First Approval Source team is known among its dealer community as the quickest, most flexible, most responsive and most focused outsourced F&I provider in the industry. With a broad variety lenders to work with and years of experience in the marine and recreational vehicle industry, First Approval Source is often able to succeed in obtaining financing where others fail.

First Approval Source is your profit services company. Unlike the narrow view taken by traditional financial services providers, First Approval Source starts by recognizing that more and better qualified leads results in more unit sales. Once we have helped drive the increase in unit sales, then our attention turns to helping deliver more profit per unit.

Unlike any other provider in the industry, First Approval Source starts with doubling highly qualified finance leads. It then serves as a comprehensive financial service resource for all F&I issues and requirements. Through its unique dealer website offering, First Approval Source is also able to assist dealers in gaining more, finance ready, highly qualified leads.

When you think [First Approval Source](#), think:

- The **best** customer service in the industry
- **Best** available rates based on the customer's situation
- **Unique fee structures** that offer you the opportunity to truly maximize profits
- Consumer credit improvement services
- The only provider to enable dealers to capture more, high quality leads using the only **real time soft credit pull** technology
- **Dealership Management** technology
- Website **development and improvement** programs
- **Reputation** Management
- New and exciting **Social Media** campaigns
- Customer/loan approval rates **in excess of 80%**
- **Credit Improvement** programs
- **Complete** electronic transaction processing
- **24/7 access** to the status of your transactions

The dealer's partner in all things F&I, First Approval Source continuously strives to maintain and improve on its "best in the industry" reputation. Originally founded by a team with over 30 years of dealership experience, First Approval Source knows what it takes to make you successful.