

# F&I May Not Be What You Think It Is ...

***Today's market has plenty of opportunity for dealers to push their sales to another level – provided they maximize their F&I operations.***

**D**o you view your F&I department as mainly an administrative position that handles paperwork and compliance? The structure of which lenders you are working with and how you decide your deals may be one of the most important aspects of your business.

Are you certain you are maximizing your profit centers? Can you think of a more critical and profitable revenue stream than F&I?

Like any business, if you let it run itself, you will get what it wants to give you. Many dealers truly believe there is no difference between the customer obtaining their own financing versus financing the RV through the dealership.

Solid profit centers don't usually lack sophistication. Instead, they require ongoing sweat and innovation.

Who is buying the majority of your deals? What rates are you used to seeing? What are the back-end products sold for? And how often are they sold? These are the questions you should know the answers to.

Now, add those variables up and you will get true perspective on whether or not your finance department is moving with excellence or just the bare minimum needed to get a deal bought. We'll dig into a few areas and, hopefully, offer some perspective on where you should be focusing more effort.

## **Make a Happy Customer**

Are you making your customers happy? If you miss this one routinely, your competitors will put you out of business. Your F&I efforts must



**By Jeff Wyatt**

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Too many RV dealerships leave money on the table by not being diligent in promoting F&I offerings to customers, by not having the right mix of lenders to cater to varied customers, and by ignoring customers with sub-prime credit who are otherwise good candidates for RV purchases.

create happy customers, as well as make a profit for the dealer.

A winning F&I department does not frustrate your customers, but creates another relationship to solidify your brand. If a customer has a pre-approval with a credit union (outside of your portfolio) you should still ask for a chance to beat their approval.

Many times, with the right suite of lenders you will have better rates, will finance protections, and will offer much longer terms. A successful finance department will have many opportunities to add value to your customer and your dealership.

### Make the Sale

Making the sale is clearly the first step in our industry – and it looks a little different for every dealer. For example, let's say you sell mainly towables and most of your customers have average credit.

Prime lenders will occasionally take on these profiles, but your efforts will be unproductive if your finance department doesn't match the customer's financial profile with the correct bank program and offerings. This will frustrate your customer as well as your lender.

It is critical for an F&I department or service company to be able to offer a variety of programs to meet a wide variety of consumer profiles. This will be extremely helpful in converting a possible sale to a probable sale.

Local credit unions have value and simplicity, but they are not the answer for many profiles. Most credit unions pay little to no reserve and typically serve the near prime range but are not as competitive on prime or sub-prime profiles.

You have to ask yourself: What is a sale worth to you and how far will you go to maximize it? Your finance department should be working hard to fund the tough ones, because there is significant value to all parties in finding a "win" on those deals.

Many dealers allow their staff to make the mistake of seeing bad credit as a waste of time or low probability. The truth is, sub-prime F&I is low conversion with low profit potential and that is the perfect recipe for neglect. Not working every deal to the full extent will cost you deliveries.

Whether you use in-house staff or outsource, are you converting the tough deals into sales? This is an area that you will have to analyze and impose your will. If your staff is busy and commissioned, they will naturally follow the money, which is the prime customer. If they are not commissioned, the same effect is in play, but for a different reason – the difficulty of the deal.

Prime deals usually have solid income and debt-to-income ratios,



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which equate to less work and verification and more profit. Sub-prime is more effort, less conversion, less profit and will frustrate your staff. These deals are like walking uphill and must have proper effort and resources to succeed. The right bank and the right effort will find approvals with customers with bankruptcies, late payments, foreclosures, etc. Moving the unit in this arena is of great value and will impact your inventory turnover. It also creates a competitive advantage and brings a smile to your customer.

### Maximize Your Profit & Help Customers

This facet of productive F&I begins with a winning structure. Do you have multiple lenders who fit the needs of your customers? If not, you can only excel in the areas you are set up to win. For example, some rate sheets look great – until you apply your customers to them and realize the banks you have do not serve a large percentage of your customers.

Most lenders are after unique niches that give them a competitive advantage over other lenders. If you don't know what that specialty is – and routinely familiarize your dealership with all available lenders and their specialties – you will burden your customer, your dealership, and your lenders.

Sometimes your favorite lending option is the least likely to move the sale and, many times, those options offer no profit potential. For comparison sake, imagine if your sales staff took the same approach and the primary goal was to just move inventory – regardless of profitability.

You should be asking yourself: Is your F&I department structured right? Is it a department that is actively selling – or just taking instruction?

Some customers know exactly what they want and they will dictate the deal. On the other hand, most customers are wide open to anything relevant that has clear value.

Add-on products are hugely significant to the F&I profit picture. If you currently offer most of your back-end products, great. Now, how often do you

sell them – and what do you sell them for? Are you profitable and compliant?

If done correctly, product sales will add value to your customer and your dealership. They are only a burden if they are sold with desperation and poor sales techniques. A winning F&I department should be a huge profit center for the dealership and also should leave a lasting impression on your customer.

### Revisit Your Tendencies

The path of least resistance is rarely the right way to go for most things – and anything easy is usually not worth much in a competitive environment. What does your normal flow of financing look like?

Regardless of where you are, there are always a multitude of options to improve. If your customer usually brings a check to the table and pays cash, how do you preserve the sale but still steer them to finance with you? Hint: A simple nudge with good information may be all it takes.

What about the lending sources you are currently using? Are you frustrated when deals don't get approved?

Lenders can shift rate structures and buying habits very quickly and, if adjustments are not made, your efforts will be ineffective. Study your rate sheets, credit tiers, etc., to adjust your tendencies to match your lender's appetite and you will convert more sales.

As you evaluate your tendencies, consider that back-end protections and insurance sales are of tremendous value, if understood correctly. The beginning of effective sales is fully understanding the value and benefits of what you are selling and then conveying that to your customer with confidence.

Not only should the salesperson be educated on your F&I products, but he needs to be excited and diligent about them, too. If your F&I staff learns to consistently offer these products, your entire dealership will benefit and your customer will thank you!

Also, never assume a customer doesn't want a certain product and not offer it. If these patterns are not redirected, they will become poor habits that will deteriorate conversion and profitability.

### Re-set Your Structure

Re-setting your structure starts with information. Some dealers have no information, and some have plenty but don't use it. The point is to use your numbers – they will tell you where you are lacking.

Look at the credit profiles of your customers as a whole and decide whether you are excelling in the key areas of F&I or just getting by.

First off, how well can you get approvals and gain bank funding? Form an opinion on whether you are in need of a complete overhaul or just need to make a few improvements.

If you don't form a decisive opinion, the process will keep moving along as status quo – no flags will raise on their own and your profit will suffer.

Look at the banks that are capturing most of your business and their rates? Maybe it is a good time to add new lenders and re-train on what your staff should be looking at to determine the viability of the deal at hand.

Take a close look with an open mind at what your F&I department is offering as back-end products and how well they convert. This aspect of your effort requires effective sales tactics and knowing how to effectively understand your customer's needs. For example, explaining all of the benefits of an eight-year motorized RV warranty can put your customer to sleep – or make them feel trapped listening to a product they did not ask for.

Effective sales involve explaining key facts about products, while relating them to your customer and their needs. Sell value and confidence while you offer the benefit to every customer – every time.

If you are not effective in key areas, it's time to roll up your sleeves! Don't settle for mediocrity in what should be your most productive revenue stream.

If you believe your service company or department is doing well where it counts, dig in regardless until you find perspective that pushes for action. Constant improvement can be exhausting and isolating, but the exercise is always well worth the investment!

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