

F&I Products: How Many Is Too Many?

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When Finance & Insurance first became a separate department back in the early 1970s, most dealerships only offered four products in the F&I office: financing, credit life insurance, credit disability insurance, and vehicle service agreements. F&I managers didn't need a menu to review the customer's options because, other than financing, the only product being sold was the vehicle service agreement. Credit insurance was simply included in the customer's monthly payment and presented as a "standard contract feature."

Today, including any products in customers' payments without their knowledge or consent—even if those products are fully disclosed when they sign the installment loan agreement—is a deceptive business practice. In addition, the number and variety of F&I products has grown to include guaranteed auto protection (GAP), involuntary unemployment insurance (IUI), environmental protection, A/C performance enhancement products, rustproofing, numerous theft deterrent products, pre-paid maintenance plans, paintless dent repair, excess wear & tear coverage, and tire-and-wheel road hazard protection.

Some dealerships are even selling pickup bedliners, remote starting systems and other vehicle accessories in the F&I department, resulting in managers presenting as many as eight or 10 products on a menu—the idea being that if you offer enough different products in the F&I office, virtually every customer will find something he/she needs, and consequently the dealership makes more money. These dealerships don't have an F&I department, they have a FEE department... Finance and Everything Else.

So Many Products, So Little Time

With so many products being offered in most F&I offices, it is absolutely essential that F&I managers utilize some type of menu to present those products. A menu allows customers to select the products they know they want, and ask questions or voice concerns about the ones they don't think they need. It also allows F&I managers to focus on what is important to the customer, and gives them a chance to discuss why a particular product may be especially important to them. The F&I manager simply reviews the options and tries to help customers make the right decision regarding particular products based upon their unique situations.

In reality, it doesn't matter whether you offer four products or 40 products; increasing F&I income depends upon a manager's ability to find and fill customer needs... NOT on the number of products being offered in the F&I office. Offering more products does not necessarily translate into more profit. The more products being offered, the more time the customer will spend in the F&I office, because it takes time to discover the customer's need for each of those products and to demonstrate how each product will benefit the customer.

With a limited amount of time available to spend with each customer and the need to maximize profits and customer satisfaction, which products—and how many products—should your dealership offer to customers in the F&I office?

One thing I know for a fact: an uninspired, unenthusiastic, halfhearted presentation of 10 products will never be as effective or as profitable as an enthusiastic, customer-focused, needs-based presentation of two or three products. It is an F&I manager's belief in a product, the enthusiasm for that product, and the absolute conviction that a customer needs the product, that will enable him or her to convince a customer to buy that product.

Which products?

The first decision every dealer must make is which products to offer to customers. And whatever products are chosen, it should be because they add value to the ownership experience, help protect the customer's investment and provide peace of mind.

Obviously, some products will have more appeal than others in certain markets with specific vehicles. In a rural community where nobody even bothers to lock their cars, a theft deterrent product would probably not be perceived by customers to have near as much value as it would in a big city where car theft is a major problem. Tire-and-wheel road hazard protection would not seem as important on a base model Ford Focus as it would be on a Chevrolet Corvette with expensive alloy wheels and low-profile, speed-rated tires. And while credit insurance may be perceived as a waste of money by a wealthy new-car customer, for someone living from paycheck to paycheck, it may be the most important option available in connection with the vehicle purchase.

Who Sells What?

Once a dealer decides what products to offer, the next decision has to be who should be presenting those products to the customer. There are countless products and accessories that can enhance the customer's ownership experience; however, F&I managers should only sell intangible products, not tangible products such as vehicle accessories.

Bedliners, satellite radios and other accessories are tangible products, and should NOT be offered in the F&I office. They should be presented by the salesperson selling the vehicle, or customers who are interested in accessorizing their vehicles can be introduced to the accessory department. The only products an F&I department should sell are intangible or "peace of mind" products.

How Many Is Too Many?

The last decision every dealer has to make is how many products can an F&I manager realistically discover the need for and demonstrate the benefit of, in the limited amount of time the customer spends in the F&I office. Keep in mind, every product offered in the F&I office is designed to help the customer. But if we are unable to convey how a product will benefit customers, and they elect not to purchase it, we have not helped them. If we are not helping customers, then the F&I process is adding no value to the customer's purchase experience. And if the F&I process is not adding value to the purchase experience, then it is alienating customers and hurting customer satisfaction, because we're wasting their time.

If you're not achieving at least 10% penetration with a particular product, you may need to consider whether or not the dealership should even continue to offer that product. With 10% penetration, 90% of the people did not feel the product would benefit them. The question is, why? It may be the F&I manager doesn't believe in the product. It may be the manager needs additional training on the benefits of the product. It may be due to the manager's compensation plan. Or it may be that in your market, with your vehicles and with your demographics, customers perceive the product to be of little benefit.

A professional F&I manager has a responsibility to the dealership, and to customers, to review all the options available in connection with their purchases. Unfortunately, even using a menu, it is virtually impossible for the best F&I manager to sell more than two or three products to customers—because after the second or third product, they realize they're being "sold." But a customer will "buy" six or seven products, if the products they want are in a package that includes them. Still, there is a limit. Customers who want two or three products may very well select an option package that includes five or six

products; but they will not buy nine products when they only want one or two.

The top dealerships in the country with the highest dollar per retail unit in F&I income typically offer no more than six or seven products in the preferred option package on their menus. More importantly, the products offered in the F&I office should be tailored to your market, the brand of vehicles you sell and your customer base. A Porsche or Lexus dealership may not offer credit insurance, but instead may offer environmental protection, paintless dent repair, tire-and-wheel road hazard, LoJack, GAP, and a vehicle service agreement. On the other hand, a Chevrolet dealership may offer credit life, A&H, GAP, VSA, paint sealant and a theft deterrent product.

The key to determining which products, and how many products, to offer in the F&I office comes down to first selecting those products that you feel will offer the most value for your customers. Then you must present those products on a menu that utilizes option packages, to make it easy for a customer to buy multiple products without enduring multiple presentations.

The best or "Preferred Option" should include no more than six or seven products that offer customers the most value. The customer then forfeits one or more products in the "Standard Option," with a "Basic Option" that includes at least three products, plus an "Alternative Option" that allows customers to purchase individual F&I products a la carte. After a professional F&I manager helps the customer see the benefit of one or two products, most customers will purchase a package that includes those products, plus one or two additional products.

So, how many products is too many? There is no limit, as long as every product offers real value for your customers. However, if penetration is under 10% for one or more products, it may be time to re-evaluate your product offerings. To maximize product sales and profits, the F&I department should not be expected to sell too many products, or limited by having too few. And whether you offer four products, or 10 products, they must be presented on a menu with no option package containing more than six or seven products, or less than three products. This helps reduce the time customers spend in the F&I office, and makes it easier for them to buy multiple products.

With finance reserve under attack from all directions, dealers and F&I managers need to identify the products that offer the most value, provide the greatest income opportunities... and then help customers select an option package that fits their needs. *Ron Reahard presents his widely acclaimed **Achieving F&I Excellence!** course monthly at CNA National's Training Center in Scottsdale. For more info, call 800-345-0191, extension 767.*