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F&I and Showroom

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THE '90s CALLED

THEY WANT THEIR F&I PRESENTATIONS BACK

AFFORDABILITY CONCERNS

PAYMENTS, AMOUNTS FINANCED REACH NEW HIGHS

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THE '90S CALLED:

THEY WANT THEIR PRESENTATIONS BACK

Are you still rolling out the old NASCAR close? F&I insider says F&I offices need to get with the times and ditch those 'Buy it now or bad things will happen' pitches.

BY LLOYD TRUSHEL

Someone needs to tell your instore trainer, your development company, your agent, and anyone else who needs to know that the '90s called. And, well, they want their F&I presentation back.

I realize there are some amazing guys and gals out there who grab your attention and get results. I'm not talking about them. I'm talking about the trainer who is only reading word-tracks out of a book and practicing role-playing scenarios that don't model real-life transactions. Many of these training models were developed in the 1980s and '90s and were relatively effective back then, despite the impracticality of word-tracks like the "NASCAR close."

Remember that, from 1945 to 1965, Americans had the highest standard of living. Production levels were high and unemployment was low. We made some of the best products on Earth. Of course, much of the rest of the world had been blown to pieces during World War II. But we had a robust economy and people had lots of disposable income.

Times were good. But nothing lasts forever.

IT USED TO WORK

Things changed by the time we reached the '70s. People were fed up and distrustful of American politics and industry. The theme of the decade became Nixon, Vietnam, oil embargoes, and cheaply made Japanese cars.

Still, in 1972, General Motors was the largest company in the world. But it was overdue for a reality check, according to Professor James O'Toole of the University of Southern California's Marshall School of Business. He conducted a study of GM when it was at the height of its success. His research team reviewed all the company's habits and management methodology and came to 10 conclusions that showed the world had changed but GM had not:

1. GM is in the business of making money, not cars.
2. Success is not from technology, but from quickly adopting successful technology developed by others.
3. Cars are status symbols, therefore styling and looks are more important than quality to our customers.
4. Foreign automakers will never acquire more than 15% of the U.S. market.
5. Energy will always be abundant and cheap.

6. Workers have no impact on quality; that's what inspectors are for.

7. Consumer, environmental, and other social concerns are not important to the U.S. public.

8. Government is the enemy and should be fought against all the way.

9. Strict financial controls are the secret to financial success.

10. Managers should always be developed from the inside.

Recently departed physicist Stephen Hawking is quoted as saying, "Intelligence is the ability to adapt to change." GM clearly failed to do that. It began a downward spiral which eventually led to then-Chairman Rick Wagoner begging Congress for bailout money in 2008. Had the company adapted to the new market in the 1970s, it's possible the automaker could still be one of the most successful companies in the world.

SIGN OF THE TIMES

In October, the National Consumer Law Center (NCLC) submitted a report to Congress. Titled "Auto Add-Ons Add Up: How Dealer Discretion Drives Excessive, Arbitrary and Discriminatory Pricing," the report explores the possibility of discriminatory F&I product pricing and makes a case for requiring dealerships to move to set pricing. Its findings were based on an analysis of 1.8 million transactions that resulted in the sale of almost three million add-on products between September 2009 and June 2015.

The NCLC's conclusion? "Inconstant pricing for the same add-ons leads to pricing discrimination."

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Events like finance sources changing reserve income limits and Congress contemplating the regulation of F&I pricing models are indicators of a change in our culture. The good news is no one is trying to prevent you from making a profit — not even customers. But they do want to be treated fairly. If your dealership takes notice of this and works toward that goal, you will earn more profit.

I recently discussed a car purchase with a customer who said, "I understand making a profit. I just don't want you to make all of it on me." I chuckled, knowing most people, myself included, feel the same way. Just like any business, dealers must be profitable and people get it, really.

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The problem comes from salespeople (and F&I managers) who try to conceal information. Once that happens, say goodbye to a profitable and positive sales experience for all parties. This is when our customers begin building resistance, and resistance costs money.

CHANGE HAPPENS

Nobody likes change. We seem to be programmed to reject it. Have you ever noticed how many people still listen to the same music they listened to in high school? That's an appropriate soundtrack for the F&I box, because most of today's F&I training was designed in the '80s and '90s, also known as the "boom years" among veteran business managers.

We enjoyed robust financial growth and relatively contained military engagements. The culture of America is different than it was in the '90s. People are different. They are sick of the status quo, just like they were in the '70s.

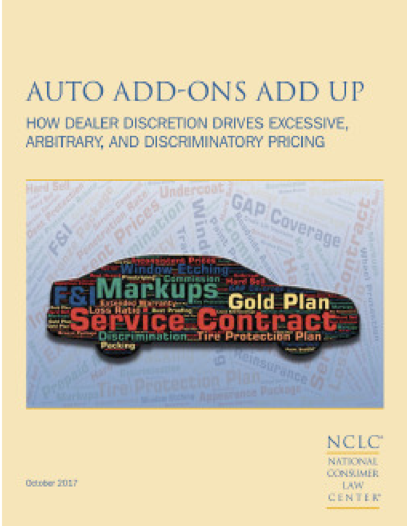
The F&I training from the '80s and '90s has become ineffective and obsolete in many ways. Getting six "No"s before closing your customer is a problem. In fact, just trying to overcome objections is a problem. We need to behave in a manner that does not create objections in the first place.

Almost every time someone outside the auto industry asks me what I do, the response I get when I tell them seems to include a horror story about buying or not buying a car somewhere. This week, it was about a Mazda purchase and three different managers doing TOs to try to close a vehicle service contract sale. They failed, and their customer is still telling the story of how she'll never buy from them again.

Bad training has put F&I departments on the chopping block in some stores. I see examples all over YouTube that demonstrate old-school training methods. One such video, "Alexa Amenta F&I Presentation," has more than 7,900 views. It is exactly the type of training I received in the early '90s.

The young lady in the video was another victim of poor training. She graduated in 2016 and was out of the car business a couple months later. This is what I believe is wrong with many F&I departments. It's unrealistic. Customers don't want to sit through 25 minutes of "Buy it or bad things will happen." If they do, it's because they want the car. They'll skip the products or accept and cancel them a week later.

We now live in a world of 60-second transactions, and the old sales method is dead. In the process of dying, it's also killing our CSI, profits, reputation, and possibly the F&I department altogether. In short, if we don't give people the change they want, they will use the voting power of their wallets to take it by force.



Based on an analysis of 1.8 million vehicle transactions, the National Consumer Law Center's 58-page report reveals discriminatory price markups over a span of six years in all 50 states and the District of Columbia.

This is a consumer's market in many ways. Companies like Carvana are trying to model the Amazon experience. Like its sister company, DriveTime, used-vehicle retailer is not selling cars. It's selling an experience. It doesn't haggle over gross; it just make it easy.

Penske and Sonic have begun implementing sales processes that only have the customer interacting with one person start to finish. Usually, these are only used-car transactions, but the feedback so far is positive, and profits are higher than expected. This proves that changing the F&I model to focus on the customer can be profitable.

It is time for every dealer to abandon the F&I models that aggravate our customers. We must embrace the inevitable changes and adopt new behaviors in the F&I office. Those behaviors must be modeled around the way people think, act, and buy things in 2018. ■

ABOUT THE AUTHOR

Lloyd Trushel is a key member of a group of associated companies and undertakings that include Consator Group, F&IQ, CAP Warranty, First Choice Warranty, Intelibuy, and others. He previously served as an F&I trainer and account manager for Assurant. Contact him at lloyd.trushel@bobit.com.