12 Steps to F&I Succe$$ - Step XI Track Performance

The first step in deciding where you want to go is knowing where you've been. Forecasting is based on past production and all the factors affecting it.

F&I departments have utilized tracking logs since the inception of F&I as a dealership function. Some tracking logs focus exclusively on F&I profit centers, while others include the sales department profits. With advances in technology, these logs have morphed into Excel-based information centers or some other form of proprietary system within the DMS. Features aside, the information that is tracked should have an end use.

Track deals on a log that reports point spreads, buy rates, sell rates, advance limits and average credit scores. (The log is a complement to your computerized production numbers.)

Tracking buy rates will allow the F&I manager to monitor lender trends against bond rates. Lender buy rates are tied to treasury notes, certificates of deposit, bonds, etc. Do you know what your lenders use? When do the rates change? What triggers the change? What differentiates depository lenders from non-depository lenders? Non-depository lenders may require a higher credit score if they package loans and sell them on Wall Street. Tracking changes can help you understand who buys what type of paper.

Tracking advance limits yields the average loan the dealership generates. Are your loans over advanced? Does the down payment cover the gross profit in the deal? Higher lender risk equates to a higher buy rate for the dealership. Risk is not always associated with credit score alone; the advance may also be a factor.

With many lenders, the advance allowed is a critical part of F&I productivity. The F&I office can sell only what can be funded. As you can see, the down payment and the advance are significant factors in F&I profits.

Credit scores below the “B” tier may cause a lender to approve a specific dollar amount. When this situation occurs, the focus usually shifts to protect the sales department gross profit and sacrifice the F&I products. Tracking these circumstances will offer insight about limited F&I productivity.

When F&I products cannot be funded at the point of financial delivery, the plan of action should focus on follow up. And follow-up efforts need to be quantified, evaluated and modified to meet the demands of the market place.

Tracking credit scores can also help determine if your lender mix is the right blend for your clientele. If you have only “A” tier lenders and some of your clients' credit scores fall within “C” and “D” tiers, you may be losing business to other dealerships that can secure financing.

F&I productivity should identify the count, the percentage of penetration of each category, and the average profit per item, in addition to the totals. It is the responsibility of dealership senior management to set the selling price of all F&I products and services. Many states mandate this practice. In fact, Florida law will not allow any variance in the filed rates for service contracts.

Consistent prices promote product credibility. Tracking the average profits per policy is a quick way to verify compliance with dealership pricing policy.

Performance tracking measures can be instrumental in discerning the educational needs of F&I and sales personnel. While continuing education is always appropriate, it is best received when the message is on target.

Monitor results so that you can support strengths and detect deficiencies. Seek knowledge to shore up skills and be brave enough to implement new ideas. Evaluate your progress and adjust accordingly. The performance track is circular, not linear. And the objective is to keep moving forward, not to finish.

F&I Management and Technology Magazine, July/August 2005

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