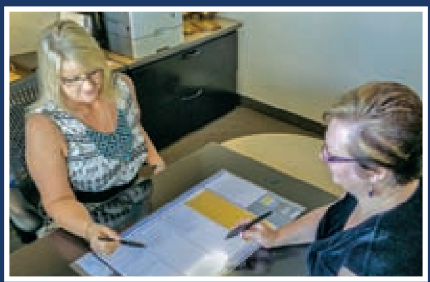
A chance to boost penetration **PAGE 20** | Planting the F&I seed **PAGE 26** | Promote from inside and train **PAGE 29**



How dealers can keep F&I strong even as profit growth slows **PAGE 20**

Automotive News **INSIGHT**

FINANCE & INSURANCE

"The easy growth has been picked off the trees."
Scott Karchunas, president, Protective Asset Protection

Double-digit ride is over

In this special section, *Automotive News* highlights where there's capacity for F&I growth, the prospects for lifting penetration and ways F&I managers can hone their approach to customers, including taking a lesson from Amazon and Netflix in how to personalize offers beyond the point of sale.

AUTOMOTIVE NEWS ILLUSTRATION

F&I revenue per unit is booming, but insiders see limited growth ahead

Hannah Lutz
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Auto dealers' F&I profit per vehicle is soaring.

A look at the dealership groups on *Automotive News'* list of the top 150 as ranked by new-vehicle retail sales shows the widespread prosperity.

Of the 146 groups that reported data for both 2015 and 2014, 116 averaged more than $1,000 in F&I revenue per new and used vehicle sold last year, with the top performer pulling in $2,228. And 113 of the groups notched per-vehicle growth, with 45 reporting gains of 10 to 51 percent. (See story, Page 30.)

Most industry insiders expect per-vehicle F&I profit growth to continue, but they say the period of double-digit increases is over. "The easy growth has been picked off the trees," notes Scott Karchunas, president of F&I product vendor Protective Asset Protection. And Steven Szakaly, the National Automobile Dealers Association's chief economist, projects that while the "best in class" dealerships may see F&I per-vehicle growth in the middle single digits going forward, other stores' figures likely will rise just 1 to 3 percent.

Batusic: F&I has peaked.

Some dealerships expect slower growth, too.

Karen Rowe, finance director at Elk Grove Toyota in Elk Grove, Calif., forecasts her store's growth to dip to 5 to 8 percent after coming in at 8 to 10 percent in years past.

And Greg Kostern, business operations director at Johnson Automotive in Raleigh, N.C., sees limited growth ahead, too. F&I profit has the capacity to rise but only to a point, he says. His group's F&I revenue per vehicle is $1,100 to $1,300, up from $800 to $900 two years ago. But he sees industrywide trouble down the road in the form of regulatory constraints on product margins, which he believes are likely in the next few years. "There's a good chance the [Consumer Financial Protection Bureau] will touch F&I products in the next three years," he said, "which could potentially hurt F&I down the line."

Frank Batusic, finance director at Weil Cadillac in Libertyville, Ill., doesn't see even 1 to 3 percent F&I revenue per vehicle growth ahead for his store. He says per-unit profit has topped out already.

Most of Weil Cadillac's new-vehicle customers sign a lease contract, which already includes the industry's second-best-selling F&I product: guaranteed asset protection coverage, or GAP. The industry's top F&I seller, an extended service contract, also holds no interest for his lease customers, he says, because they don't keep the vehicle long enough to age into the coverage. That means most of his new-vehicle lease customers "are only going to accept tire-and-wheel" protection, he says. On used-vehicle transactions, he typically sells GAP and an extended service contract, he says.

The average F&I profit per unit at Weil Cadillac is $1,200 for new and used combined. But it won't rise any higher, he says. "It's reached its peak [for my dealership], and it's going to stay there." AN

As vehicle sales flatten, focus on add-ons

Experts see a chance to boost penetration

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Dealers wince at the prospect of slowing vehicle sales. But there could be a bright spot: With fewer customers, F&I managers will have more time to focus on sales penetration for add-on products.

"In good times, when an F&I manager has tons of customers, he gives each one a pretty good effort at pitching the product," said Dave Robertson, executive director of the Association of Finance & Insurance Professionals. But, he said, managers may spend less time than they would like selling to customers because they need to get to others in line.

As sales slow, though, F&I managers will have time to work harder with customers and boost penetration. That will be increasingly important as lenders, product providers and dealers, worried about the potential for tighter regulation of F&I add-on sales, set "markup thresholds on products," Robertson said, putting pressure on F&I managers to sell more products to keep profit up as retail margins fall.

Robertson: More time for sales

Industrywide, one product that offers an "upside" in sales is the service contract, said Scott Karchunas, president of Protective Asset Protection. In 2015 extended service contract penetration on new vehicles was 43 percent, data from the National Automobile Dealers Association show, which means 57 percent of customers did not buy one, he pointed out.

The key to driving growth is product development — what's sold and how, said Larry Pomarico, senior vice president of sales for SouthWest Dealer Services. The digital menu presentation is becoming more sophisticated and customizable, he said. And with loan terms stretching as far as 84 months, customers are recognizing the value of F&I products that protect the vehicle. "The days of the backyard mechanic are behind us," Pomarico said. "It's basically a computer module driving down the road now," and that makes vehicle protection an easier sell.

Prospects look good for selling F&I products on used vehicles, too, he said. As new-vehicle sales tighten, used sales likely will rise, giving dealers more opportunities to sell F&I products on them. "Our used-vehicle F&I numbers are as strong if not stronger than new," he said.

In the long term, though, whether F&I penetration rises or flattens, if vehicle sales fall, F&I income would decrease, Robertson said, adding, "F&I can't do anything until you sell a car. AN

Automakers are in tune with customers' F&I wants, Karen Rowe, left, says.

Keeping F&I sales strong as profit growth weakens

Expert: Learn from Amazon, Netflix

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F&I profit likely hasn't reached its peak, insiders say, but most agree that its growth will slow. To maintain strong F&I revenue, dealerships should ensure that they offer the right product mix, thoroughly understand the products and the regulations covering them, and work to maximize F&I sales after vehicle purchases.

Dealerships will benefit by offering a mix of products that will generate profit and meet the needs of their customer base, experts say.

Service contracts make sense for customers who take out loans. John Stephens, executive vice president of dealer services at EFG Cos., said some dealerships he works with sell service contracts on 80 percent of their transactions. Industrywide, service contract penetration on new vehicles reached 43 percent in 2015, according to the National Automobile Dealers Association.

For lease customers, though, the need for a service contract dwindles. The factory warranty typically covers them for the term of the lease. With lease penetration reaching 33.6 percent of new-vehicle financing in the fourth quarter last year, according to Experian Automotive data, automakers' captive finance companies and F&I product providers make sure they have lease wear protection in their F&I product arsenals.

"Manufacturers are staying in tune with the products and services customers want," and that strengthens dealerships' F&I operations, said Karen Rowe, finance director at Elk Grove Toyota in Elk Grove, Calif.

Having maintenance products in the mix, covering such items as oil changes and tire rotations, can provide a boon to dealership profits beyond F&I, said Mike Casey, group vice president of sales for JM&A Group.

"It's a natural product for a customer to buy and for a dealer to offer," Casey said. It "builds a retention tool for the dealerships and helps the customer get married to the service department." That increases the likelihood customers will buy from the dealership when they shop for their next vehicle, he said.

Dealerships also should educate consumers by providing information about F&I products earlier in the shopping process, said Scott Karchunas, president of F&I vendor Protective Asset Protection. They should "widen the consumer lens to see products and understand their value before they get into the F&I office," he said.

see SALES, Page 29

Public groups optimistic on F&I revenue growth

Retailers seek to build on Q1 results

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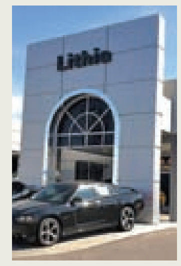
Public retailers reap gains

The 6 large public new-car retailers all lifted average F&I revenue per new and used vehicle retailed through March this year. Results are on a same-store basis.

	Q1 2016	Q1 2015	CHANGE
AutoNation	$1,649	$1,518	+8.6%
Group 1 Automotive*	$1,561	$1,546	+1.0%
Asbury Automotive	$1,425	$1,382	+3.1%
Sonic Automotive	$1,359	$1,255	+8.3%
Lithia Motors	$1,292	$1,181	+9.4%
Penske Automotive	$1,127	$1,095	+2.9%



*Reflects U.S. dealerships only Source: Company reports

All six large public new-car retailers lifted average F&I revenue per vehicle through March, and most expect growth to continue.

AutoNation CEO Mike Jackson believes there's room for improvement industrywide and at his group, which is the first among the publics to break the $1,600 mark in F&I revenue per new and used vehicle retailed on a same-store basis.

AutoNation reaped $1,649 on average in the first quarter, with year-over-year growth of 8.6 percent. Jackson credits the group's success in part to coming out with AutoNation-branded F&I products. Customers think, "Oh, AutoNation has a product with the AutoNation name on it. I trust that," Jackson explained to *Automotive News.*

Jeff Dyke, Sonic Automotive's executive vice president of operations, is working to grow F&I revenue per new and used vehicle retailed, too. Sonic's goal is to surpass $1,500 on average, he said. In the first quarter, Sonic reached per-vehicle profit of $1,359 on a same-store basis, up 8.3 percent vs. the 2015 quarter.

"We're just getting better at selling products and communicating with our customer base using the technology that we have," Dyke said. "There's no question that we'll continue to grow F&I. If [vehicle] sales slow down, F&I [per vehicle retailed] will continue to have the kind of success that we've had."

Lithia Motors is at the lower end in average F&I revenue per vehicle among the six public retailers. But last quarter, it reaped the most growth, rising 9.4 percent vs. the year-earlier period to reach $1,292 on a same-store basis. CEO Bryan DeBoer says Lithia is capable of bringing in even more F&I revenue. "We believe there's room for a couple hundred more in [per-vehicle profit] to get on par with where our peer group is," he said.

For Asbury Automotive Group, which increased F&I revenue per new and used vehicle retailed 3.1 percent last quarter to $1,425 on a same-store basis, training takes precedence, Treasurer Matt Pettoni says. "While F&I revenue is linked to unit sales and therefore highly correlated to SAAR, our teams are focused on growing our per-vehicle revenue by implementing best practices and training programs to increase penetration rates," he said.

Penske Automotive's F&I profit per vehicle rose 2.9 percent to $1,127 on a same-store basis in the first quarter, and the group plans to keep getting better through training, said Tony Pordon, Penske's executive vice president of investor relations and corporate development.

"Our strategy for F&I is to continue with improving the process within the dealership and to supplement with more training to drive additional product penetration across our vehicle sales. This in turn should help us continue to increase F&I profits," Pordon said. He added, though, that Penske focuses on managing gross profit across multiple areas of the dealership, including new vehicles, used vehicles and F&I.

Of the six public retailers, Group 1 is the least bullish on F&I-per-vehicle growth. Pete DeLongchamps, vice president of manufacturer relations, financial services and public affairs, says much of the growth in F&I per vehicle among the publics "is a function of brand and geography." F&I profit among publics will vary depending on those factors, he says.

Group 1's U.S. average F&I revenue per vehicle retailed rose 1 percent to $1,561 on a same-store basis in the first quarter, and DeLongchamps expects it to stay in that range, although there could be moderate increases if product penetration continues to rise.

"We continue growing our vehicle service contract and maintenance business, which is a benefit to the customer and long-term service and parts retention," he said.

DeLongchamps estimated that Group 1's per-vehicle revenue has had increases of $100 over the past few years. "That pace does not continue," he said. However, if Group 1 keeps F&I profit per vehicle at around $1,500 or $1,550, he said, "shareholders and dealership personnel will be happy." AN

Amy Wilson and Jamie LaReau contributed to this report.

EchoPark F&I process to echo across Sonic

New-car stores aim to replicate used-only dealerships' success

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Sonic Automotive's finance and insurance sales process at its EchoPark used-only dealerships has been so successful in lifting F&I revenue per vehicle, the company plans to expand the process to its 99 franchised stores.

It's been successful because, among other things, customers like having one person handle the sale from start to finish, including the F&I portion, and it speeds the car-buying process, said Jeff Dyke, Sonic's executive vice president of operations.

Dyke said EchoPark's average F&I revenue per vehicle is $1,150, far more than the $850 Sonic expected when it launched the used-only stores. "We'll roll that process out over the next two to three years as we roll out our One Sonic-One Experience to all of our stores," Dyke said. "There's no question that's the right way to go. We have the technology and the process to make it work, it's just how quickly can we get it into our stores and get it in appropriately, effectively and efficiently so that it'll stick."

EchoPark's F&I success stems from hiring sales reps with no auto experience, Sonic says.

One Sonic-One Experience offers no-haggle pricing with one sales rep using an iPad who takes the customer through the entire vehicle sales process, including financing and the F&I product presentation. In EchoPark's case, the process calls for lenders to pay dealerships a flat fee for arranging financing. The goal at both EchoPark and the One Sonic-One Experience stores is to eliminate customer pain points, enabling the purchase to be completed in fewer than 45 minutes.

Charlotte, N.C.-based Sonic opened its first EchoPark store in Denver in the fall of 2014 and soon added two satellite stores in the area. Those stores sold 941 vehicles in the first quarter of 2016. Sonic will add three more EchoPark stores in Colorado this year.

Sonic has applied the One Sonic-One Experience model at its dealerships in Charlotte.

In a March interview in Las Vegas, Dyke said Sonic learned how to better sell F&I products at its new-car stores by studying EchoPark's success. "At EchoPark, when we launched, the F&I tool worked beautifully there, and it didn't work as well" at some One Sonic-One Experience stores, Dyke said. "The reason for that, we believe, is that we hired people at EchoPark who had no automotive experience" and were not inclined to use high-pressure F&I sales tactics.

So Sonic is retraining employees of its other stores to better sell F&I products, especially service contracts because they bring customers back for service. So far, the training is working. In March, Sonic's F&I per vehicle revenue at new-vehicle stores was about $1,400, he said. In the first quarter, Sonic reported F&I gross profit per unit of $1,366, up 8.9 percent from the year-earlier period.

Dyke wants to hit $1,500 "and beyond."

One caveat: EchoPark's flat fee for arranging financing won't move to other Sonic stores anytime soon. Lenders are still adjusting, Dyke said. "But it's working at EchoPark." AN

Get involved early to plant the seeds for F&I

How to approach new-, used-car buyers? Dealerships share methods

If dealerships don't approach pre-owned car buyers with the same enthusiasm they show their new-car buyers, they're losing money. That's especially important now that stores are seeing a major influx of off-lease and other pre-owned cars.

"We spend every bit as much time with our used-car customers as we do our new-car customers," said Tyler Corder, CFO of Findlay Automotive Group, which has 28 stores in five states and is headquartered in Henderson, Nev. "The key is getting the finance manager involved early, when the customer is in the showroom. We do a needs assessment, and find out about their driving habits. We also ask specifics about their last cars, including how long they keep cars. Then we can suggest service contracts that work for their driving habits and budgets."

The finance managers often accompany prospective buyers on test drives, deepening their understanding of the buyers' needs and giving them a chance for casual chat.

"The most important thing is not to be phony," Corder said. "People put up defenses if they think a salesperson is giving a pitch or using a canned script. You have to be your own personality and be likable, friendly, have a professional appearance. It's a real science."

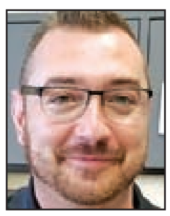
Special Correspondent Nancy Dunham asked other F&I professionals how they approach their pre-owned customers. Here's what they said.

Nick Breault
Business Manager
Smail Auto Group
Greensburg, Pa.

"We like to introduce ourselves early in the process [and] customize the discussion based on the individual customer. We have a lot of information by the time they come to us based on their licenses, what they have told the salesperson and any F&I information we have gathered. One thing: It's important never to lie or pretend to know something you don't. I stress to everyone that if they don't know any answer, tell customers you will find out. Take the time, get the right answer and tell them. That builds trust and confidence."

Phil Maguire
Owner and president
Maguire Family of Dealerships
Ithaca, N.Y.

"We don't have finance and insurance managers. We are upfront with the lowest price and financing. Our salespeople are not compensated on commission because we want them to take customers cradle to grave. Our philosophy is to have our salespeople talk about F&I right in the beginning. A key to that success is infusing steps in the sales process. At the beginning, we sit down the customer and run through our sales process — what we'll do, what they can expect. That plants the seed and takes the unsavory feelings away from customers. Over the years, we found we were offering too many products. Now we focus on several products [that are bundled] instead of going through 10 to 15. So we might bundle wheel-and-tire coverage and then package windshield, dent and key replacement. We found it's important to keep it simple."



Vince Ramos
Finance Director
Lehigh Valley Acura
Emmaus, Pa.

"We let the guys each develop what they'll say as long as they use 100 percent of the menu system 100 percent of the time. We might tell customers when a product's not necessary for them, but we always let the customer make the decision. Whether we're selling a new car or pre-owned, we try to always have the finance manager go out and meet the customer at the end of the sales process. Sometimes customers say, 'We don't want to buy anything extra.' At that point, we just ask them to please take a few minutes to listen to us, so we're in compliance. We tell them it won't take more than 15 minutes, and we stay with that. We also assure [them] they aren't obligated to purchase anything."

Kent Winningham
Special Finance Manager (Pre-owned)
Gorno Ford
Woodhaven, Mich.

"It's important to remember you aren't trying to sell something; you're trying to educate clients about the products available. I meet them in the showroom, so when they come back to me I'm not a stranger. We use a full disclosure menu and there are five to six things we offer, but we approach it as a chat in which we educate them about things that will or will not work for them. You can really gauge how well you're doing by looking at cancellation rates within 90 days or six months. What good are high sales if everything is canceled?"

William McCormick
Sales representative
Bert Wolfe Toyota
Charleston, W.Va.

"It's important to start out talking about them, their family and their lives. That's a great way to get them to relax so you can peel the layers back and find out what they need. When we do talk about the car, I explain how F&I products will protect their investment. I'll take them to service and pop the hood and explain what the factory warranty covers and why an extended warranty is highly advised. We talk about paint and fabric protection, especially if they have children. It's a great way for customers to begin to take mental ownership of the car. Then when they go through [the F&I menu], they're more engaged." AN

Industry women teach kids about finances

Goal: Educate tomorrow's car buyers

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With briefcases stuffed with lesson plans, interactive finance timelines and even cardboard models of banks, female dealers and other auto industry leaders are spreading financial literacy to educate car buyers of tomorrow.

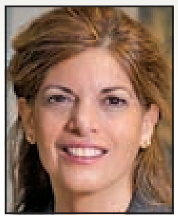
Women on the National Automobile Dealers Association's board of directors have made community outreach through financial literacy an objective. Starting financial education in schools, even as early as kindergarten, is vital, said Ivette Rivera, NADA's senior vice president of legislative affairs.

"If you don't get to people early enough, they may be making [bad credit] decisions down the road."

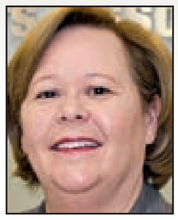
And that hurts those consumers and the economy.

"So many of our issues come down to vehicle affordability," Rivera said. "With what we lived through during the recession, we thought it would make a great impact."

In states that require financial education in high school, young adults have higher credit scores and lower



Rivera: Wants to make an impact



Primm: 15 years of volunteering

delinquency rates on credit cards and car loans, according to the State Mandated Financial Education and the Credit Behavior of Young Adults, a 2014 study by experts from the Federal Reserve Board, University of Wisconsin and Montana State University.

Of Georgia students who received financial education in school, three years later their credit scores were 29 points higher on average than scores of consumers from comparison states with no financial education, the study said.

The results made an impact on NADA's female directors. Last year they formed the Women Dealers Financial Literacy Project, led by Ohio dealer and NADA board member Michelle Primm. The project is still in its infancy. So far, it has partnered with programs such as Junior Achievement, MoneySkill and Wallet Wise to help educate their communities.

MoneySkill is an online personal finance course for students from the American Financial Services Association Education Foundation. It includes 36 adaptable modules to customize the course for a specific student or class.

Wallet Wise is the brainchild of Ally Financial Inc. The program teaches the basics of budgeting, banking and investing, credit and auto finance online or in person. Online classes offer convenience, but there is a clear benefit to in-person lessons, says Jacqueline Howard, director of corporate citizenship at Ally. "Money is one of those topics where people are uncomfortable. If you can make the audience comfortable it makes the in-person classes really impactful," she said.

Consumers may not understand how car buying works, but through the Women Dealers Financial Literacy Project, dealers can educate the community. It won't solve the financial literacy problem but may "make a dent in it," Howard said.

Rivera volunteers with Junior Achievement, a K-12 program to promote students' work-readiness, entrepreneurship and financial literacy. For example, in kindergarten youngsters are taught the difference between a need and a want. High schoolers get lessons in finance.

Junior Achievement gave Rivera supplies for teaching fifth-graders about trade, globalization and entrepreneurship. "You have the material for every class," she said. "They were so interested."

Primm, managing partner of Cascade Auto Group in Cuyahoga Falls, Ohio, started speaking to high school students about finance 15 years ago. She saw the need for financial education in her community, but "it's hard to start a movement from scratch," she said. So after the women on NADA's board identified the need for outreach, she began working with Junior Achievement.

Primm volunteered for the five-session personal finance program that taught high school students about earning money, budgeting, saving and investing, using credit cautiously and protecting personal finances. Many of the students hope to be the first in their family to attend college, said Primm, who in 2015 was named one of *Automotive News'* 100 Leading Women in the North American Auto Industry.

Michael Gaffney, president of Junior Achievement of North Central Ohio, said he has a great volunteer base through Primm. "With dealership personnel volunteers, the students can get a glimpse of different people playing different roles in their community," he said. Often when students visit dealerships, they only see the sales team. But through Junior Achievement, they talk with finance managers and sometimes even a mechanic. The dealerships' volunteers help students to "think about jobs in every industry," he said.

Students' financial literacy benefits dealerships in the long run. Primm wants to encourage dealers to find their path in their community. "Dealers really want and embrace educated consumers," she said. "It makes the whole sales process easier."

A better credit score, Rivera added, means better options for a vehicle. "It just gives people more options." AN

Promote from within and train, train, train

Jacquie Goetz Bluethmann
autonews@crain.com

Brian Kelly's right-hand F&I man is a person he doesn't even pay.

It's Dale Ducasse, the F&I training expert Kelly largely credits for raising F&I revenue per new and used vehicle retailed by half last year at Kelly Automotive Group in Danvers, Mass., north of Boston.

Ducasse conducts weekly training with Kelly Automotive's F&I managers in group and one-on-one settings. The training, coupled with the group's commitment to promote from within, has helped move the needle on F&I performance, said Kelly, the group's CEO.

BEST PRACTICES

Last year Kelly Automotive Group, which sold nine brands in 10 locations, lifted its average F&I revenue per vehicle to $1,417, from $948 in 2014. The 49.5 percent per-vehicle rise made Kelly Automotive the No. 2 gainer on *Automotive News'* list of the top 150 U.S.-based dealership groups as ranked by new unit retail sales in 2015 (see story, Page 30). Last year the group retailed 9,673 new and 4,391 used vehicles.

It also promoted three salespeople to F&I positions. "This was a boost to everyone," Kelly said. "Others want that opportunity too. Now they know that if and when I buy another store, they may have that chance."

Ducasse added: "We use the term 'Kelly-ized' to describe how Brian Kelly expects customers to be treated. You bring someone in off the street who doesn't understand this management philosophy, and it's going to take longer to train them."

Ducasse is executive vice president of Performance Management Group in Northborough, Mass. He began working with Kelly 15 years ago when Kelly was looking to improve his group's F&I operations. Rather than pay Ducasse for training his people, Kelly agreed to sell some of Performance's products. So Ducasse is extra motivated to see Kelly Automotive's F&I managers perform at the top of their game.

Ducasse uses an online income log to track the group's F&I managers' performance. "At any time, I can see where each individual is excelling and where there is an opportunity to improve," he said.

This information enables Ducasse to come with a tailored message to each meeting with Kelly Automotive's F&I managers. "I'm not there to shoot the breeze," he said.

"Our approach is to first tell customers what they don't need. Call it unselling, if you want, but based on what customers are telling us, we tell them what they shouldn't bother with." Brian Kelly

"We may talk about a struggle they're having with a certain product. I'll ask them what feedback they are hearing from customers, what objections. Then we work through that."

Ducasse acknowledged that salespeople typically have a script or "word track" they develop over time, but he encourages F&I managers to make the customer interaction more of a conversation.

Ducasse and Kelly favor using a menu to present product options, but one that doesn't overwhelm the customer.

"Our approach is to first tell customers what they don't need," Kelly said. "Call it unselling, if you want, but based on what customers are telling us, we tell them what they shouldn't bother with."

Kelly said that trying to sell everything to everyone often backfires. "When you sell products that make the ownership experience better, it's a win for everyone," he said.

Ducasse said customer interviews outside the F&I office should reveal information that helps F&I managers present products that will add value.

"If the customer is putting 50 percent down, a GAP policy just doesn't make sense," he said. "We counsel them to spend their money elsewhere."

Ducasse has worked with Kelly Automotive's F&I managers to whittle the menu to a digestible number of options. "Typically, they'll present packages," Ducasse said. "The first package might include all the products that we feel add value. We may present three or more package options that contain fewer products. People like to have choices."

Kelly believes the subtleties of the sales and F&I experience also are crucial to the group's success. "Our people must be well-groomed and well-dressed," he said. "That's why we maintain a dress code. People want to deal with neatly groomed people. In the car business, it's not about the college degree as much as being friendly and trustworthy."

Likewise, to ensure those customers looking to buy don't have to wait to wrap up their transaction, Kelly Automotive has added a third F&I manager at its high-volume dealerships. That move has proved especially helpful on Saturdays, Ducasse said.

As for 2016, Kelly is hopeful that it will be another banner year for the dealership group. "I don't know if we'll have the same numbers, but I'm happy with where we are now," he said. "We're up over the last few years. We just have to continually strive to do better." AN

SALES

Grasp of the law cuts chargeback risk

continued from Page **20**

Beyond offering the right product mix, dealerships should know all the features and regulations that go along with those products, said Dave Robertson, executive director for the Association of Finance & Insurance Professionals.

"The good times make us lazy," he said. "When times get tight, people have to have a good reason to make that purchase. It's going to be a harder sell."

Being product experts means knowing state and federal regulations, he added. A clear understanding of those regulations increases "the odds of a sale being made and reduces the odds of an early cancellation chargeback," Robertson said.

In the long term, F&I managers should look at selling F&I products beyond the point of the vehicle sale, Karchunas said.

"We as an industry do a great job at the point of sale," he said. But the industry should also think of the customer in terms of the life cycle of his or her vehicle.

F&I managers only "get a snapshot" of the customer's situation at the point of sale, he said. Customers may not be interested in a product on the day they buy a vehicle, but down the road, their needs and financial standing may have changed.

Karchunas suggested that dealerships take a lesson from Amazon and Netflix. Those retailers know what individual customers want and present the products that make sense to them, he said. Consumers have come to expect that type of retail interaction. Like Amazon and Netflix, the auto industry has data streams, and dealers should take advantage of them to personalize offers to consumers, Karchunas said. "As an industry partnering with the whole ecosystem, we have to find a way to thoughtfully put F&I products in front of consumers," targeting products to specific needs.

In doing that, he said, "You put the customer back on the path of going back to that selling dealer, having a better experience and having a higher propensity of buying from that dealer again."

As dealerships look to implement F&I strategies going forward, Karchunas stressed, there are ways they can boost add-on sales today, such as through consumer education and employee training. "While we look to the long-term opportunities," he said, "there are plenty of near-term opportunities." AN

F&I revenue soars among big retailers

Survey: 2015 total rises 14% from a year earlier to $7.9 billion

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U.S. auto sales growth may be slowing, but finance and insurance revenue rose by double digits last year at the 150 largest U.S.-based dealership groups, which took in a combined $1 billion more than they did in 2014.

Retail customers of the groups paid an average of $1,359 for F&I products in 2015, 4.8 percent more per new and used vehicle sold, according to *Automotive News*' third annual F&I survey. Total F&I dollars increased 14 percent, compared with an 8.9 percent gain in new and used retail sales.

The survey looked at the retailers on *Automotive News*' list of the top 150 dealership groups based in the U.S. as measured by new-vehicle retail sales in 2015. The results were drawn from the 146 groups that reported F&I revenue data for both 2015 and 2014.

Of those groups, 113 showed growth in per-vehicle F&I revenue, with 53 of them achieving increases of at least $100.

Only 22 groups said their overall F&I revenue declined from 2014, with half of those also reporting a decrease in the number of vehicles sold.

Some of the gains were substantial. Forty-five groups grew F&I revenue per vehicle by at least 10 percent, and 15 achieved at least a 20 percent increase. Three had jumps of more than 40 percent, in each case climbing from well below average in 2014 to about average last year.

On average, data provided by the groups show that F&I accounted for 3.7 percent of their total revenue in 2015, with that proportion ranging from 0.6 percent at two groups to 8.3 percent at the five-store Southwest Dealer Group in Dallas.

$100 million club

Twelve groups, six of which are publicly owned, collected more than $100 million from F&I. They accounted for about half of the $7.9 billion in F&I revenue generated by all 146 dealership groups that divulged their data.

The newcomer to that elite club is Jim Koons Automotive Cos., a 17-store operation based in Vienna, Va., that boosted revenue by 18 percent year over year, nearly triple its 6.4 percent growth in retail sales.

The F&I offices at the top 12 groups generated an average of $1,480 per vehicle — $220 more than the rest of the retailers did. That disparity was virtually unchanged from 2014.

Groups in the $100 million club took in an average of $3 million per dealership from F&I products, compared with $2 million for dealerships run by the remaining groups.

All six publicly owned groups increased their overall and per-vehicle F&I revenue from 2014. Lithia Motors' purchase of DCH Auto Group in 2014 resulted in a 49 percent jump in total F&I revenue but a per-vehicle gain of only about $27. Among the public groups, Penske Automotive had the lowest per-vehicle revenue, at $1,107, while AutoNation had the highest, at $1,534.

AutoNation increased its overall F&I haul by 16 percent, to about $869 million; it would top $1 billion this year if it maintained that rate of growth. No other groups topped $500 million in 2015.

Van Tuyl Group, which took in $354.3 million from F&I products in 2014, is missing from this year's list because its new owner, Berkshire Hathaway Inc., did not provide 2015 data to *Automotive News*.

West vs. East

On a per-vehicle basis, F&I revenue generally has less to do with a group's size than with outside factors such as geography.

Fifteen of the 25 groups with the highest F&I revenue per vehicle — and all of the top five — are based in the western or southwestern U.S. Conversely, 15 of the 25 with the lowest averages on the list are based in the eastern or southeastern U.S. That's likely tied to higher levels of leasing on the East Coast, as lessees tend to spend less on F&I products.

Six groups reported more than $2,000 per vehicle in F&I revenue, the largest being Larry H. Miller Dealerships in Utah, with 55 stores in 2015. Four of the six sold fewer than 3,000 new and used vehicles a month last year.

Thirty groups reported getting less than $1,000 per vehicle from F&I products. Ten of those experienced a decline from 2014.

Only one, Ray Catena Motor Car Corp in Edison, N.J., took in less than $500. Eighty percent of that group's retail sales are new vehicles, the second-highest percentage on the top 150 list.

Six of the 10 groups with the highest per-vehicle F&I revenue in 2014 reported declines in 2015. Three of the declines were more than 20 percent, an indication of how difficult it is to maintain such a high level for multiple years.

On the opposite end of the spectrum, of the 20 groups that generated the least F&I revenue per vehicle in 2014, half reported double-digit increases this year as their management likely made concerted efforts to improve. AN

Leading the pack

The 25 dealership groups with the highest average F&I revenue per new and used vehicle retailed in 2015

		Average F&I revenue per vehicle retailed	Change from 2014
1.	Southwest Dealer Group	$2,228	–0.8%
2.	Bob Moore Auto Group	$2,189	5.4%
3.	Chapman Automotive Group	$2,165	24.4%
4.	Ancira Enterprises	$2,154	2.2%
5.	Larry H. Miller Dealerships*	$2,061	5.5%
6.	Greenway Automotive	$2,052	11.1%
7.	Hendrick Automotive Group	$1,998	4.7%
8.	David Stanley Auto Group	$1,997	20.0%
9.	Ken Garff Automotive Group	$1,960	–1.0%
10.	McCombs Automotive	$1,948	6.8%
11.	Car Pros Automotive Group	$1,936	22.7%
12.	Russ Darrow Group	$1,898	23.4%
13.	Sansone Auto Network	$1,884	–0.7%
14.	DARCARS Automotive Group	$1,873	15.1%
15.	Magnussen Dealership Group	$1,858	13.5%
16.	Shammas Automotive Group	$1,850	9.5%
17.	Future Automotive Group	$1,788	3.8%
18.	Jim Hudson Automotive Group	$1,758	12.7%
19.	Jim Koons Automotive Cos.	$1,747	11.2%
20.	Cardinale Automotive Group	$1,739	6.1%
21.	Safford Automotive Group	$1,729	–24.3%
22.	Momentum Auto Group	$1,703	–7.8%
23.	Grossinger Auto Group	$1,702	12.3%
24.	Zeigler Auto Group	$1,698	–21.2%
25.	Fletcher Jones Automotive Group	$1,686	2.4%

Note: Data drawn from *Automotive News*' list of the top 150 dealership groups based in the U.S. as measured by 2015 new-vehicle retail sales.
*Previously Larry H. Miller Group of Cos. Source: Automotive News Data Center

The $100 million club

	2015 F&I revenue in millions	Total number of dealerships
AutoNation*	$868.7	254
Penske Automotive Group*	$478.2	263
Group 1 Automotive*	$408.8	152
Hendrick Automotive Group	$396.5	101
Sonic Automotive*	$326.6	99
Lithia Motors*	$283.0	137
Asbury Automotive Group*	$263.4	84
Larry H. Miller Dealerships**	$229.7	55
Ken Garff Automotive Group	$218.6	50
Greenway Automotive	$154.7	50
Staluppi Auto Group	$146.2	30
Jim Koons Automotive Cos.	$111.1	17

*Publicly held **Previously Larry H. Miller Group of Cos.
Source: Automotive News Data Center

Biggest gainers

Dealership groups with increases of 20% or more in average F&I revenue per new and used vehicle retailed in 2015

	Average F&I revenue per vehicle retailed	Change from 2014
Sullivan Automotive Group	$1,420	50.6%
Kelly Automotive Group	$1,417	49.5%
Holler Classic Automotive Group	$1,077	44.4%
Bergstrom Automotive	$1,267	28.1%
Rosenthal Automotive Organization	$1,430	25.7%
Fletcher Auto Group	$1,448	25.6%
LaFontaine Automotive Group	$1,241	24.8%
Chapman Automotive Group	$2,165	24.4%
Russ Darrow Group	$1,898	23.4%
Car Pros Automotive Group	$1,936	22.7%
West Herr Automotive Group	$997	21.8%
Kenwood Dealer Group	$1,014	20.7%
FRL Automotive	$1,297	20.7%
Performance Cos.	$1,355	20.4%
David Stanley Auto Group	$1,997	20.0%

Source: Automotive News Data Center