

CAR DEALER

The Auto Dealer's Management Briefing

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Trend spotting

Tom Webb, chief economist for Manheim Consulting, an arm of the big used vehicle auction company, had some interesting insights about the used vehicle market in general: "In terms of the market itself, in terms of the vitality. It is a good (used vehicle) market. Certainly an increasing number of dealers are buying an increasing number of vehicles at auction, which means that they obviously have a retail market for these vehicles. I think when you look at some of the numbers, again, because of the higher acquisition costs, there is some pressure on margin. However, their inventory turn has been good, so that has offset it. Overall the market is good and stable."

Mr. Webb delivered his observations during a July 10 conference call with investors. He went on to say, "The new vehicle inventory unit counts from early 2005 until today have been reduced by more than half a million units. And I would suggest that this is a major reason why wholesale used vehicle prices have remained strong."

Buy-here, pay-here dealers may find business getting a little tougher. According to Tom Webb, "(Dealers who) want to continue to buy a vehicle with the 97,000 miles will have to spend \$1,000 more. That is a severe problem for the buy-here, pay-here dealers, and it is one they have wrestled with for some time. Basically, they are not facing a shortage of supply. Nor is it a difficulty in finding units. The difficulty is finding units that meet the dealers age, mileage, and condition criteria at the price the dealer is willing to pay."

New directions in F & I - 2007

For some reason, it's usually the performance numbers that grab *Car Dealer Insider's* attention first. In this case the number was \$1,200, as in Finance and Insurance income-per-unit-delivered. Now, \$1,200-a-copy may strike some dealers as a good but not great number. But what made this figure stick out was the comparison with other stores in a 15-dealership group.

During a *Car Dealer Insider* consulting assignment, in a side-by-side comparison ala a 20-Group composite, 14 out of the 15 dealerships in this group were averaging between \$400 and \$600 per-unit-delivered in F & I income. So the \$1,200 stood very tall. So tall, in fact, that it prompted the obvious question: How did that one store do it? We'll give you the answer in a minute.

New directions in F & I - 1997

Ten years ago, *Car Dealer Insider* carried an article called *New Directions in F & I*. It was about a process called Menu Selling. Menu selling worked, using a non-confrontational selling process and generating F & I profits well above what non-

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menu-using dealers were seeing. Now every dealership uses some form of menu-selling as part of its F & I program.

We followed the article on menu selling with stories about a remarkable technological advance. The 1997 two-part series on the *Virtual Business Manager* described an F & I process that used a video presentation to introduce the menu products. Since the video didn't change, it was an effective way to ensure that 100 percent of the products were presented to 100 percent of the customers 100 percent of the time.

It was potentially a giant leap forward for the F & I business and it worked. Dealers who used the system reported significant increases in F & I profits. But it was still a hard sell in dealerships because it was felt that the video presentation removed some of the "art" of selling from the F & I managers. The early video menu system is still available, but we don't hear much about it these days.

The answer

Fast forward to 2007. The answer to the question of how that one dealership in the 15-store group was achieving such remarkable results was, *guess what*, a menu-selling process that begins with a non-confrontational video description of the available products.

MaximTrak (www.maximtrak.com), owned by the father-son team of Jim Maxim and his son, Jim, Jr., developed the system as an outgrowth of the company's other businesses. Maxim Automotive, an affiliated company, provides training services including an offsite F & I school, in-store training, and workshops. The firm also represents a full line of product solutions for dealership F & I departments and offers consulting services for dealers in the areas of income and process development, compliance management, and personnel services among others.

MaximTrak seems to have gained traction with dealerships where its predecessors have stalled. Perhaps it was an endorsement by General Motors Acceptance Corporation, or the integration of the Maxim menu with Route One's programs, or MaximTrak's integration with the major DMS vendors that gets them in the dealer's door. This eliminates dual entry within the Finance Department and saves a substantial amount of time on every customer transaction. Or maybe it's because the MaximTrak menu can be generated in less than 20 seconds and is fully compliant and customizable to each customer and to the products that the dealer-

ship sells. Who knows? But the company has lined up an impressive array of major east coast car dealers among its clients.

The program

Like most F & I menu systems, Maxim's is designed to help client dealers remain fully compliant with the myriad rules and regulations governing F & I sales, without sacrificing profit opportunities. Where the MaximTrak system appears to set itself apart from others is the use of the video introduction to give a preview, description, and value story for the various aftermarket products. The video doesn't attempt to sell anything. That's up to the F & I manager. Instead the video helps to shorten the time spent in F & I since the customers walk into the F & I office already knowing a lot about what they are going to see. That frees up time for the manager to field questions and to close the sale. It's non-confrontational and the entire process is designed to create a more enjoyable experience for the customers. And the process is easier on the F & I manager because much of the preliminary work has been done before the customers enter the office.

From there, the F & I manager presents a menu customized for each dealership.

On the back-end of the system, Maxim's *Dealer Dashboard* provides real-time business reports for the dealership's managers whether they work in single-point stores or multi-location corporate operations.

Pricing varies based on the size and complexity of the dealership or dealership group.

We had never heard of MaximTrak or Maxim Automotive until that consulting visit last Spring. As we said, the performance numbers really grabbed our attention. It's worth a visit to the Maxim website. ❖

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