

Are you at \$2,000 PRU?

By Brian Williams



We have all heard of the business manager who “runs \$2,000 per copy.” Some may have questioned the existence of this phantom character and refuse to believe this level of F&I performance is attainable. What you may not be aware of is he/she could already be working in your business office! The question is, will

you know when he/she has hit that level?

Many dealers do not properly measure the production of the business office as it relates to the actual performance of the individual business manager. Some dealers are only using the dealership’s net production (after chargebacks) and DMS reports. Or worse, they still use handwritten paper logs. Does this report separate the production of each manager or does it only show the department total? It is important to search net profitability and to look for trends in short-term chargebacks. However, dealers should not rely on this as the sole measure of performance for the business office. Training directives and evaluations should be based on numbers that reflect individual performances, not only net profitability.

The first step a dealer must take to properly measure the business office’s production is to first find out what each member of the department is actually producing. To do this, a dealer must use an electronic log that is properly set up—one that has the ability to separate the production for each business manager. Product penetration and income statistics for each product line should be included. This data is beneficial for making adjustments to the defaults in your menu system. These are valuable for product pricing, coaching on an individual basis, and managing

performance-based pay plans that are tied to PRU and penetration. Additionally, having an F&I service provider conduct regular training in the dealership will maximize these procedures.

After installing the proper systems to measure the business office’s performance, the next step is to verify the rate card or menu retail pricing defaults. Is the business office using a rate card or menu pricing defaults less than \$1,000 for its service contract product line? What is the average profit per service contract sold? With dwindling finance reserve profitability in today’s market, business managers should make up the difference and charge more for “line 5” products such as service contracts. If not, they will forever struggle with sub-standard PRUs. A good electronic log will put this type of information at the dealer’s fingertips and will give the dealer the tools to direct sales activities and create pay plans. These will maximize the income for both the dealership and the reinsurance company.

Without constant training, properly priced product lines, incentive based pay plans, and a way to measure production, very few business managers will reach the elusive “\$2,000 per copy.” By implementing these steps into your dealership, business managers will take more ownership of their daily performance. When they have to enter their production into a log every day, they will do whatever it takes to avoid logging a deal with zero back-end profit. There are many more things that must be done correctly during the sales process to maximize F&I profits. However, if dealers measure his/her business manager’s properly, it will bring clarity to his/her efforts.

Brian Williams is a Dealership Development Manager and can be reached by e-mail at BWilliams@AFASinc.com or by phone at 800.967.3633.



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