

Aftermarket Sales Send F&I Profits Soaring

F&I managers in big and small dealerships across the country are reaping new harvests with anti-theft, appearance protection, and other products.

By M.M. Gordon

The screenshot shows the 'SmartMenu' software interface. At the top, it says 'FREE F&I Menu Selling Software'. Below that, it says 'The most flexible program available — You are in COMPLETE control!'. The main area is titled 'SmartMenu' and features a grid of product categories: 'Anti-Theft', 'Appearance Protection', 'Interior Protection', and 'Exterior Protection'. Each category has a corresponding 'SmartMenu' product listed. On the right side, there is a list of products with their respective prices and descriptions. At the bottom, there is a call to action: 'See us at NADA 2003 — Booth #2165 — Across from FORD'.

Last year, sales of highly profitable aftermarket items became so prominent a seller on F&I menus that it was suggested that dealers rename their business office 'FI&A' to reflect the positive development. While nobody's gone that far, many dealers are discovering just how much their bottom line can be positively impacted by mining these profit opportunities.

With vehicle sales declining or flat for nearly all dealers, it certainly was clear that F&I managers in big and small stores across the country are reaping new harvests with brands like LoJack and Simoniz and product "packages" such as those from Innovative Aftermarket Systems (IAS) and Premier Select.

Truck dealers, moreover, are prospering on singular items like Rhino's spray-on bedliners sold by F&I offices and installed at Rhino shops located at or near auto rows. A survey by F&I

IAS dealer Rick Matthews, owner of a Buick-Pontiac-GMC dealership in Brooksville, Fla., presents the aftermarket package in the F&I office, agreeing with other industry veterans that "the F&I manager sells more products at a higher profit than the vehicle salesperson."

Management and Technology Magazine indicates that the upward trend of aftermarket sales will sustain itself through 2003 and beyond, driven by the value and durability of the products themselves and the profits they generate.

APPEARANCE PROTECTION CAN BE PROFITABLE

Florida, New England and Ohio dealers say they average \$300 to \$400 profits on a Simoniz sale which can range in price from \$395 to \$695. Simoniz protection is warranted for five years, with no chargebacks. The 91-year-old vehicle protection supplier says it is "environmentally attractive as a guard against acid rain, salt, sand and 'love bugs.'"



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— DON GROPPETTI, GROPPETTI AUTO GROUP, VISALIA, CALIF.



Hamer Toyota general sales manager and former F&I manager Chris Darby says the LoJack is "an ideal F&I menu seller with prices ranging from \$695 to \$1,395."

Jones Ford, Charleston, S.C., has achieved a 50 percent penetration on Simoniz sales, says F&I manager Diane Jordan, benefiting from a coastal location and a history of sand-blowing hurricanes and ocean salt. As a result, the store divides aftermarket sales into two parts, F&I only and "business development."

Another factor boosting sales of Simoniz or Turtle Wax, the latter which is part of IAS packages, is the fact that most automaker warranties cover corrosion but are limited in their protection against incursions of acid rain, tree sap or salt spray. So says Randy Crisorio, Simoniz agent for Florida, who notes that as vehicle purchase prices rise, consumers are more concerned about protecting their "investments" and resale values.

Protection plays a big role in bolstering sales of IAS packages through F&I departments at the Groppetti Auto Group dealerships in Visalia, Calif. "Both our Nissan and Toyota stores show F&I customers a seven-minute video detailing the protection and security items available," says owner Don Groppetti. "The video covers window, tire and wheel etching, paint and fabric protection, a theft vehicle demobilizer, GAP and extended service contracts.

"Our dealerships, with the menu CD, have boosted average F&I sales to \$1,240 per unit from \$900," says Groppetti. "The video solves all disclosure issues, which became a sensitive issue in California with the state's F&I raids on Gun-

person Chevrolet in El Monte in 2001. The video is offered in either English or Spanish, and the latter is a big sales tool for the Hispanic community."

ANTI-THEFT AND VEHICLE RECOVERY BOOMING

Awareness of theft protection — and vehicle recovery as promptly as possible after a theft — has risen with 2002's 10 percent theft increase from the record 1.5 million heists of vehicles in the U.S. in 2001.

The 93 percent recovery rate associated with LoJack systems has made LoJack a

recognized name like Simoniz and boosted sales of the system at Foreign Motors West, a BMW-Mercedes-Bentley-Rolls Royce and Land Rover dealership in Natick, Mass., and Hamer Toyota, Mission Hills, Calif.

LoJack has met the rise in thefts with debut this winter of a new product — Early Warning — which alerts vehicle owners through a key fob transponder that their cars have been pilfered with an unauthorized key.

"LoJack is a good seller," says George Warnock, general sales manager for Foreign Motors West. "Every Bentley or Rolls has it installed automatically, and

we average 60 to 70 sales a month on BMW, Mercedes and Land Rover. Our F&I managers charge \$695 for the standard LoJack and \$795 for 'Early Warning,' plus \$250 for a lifetime warranty."

Noting that the Toyota Camry is the "most stolen" car in the U.S., Hamer Toyota general sales manager and former F&I manager Chris Darby says the LoJack is "an ideal F&I menu seller with prices ranging from \$695 to \$1,395."

"We sold 1,718 LoJack units in the year from December 1, 2001 through November 30, 2002, and the full-price packages that include a lifetime warranty and a non-recovery refund of \$5,000 enabled us to show a net profit of \$816,219 on LoJack business alone," Darby said. "I think we'll be No. 1 in the country for LoJack in 2002."

Chris instructs his F&I personnel to focus on the added values of the four levels in the LoJack line, plus the fact that it is the only theft-related product tied to the police department. "Early Warning will be a piece of cake added to the LoJack or sold independently," Darby forecasts. "It adds to a consumer's peace of mind."

BEDLINERS, APPEARANCE PROTECTANTS BIG IN HAWAII

In Honolulu, New City Nissan has in its short eight-year span become a top-





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rated dealer for both Premier Select chemicals and etch line and the Rhino spray-on bedliners. General Manager John Uekawa reports a 53 percent penetration number in 2002 for aftermarket F&I products out of some 2,000 vehicles retailed.

"Rhino bedliners are a 'must' on Oahu," says Uekawa, "because of the high humidity, heavy rain season and salt spray." A Rhino shop at the Honda store does the installations. Premier Select's chemicals package, tire and wheel hazard protection and extended warranty add up to F&I sales of about \$995 per vehicle on average, says Uekawa, with about a \$600 profit. "That doesn't include the Rhino lining on Frontier pickups, which sell for \$400 on almost every unit we retail."

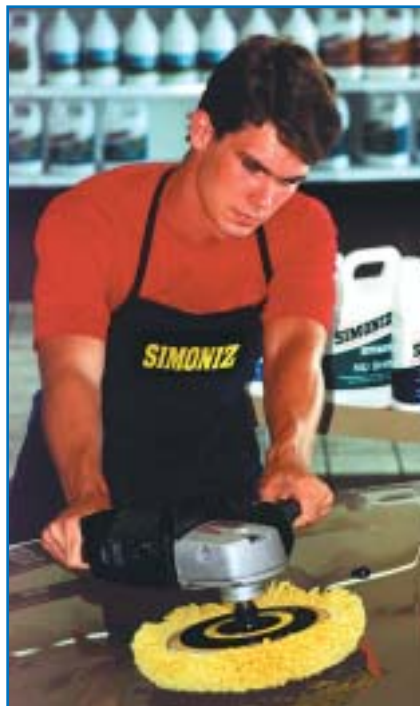
BIG PENETRATIONS FOR ETCH

The state government in Hawaii has ruled that "etch" service is an insurance product requiring a license, thus reducing New City Nissan's penetration from 80 percent to 20 percent. But etch is a high penetration and profits generator elsewhere as an anti-theft warning feature of the IAS and Premier Select packages.

Tommy Manuel Chrysler-Jeep, South Arlington, Texas, achieves an amazing 92 percent penetration on Premier's etch product, according to finance director Terry Crowhurst. The dealership sells about 60 etch and tire and wheel protection applications a month for \$95 each. The five-store Tommy Manuel group in the Dallas-Fort Worth market

does 325 a month and averages a 94 percent penetration.

"Having an 'etch' sticker deter thieves becomes a proven benefit on the F&I



The Resource Dealer Group is an authorized user of Simoniz products, together with a nationwide staff of Simoniz agents.

menu," says Crowhurst. "And you can't beat the profit it brings us."

AFTERMARKET AND F&I: NATURAL ALLIES

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other industry veterans that "the F&I manager sells more products at a higher profit than the vehicle salesperson."

Among Matthews' key producers are a \$289 Turtle Wax application that wards off "love bugs," etch for \$189 and a \$121 fabric protection — a total of \$599 together, but sold at a 25 percent discount when bought in one package. "We tell shoppers their new car isn't protected from 'love bugs' on the factory warranty, which covers paint deterioration only for a year," says Matthews. "We do quite well with the IAS packaging system."

A Big Three dealer in Manhattan, Kan., Dick Edwards, sells Rhino spray-on liners at the rate of 10 to 12 a week for \$400 and up. Edwards found the "old plastic liners too slick" and "not color-coordinated." Rhino's sprays are created to match the color of the truck, whatever color it is.

The Resource Dealer Group is an authorized user of Simoniz products, together with a nationwide staff of Simoniz agents. The Finance Reserve (Reserve Guard) product of Premier Select is used by three megadealer groups — the privately-owned JM&A Group, and the publicly-owned Asbury Automotive Group and Sonic Automotive Group.



Premier includes LoJack's protection device on its "platinum" and "gold" packages, which are priced at \$4,495 and \$3,995, respectively. The "platinum" package also includes mechanical protection, road aid, theft protection (etch), GAP, paint sealant, fabric/vinyl/leather protection, maintenance and road hazard protection (tire and wheel), comprising a total package price of \$7,260.

IAS, LoJack, Premier Select and Rhino will be exhibitors at the NADA Exposition and Convention Jan. 31-Feb. 4 in San Francisco. ■