NADA ACADEMY

Name: Matthew Peattie

Class #: 424

Dealership: Subaru of North Bay

Location(s): North Bay, ON, Canada

How many people participated in this meeting? 4

What is your vision?

Customer for life	Gross profit domination	Both	Other
☐	☐	☑	☐

Explain:
F&I plays a crucial role in enhancing customes likelihood to service at the dealership, particularly after the expiration of their manufacturer coverage. The objective is not to exploit customers but to guarantee comprehensive protection for them and their vehicles throughout their ownership. Achieving a high F&I product penetration enables us to safeguard our customers and encourage them to utilize our service offerings. An additional advantage is the natural increase in gross profit as F&I product penetration rises.

Identify a minimum of three strengths, weaknesses, opportunities, and threats.

Strengths

- Overall Gross Profit per deal ($2202 in 2023)
- Sales teams endorsement of F&I
- Low cash penetration (only 23.6% of all deals in 2023 were cash purchases)

Weaknesses

- Funding delays
- Product Penetration (only 1.04 Products sold per deal last year)
- Lease deal Gross Profit almost $1000 less then finance deal gross profit
- Dependance on Bank Reserves

Opportunities

- Gap Insurance penetration as a result of rising interest rates
- Cash conversions as a result of rising interest rates (very few people have true cash)
- Website Marketing for F&I
- Expiring warranty customer follow ups

Threats

- Higher floor plan interest, creating a need for very fast funding
- Pushing for more sales could impact CSI if not done properly
- Manufacturer changes to products being sold

How will you improve or solidify your strengths?

Our F&I team is a high-grossing department with strict processes and standards. The sales team is held accountable to the same processes as the finance managers. Despite rising interest rates, our cash penetration is significantly lower compared to our competitors in the area.

To maintain this momentum, we need to stay consistent with our current processes. Our sales reps are required to endorse two products, twice throughout the sales process. Before handing customers over to the F&I manager, they must reiterate what was endorsed and how the customer reacted to the endorsement. This allows the F&I manager to develop a strategy for presenting products to the customer.

Additionally, we emphasize F&I in all sales meetings and will continue to do so. We not only allocate a few minutes dedicated to F&I but also maintain transparency with our reps on their performance. All F&I averages are posted by the Finance Manager and Sales Rep, enabling us to identify high performers and those who may need coaching.

Furthermore, we will continue to hold monthly contests to encourage salespeople to be proactive in F&I. For example, this month, we are organizing a 'Spin to Win' contest. Every time a sales rep has a deal over $3000 net profit (no reserve or admin fee), they get a spin of a wheel with a chance to win anywhere between $25 and $100. Deals over $4000 earn two spins, and deals over $5000 are awarded five spins. Conversely, if deals go out without any products, they lose spins: one for the first occurrence, two for two deals in a row, and five for three consecutive deals without products.

I believe that by continuing to focus on these initiatives and holding firm on our processes, our strengths will further solidify next year

How will you address and improve any weaknesses?

Funding Delays: The Finance Manager now sends a daily email to the GM and the accounting team, highlighting deals with funding delays. This allows the GM to hold finance accountable for ensuring timely funding without unnecessary delays.

Product Penetration: Monthly targets have been established for the finance team. They are required to submit their game plan for each month, demonstrating how they intend to achieve these targets. Additionally, we conduct weekly training sessions with our Director of Finance to ensure that our FSMs excel in presentation skills and possess extensive product knowledge. When targets are not met, finance is obligated to provide a written explanation for the shortfall. We understand that targets may not always be achievable, and we have no issues if the reasons provided are acceptable.

Lease Gross Profit: In 2024, we are preloading all lease deals with a combination of our lease wear and paint protection programs. By incorporating and emphasizing these programs in lease deals, we anticipate an increase of almost $600 in our lease gross average this year. In the event that customers question the inclusion of these products, the finance manager is required to conduct a comprehensive presentation at the salesperson's desk, explaining the rationale behind including these products in all our leases.

Dependence on Bank Reserves: We anticipate that this issue will naturally correct itself with the action plan implemented for product penetration. A higher product penetration means reduced reliance on bank reserves for gross income.

How will you maximize or improve your opportunities?

GAP Insurance Penetration: This presents a significant opportunity this year. With increasing interest rates and finance terms extending up to 96 months, the threat of negative equity is on the rise. Our finance team is mandated to discuss GAP insurance whenever a customer is financing a vehicle for 60 months or longer with less than a 20% down payment. To ensure accountability, we have introduced a waiver form that customers must sign, holding the finance manager responsible for explaining the protection. If the waiver is not signed, we can identify that the finance team didn't go over the protection

Cash Conversion: To address cash deals, it's imperative that our finance managers become proficient in our six cash conversion tools:
1.Pay cash versus finance calculator (GIC Calculator)
2.Line of credit payoff calculator (used when customers utilize a HELOC)
3.Mortgage calculator (for prepaying a portion of the mortgage)
4.RRSP cash conversion strategy (targeting younger buyers)
5.Long-term value strategy (SNP 500 Investment calculator)
6.GAP Conversion (to address depreciation on cash purchases)
Finance managers are required to present one tool every other week during our sales meetings, ensuring both they and our sales representatives are experts in these tools.

Website Marketing for F&I: This requires a straightforward solution. We've engaged a company to optimize our webpage's SEO to elevate our ranking on the Google algorithm. They have been tasked with providing comprehensive information on all the finance products we offer to maintain fresh and updated content.

Expiring Warranty Customer Follow-ups: I have implemented an internal warning system within our DMS to alert finance managers when a customer's warranty is within one month of expiration. This triggers a task in the DMS for them to call the customer and explore options to extend their coverage. Additionally, we have enlisted our service advisors to actively promote extended coverage through the service department. A commision incentive is paid to any service advisors who succesfully sell a vehicle service contract out of the service department.

How will you address and overcome any threats?

The threats will be effectively managed as long as we properly implement our action plans. Success in reinforcing our current strengths, addressing weaknesses, and actively pursuing opportunities will overcome the identified threats. The only scenario where a threat materializes is if we fail in executing our action plans.

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What is your expected time frame to achieve desired results? Months? By what date? The actionable items are a focus for achieving success in 2024. To ensure this success, changes need to occur rapidly to drive positive outcomes throughout the year. Consequently, we have set a target to accomplish all actionable items and establish them as habits by the end of the first quarter of 2024.
What performance metric will you track to determine successful change? PVR? Products per? CSI? Metrics being tracked: Gross Profit PVR vs LY Product Penetration PVR vs LY GAP Penetration PVR vs LY Cash Penetration vs LY Gross Profit per Lease Contract vs LY Warranty Penetration vs LY
Who participated in this SWOT?

Name Matthew Peattie	Title General Manager
Name Scott Presseault	Title Finance Manager
Name Cole Porter	Title New Car Manager
Name Randy Gravelle	Title Pre-Owned Manager
Name	Title
Signed	Date
Signed by dealer Management	Date