

Increase PVR Through Full Compliance

Dealers and F&I Managers invariably raise a common objection during our initial discussions; “I’m afraid my PVR will go down if I have to disclose everything to the customer.”

I can feel their pain. After all, some dealers continue to use a process heavily promoted by the credit insurance industry in the nineties as the process to end all processes. Just like WWII was the war to end all wars. Offering the customer a protected payment during the sales process virtually ensured maximum dealer profitability, or so the claims went.

Fast forward to today. Regulators and the plaintiff’s bar are attacking assumptive sales techniques such as payment packing as deceptive practices. They insist that the customer has the right to know the real payment for the vehicle without products being hidden into the payment. Deal transparency is replacing protected payments.

However, many dealers remember the “maximize your profits” mantra of the nineties and are reluctant to change their sales processes.

Well, guess what. The credit industry was...ghast...wrong!

Deal transparency means that the dealer has nothing to hide. The base payment is appropriately quoted in the sales process and repeated at the top of the F&I menu.

Deal transparency means the dealer negotiates a fair price for the vehicle and discloses it on the four square, preliminary buyer’s order and the F&I menu.

Deal transparency means that the dealer discloses the product pricing and the correct payment walk for a group of products on the F&I menu.

Deal transparency means that customers make informed decisions because the magician’s slight of hand has disappeared from the sales and F&I processes.

Well, guess what. Deal transparency means...ghast...PVR goes up!

It’s a strange thing about the human species. When able to make informed choices, it appears the human buys more products than expected and does not cancel the products once the euphoria of a different vehicle in the driveway wears off.

With the lack of an empirically driven study to support this hypothesis, I can only offer a few insights why I believe that full compliance drives higher PVR.

Insight 1. The clients I consult with (even hard-nosed F&I veterans) tell me they are making more money by doing it the compliant way.

Insight 2. Customers tend to purchase more products than the F&I Managers think they will if 100% of the customers are presented with 100% of the products 100% of the time. Higher product penetration leads to higher PVR.

Insight 3. Customers who make informed decisions tend to keep the products they agreed to purchase. Customers who pull out their paperwork 30 days later and find out they got some “etch” product tend to cancel the product and create chargebacks. Reduced chargebacks lead to higher PVR.

Please call me if you would like to speak with some of my clients that have started making more money by doing things the right way. I'll gladly give you some names and phone numbers.

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