

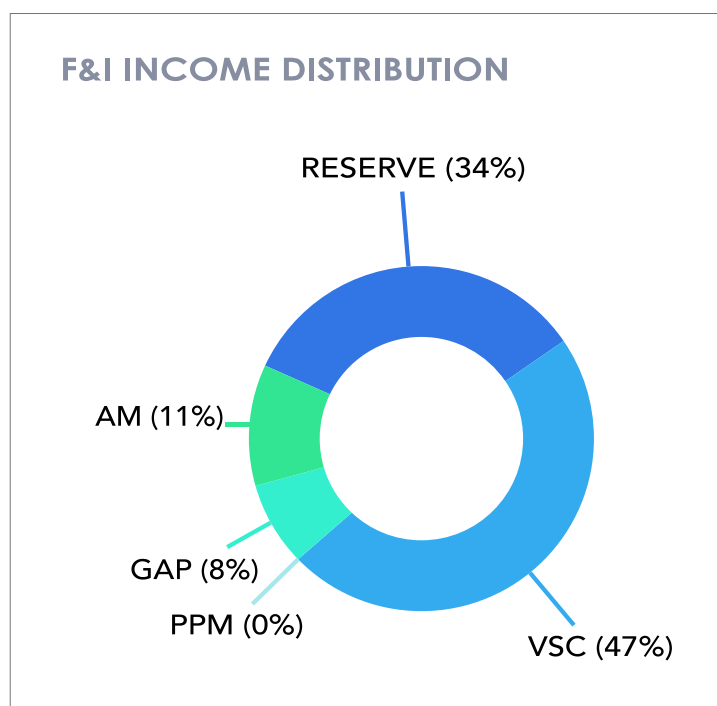
The Four F&I Metrics Your Dealership Isn't Tracking.... But Really Should Be

Per Vehicle Retained (PVR) has been, and continues to be, the primary F&I metric used by automotive dealerships across the United States. Measuring PVR is commonplace and something that you and your team are almost certainly tracking and relying on today. F&I PVR is simply how much total gross you're putting up in your F&I department, divided by your total vehicles sold. The problem with using this as the sole metric for F&I reporting is that it provides a limited view of your true performance.

Since the F&I PVR is merely a quick snapshot of your results, it doesn't provide the in-depth look at the various behaviors that drive it or the trackable metrics that contribute to it. Because of this, it can be very difficult to troubleshoot or optimize your performance when PVR is not where you want it to be.

PVR is also not a true indicator of where F&I success lies, at least when taken on its own. How were your numbers impacted by the types of, or number of, Products Per Deal sold? Is your F&I Reserve making up a disproportionately high percentage of your PVR? Looking at PVR alone doesn't give you the clarity to see exactly what's working, or not working, and why.

There are four additional metrics that are strong indicators of both F&I performance and the overall health of your dealership. They are: Rate Reserve as a Percentage of Gross Profit, Vehicle Service Contract (VSC) Penetration, VSC Term Length Breakdown, and Products Per Deal (PPD). We'll examine all of them individually and discuss why your store needs to begin measuring each of these alongside your PVR to get the full context you need to make informed decisions that will help your dealership thrive.



Rate Reserve as a Percentage of Gross Profit

Like most, if not all, dealerships, you probably monitor your PVR. Similarly, you may be like most other dealerships in that you haven't begun to break down your Rate Reserve as a percentage of that PVR. This is the most overlooked, yet telling, indicator of F&I performance. Look at how much of your PVR is Reserve vs actual product sales.

This number will obviously differ between high-line stores, who deal with more expensive cars where making a point in markup represents a significant dollar value, and brands such as Hyundai or Kia, where that same point represents notably less. What your dealership needs to look at is whether their F&I teams are living off of rate markup from a performance perspective.

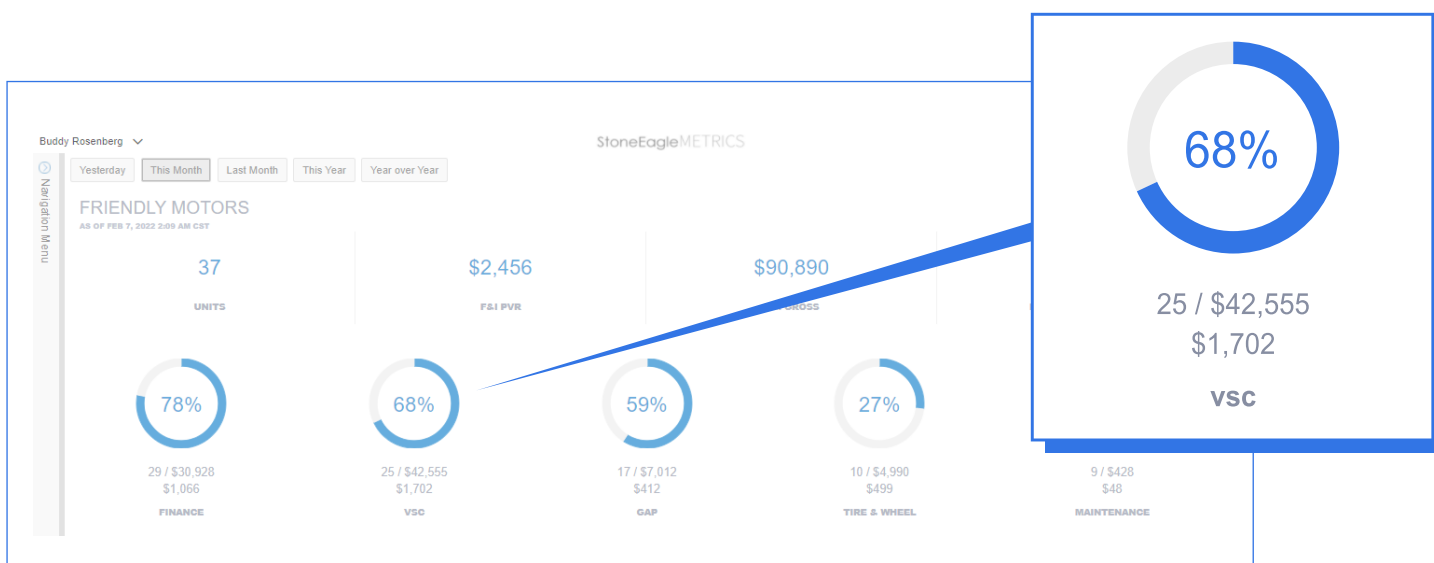
Rate markup is actually an indicator of poor health in that F&I department. Why is that the case? Rate markup delivers the least amount of perceived value to the customer. Dealerships with a high F&I reserve as a percentage of PVR should typically view that as a red flag.

Vehicle Service Contract (VSC) Penetration

The VSC continues to be the cornerstone of the F&I department. It has the highest level of perceived value from the customer and is the main upsell item that anchors additional F&I attachment. VSCs are also the most valuable in funding reinsurance programs; the financial instruments that many Dealer Principals are leveraging their F&I departments to develop.

VSC Penetration is, consequently, a primary indicator of your dealership's F&I department success as well as the overall health of your dealership. Well run F&I departments even weigh their incentives based on VSC Pen, knowing that high penetration leads to high PVR.

Since dealerships can profit from VSCs and can charge as much as the Captive or Bank will finance for each individual VSC, tracking the penetration will give you an excellent indicator of your back-end profitability. The more VSCs sold, the higher your back-end profit and overall F&I Gross.



VSC Term Length Breakdown

It may seem obvious, but one of the things that makes high performing dealerships stand out from their peers is how conscious they are of what the breakdown of their VSC Term Length looks like. The longer the term, the further off your reinsurance earn-out date is on each contract. Not only that, utilization rates go up as contract length goes up.

By staying aware of the term lengths that your F&I department is selling, you have excellent indicators of the value generation not only for a specific dealership, but also for the dealer group, dealer principal, and every other major component of the value chain. A breakdown that leans toward the shorter end will create more value with a shorter turnaround, allowing you to reinvest in growth and expansion that wouldn't otherwise be possible over the same time period.

Products Per Deal (PPD)

Surprisingly, given how straightforward it is to track and understand, many dealerships aren't yet using their PPD as a primary indicator of F&I success. Smart dealerships focus on both the quantity of products sold and the PPD mix at the same time. What is your product attachment rate per deal? Are you selling a valuable product mix to customers consistently? Are your sales systems and processes effective in getting customers to see value in the products that you offer? When your product mix is focused on things that provide the highest possible value for the customer, you go beyond the immediate profits and build long-term loyalty and repeat business.

The more products sold per deal on average, the stronger the health of the F&I department. With a higher PPD, you can not only offset fewer overall vehicle sales, but can drive PVR to its highest levels. The StoneEagleMETRICS team found this exact statement to be true in 2021, regardless of the ongoing inventory shortage and decreasing vehicles sales year over year. When the PPD increases, it results in not only a stronger F&I PVR, but higher total F&I profit for those stores. Is your F&I Director the only person at your dealership who knows the monthly PPD? If so, that's a red flag. This is a metric that everyone can, and should, get behind.



If you'd like to find out how StoneEagle can automate this intel and deliver these metrics regularly to the key people in your organization to help drive performance, please reach out to sales@se-fi.com