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The Changing Role of the Business Manager

Paul Roberts, Senior Manager, Integrations, LGM Financial Services

Consumer attitudes and expectations are changing. Is your F&I office keeping pace?

As consumers visit fewer dealerships in their quest to purchase a vehicle, F&I and sales functions are beginning to merge together.

"Many dealers are trying to create a single point of contact," says Claude Moureaux, Strategic Advisor at Desjardins. "The F&I is moving from the office to the showroom and engaging customers immediately as they enter the dealership."

Consumers have gone from visiting five dealerships to only visiting one or two before purchasing. "When they're in there, you know that if they're leaving, you've lost the sale," says Moureaux. "Dealers understand that they have to focus on the customer experience, and they want someone to be able to have an end-to-end process with a single point of contact, taking charge of the customer at the entry all the way down to the financing."

The role that financial managers should have is to educate and assist and work in the interest of the customer. "If you want to ensure that the customer will come back in three years, make sure he has a good experience that will stay in his mind," says Moureaux. "As a dealer, you want to mold that customer into a lifetime value that keeps him in your business."

Game changer

The banking system has evolved, according to Paul Roberts, Senior Manager, Integrations at LGM Financial Services. "Banks will play a more significant role due to integration between providers of goods and services. You have the OEM, the F&I, an underwriter, the tools and technologies providers, the software companies, and the financial institutions.

The integration of these providers of goods and services and the security between them the collaboration is really the game changer in the industry as we move forward in the next decade."

Currently, the marketplace is very fragmented. "When you look at F&I providers in North America, as well as DMS systems, ancillary software tools and inventory applications, there are so many different software providers, or in some cases, larger software providers under different names, that the key going forward is integration.

There's no single 800 pound gorilla that's ruling the market. There are a lot of smaller and medium sized players.

"Those who think big and start small, and are willing to jump into the pool and start making relationships, providing collaborative solutions, are going to be the game changers for both consumers and dealerships. Ultimately, they're more focused on the consumer in the long run."

Working closely with vendors

So it's important for the industry to start thinking about working closely with vendors and banks. "Partnerships, collaboration and a lot of other players in the marketplace such as roadside assistance programs, Carproof, all of these come together into being the necessary components in what happens in the sale and purchase of a vehicle, and the F&I products involved," says Roberts. "There are a lot of players involved in the sale of the average car. Collaboration is king going forward."

However, as with any type of change, this will happen over time. "It's happening now," says Roberts. "But it's very hard to predict. There needs to be more discussion about it, and recognition that it's really going on. It's the type of thing that happens more in larger markets, just by their very nature. It's happening in the United States, and it will definitely happen in Canada."

Leasing Improves Loyalty

Making the leasing experience even better is key.

George Steinsky, CEO, Hyundai Capital Canada

Leasing isn't just coming back, it's paving the way to improving loyalty for car dealers. "Brands are concerned about loyalty when it comes to extended term loans," says George Steinsky, CEO, Hyundai Capital Canada. "They're seeing leasing as a retention play that they need to invest in a little bit more."

Long term loans have been a good strategy to get customers into cars with low monthly payments, but negative equity can be a challenge. "What happens to customers once they're in those long term loans?" Steinsky asks. "With a lease, you have a reason to call that customer in three or four years. With a long amortization loan, you're guessing whether/when they're in equity because you don't know how the car was maintained. It takes so long for a customer to be in equity on a 96 month term, sometimes you don't even want to make the call."

Better for the consumer

Steinsky also predicts that lease generation times will continue to increase. "We're trying to understand how to make the loyalty transaction easier for dealers down the road," he says. "So we're spending a lot of time looking at the lease-to-lease or lease-to-retail when a customer comes back to make that experience better for the consumer and easier for the dealer."

Part of that comes from the rationale that the lender and the dealer already know a fair bit about a returning customer. "We shouldn't be asking for a lot of information on the second transaction, or as much as you would the first time," explains Steinsky. "If you think about the current lease experience, you go through essentially the same process when you leased the original car. We'd like to see if there's an opportunity to change that. There are opportunities for us to get to a credit decision without asking the same questions over again."

In his opinion, loyalty goes two ways. "Right now the industry perceives loyalty as a consumer being loyal to the brand. If we build this process right, it makes the brand appear to be loyal to the consumer as well. It's a two way street."

Short-term leases

Short-term leases have their place, but selectively. "If you go too short with a lease, you create a lot of risk for the finance company. If you go too long, you erode some of that loyalty benefit. The sweet spot is really in the 36 to 48 month period. Using a short-term lease tactically is great as a promotional tool or a way to get brand awareness up, but is difficult to sustain long-term."

Leasing may also be attractive to consumers who run their own businesses, says Anthony Okuchi, senior manager, product strategy at LGM Financial Services. He hastens to add that he's not a tax specialist, but notes that there are situations where there may be an opportunity to write off those expenses as a business charge.

"With a lease, so they're not paying for depreciation," notes Okuchi. "That's a good thing, because cars can depreciate significantly, it's the single biggest cost of ownership."

Leasing has taken off because having a low monthly payment helps preserve a household's cash flow. "Going from a $600 monthly payment in financing to a $400 monthly payment for leasing provides the household an additional $200 for living expenses," says Okuchi. "It also allows you to buy a little more car than what you would normally be able to afford through financing."

PHOTOS : LGM FINANCIAL SERVICES, HYUNDAI CAPITAL CANADA