

The Right Way to Use Menus — Best practices for compliance and profitability

by : *Gil Van Over*

Sometimes when I am just pondering the universe, I wonder who the first person to eat certain foods was. Why, for example, would someone think that digging a root out of the ground and baking or frying or scalloping or boiling that root would taste good?

Do you suppose that person also tried the same thing with a pine cone?

My best theory is that the foods we eat have evolved through trial and error. Someone tried it and errored it to death, or at least errored into spitting out a distasteful flavor.

My second best theory is that our industry has trial and errored menus until we now have a best practices model that can lead to compliance and profitability.

Best practices model

Menus are like the Internet. Both have evolved over time, becoming more sophisticated with each passing day. There is no lack of people or companies who claim to have invented the Internet or a menu. Menus and the Internet are used by a plurality. There is no law or statute or regulation requiring the use of either.

Today's best practices model has a number of components which, properly executed, have shown to improve profitability and compliance. There is no other tool available to dealers that accomplish both like a menu does.

If you operate your business on the theory that while the early bird may get the worm, it is the second mouse that gets the cheese. It is time to start nibbling on the menu cheese.

Components

The critical components of a profit-driving and compliance-accomplishing menu include:

- Web-based and software generated
- Memorializes the vehicle sale
- Offers every product every time to every customer
- Provides appropriate lawyerly disclosures
- Includes an accept/decline page
- Discloses product pricing
- Generates date and time stamps

Web-based and software generated

In addition to writing weekly, monthly and bimonthly columns, I also read a lot. A few of the online forums that I frequent have a division of opinion on this component. Some of the F&I managers post opinions adamantly defending the use of a manual menu that is completed by handwriting the critical selling terms and payment disclosures.

While I firmly believe that most F&I managers ply their trade honestly, the use of a manual menu

permits the nefarious F&I manager the opportunity to pack payments, trade rate for product, deceptively improve the front-end gross or to complete the menu after the customer leaves.

In the compliance reviews that my team and I conduct, it is a rare occurrence when an F&I manager using a manual menu out-performs an F&I manager using a web-based software menu.

Not only does the web-based software menu lead to better profitability and compliance, it is much more efficient than having an F&I manager loading three to 12 scenarios into the payment quoting screen and handwriting the results at the bottom of the menu.

Memorializes the vehicle sale

A proper menu memorializes the agreement between the customer and the sales manager. It will disclose the selling price, the cash down payment, any rebates, the trade allowance, the trade pay-off, the balance to finance, the agreed upon term, APR and base monthly payment.

This memorialization can be critical in a lawsuit when a customer claims he or she did not know or understand the purchase price, or when an attorney general is accusing your dealership of packing payment. You will likely be questioned as to what you are trying to hide if these disclosures are not present and correct on your menu.

As a way to deflect payment packing charges, have the customer initial by the base payment. You can use that process and initial as proof that the customer knew the payment without optional F&I products. That is strong evidence for your defense.

Offers every product every time to every customer

While my wife occasionally accuses me of lacking common sense and having illogical thoughts, I do understand logical thoughts. To me, it is logical to assume that a customer will not purchase a product not offered, unless it is deceptively stuffed into the deal.

It therefore flows that offering every product to every customer every time will both improve product penetration levels (and profitability) and will deflect any claims of discriminatory selling practices.

Simply stated, F&I products are designed to manage customers' risks against potentially calamitous events. Gap covers a potential loss. Credit life covers a potential loss. Disability insurance covers a potential loss. And so on.

If you do not offer a customer a product, and that customer suffers a loss that would have been covered by that product, expect to pay a claim. Many dealers have.

Offering every product every time to every customer is simply the only acceptable process.

Provides appropriate lawyerly disclosures

Any menu worth the paper and computer ink used to generate it will have a minimum of lawyerly disclosures on the face of the form. These disclosures are recommended because the Knights of the Dark Side Roundtable have successfully sued the Enlightened Legion of Auto Dealers for certain potentially

deceptive practices.

Unfortunately, the enlightened ones could not prove that they had provided the disclosure and the judges, juries, regulators or attorneys general just don't believe auto dealers.

You menu must have, at a minimum, these disclosures:

- All F&I products are optional.
- The products can be purchase separately and through another source.
- The purchase of optional products is not required to secure financing.
- The purchase of optional products does not affect the interest rate.
- The annual percentage rate is negotiable and the dealer may be retaining a portion.

Includes an accept/decline page

The menus we see that offers the absolute best compliance documentation are two-page models. Page one is the presentation page. It provides all the disclosures previously discussed.

Page two is the accept/decline page. This page is completed after the F&I manager memorializes the sale and presents the features and benefits of the optional F&I products. The accept/decline page contains the memorialization and lawyerly disclosures and two columns. One column is labeled "products accepted" and includes the disclosure of the final agreed upon payment with the purchase of optional F&I products included. The second column is labeled "products declined." Hence, the name.

Having the customer sign this page clearly lays out the acknowledgement that the customer knew exactly which products he purchased, which products he elected not to purchase and what the payment walk was.

Discloses product pricing

If you are embarrassed to disclose your products' pricing on this form, you may be priced too high.

If you are fearful that putting product pricing on the menu will discourage product sales, you may not be selling the value of the F&I products.

We preach the rule of four with product pricing disclosure. If you have four documents that disclose the product and its price signed by the customer, you stand a reasonable chance of deflecting charges that the customer did not know what they purchased.

And no, relying on a contract to be a contract unfortunately does not work any more. The Dark Side is adept at convincing judges and juries that there were so many papers to sign that the customer felt pressured to sign and did not read what she signed. Having four documents with the product price and the customer's signature helps to overcome that argument. The menu should be one of those forms, in addition to the contract, buyer's order and enrollment form.

Generates date and timestamps

Finally, if you are sued, you absolutely do not want any of your employees to try and state in a deposition that they remember the deal and the customer and exactly what was said.

The Dark Side will tear your employee apart and irreparably damage the credibility of the rest of his or her testimony. I've seen these questions when an employee tried to assert that he remembered the deal.

- "What color shirt was my client wearing that day?"
- "Who was with my client during the negotiations?"
- "Was my client there during the morning or evening hours?"
- "Was it raining or sunny that day?"

Instead, we will want your employee to state, "I don't remember that deal. It was over a year ago and I close 75 deals a month. While I don't remember that deal, I do know how I close deals, and this is my process."

Your employee will then discuss the process, which includes an extensive discussion of how and when a menu is used.

Properly executed, having date and timestamps on your menu will demonstrate that the F&I manager took at least five minutes to memorialize the vehicle sale and review the features and benefits of the F&I products before printing the accept/decline page.

Properly executed, the date and timestamp will prove that a new menu was completed and reviewed if the deal was recontracted. Properly executed, the date and timestamp will provide credibility for an F&I manager's testimony.

I wonder who was the first person that thought of deep-frying Rocky Mountain oysters?

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