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Best Practices – Menu execution

by Gil Van Over

I've dedicated this year's weekly column to provide an understanding of what compliance looks like. To date, we've reviewed the need to believe in compliance, name someone to head up the compliance effort, understand the rules and regulations governing our industry, took a look at hot topic deceptive practices and created a document that outlines the dealership's policy and procedure manual. Next, we will look at best practices. Up today: menu execution.

Reasons to use a menu

A properly completed and executed software based menu serves two critical purposes. First, as a selling tool, it has proven to improve product penetration and profitability in the F&I Department. Second, as a compliance tool, it is the single most important document, outside of the retail or lease contract, that provides the proof that the vehicle and F&I product sales were conducted in a completely transparent manner.

Compliance Tool

There are plenty of menu sales experts that can opine on the reasons why the menu is such a successful selling tool. I want to focus on the compliance aspect of a menu.

Let's keep in mind that there is no law on any books titled "Proper F&I Menu Execution" like there are other disclosures laws such as Truth in Lending. What has evolved is a best practice model.

The first part of this model consists of certain minimum disclosures on the menu. For an in-depth review, check out my November, 2004 article in [Dealer](#) magazine.

Once the model menu has been selected, and the form provides many lawyerly disclosures, it is the F&I Manager's execution of this document that will save your day or be the smoking gun in a lawsuit.

Proper Execution

There are a few compliance issues that crop up when a menu is not properly used.

Rate for Product – Trading rate for product is potentially a violation of the Sherman Anti-Trust Act. If the APR on the menu is higher than the APR on the contract, an argument can be made that the F&I Manager offered to lower the rate if the customer purchased an F&I product or seven. If the rate continues to be negotiated after the first presentation of the menu, the F&I Manager must print a new menu with the lower rate and then proceed.

Pricing Inconsistencies – The product's price on the menu must match the product's price on the retail contract, the buyer's order and the enrollment form. If gap, for example, is listed at \$699 on the menu and \$750 on all other documents in the file, the dark side will allege that you are using a

deceptive sales practice.

Product Selection Inconsistencies – Logic dictates that the products a consumer selects on the menu must be consistent with the products the customer ultimately purchases. The dark side would love to discover in discovery that the customer selected credit life on the menu and did not ultimately purchase credit life. Especially after the customer passes away and the estate is looking to clear the amount owed.

Offer Every Product – Not only does offering every product every time to every customer help with product penetration, it also helps to provide some litigation protection in the event a calamity happens to your customer. F&I products are designed and sold to help a customer manage certain risks or potential calamities. Selective offering of F&I products could lead to the one customer who experiences a calamitous event showing that your F&I Manager did not offer the product to that one customer, but did offer it to the other 99% of the deals she closed in the last year.

Recontracting – Like it or not, when you recontract a deal, you must start with a new menu. Most menu sales trainers teach the F&I Manager to start the menu discussion with a word track that goes “Mr. & Mrs. Customer, these are the terms under which you have agreed to purchase your vehicle.” After that statement, the F&I Manager is then supposed to review the sales agreement, including purchase price, down payment, amount to finance, base term, APR and payment. When you recontract, it is likely that one or more of these terms have changed. The failure to complete a new menu on a recontract will lead to many of the issues discussed above.

Product Descriptions – Look at the gap description on your menu. If it states that gap “will cover the difference between your payoff and insurance settlement.”, look out! Check your gap agreement. It likely restricts the amount of coverage to a percent of MSRP or NADA retail. If your coverage is restricted, your menu should reflect that restriction. Many clients have inserted the disclaimer “Some limitations may apply” to the gap description.

Missing or Manual Menu – Make software-driven menus mandatory. Insist that your menu provider include a date and time stamp showing when the menu was completed. Check that date stamp against the date of the contract to ensure that the F&I Manager is using the menu to sell products and memorialize the sale, and not just papering the file. Finally, absolutely forbid the use of manual (paper) menus. It is much too easy to complete these menus incorrectly, which can lead to a myriad of compliance issues.

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