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THE BIG STORY / FEBRUARY 2017

BEHIND THE SCENES OF THE

F&I INNOVATOR OF YEAR

CONTEST

Northwood University students take this contest seriously.

After all, they're fledgling entrepreneurs in the school's unique automotive marketing and management program and the prize is more than a tin-cup trophy, shiny blue ribbon or \$50 gift card good at the college book store.

Rather, it's \$25,000 split among the 3-person team that wins the F&I Innovator of the Year contest, created and sponsored by Irving, TX-based F&I product and services provider EFG Companies and now in its second year at



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Northwood's Midland, MI, campus.

EFG Chief Marketing Officer Jenny Rappaport, who came up with the idea for the contest, recalls the enthusiasm of the first-time winners – and the speed in which they cashed their prize checks.

“The awards ceremony was in the evening, and the next morning we were still up in Midland when I got a call from our accounting department,” she says. “The bank had called and said, ‘We have three people depositing checks totaling \$25,000 at 9:01 a.m. Is that normal?’ The kids were standing at the door.”

If the students take the competition seriously, so does EFG. The company came up with the contest for reasons that go beyond rallying intramural competitiveness.

One reason is to raise the awareness of dealership finance and insurance operations among enrollees in Northwood's dealer-management curriculum.

“This was a good way of round-

ing out their curriculum and getting them deeper into F&I as a vital dealership department,” Rappaport says.

Another reason for the contest is to get ideas for fresh F&I products to take to market, particularly those that might appeal to young automotive consumers.

“With all the changes going on in auto retailing, we wanted to tap into the bright minds at Northwood and allow them to create the next product, be it GAP, service insurance or whatever,” says John Stephens, EFG's executive vice president-dealer services.

“With apps and social media as prevalent as they are today, there is so much potential for new things. I don't think it will come from 28-year veterans like me sitting in a boardroom, trying to figure out what that potential new product will be, one that will wow customers,” he says. “So let's go out and find a young crowd for that.”

That's why EFG went from the



Rappaport came up with contest idea.

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boardroom to the classroom looking for ideas – and talent.

Rappaport, who credits EFG’s top management for embracing and green-lighting the contest proposal, recalls it was something of a gamble that first year in 2015.

“We launched this with some risks,” she says. “Basically, we were saying the F&I industry as a whole needs to get more agile and innovative. We threw down the gauntlet and went to a different source. Frankly, they could have come back with

terrible ideas. That was a concern. But what they came back with was fantastic.”

EFG was “looking for the big bang,” Elgie Bright, chairman of Northwood’s 4-year Automotive Marketing and Management program, the first of its kind. Many of today’s dealer principals and managers went through it.

The company is getting ready to roll out the first contest’s win-

ning product. It’s an app that uses a vehicle’s OBD-2 onboard diagnostic system to keep people in touch with their vehicles and dealership in various ways.

From a theft perspective, the

app notifies them if the vehicle moves and they’re not in it. It maps which nearby service stations are selling the least expensive fuel. It keeps service and maintenance needs in a central location.

The plugged-in OBD-2 diagnostic device informs owners of maintenance

and repair issues. The app allows users to make service appointments and tells them about factory warranties and parts availability.

EFG will sell the product through dealership F&I departments and share profits with Northwood.

That winning product met three criteria, Stephens says. “I want a product that’s not only good for consumers, but also for dealers



“We wanted to tap into bright minds,” Stephens says.

FROM BOARDROOM TO CLASSROOM

- Learn about dealership F&I operations
- Go beyond academic theory into real world practice
- Generate ideas for new F&I products
- Opportunity to scout talent



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EFG was
“looking
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Bright
says.

and for EFG as well. Three different parties need to benefit.”

SIX STUDENT TEAMS COMPETE

Six teams of students competed in the 10-week project that includes brainstorming, classes and regular meetings.

Bright picked the 18 participants, whom he calls energetic. “They can run with it. And the \$25,000 (prize money) drew a lot of interest.”

A panel of judges reviewed final submissions in the form of 20-minute video business cases. The presentations describe the products,

their strengths and what they can offer to sellers and buyers.

“Everything we do throughout the project is brought to bear in the videos,” says Bright, a former General Motors dealership field manager.

Mentors are assigned to advise each team. The mentors are industry veterans picked for their knowledge and experience.

Mentors held conference calls with students “to talk things through,” Rappaport says. “It may be issues they are having, challenges they are facing or just sharing thoughts about what is happening from a consumer dynamic.”

One of the mentors was Greg Grimes, vice president-operations at the Rohrich Auto Group in the Pittsburgh market.

The students he worked with didn’t hesitate to pick his mind, he says. “The quality of questions impressed me,” he says. “These are aspiring professionals asking succinct, specific questions with a lot of teeth to them.”

The students got right down to business during the first call, he recalls. “It was less ‘Let’s get to



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“The quality of questions impressed me,” says Grimes, who mentored a team of contestants.

know you’ and more ‘We’ve got these three or so ideas; don’t pick one for us, but how would you help shape our thinking so we can make our own independent decision?’ I love that.”

Among their questions:

- How do you see this product performing for a customer?
- Do you think this is a good delivery mechanism?

■ Is this something a customer would respond to, either in the dealership or at home?

Grimes enjoyed his mentoring role. “I’m a coach at heart.” He coached college and high school sports for 15 years. He tried to strike a balance when it came to how much advice he dispensed during the Northwood project.

“I like for someone to figure

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it out for themselves; that's the best learning," he says. "But I wouldn't be much of a mentor if I just stayed on the sidelines with rubber bumpers."

So he would speak up if he thought the students were veering off in a direction that likely wouldn't work as a product offering in the marketplace. "In those cases, I would say, 'Here's a framework to work with,' rather than say 'That's not right.'"

Grimes describes F&I as a vital dealership profit center, a department young people eyeing a dealership-management career should know much about.

"(Expertise in F&I) is an absolute requirement on the way to being a dealer-operator," he says. "How do you balance the need for F&I to be a viable profit center, yet deliver a high degree of customer satisfaction?"

"The old adage is that if everything is sacred, nothing is sacred. But in F&I, everything is sacred."

STUDENT INTERN 'FELL IN LOVE' WITH F&I

The formal teaching of F&I is relatively new for Northwood, a business school with campuses in Michigan, Florida and Texas. Its main campus in Michigan is about two hours northwest of Detroit and occupies 434 acres (175 ha) of wooded flatland on the banks of the Tittabawassee River.

It once was largely known as the place dealers sent their offspring to learn to become dealers. Northwood President Keith Pretty notes the student body still includes many dealers' children who want to join the family business.

But in recent years, the automotive marketing and management program has seen a broader mix



"Students understand the F&I industry when they walk out of here," says Northwood President Pretty.



Northwood's campus in Midland, MI.



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Student contest participants Elledge (left) and Collins.

of students, including many with no dealers in their family trees. One of Pretty’s daughters is among that group.

“She’s been a lifelong car nut,” he says. She now works for the Suburban Collection, a Troy, MI-based dealership group that’s No.18 on the *WardsAuto Megadealer 100*.

Participating in the second annual F&I Innovator contest are Harry

Collins of Franklinville, NJ, and Charles Elledge of Coal City, IL. Neither is from a dealer family. Both are enthralled with dealership work because of summer internships at stores in the Penske Automotive Group, No.2 on the *WardsAuto Megadealer 100*.


“We’ve had F&I experience, not only through Northwood classes but by working as management-trainee interns at separate Penske

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Chase the experience, not the money, dealer Patterson advises young people starting auto careers.

dealerships,” says Collins, a senior whose father is in construction and is a longtime entrepreneur. “It’s in my blood to get out and do something. I always knew I wanted to get into the car business.”

Elledge’s mother is a school administrator and his father a railroad supervisor. The Northwood junior says he “fell in love with the F&I office” while interning at a Penske store in Madison, WI. “This year, I made it a point to apply for the F&I Innovator contest. It’s an opportunity that’s both fun and academic.”

A returning contest judge is Anthony Patterson, vice president-operations at Patterson Auto Group, a Wichita Falls, TX, 13-franchise dealership collection started by his father in 1979.

As a judge, he looks for a product that “helps bring people coming back to the dealership” for sales and service.

But it must offer value to customers, too. “I’ve seen some products that are more one-sided for the dealership,” Patterson says.

His advice to Northwood students interested in pursuing a

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career in auto retailing:

“Don’t chase the money. I see a lot of young people coming into the business doing that. Instead, chase the experience. You’ll learn more, be more stable and be more prepared to climb the next rung on the ladder. The money will come.”

Patterson has a reputation for encouraging innovation, Rappaport says. “We were looking for contest judges who look at things with fresh approaches. Anthony was one of the first people we called.”

NORTHWOOD: ‘THEORY AND PRACTICE’

Bright notes much discussion in today’s auto-retailing world focuses on the amount of time the F&I process takes. The issue has led to assorted ideas about how to make it faster, yet thorough.

“We look at the whole customer experience from the customer’s eyes,” Bright says. “We cover that in classes. But profit is not a dirty word.”

Pretty says: “Students understand the F&I industry when they walk out of here. That helps when they are job candidates at a dealership.”

Northwood offers various business courses, all taught by professionals in their respective industries who subsequently became teachers.

“Our faculty knows not just the theory, but also the practice,” Pretty says. “That’s a basic criterion for us.”

He notes Northwood stages what is billed as the nation’s largest annual outdoor auto show in October. Hundreds of students work on it. “Going to school here is not just sitting in classes listening to lectures,” says its president.

Northwood was the only university Collins, 21, applied to. “A lot of people back in New Jersey had asked me why I wanted to go all the way to Michigan to attend college.

“The answer is, I wanted to learn about all the different parts of the auto industry, from the corporate world to the dealership world. Every area is fantastic. I have so many opportunities right now. I haven’t regretted going to school here for one minute.”

Asked if EFG might also use the contest as an opportunity to scout talent, Rappaport replies, “Absolutely.” **WA**



AND THE WINNERS ARE...



Winners of latest F&I Innovator of Year contest (from left) Huff, Bond and Myrhe.

The reception at which the 2016 F&I Innovator of the Year was announced “only reinforced for us why we do this competition,” says Jenny

Rappaport, chief marketing officer for EFG Companies, sponsor of the Northwood University contest. John Stephens, EFG’s executive vice president-dealer services,



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emceed the event and asked her later if the company, in addition to awarding a \$25,000 prize to the winning team, could give some sort of monetary reward to every student participant.

“Translation: The students put in a huge amount of effort, and it hurt his heart to see the students who didn’t win look so disappointed,” Rappaport says. “But, to their credit, they very graciously and enthusiastically congratulated the winner, Team Vigilance.”

THE WINNERS

The Team Vigilance group is made up:

- Alec Bond of Linden, MI
- Houston Huff of Tucson, AZ;
- Lucas Myrhe from Austin, TX

Their product “401Karrs” aims to address Millennial and Generation Z concerns about financial security and enhance dealership customer retention.

“We want to thank all the teachers and mentors from this competition and across Northwood who’ve been a huge inspiration and motivation throughout this

project,” Myrhe says.

During the semester-long contest, team members leveraged time spent with mentor Craig Drew, general manager of Central Maine Motors Auto Group in Waterville, ME.

“Team Vigilance hit the ground running from day one, and they weren’t afraid to go back to the drawing board,” Drew says.

401KARRS

401Karrs essentially is a down-payment savings and reward product. Dealership customers can add as little as \$20 to their monthly payment, which will be used for a down payment on their next vehicle. When they return to the selling dealership to purchase their next vehicle, the dealer will match up to 20% of the amount saved, or \$1,000.

Another element to 401Karrs is a reinsurance offering. As with vehicle service contracts, dealers can participate in reinsurance on the 401Karrs product, accruing interest on the money set aside for the down payment. This potentially balances out the dealership match. **WA** – Steve Finlay



“We had three primary goals,” EFG’s Pappanastos says of creating school idea competition.

CEO Explains Why an F&I Contest

John Pappanastos, president and CEO of EFG Companies, talks about his firm’s creation and sponsorship of Northwood University’s F&I Innovator of the Year award.

WardsAuto: Why do it?

Pappanastos: We had three primary goals.

First, help develop the students. Northwood offers the only accredited automotive retail and marketing curriculum in the country. But

its program was weakest on the F&I space. Dealers derive nearly 40% average gross profit from F&I. It is incredibly important but it is undergoing radical changes. The industry will look totally different 15 or 20 years from now.

We also wanted to support Northwood because a lot of our dealers have Northwood connections. We also supply scholarships and teach reinsurance.

And we wanted to create a real-world classroom, bringing togeth-



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er students and F&I practitioners for conversations about the reality of the workspace opposed to the theory.

We have an agreement in which we share product revenue with Northwood going forward, but that wasn't the primary drive.

WardsAuto: When you did the first contest in 2015, were there any surprises?

Pappanastos: The biggest surprise was the feedback from the executives in the auto space in terms of how dealing with these students stretched their thinking. They were grateful for the opportunity.

WardsAuto: So it was a learning experience for more than just the students?

Pappanastos: We wanted to capture the thought perspective of the Millennials. It's something the whole industry is struggling with. We wanted to understand what products they would be interested in, how they wanted

to be sold to and how they perceive value. This was a way to get insight we value.

We wanted to push the envelope on new products. The contest is bigger than the actual innovative products that come out of it. Process changes are in effect as much as product-innovation opportunities.

WardsAuto: Were there any risks associated with asking young students to come up with an F&I product that you ultimately could put on the market?

Pappanastos: There are product-development teams (at F&I companies and at automakers) trying to think of the right new products. Are these students going to come up with something as good? There's the risk. It's a bold bet they will have something noteworthy. But we've been pleased with their thinking.

There is some risk in asking people to be innovative, but the

INNOVATOR OF THE YEAR CONTEST GOALS

1. Develop students understanding of F&I
2. Supply scholarships
3. Bring together students and F&I practitioners to create "real-world" classroom





potential is there and we are pleased with the interaction with the students.

WardsAuto: What are your impressions of Northwood?

Pappanastos: I love the relationship with Northwood. We are aligned with them in what we believe our roles are in providing leadership to the industry.

There is something special about Northwood. It has to do with the entrepreneurial spirit it teaches. It is across the curriculums. The professors show a genuine engagement with and a concern for the students.

The students have this tremendous optimism and drive. They come for more than just an education; they think they're going to impact the world. You sense that when you talk to them.

WardsAuto: Will the contest become a permanent annual event?

Pappanastos: It is going to get better every year we're committed to it. As long as Northwood sees the value in it, we see the value in it.

WardsAuto: One of the North-

wood students who interned at a car dealership said he thought the car buying process takes too long, particularly F&I. He's not the first person to say that. How do you address that sensitive issue? Can the time be reduced without diluting the process?

Pappanastos: It can. But the paperwork, not the sales process, takes the most time. You're right, though, we've got to fix it. Many dealer customer-satisfaction ratings are hurt most by F&I. So we have people who are constantly coming up with ideas on how you reduce the time there. Our virtual F&I process has reduced it in half, to about 25 minutes.

There also are ways to shorten it through greater collaboration between the (sales) desk and the F&I office. **WA**



This story was written by Steve Finlay, a senior editor at WardsAuto. He can be reached at sfinlay@wardsauto.com