



Solving the eBusiness Puzzle

The eBusiness model has yet to take F&I offices by storm, primarily because dealers don't see the profit potential. Technology insider offers five reasons they need to join the revolution.

By Matt Nowicki

A few months ago, I was invited to join a panel discussion at the inaugural Agent Summit in Las Vegas. We were there to update attendees on how close we are as an industry to replacing 40 years of rate books, three-part warranty forms and handwritten remittance registers with a technologically advanced method.

The standing room-only crowd made it clear that there is plenty of interest in the subject, mixed with un-

certainty about how best to achieve that goal. The eBusiness movement has made serious inroads in a variety of industries, but it has been slow to catch on in the auto business, particularly in the F&I office. So what will drive adoption?

To be clear, eBusiness as it relates to the F&I office refers to four distinct processes: electronic rating, electronic contract generation, electronic customer registration and electronic remittance or invoicing. Administrators understand the benefits of this

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way of doing business, but it's difficult for dealers not to think in terms of profit when it comes to these solutions. That's why past efforts to drive eBusiness into the dealer world have failed to gain traction.

No dealer should expect nationwide, universal acceptance of eBusiness processes to be a profitable enterprise. Margins on F&I products are not what they used to be, and administrators have developed pretty inexpensive ways to handle paper contracts. That means neither dealers nor general agents should expect reductions in product costs.

The eBusiness Value Proposition

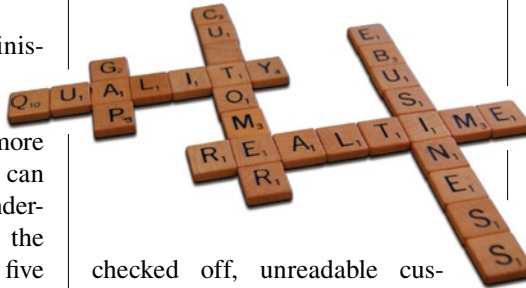
Every major F&I product administrator knows the industry must move toward the eBusiness model, and most agents have more than a casual curiosity of what it can deliver. For their part, dealers understand that eBusiness represents the future of the business. Here are five reasons why that future is now:

1 Compliance: Remember, administrators must develop forms for every product they offer. They must also develop forms that satisfy requirements for each state and, in some cases, customize their forms to meet the needs of their customers. And when a single form is updated, the administrators and their agents must physically deliver the new form to every one of their customers. Considering the amount of new product categories being introduced in today's market, this delivery process is simply not logistically feasible. With e-contracting, an updated form can be delivered almost immediately.

2 Chargebacks: Even the most careful F&I manager can make a rating mistake. Five years ago, this statement would have only applied to service contracts. Today, there are multiple products that require proper classification, including tire-and-wheel, key replacement, windshield protection and GAP.

3 Customer Satisfaction: There is a perception in the marketplace that an eBusiness process takes longer than the traditional way of doing business. Nothing could be further from the truth, especially if you take into account the amount of additional time spent handling a chargeback. And think about this: When was the last time you signed a receipt with a carbon copy? Heck, most DMVs have eliminated those three-part forms.

4 Data Quality: Even after 40 years of doing business the same way, dealers still deliver unusable contracts to administrators. We still see forms with more than one class



checked off, unreadable customer addresses and invalid VINs. And when a bad contract arrives, it becomes an exception, which must be dealt with by at least one person at the administration office, the general agency and the dealership. This is something you won't experience in an eBusiness environment.

5 Real-Time Reporting: Companies that offer e-registration or e-contracting with an automatic customer registration component allow administrators, agents, and dealers to see a precise picture of the products sold in real time. And unlike information gleaned from the dealership management system, eBusiness allows dealers and agents to see everything about the contract, which is critical when a customer calls to report a claim. With eBusiness capabilities, the claims department can immediately see everything about the customer, even before the claim has been remitted.

eBusiness Solution Breakdown

It's difficult to know whether a single

eBusiness interface will ever be developed and utilized by dealers nationwide. The good news is there isn't a single interface in the market today that represents the best solution for dealers. With that said, let's review three solutions that are available to dealers today:

1 Menu Software: A menu might be the fastest and least disruptive way to incorporate eBusiness into a dealership. It also makes the most sense. Most of the information needed for acquiring rates and generating a contract is also needed for generating a menu. Most of the leading menus in the market today, such as SmartMenu Complete, Fusion, MenuVantage and Ristken, offer these capabilities.

2 Standalone Portals: For dealers who are not using an electronic menu or who opt for a menu that doesn't offer e-contracting or e-rating capabilities, there are standalone eBusiness portals. When deciding on which portal to select, dealers must consider whether the solution they choose can work with multiple providers. Innovative Aftermarket Systems' EREC solution and Intersection Technologies' F&I Express are two such portals.

3 DMS-Integrated Solution: For dealers who want to incorporate e-rating and e-contracting without leaving the DMS, there are DMS-based solutions such as StoneEagle's SEcureRate. It can e-rate service contracts, but does not e-contract. Reynolds and Reynolds and ADP both offer laser-printed contracts, but neither of their solutions fits the true definition of e-contracting since they don't e-rate. And because they don't offer that functionality, their solutions cannot prevent chargebacks in a consistent manner.

That said, both companies are working together on a true e-contracting solution for both auto finance and F&I product providers. Open Dealer Exchange represents

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the e-contracting platform for auto finance, while the Provider Exchange Network, which ODE purchased last year, will allow for e-rating and e-contracting between providers and dealers through the DMS.

Reaching The Tipping Point

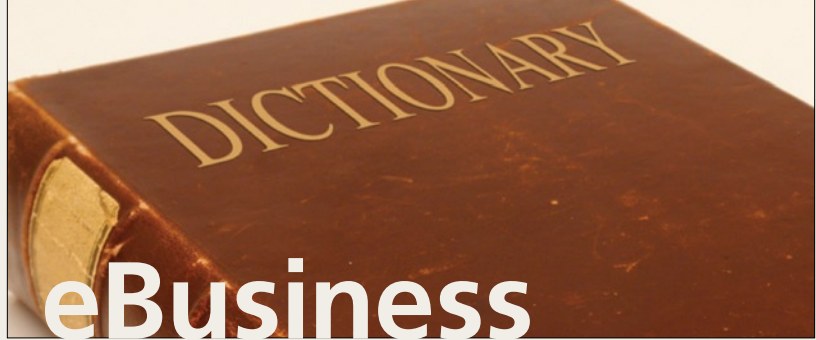
In his 2000 book, "The Tipping Point," Malcolm Gladwell examined the point at which a situation reaches critical mass. His goal was to map out the causes of social epidemics to help marketers and politicians use his theories to their benefit.

In the book, Gladwell talks about the agents of change: the Law of the Few, the Stickiness Factor and the Power of Context. The Law of the Few refers to people who can incite change, while the Stickiness Factor refers to the content of the message, which must be so memorable that it incites change. The Power of Context refers to an environment that drives change.

Well, the decade-long, industry-wide push toward menu adoption represented a major tipping point for the industry. The agents of change were the software companies, general agents and trainers who pushed for it. Driving that change was compliance, which, if you remember, was a major concern back then. Regulators wanted to end payment packing and other dealer misdeeds, and the menu represented a way for the industry to do that.

So what will be the tipping point for the eBusiness revolution? The agents of change are definitely there, and business conditions are right for their message to drive change. The question is, is their message sticky enough to incite action on the part of dealers? ■

Matt Nowicki serves as director of information technology for IAS. In 2001, he led the development of the company's SmartMenu software. In 2005, he and his team began work on eBusiness solutions for the company's ancillary products and the products of its competitors. He can be reached at matt.nowicki@bobit.com.



eBusiness Glossary of Terms

THERE IS HARDLY A CONSENSUS on what constitutes a true eBusiness solution. To get everyone on the same page, here are the definitions for the four distinct processes that make up the industry's version of a true eBusiness F&I environment:

Electronic Rating: e-Rating is the process by which an employee submits data, such as VIN, mileage and a dealer ID number, to one or more product administrators and receives a list of plans that can be sold for that vehicle. The list of plans returned includes terms in months and miles, deductible types and amounts, dealer and retail costs, and a list of applicable surcharges and options.

Electronic Contract Generation: Generation of an electronic contract requires that a dealership employee submit one or more customer-selected F&I plans, along with customer, vehicle and lender information. Once the administrator receives this data, it is digitally "stamped" onto the latest revision of the requested form. The completed contract is then electronically transmitted to the dealership in real time. Some providers also include a digital signature pad, but usage depends upon the dealer's process and whether the product administrator requires signed copies of its contracts. Thanks to the ESIGN Act, which became federal law in June 2000, a contract generated and delivered electronically "may not be denied legal effect, validity, or enforceability solely because it is in electronic form."

Electronic Customer Registration: The registration of customer details within the administrator's system can be done in the F&I office.

Many times the customer registration and contract generation processes are combined by an administrator into one seamless process that is then handled within F&I.

In general, customer registration requires the same data as the contract-generation process. The end result of the registration process is that a pending customer record is created within the administrator's back-end system well before the dealer remits or is invoiced for that warranty.

Electronic Remittance or Invoicing:

These two processes operate along very similar lines. For remittance, the business office logs on to a portal at the end of the remittance cycle, be it daily, weekly or monthly. They see a list of pending customers and warranties and are able to generate a remit register based on that list by choosing one or more customers for which to remit. The invoicing process is controlled by the administrator rather than the dealer. In either case, some administrators allow dealers to specify which contracts are to be included in the batch. Others may also allow the dealer to void or delete contracts in case of a duplication or unwind. They may also require dealers to remit paper copies of the contracts; generally, that requirement is based on whether or not a signature is required.