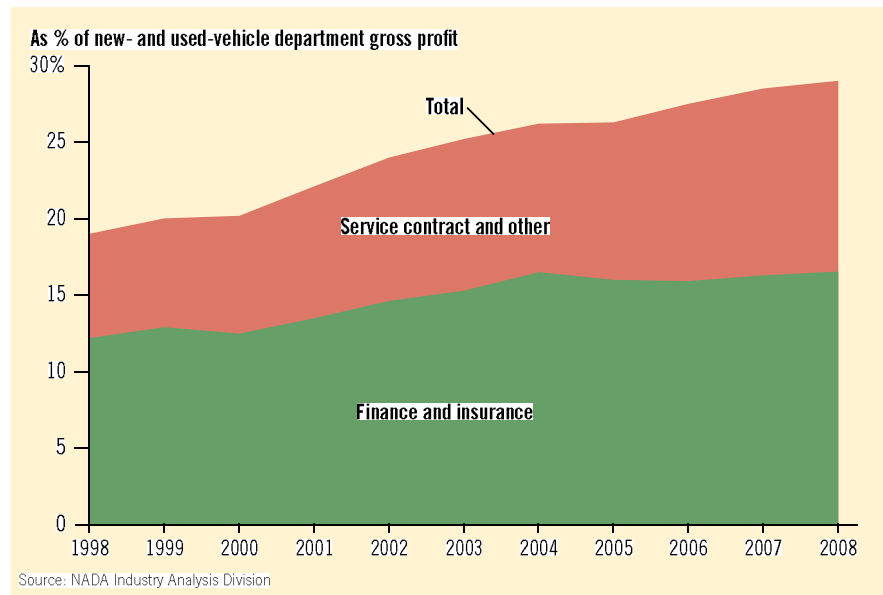


F&I, Service Contracts

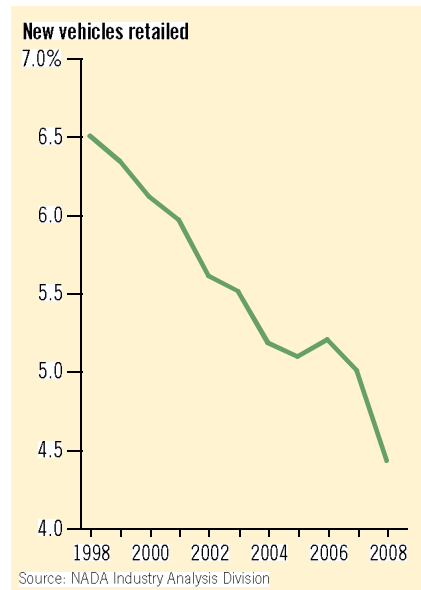
GROSS MARGIN ON THE SALE of new units fell to 4.43 percent of the selling price in 2008, down from 5 percent in 2007. The decrease in gross profit as sales slowed made profits generated by finance, insurance, and service contracts increasingly important to the new-vehicle department. Aftermarket income (combined gross from F&I and service contracts) was 29 percent of new- and used-vehicle department gross in 2008—up from 28.5 percent in 2007. This stemmed partly from a renewed focus on F&I, resulting in higher finance penetration rates for both new and used cars, as well as a greater emphasis on customer understanding and satisfaction in dealer financing during a difficult year for finance.

Improvement in vehicle quality and warranties helped bring a drop in service contract penetration from a high of 35 percent in 1986, 31 percent in 2007, and recovery to 32.1 percent in 2008.

Aftermarket income



Gross as percentage of selling price



Service contract penetration rates

