

F&I, Service Contracts

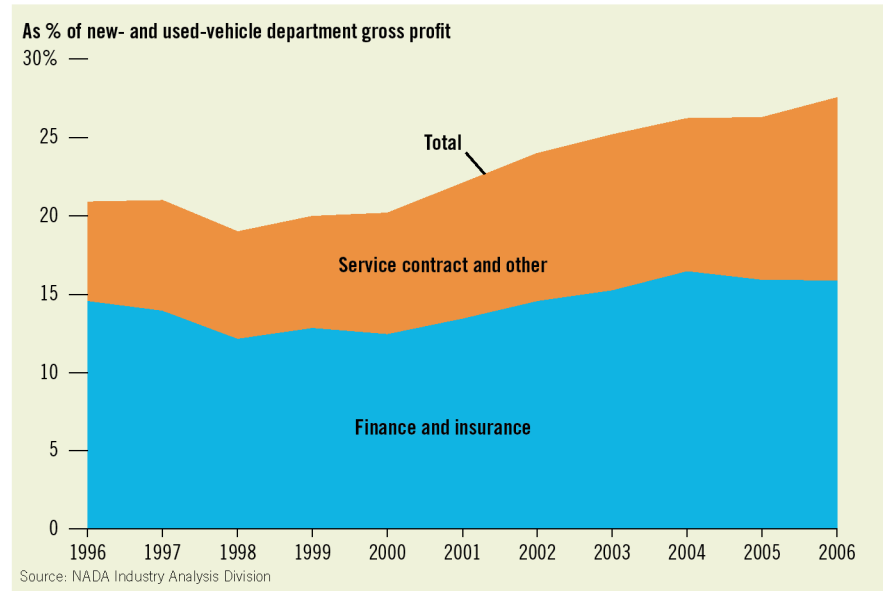
AFTER FALLING FROM 1998 TO 2005, gross margin on the sale of new units rose 2.3 percent in 2006. The increase came in spite of an extremely competitive marketplace, which makes the profits generated by finance, insurance, and service contracts increasingly important to the new-vehicle department.

Aftermarket income (combined gross from F&I and service contracts) was 27.6 percent of new- and used-vehicle department gross in 2006—up from 26.3 percent in 2005. This stemmed partly from a renewed focus on F&I, resulting in higher finance penetration rates for both new and used cars, and a greater emphasis on customer understanding and satisfaction in F&I.

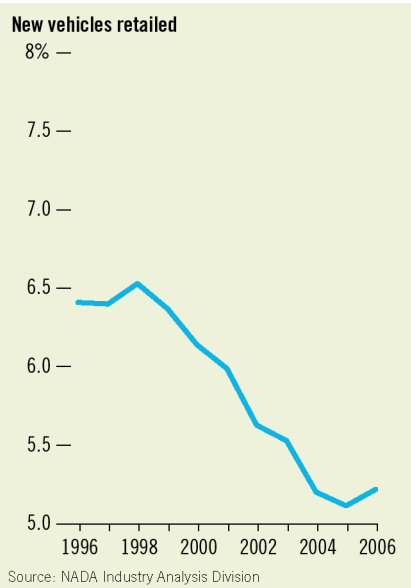
Improvement in vehicle quality helped to bring a drop in service contract penetration from a high of 35

percent in 1986 to 20.1 percent in 1998. It stood at 32 percent in 2006, up from 31.2 percent in 2005.

Aftermarket income



Gross as percentage of selling price



Service contract penetration rates

