

6 Keys To Increasing VSA & Sales Profits... Today!

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is really buying is
your knowledge
and expertise.*

By Ronald J. Reahard



"AS A PROFESSIONAL,
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KNOWLEDGE OF VEHICLES."
— RONALD J. REAHARD

"People are much more apt to understand your offering when they experience it, than when they just hear about it!"

— Ron Willingham, Integrity Selling

Every day, F&I managers in dealerships all over the country get the exact same objection from customers when it comes to purchasing a vehicle service agreement, and that objection hasn't changed in more than 30 years.

Yet automotive technology has changed. The standard term of a new car loan has changed. And the way vehicles are manufactured has changed. But the #1 objection to a vehicle service agreement has not changed — the customer doesn't think they "need" it.

THE BASICS

While most dealerships now utilize a menu-based approach in the F&I office, the basics of selling a vehicle service agreement remains the same.

First, an F&I professional must always review the factory or dealership warranty prior to discussing the vehicle service agreement. The customer has to know that you know — that they know — what the factory covers.

There should also be no vehicle service contract brochures displayed in the F&I office. The customer should never see a VSA brochure — until and unless they want to see one. In addition, an F&I professional must know all of the plans, exclusions, restrictions, deductibles and eligibility requirements for every VSA plan the dealership offers.

An F&I professional must also learn what the various covered components in a vehicle are, what they do, what happens when they fail, and how much they cost to fix. In the F&I office, what the customer is really buying is your knowledge and expertise. As a professional, you must take every opportunity to expand your mechanical knowledge of vehicles.

This in turn, will increase your credibility, believability, and the customer's reliance on your expertise. As an added bonus, the more you learn about how expensive they are to fix, the more you realize how important a VSA is on today's increasingly sophisticated vehicles.

James Martin, business manager at Alan Vester Mitsubishi in Oxford, N.C., also believes "It's critical the customer sense your enthusiasm and passion for the product, so they realize a VSA is something you feel is critical to them and their family."

Finally, an F&I professional must discover the customer's needs before presenting the product. Throughout the F&I presentation, you must utilize open-ended questions and engage the customer in a dialogue to enable both you and the customer to answer that all-important question: "Why does this particular customer need a vehicle service agreement?"

The vehicle service agreement should always be presented as a solution to a specific customer need.

1. MAKE 'EM THIRSTY

Too often, F&I managers launch into a VSA presentation without making the cus-

tomers want to hear what they have to say. Any discussion of the vehicle service agreement should be the result of the customer wanting to know more about it. That means making a statement that will pique the customer's curiosity, so you're responding to their request for information.

For example, when a customer indicates they don't need a VSA, simply saying "That surprises me. Especially since you're buying a vehicle built since 2000," is almost guaranteed to get a response from the customer such as "What happened in 2000?" which then opens up a discussion about component parts.

Today's automotive technicians seldom "repair" anything. They're component replacement experts, meaning even a simple problem can be extremely expensive to fix.

2. START WITH YOUR BEST PLAN

Always offer the vehicle service agreement that provides the customer with best coverage, lowest deductible, longest term, and highest mileage allowance. Steve Misencik, business manager at North Cascade Ford in Sedro Woolley, Wash., says "I want the customer to have the best plan available. So if they have a problem, I know the repair is going to be covered."

One mistake a lot of F&I managers make is trying to tailor the VSA they offer to the customer's driving needs — and then present just that plan to the customer. Even though you're doing the right thing — helping the customer — the customer doesn't know you're doing it, because they're not aware of the other plans.

What's worse, if you only offer the plan you think fits their needs, you could be wrong, plus now the customer has only one choice: "Do I want it or not?" According to Misencik of North Cascade Ford, "By starting with the best coverage, lowest deductible, longest term, and highest mileage allowance, I can tailor the VSA to their needs, and the customer knows I'm trying to help them get the best plan for them. And by tailoring the coverage to their needs, they also see I'm trying to save them money."

3. GIVE THE CUSTOMER TWO CHOICES

Whatever vehicle service agreement your dealership offers, they have numerous terms, mileages, deductibles, and levels of coverage available, from the "Titanium" plan that covers almost everything to the "Cast Iron" plan offering minimal coverage.

Offering more than two plans at a time creates confusion, and makes it difficult for a customer to decide. Rather than risk making the wrong choice, they decide "None of the above." So while we always want to offer the best plan, we never want the customer's decision to be "Do I want it or not?"

Instead, in response to the customer's indecision or objection to the 6-year, 100,000-mile VSA, we want offer a second choice. For example, when they say "I only put on 12,000 miles a year," you can now offer a 6yr/75,000 mile plan and the cost goes down. Then the closing question, and their decision becomes, "Which do you think would work better for you, the 6yr/100,000 mile, or the 6yr/75,000 mile plan?"

As Martin at Alan Vester Mitsubishi says, "I always try to give the customer two choices, so whichever one they choose, we sell a service contract."

4. USE "ODD" PRICES

Whenever possible, always use odd prices for your vehicle service agreement. In other words, charge \$1,822 — not \$1,795.

Pricing your VSA, or any product, at \$1,495, conveys two messages. First, just like the price on a used car, the price on the VSA is negotiable. And second, since this is something we're trying to sell you, we want it to sound cheaper than it really is.

This is not what you want to convey to a customer. Odd prices provide built-in credibility, and reduce the customer's perception that the price has been arbitrarily set, or this is just something we're trying to "sell" them.

It's also critical that you never be evasive, or afraid to give the customer the price. Being evasive, or offering even the slightest hesitation, implies either you

think the VSA is too expensive, or you're afraid the customer will think it's too expensive. Remember, if you don't think it's a good deal, the customer certainly won't.

Establish a set price for your VSA, and stick to it. Any reduction in price must always require reciprocity — a reduction in coverage.

5. GET THE CUSTOMER INVOLVED!

A professional F&I manager must involve the customer in the sales process, as opposed to making them endure a "sales pitch." Today's consumer can smell commission breath a mile away.

In the F&I office, the discussion of a VSA has to be a conversation, not a pres-

More importantly, when you hand the customer a mass air flow sensor, igniter coil, or ECM, what had been intangible is now tangible!

Chris Garcia of Regal Nissan in Roswell, Ga., likes to get the customer involved whenever possible. According to Garcia, "Whenever I use the 99.9 percent perfect close, I have the customer do the math. There are about 15,000 parts in a new car. If it's 99.9 percent perfect, how many parts are going to fail? When they say 15, THEY said 15 parts on their car are going to fail, not me!"

6. PAINT A PICTURE WITH WORDS

An F&I professional must help the customer visualize a situation where they could actually "see" themselves using

missions simply don't fall out of vehicles.

Torque converters fail, clutch bands wear out, transmission seals leak. The picture we paint has to be believable, and include enough details so the customer can "see" it.

WANT MORE SALES AND PROFITS?

If you want to increase your VSA sales and profits, you must first remember the basics; go through the factory warranty, remove any visible advertising from your office, have a good understanding of the mechanical components on a vehicle, and discover the customer's needs before presenting the product.

You must also make the customer thirsty, start with your best plan, and give the customer two choices.

Finally, it's also important that you use "odd" prices, get the customer involved, and paint a picture with words, and put



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entation, and be based upon why the customer needs the product. Involving the customer in the sales process allows them to self-discover the value the vehicle service agreement.

For example, a simple, hand-drawn picture on the backside of your F&I menu or on a legal pad to illustrate the limits of the manufacturer's warranty is an excellent way to get the customer involved, keep them interested, and help them see why they need a VSA. The use of a component part in the F&I office helps demonstrate the complexity of today's vehicles, and leads to a discussion of how expensive today's vehicles are to repair.

the product being discussed. We do that by painting a picture with words; relating a story or giving an example of how this product could be of benefit to them.

Once you paint that picture, you must then put the customer in the picture by relating it back to their particular situation. The key to painting a picture is it has to be believable, and include enough details so the customer can "see" it happening, and picture themselves in a similar situation.

"Suppose you're driving down the highway and your transmission falls out?" won't sell anyone a vehicle service contract. Most customers can't see that ever happening to them, because a) it's never happened to anyone they know, b) the odds are astronomical, and c) trans-

the customer in the picture.

According to some of the F&I managers who are best in the country at selling vehicle service agreements, you must also have a genuine belief in the customer's need for a VSA, and share that belief with every customer. Then you really can increase your VSA sales and profits — today! ■

Editor's note: Ron Reahard is president of Reahard & Associates, Inc., an F&I training company providing custom-tailored local, regional and monthly in-dealership F&I training programs, consulting services, and real-world solutions designed to increase F&I income and customer delight. If you would like information about Achieving F&I Excellence™ at your dealership, Reahard can be contacted at (866) REAHARD, or ron@go-reahard.com.