

If you have the right product lineup and selling prices, pre-owned customers will buy F&I products, too. F&I trainer shows you how. **BY RONALD J. REAHARD**

Capitalizing on the Used Market

We hear the same complaint in classes, workshops and F&I offices all over the country: “How can I make any money in F&I when all we’re selling is used cars, half of which are certified, and the other half aren’t even eligible for a service contract?” Hey, want some cheese with that whine?

Every time I hear these complaints, I think of that line Meg Ryan once uttered: “People are always telling me that change is good. But all that means is that something you didn’t want to happen — has happened.”

In virtually every dealership today, there has been a significant shift in the volume of new vehicles versus used vehicles. In the past, the typical new-car dealer sold one used vehicle for every new vehicle sold. Today, many dealerships are selling two, three, or even four used vehicles for every new vehicle delivered. Many dealers who lost their franchises in the GM and Chrysler bankruptcies have remained in business, but now sell only pre-owned vehicles.

Due to our current economic downturn and stricter lender guidelines, a lot of former new-car consumers are now being forced to buy used vehicles. As a result, a lot of F&I managers are experiencing a huge drop in both their product penetrations and income per retail unit. In other words, something we didn’t want to happen has happened.

Fewer new-car sales and more used-

car sales does not have to mean a reduction in F&I income per retail unit. It does mean you need to find a company that offers a high-mileage service contract and extended coverage for certified vehicles. It may require adding another F&I product such as biweekly payments, or becoming better at selling the products you already have at a higher profit. In times like these, F&I professionals adapt and overcome. They look for ways to improve their odds, hone their skills, and maximize every profit opportunity. What they don’t do is make excuses.

‘Want To’ vs. ‘Have To’

With a pre-owned customer, it’s important to determine if you have a “want-to” or a “have-to” buyer. In other words, are they buying a used vehicle because they want to, or because they have to? There is a big difference between a doctor buying a five-year-old, high-mileage used car for her teenage son — who she knows will wreck it sooner or later — versus an hourly worker replacing his 15-year-old clunker with a five-year-old, high-mileage used car because it’s all he can afford. While both customers are buying the same

vehicle, the doctor is paying cash. The hourly worker needs you to hold a check for the down payment until he gets paid next Friday.

Every customer is unique. While some pre-owned customers could easily afford a new car, they choose to buy used to save money, or reduce the amount of depreciation. Others buy used because it’s all they can afford. Different customers have different needs. Products that may be important to one customer may have little or no value for the next customer.

Needs Discovery

Needs discovery is the foundation upon which we have to build the sale of every F&I product. Whether or not you’re able to sell a pre-owned customer anything depends on the quality and size of your foundation. The whole idea of needs-based selling is to show a customer



how a product will benefit them. It's not about spewing verbal vomit in the form of memorized word-tracks and a generic sales pitch.

We have to discover a need that each F&I product will fill or a problem it will solve before it is presented. Doing so gives us a basis for talking about the product with the customer. In order to do that, we have to utilize open-ended questions and engage the customer in a discussion to answer that all important question — "Why does this customer need this product?"

For that wealthy doctor buying the used car for her son, financing would help her 18-year-old son establish credit, which is going to be important when he needs to get his own car insurance, credit card, or student loan. Plus, when he has that accident, which we both know is going to happen sooner or later, guaranteed asset protection (GAP) will allow her to transfer the risk of excess depreciation from herself to the GAP provider.

On the other hand, the hourly worker who is having trouble coming up with the down payment needs to make sure an unexpected event will never come between him and making his monthly payment on time. Credit accident and health insurance and a biweekly payment plan will protect the most valuable asset he has ... his credit.

Tailor Your Products

With more and more used cars being sold, it's critical you evaluate your F&I products and their placement on the menu. It may be time to consider dropping a product, and adding one or more products that are more beneficial to the typical pre-owned customer. If your dealership sells a high percentage of certified or high-mileage used cars, and your service contract provider doesn't offer wrap, coverage extension, or a high-mileage plan, you may need to seek out one that does as either an additional or secondary provider.

If you regularly have less than 10 percent penetration with a particular product, it may be time to reevaluate

whether or not it's the right product for your market and your pre-owned customers. In addition to financing, service contracts and GAP, there are a lot of F&I products you can sell on pre-owned vehicles, including: windshield chip repair; tire-and-wheel road hazard; biweekly payment plan; environmental protection; credit life insurance; credit accident and health insurance; extended maintenance; paintless dent repair; theft-deterrent products; vehicle-recovery products; identity-theft protection; emergency notification program; rental car/roadside assistance programs; and vehicle accessories.

Package For Profit

Grouping your products into packages will allow the customer to buy more than you can sell them. The reality is, you can only sell three products in the F&I office. Usually, the light bulb goes on in the customer's head after you sell the second product, and always after you sell them the third product. But a customer can buy four, five or seven products if they're in a package!

With a package, use a strong product to help you sell a weaker product. For example, if your two strongest pre-owned products are tire-and-

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wheel protection and GAP, don't put them together in your least expensive package, or that's about the only package you'll sell! Instead, in your least expensive option, tire-and-wheel can help you sell environmental protection and biweekly payments. Then, in your next option, GAP can help you sell your theft-deterrent product, or credit life.

The whole idea behind creating packages is it allows you to sell one product, while the customer buys three products. Sell a second product, and they'll buy five. Sell a third prod-

uct, and they buy seven. You can't possibly sell seven products, but a customer can buy seven products if you group them in packages.

Stop Selling, Start Helping

Selling F&I products to pre-owned customers depends upon your ability to identify and fulfill a need, not on your ability to get them to buy something they don't want, and don't think they need. Focus on what is important to customers, and discuss why each product may be especially important to them.

A financial services professional's responsibility is to use the customer's past to help them make informed decisions about their future. Rather than selling, educate and inform customers with regard to their options. Concentrate your efforts on helping the customer make the right decision for them and their family based upon their unique situation. As inspirational speaker Zig Ziglar says, "People don't care how much you know, until they know how much you care."

Caring means that you never forget that your job in the F&I office is not to make money. Rather, your job is to help customers, as the more people you help, the more money you make! If your income per retail unit is not what it used to be, it's probably because you're not helping enough pre-owned customers. Either you are not offering the products those customers need, or you're not able to communicate how the products you have will benefit them.

With every customer and every product, your ability to sell always comes down to that all important question: "How will this product help this customer?" Once you communicate how that product will benefit them specifically, you'll quickly discover pre-owned customers buy F&I products, too. ■

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