A New Lease on Profits

By all accounts, leasing is back, but that doesn't mean your F&I profits have to suffer. F&I trainer breaks down a process for making leasing a win-win for the finance office and the dealership.

By Rick McCormick

As the economy and the auto finance landscape continues to improve, manufacturers are once again turning to leasing to reach their annual sales goals. Whether that's a good thing for F&I production or not will depend on the F&I manager's ability to educate their customers about the issues they could face from the time they leave the dealership to the time they drop off the key at lease end.

Leasing can be advantageous for both the customer and the dealer. It allows for shorter trade cycles, builds loyalty and, most importantly, keeps payments low. And with credit criteria and income requirements loosening, leasing is becoming a serious option for today's car buyer. To maximize profitability and make the return of leasing a positive for your dealership, the F&I office must develop intentional and effective strategies.

Different Payment Type, Same Approach

The misconception is that lease customers aren't interested in protecting their vehicles. After all, it's not their vehicle; they are just "renting" it for a short period of time. Unfortunately, nothing could be further from the truth.

When a lessee loses a key or dents a rim, they have to pay for it at lease end, if not sooner. That's why you have to approach lease customers with the same needs-discovery process used for retail buyers, because they need the same level of protection.

The key is to implement an intentional process that will uncover how the customer will use the vehicle and what he or she intends to do once they turn in their key. Questions about what they like about leasing also are great ways to uncover a possible need. We'll get into that a little later, but the message here is that good

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F&I managers are always thinking of what to say next. Great F&I managers, however, are thinking of what to ask next! And the more needs discovery questions you ask, the more you'll find out why your customer needs your product.

Your questions will extract the need for your products, but customers won't buy if they haven't discovered that need for themselves. That's why your intentional needs-discovery process must center on how your products will protect them from the hidden costs of leasing. And remember, nothing hurts customer satisfaction more than finding out they're on the hook for an unexpected cost at lease end.

What's In Your Contract

The manufacturer's wear-and-use guidelines provide a perfect starting point for building a tailored product presentation. Just check the back of the lease contract for the list of costs the customer could incur. This list will typically include six to eight categories of wear-and-tear items, such as lost or damaged keys, interior stains, rips, burns or excessive wear.

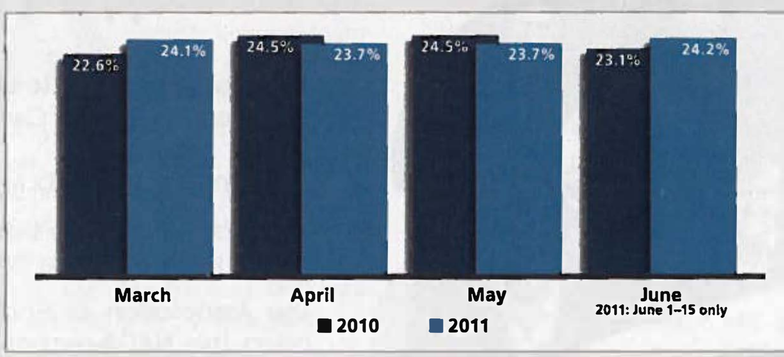
Having the contract handy also works when the customer raises an objection. Simply turn it over and highlight the excess wear-and-tear disclosures and point out the items the manufacturer will be looking at when the vehicle is returned. Some manufacturers even offer a "Lease Return Guide." Just be sure the products you offer cover all the possible issues your customers could face throughout the life of the lease.

Filling in the Gaps

Simply asking, "What do you like about leasing?" can help you uncover exactly what the customer does and doesn't know about the responsibilities that come with a leased vehicle. For instance, they may not be aware that if they have to replace a flat tire or damaged wheel, they must replace it with the exact same tire or wheel the vehicle came with. If they don't, they could be in for a big surprise. Now, let's take a look at how the same approach can work for selling windshield protection:

F&I manager: I certainly understand your declining the coverage, especially since you are leasing this vehicle. However, that may not be the best option for you given what you told me earlier. You plan to turn this vehicle in at the end of the lease, cor-

Lease Share of New-Vehicle Sales



IT MAY SEEM LIKE A BOOM, BUT the recent pickup in leasing is more of a correction. The industry is building leasing back up to its traditional market share after it all but vanished through the credit crisis. According to CNW Research, leasing represented 24.6 percent of all transactions in May. Jonathan Banks, who manages NADA Used Car Guide's editorial and data services, believes leasing will stay within the 20 to 25 percent range going forward, which would be a healthy percentage for the industry.

Products ideal for a lease include excess wear-and-tear coverage, interior and exterior protection, tire-and-wheel protection, key replacement, dent-and-ding protection, prepaid maintenance and windshield protection.

SOURCE: CNW RESEARCH

Many manufacturers are now including GAP in a lease at no charge, but a slew of new ancillary products are allowing dealers to stay in the game.

rect? And you said you will be using this for business, and a majority of your driving will be on the interstate, correct? Well, that's why it's critical you have windshield protection. With your driving habits, the likelihood of a rock placing a minor star wheel in your windshield is high and you can't take the chance of it expanding. And the last thing you want is to replace a windshield on a vehicle you're going to give to someone else to enjoy, right?

Products that aren't dependent on the customer suffering a mechanical breakdown increase the odds of the customer returning to the dealership to have a claim handled.

Remember that products that aren't dependent on the customer suffering a mechanical breakdown increase the odds of the customer returning to the dealership to have a claim handled. That's why products geared toward leasing are viewed as great loyalty builders. In fact, I recently visited a Toyota dealership's service department. A tire-and-wheel claim had come in on a Toyota Avalon with less than 10,000 miles on the odometer. The total claim paid was $701.23. That customer was excited that the coverage had saved them money in the first 12 months. Not only did the customer come back to the dealer for the repair, but you can bet he or she will be more than happy to buy from that store again.

The Road to Consistency

Producing a consistent profit on lease transactions is definitely challenging. Aside from breaking through those misconceptions about leasing's impact on F&I production, some manufacturers now provide some coverage at lease end — and many even include GAP at no charge. Luckily, there's been an influx of new ancillary products that address the perils of leasing that some of the more traditional products don't.

Also in the favor of auto dealerships is the fact that F&I managers are the most adaptive and talented closers in the store. They have adjusted to a changing customer and tighter lending guidelines. They have overcome a steady stream of car-buying articles that warn customers against buying anything on the F&I menu. The challenge now is to adapt to the return of leasing. That option has not historically lent itself to F&I production. But, with the right approach and a slew of new ancillary products, you can make leasing a profitable venture for your dealership. ■

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