

Surge Protector: Taking Advantage of the Leasing Surge in F&I

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We have seen a robust pace of sales in the first half of 2013. With many predicting that the total SAAR will reach 16 million this year — a mark we haven't seen since 2007 — the industry is definitely moving forward. It's time to celebrate!

Strong lease penetration levels, second only to the numbers seen in 2012, are one of the main reasons we're having such a good year. A quarter of new-vehicle sales in 2013 involved a lease and, at this pace, the market will smash the best-ever annual lease penetration rate — set one year ago — of 22 percent, according to Edmunds.com. As for what's driving customers to lease, well, just look at the chart accompanying this article. It's a collection of lease deals Forbes published this past June.

F&I professionals in dealerships across the country know the leases are coming at high levels. The question is, are we ready? Let's look at the three "P"s that help lease customers make great buying decisions: perception, products and presentation.

1. Perception Is Reality

F&I managers look at leases the same way we looked at cash deals in the past: endure them, hope we don't have a lot of them and try to make up the loss of income with our "normal" finance customers. Current market trends demand that we change that mindset and view every lease customer as an opportunity.

Look, you can have the best products, the best process and the best lease rates of anyone in the market, but if you look at every lease transaction as a lost cause, you won't sell anything. And in the end, it's your customer and the dealership that lose. So let's think about lease customers for a second. We already know they want to keep their driving cost to a minimum. And isn't that what our products are designed to help them do?

Again, your attitude is more important than the market conditions, the products you offer, the percentage of lease deals in a particular month, or the external forces working against you. I have seen many F&I managers overcome all of those hurdles. However, I have rarely seen anyone go beyond the limits that their attitude places on them.

Look at every lease customer through the same needs-discovery lenses with which you view typical finance customers, because even customers who lease have unique needs. As I stated before, lease customers want a trouble-free ownership experience, which, again, your products are designed to deliver. Yes, there are challenges with the lease transaction that must be overcome. However, the day the trend starts moving upward is the day we change our perception and attitude toward the lease transaction. It's not a bad omen — it's an opportunity.



2. Products That Protect

I'm often asked how to configure the best lineup of products to offer on a lease. My response is to stop thinking like someone who works at the dealership and to start thinking like a customer. In other words, start thinking about what makes sense to them.

See, it really doesn't matter what I think are the best products for the lease customer; it's what the customer thinks is best for him or her. So, if you want to know which products to offer, ask them.

Customers already know they are going to have routine maintenance performed on their vehicle, so it's likely they'd be interested in hearing how it can be easy and hassle-free. In fact, it might be as easy as saying, "Including your routine maintenance in the payment will make each visit to our service department hassle-free. And no matter who brings in the vehicle, it's a simple sign-and-drive event." This can be especially effective after another product has been accepted by the customer.

Another area high on your customers' list of concerns is what happens when they turn the vehicle in. The truth is most lease customers are convinced they have limited or no responsibility for any problems with the vehicle they're leasing. So we need to help change that perception. And the way to do that is by asking: "What do you think are the main concerns our customers have as they get near the end of the lease?" Then show the customer the back of the lease agreement and highlight the expectations when the lease is turned in.

When you've done that, you can then tell your customer that most customers are concerned about the dings in the doors, a lost set of keys, a stubborn stain on the interior, a chip in the windshield or a scrape on the bumper, and how much these issues will potentially cost them once they go through the end of lease inspection. Relaying that message makes for a great transition into excess wear-and-tear coverage.

Many excess wear-and-tear products are very comprehensive; others provide less coverage and leave the customer exposed. What you need to do is disclose what level of coverage your product offers, then explain how your other products can reduce exposure in other areas of concern. These protections could include interior/exterior protection, dent repair, key replacement, tire-and-wheel, and theft-prevention products. GAP may not be an option here since most leases provide the coverage at no charge.

Ideally, the lease menu should include no more than six products. I recently witnessed an F&I lease presentation in which the customer rolled his eyes at a menu that featured nine products. The customer simply discounted the entire process, so keep that in mind when you're building your lease menu.

As for menu configuration, combining a "strong" product with a "weaker" product can help you get more buy-in from the customer. You may even want to consider bundling environmental protection and dent protection — maybe even clear film protection — as a comprehensive appearance protection package and call it "concierge coverage."

You could also combine tire-and-wheel protection with key replacement to cover two of the most expensive items on the vehicle. Bottom line, combining products translates as a better value to the customer.

3. Presentation Provides Value

Lease customers weigh several factors in making the decision to lease and not buy their vehicle: They want the newest technology available on a vehicle, they want a new car every three years, and they may simply want to always be covered by the factory warranty. Consequently, three things should be an integral part of every F&I presentation for the lease customer:

- Congratulate the customer for deciding to lease early on in the process: What this does is assures the customer that he or she made a great buying decision. It also builds credibility for you. Better yet, you'll know you have a customer who will buy products if they see the value.
- Review the factory warranty with the customer before attempting to sell additional coverage: Every manufacturer has three to four areas that are not covered under the factory warranty. They may include damage to tires and wheels, routine maintenance and environmental damage. These are gaps of coverage your products can fill to make for a worry-free lease experience.
- Every "No" or objection should be met with a "You told me earlier ..." response: You need to figure out why your customer needs the product you are offering. Customers really don't care what other customers have done and they don't really care what you or I think. They just want to know why they need the product. So tell them!

It's time to embrace the surge of customers who want to lease their next vehicle. Adjust your product offerings to provide the best value, provide a customer-centric presentation and focus on helping, not selling, your customers.

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