



Overcoming the Warranty Objection

The magazine's resident F&I wiz tackles a question about how to show the value of a service contract when the customer believes the warranty provides enough coverage. **By Ron Reahard**

While a manufacturer's warranty can certainly help sell a vehicle, it can also sometimes be a hurdle in the F&I office. That's the case for Ron in Marion, Ill. — home of Glenn's Hunting Club. In his video, the F&I pro asks the following:

"We sell a car that has a five-year, 60,000-mile 'bumper-to-bumper' warranty, and a 10-year, 100,000-mile powertrain warranty. Sometimes our customers think, 'Hey, I've got a 10-year, 100,000-mile warranty; I don't need a service contract.' Can you give me some tips on how to overcome this?"

Well Ron, this is by far the most common objection we get to a vehicle service agreement. It's just another variation of "I don't need it," except the objection is based on the fact the manufacturer's warranty is already longer than that of most other nameplates.

Obviously, if the customer puts more than 12,000 miles a year on his vehicle, or he's financing it longer than five years, you can help him see the limitations of the coverage based on his ownership or driving habits. You can also discuss the fact that the audio system on a 2015 model is only covered for three years or 36,000 miles.

However, I find what works best is to take the exact opposite approach; that is, show the customer that because this vehicle has a 10-year, 100,000-mile warranty, the service contract is even more important. How is that?

First, confirm early on that one of the main reasons the customer

bought this vehicle is because of the warranty. Once he agrees that the warranty was an important factor in the purchase decision, we then need to educate the customer about its limitations.

On a new Hyundai, for example, the 10-year, 100,000-mile coverage applies to the original owner only. For subsequent owners, powertrain components are covered only under the five-year, 60,000-mile new vehicle limited warranty. So here's what you say:

Customer: With the five-year, 60,000-mile bumper-to-bumper and the 10-year, 100,000-mile powertrain warranty, I don't need anything else."

F&I manager: No problem. It's just an option. And I certainly understand why you would feel that way. Hyundai builds a fantastic vehicle, plus they have a great warranty, too. That's probably one of the main reasons you decided to buy one, right?

Customer: Right!

F&I manager: And that's why most people buy a Hyundai, because they have such a great warranty. It's also why we find, especially on a Hyundai, the service contract is absolutely critical. In fact, it's probably more important on a Hyundai than on any other vehicle.

Customer: Why is that?

F&I manager: Most people, just like you, buy a Hyundai because of the 10-year, 100,000-mile warranty. Unfortunately, that's only for the original owner. If you sell it or trade it, the next owner is only covered for five years or 60,000 miles.

So a used Hyundai is almost un-saleable. In fact, it's virtually sale proof, because if they buy a new one, they get a 10-year warranty. That's why on a used Hyundai, having a service contract that provides up to 10 years of coverage and transfers to the next owner is absolutely critical — because just like the warranty was important to you, it's going to be even more important to the next owner. And that is one of the reasons you decided on the Hyundai, right?

Customer: That's true.

Ah, a positive response, which means we've earned the right to go for the close.

Our next question comes from J.B. in Atlanta, who asks, "What do you think a business manager should do to get customers more involved in the menu process, complete their paperwork faster and keep them satisfied?"

Check out my response to J.B.'s question at www.fi-magazine.com. And don't forget to submit your own video for a chance to get your question answered and receive a free pass to this year's Industry Summit. Until next month, remember, it's a beautiful day to help a customer! ■

Ronald J. Reahard is president of Reahard & Associates Inc., an F&I training company providing F&I classes, workshops, in-dealership and online training. Use your mobile phone to record a brief video (shot landscape style!) of you posing your question and upload it to www.hightail.com/u/REAHARD. Then notify Ron by emailing him at ron.reahard@bobit.com.