



The Light-Bulb Close

The magazine's F&I wiz shows a reader from Kentucky how comparing a high-mileage vehicle to a light bulb can demonstrate to a customer the value of a service contract. **By Ron Reahard**

Our question this month comes from Joe in Kentucky, home of bluegrass, red Corvettes and KFC. Joe says, "Ron, here's the deal. We sometimes sell vehicles that have a few extra miles on them. The service contracts on those cars are limited on time and miles. How can we help the customer see the value of the additional expense of the service contract based on the shorter term and the mileage allowed?"

Joe, without a doubt, selling a service contract on a high-mileage vehicle can be a challenge, especially since service contracts available on these vehicles tend to offer much less coverage than the plans available on a new vehicle. Plus, in proportion to the price of the vehicle, the cost is typically much greater than a service contract on a new car.

To customers, it will seem like they're paying a lot of money for minimal coverage. Yet, as we all know, they're three times more likely to use a service contract over the life of their vehicle than have a major claim on their medical, dental or car insurance. We also know that the more miles showing on the odometer, the more likely a part will fail or something will break.

I find that using a visual aid is the best way to help customers see why the service contract is especially important on high-mileage vehicles. So the next time you're faced with this dilemma, try handing the customer a light bulb. Here's how

you do it:

Customer: What's this?

F&I manager: A light bulb.

Customer: So why are you giving it to me?

F&I manager: There are five things we both know about every light bulb ever made. No matter what kind it is, sooner or later, every light bulb is going to do what?

Customer: Burn out.

F&I manager: Exactly. Second, the more that light bulb is used, the more likely it will burn out. Third, not only is that light bulb going to burn out, it's going to burn out when you're using it, or when you need to use it. Fourth, a light bulb won't alert you in advance that it's about to burn out. And fifth, when it does burn out, there's only one thing you can do, which is what?

Customer: Replace it.

F&I manager: Exactly. And that's why on any vehicle with 87,000 miles on it, a service agreement is absolutely critical. Just like every light bulb ever made, every vehicle — no matter what brand it is or how well it's made — sooner or later, it's going to do what?

Customer: Break down.

F&I manager: The only thing we don't know is when. And the more miles a vehicle has on it, the more likely it is to break down. And just like that light bulb, your vehicle is going to break down when you're using it, or when you need to use it. Plus, it might not give you any warning. And just like how you can't fix a light bulb, our service

department can't fix the part that fails. They have to replace the entire component.

So if your gas gauge quits working, you don't replace the gauge; you replace the instrument cluster. If your fan switch quits working, you don't replace the fan switch; you replace a climate control module. That's why repairs on today's vehicles are so expensive, because technicians have become component-replacement experts. But unlike a light bulb, which is cheap and easy to replace, the vehicle's six-speed electronically controlled automatic transmission isn't. And you don't want to pay for any repairs on this vehicle if you don't have to, right?

Customer: That's right.

Hey, a positive response. Now let's go for the close!

To view my video response to this month's question and others, visit my So Here's the Deal blog at www.fi-magazine.com. Or better yet, submit your own question. If we use it, you'll receive a free pass to this year's Industry Summit (www.industrysummit.com), scheduled for Sept. 8-10 at the Paris Las Vegas. And remember, it's a beautiful day to help a customer! ■

Ron Reahard is president of Reahard & Associates Inc., a 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.