

# Selling on Leases



BY RON REAHARD

An F&I pro from Florida says he's struggling to sell products on leases. The magazine's resident F&I trainer offers a few tips.

**This month's question comes from Robert in Vero Beach, Fla.,** home of the Indian River Citrus Museum and Flo, back before she was a famous pitchwoman and was just another girl on a box of fruit. Robert asks, "How do I make money on a lease? I'm having the hardest time selling products to lease customers."

F&I products are a tough sell on a lease for a number of reasons. First, lease customers tend to concentrate on the monthly payment instead of the price of the car, so any significant increase in the lease payment negates the benefit of leasing. The fact they need little or no money down is another major reason customers choose leasing.

In addition, most leases are only two to four years long, so any F&I products you sell have a much bigger impact on the payment than when the term is 60, 72, or 84 months. Since many lease customers don't plan to purchase the vehicle upon termination, they don't want to spend their money on a car they're just "renting." In many cases, it will still be under the manufacturer's warranty for the entire duration of the lease, so they don't need a service contract, and GAP protection is included in the money factor of most leases. So Robert, we all feel your pain.

However, one of the best sales tools you have is located on the back of the lease agreement. It's a clause that establishes what constitutes excess wear and tear (dents, scratches, windshield chips, interior stains), how the vehicle must be returned (four matching tires, all keys, etc.), and that it must be maintained according to the manufacturer's recommendations. Reviewing the back of your lease agreement with the customer can help them "see" the need for your products, and educate them as to why, on a lease, these products are especially important.

It's also critical you create a separate lease menu that includes F&I products with terms and coverages tailored specifically to lease customers. Products include excess wear-and-tear protection, environmental protection, paintless dent repair, windshield chip repair, key replacement, tire-and-wheel road hazard protection, and, if the manufacturer doesn't already include it, a maintenance plan.

Lease customers may not think they need these protections, but they do. In fact, it's even more important, because they're

going to end up looking at that door ding or damaged wheel every day for the next three years. Plus, they're probably going to have to pay for the damage when they turn in the vehicle at the end of the lease.

Depending on your funding source, most allow dealers to mark up the lease factor. Just as finance reserve is typically around 30% of F&I income, lease reserve should be at least that much. Every dealership has to establish guidelines (and implement a compensation plan) that will ensure the desk is not just arbitrarily giving away this important source of additional income. While lease reserve is not a product you're selling, it can still amount to hundreds of dollars of additional F&I income.

Finally, the desk and your salespeople can be important allies when it comes to selling F&I products on leases. Depending on your funding source's guidelines, almost all allow F&I products to be included in the capitalized cost. The desk may even be able to reduce or eliminate the customer's acquisition fee and/or security deposit, allowing your customers to obtain the options they want and the F&I products they need.

Back when I was a salesman, our dealership had a big lease promotion on a base-model vehicle. If we leased someone one of those vehicles at the advertised price, we received a \$50 commission. If we leased a customer any other model, we received a \$300 commission. It was amazing how many customers came in on the special but ended up leasing something with a lot more equipment. Paying your salespeople a significantly higher commission on a preferred lease vs. a standard or basic lease will ensure they encourage their customers to opt for the preferred lease option that includes F&I products.

Robert, thanks for your question. Check out my video response to this question and others by visiting my So Here's the Deal blog at [www.fi-magazine.com](http://www.fi-magazine.com). And don't forget to submit your own video for a chance to get your question answered and a free YETI. As always, it's a beautiful day to help a customer. ■

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#### ABOUT THE AUTHOR

Got a question or objection for Ron? Use your mobile phone to record a brief video (shot landscape style!) of your question and upload it to [go-reahard.com/ask-ron/](http://go-reahard.com/ask-ron/).