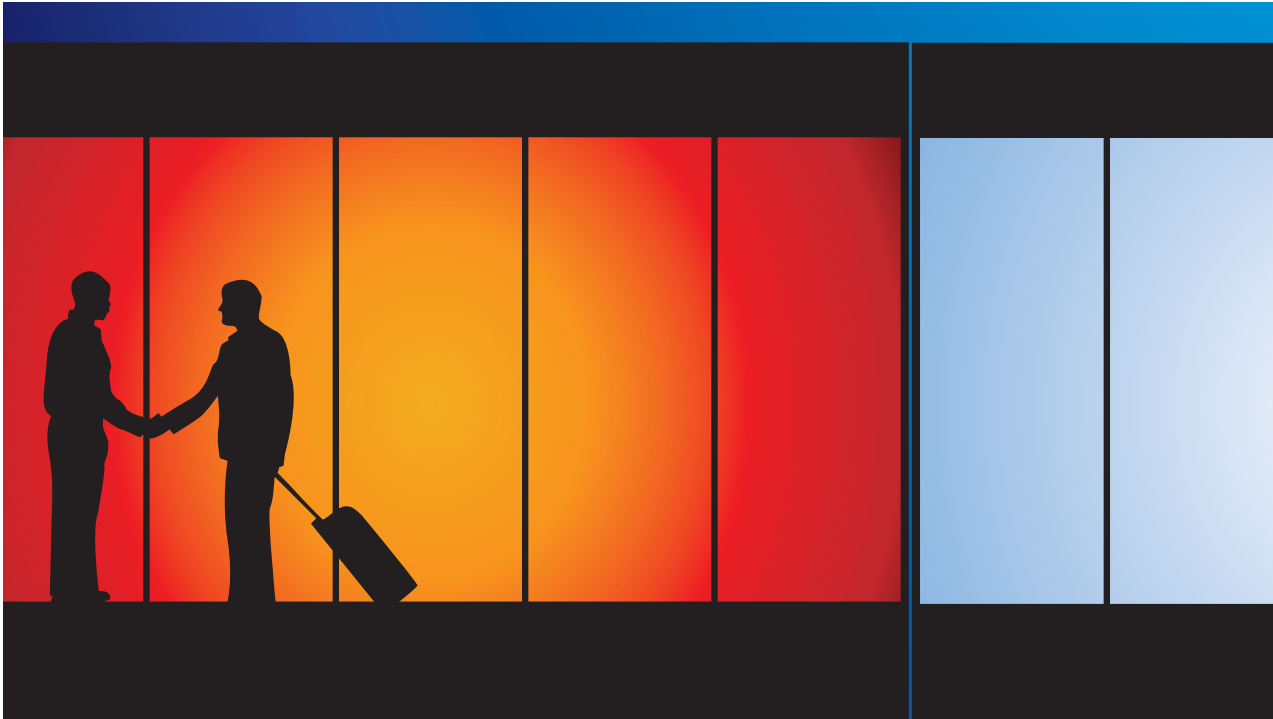


14 DEAL-SAVING



2

2007 FRONT-END OPERATIONS SUPPLEMENT

Overcoming objections in the F&I office requires quick and decisive responses from business managers. Why? Because the customer has already spent a substantial amount of time and money in the sales department agreeing to purchase a vehicle for an amount they probably don't have.

There are a number of different objections an F&I manager must overcome. Some deal with cost, others with specific products. Many times, the customer simply objects to the entire F&I process. There are an equal amount of methods of dealing with these objections. So let's review some common objections and how an F&I manager can respond:

1 "I'm Not Interested in Hearing About Any Products"

There are occasions when customers are just anxious to drive away in their new vehicle. Sometimes they'd rather skip the F&I office in their haste, and just want to sign the paperwork and leave. This is understandable, as they've already invested a lot of time and money at the dealership.

Customer: I'm not interested in hearing about any products.

F&I Manager: As your finance manager, it is my duty to inform you of the options available to protect your vehicle and your substantial investment in it. In fact, I will need your signature as proof that I explained these options to you, and you can either accept or reject them. This won't take long, and it's in your best interest to consider them. You just spent \$_____ on your new vehicle, and I know you want to ensure that it remains in excellent working condition. The bottom line is that these products may actually save you money.

2 "I Can't Afford Additional Protection"

Customer: I can't afford anything else. The monthly payment is already too high.

F&I Manager: I know you budgeted \$425 a month, and we are discussing a payment of \$460 a month. In reality, this is actually a choice between a fixed monthly payment and a variable payment. If something happens to your vehicle and it costs you \$1,500 to repair the prob-

WORD-TRACKS



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lem, your payment for that month will either be \$425 plus \$1,500, totalling \$1,925, or \$460 plus a \$25 deductible, which comes to \$485. Wouldn't you feel more secure knowing what your monthly payment is without having to worry about unexpected — and expensive — surprises?

3 Putting Cost Into Perspective

Customer: I can't afford it. I'm already over my budget.

F&I Manager: You know, you're probably spending more than we're talking about in your non-budgeted daily activities. Let me explain. If your morning routine includes buying a cup of coffee at Starbucks and maybe a newspaper or magazine, those things add up. You probably don't have a set budget for those expenses, but they can be considerable. And when all is said and

done, you don't get a lot of value in return.

For a couple of dollars a day you can protect your vehicle — and your investment — from large, unexpected expenses. Doesn't that make more sense?

4 ESC vs. Manufacturer's Warranty

Customer: The car comes with the manufacturer's warranty. That's all I need.

F&I Manager: The manufacturer's warranty is excellent coverage, but it is limited. Most people will reach the mileage limitation — in this case 36,000 miles — before three years. So you may be looking at about two years of coverage.

I'm sure you'll agree that the more miles you put on your car, and the older it gets, the more problems you may encounter. By extending your coverage for up to five years or 100,000 miles, you won't have to worry about paying for the most expensive repairs. Wouldn't you feel better knowing that your vehicle coverage won't run out when you need it most?



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5 ESC Value vs. Insurance Coverage

Customer: I don't think a service contract is worthwhile.

F&I Manager: Let me take a minute to explain the benefits of an extended service contract, and see if you still feel that way. We're talking about a protection plan that costs \$300 a year. The deductible is just \$25, and there are no limits placed on repair claims. This coverage also includes roadside assistance, towing, trip interruption and car rental. Unlike your car insurance, which probably costs \$1,000 a year and is limited to comprehensive, collision and liability, your rates cannot go up after filing a claim.

There's a much greater chance your car will need a mechanical repair in the next five years than it will need repairs caused by an accident. When comparing the cost of a service contract with collision insurance, I'm sure you'll agree the service contract is a bargain.

6 ESC vs. My Personal Mechanic

Customer: I have a friend who is a mechanic.

F&I Manager: Let me ask you a question. If you paid your friend \$6 a week for five years, would he be available 24 hours a day to repair your vehicle? In addition, would he provide you with a rental car, towing expenses and trip interruption coverage that includes the cost of a hotel and food if your car needs to be in the shop overnight while you're out of town? Will he also provide you with roadside assistance if you run out of gas, and take care of your problems anywhere in the country. Would he accept collect calls from you? If he did, there's probably a good chance he wouldn't be your friend anymore. Considering the benefits you receive, don't you think a service contract is a good value?

7 The 99.9% Close

Customer: I don't have car problems very often, and this is a brand-new car.

F&I Manager: Cars are built better today than they were years ago, but they're still machines and machines do break down. Even if they were 99.9-percent perfect — which would be fantastic — that 0.1 percent

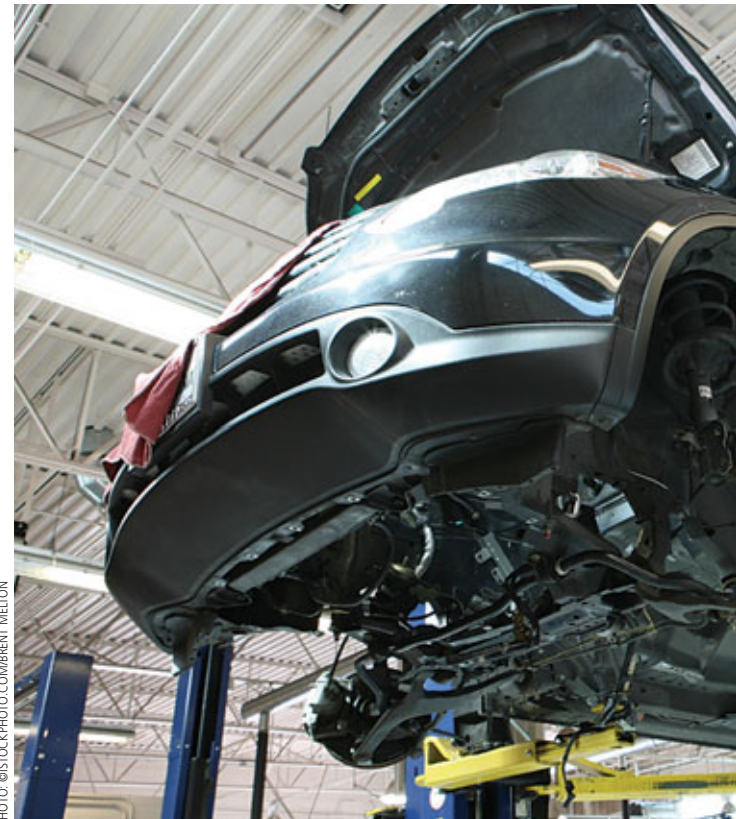
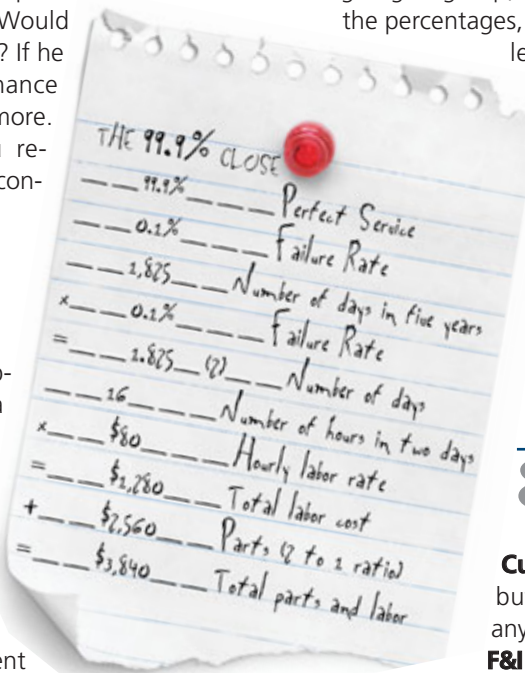


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could still pose some pretty severe problems, especially after the manufacturer's warranty runs out. Do the math. With a failure rate of 0.1 percent over the next five years, you're looking at nearly two full days of problems. While 16 hours in a repair shop over a five-year period doesn't sound like much, it can be costly. The current labor rate is \$80 an hour. If anything, that's going to go up, not down. So if you calculate the percentages, you're looking at spending at least \$1,280 for labor alone.

Parts are usually double the labor rate. So, you'd be facing some costly repairs, and that's if your car is 99.9-percent perfect.

Wouldn't you be much better off investing \$5 a week now for extended coverage that will protect you and your vehicle from such costly expenses?

8 ESC: Cost vs. Coverage

Customer: I like the coverage, but it costs too much. Is there anything you can do on the price?

F&I Manager: Let's see where we



are. We're looking at a five-year/100,000-mile service contract for \$1,595. That offers you the most protection for your vehicle. We can reduce the coverage to four years and 75,000 miles. At \$1,195, that will save you \$400.

But \$400 over the course of five years is only 22 cents a day. We can do whichever you like, but I think that's a small price to pay for an extra year and 25,000 miles of coverage.

NOTE: Never discount the price of this or any other product. Doing so could jeopardize the finance manager's credibility with the customer.

9 Credit Life vs. Life Insurance

Customer: I already have life insurance.

F&I Manager: Has it been awhile since you've updated your life insurance policy? That's the case for most people. I know it's not an easy subject to talk about, but by financing a life insurance policy along with your vehicle, your family won't have to worry about making car payments in the event you're not around to do so. At a time when there will be a lot of grief, it has to make you feel better knowing that you'll be leaving your family in a much better financial position.



10 Selling Disability Insurance

Customer: I'm not interested in disability insurance.

F&I Manager: I know becoming disabled isn't an easy subject to talk about, but it's important to know that most job-related disability coverage only pays 60 to 80 percent of your regular income. And if you are sick or injured and are unable to work, your expenses will increase, not decrease. By financing a disability insurance policy along with your vehicle, you're protecting yourself, your family and, of course, your vehicle in the event you are unable to work. The policy will cover your monthly car payment while you're not working, and that's a time when you'll really need that extra money.

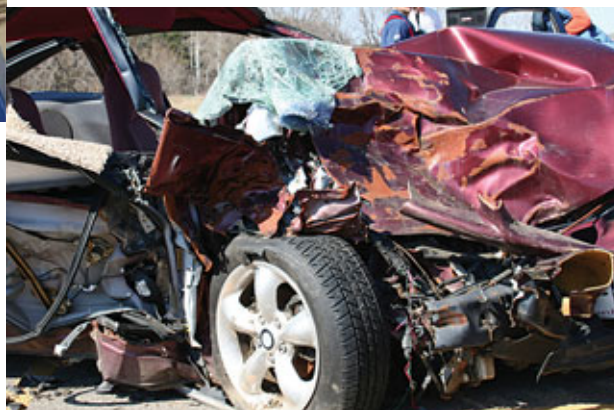
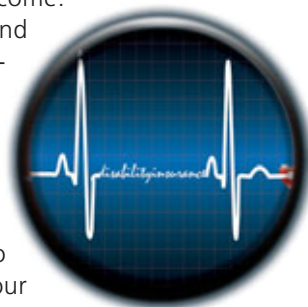


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11 GAP vs. Vehicle Replacement Costs

Customer: I can't afford it and it costs too much.

F&I Manager: It could cost you a whole lot more if your vehicle is stolen or totaled. That's because you are responsible for your unpaid car loan balance as well as your insurance deductible. And because of depreciation, that can amount to thousands of dollars to replace your vehicle. Remember, your new car will be considered a used car once you drive it off the lot.

GAP covers the difference between what your car is worth and what you owe, and it also covers the insurance deductible. This will let you deal with your loss without having any out-of-pocket expenses, and at a time when you don't need any more aggravation.

12 GPS Security System vs. Alarms

Customer: My car has an alarm. I don't need another security system.

F&I Manager: An alarm is good, but most professional thieves can bypass them in a matter of seconds. A GPS tracking system provides another layer of protection. It is monitored 24/7, allowing authorities to track it if it's stolen. Authorities can even track it if it's taken across the borders into Mexico or Canada. Your car will be much safer if it has this technology.



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looking good, but having the appearance package makes sure it looks good. That's important if you ever plan on selling or trading in your vehicle. When a dealership appraises a trade-in, they'll be looking at the paint job, the condition of the interior — whether the vinyl is cracked or if the fabric is stained — as well as the vehicle's mechanical condition.

Consider that a paint job can run you between \$1,500 and \$2,000, and replacing the vinyl parts could cost approximately \$500. Trying to restore the fabric is also costly. All this is deducted from the value of your vehicle before any mechanical repairs are even considered. This appearance package will help keep your car looking new for five years, which can actually save you money. ■

13 Anti-Theft System vs. Vehicle Replacement Costs

Customer: I'll pass on the anti-theft system. It's too expensive.

F&I Manager: Keep in mind that if your car is stolen and not recovered, you're responsible for paying off the loan deficiency — what you owe vs. what the car is worth — as well as the insurance deductible and the tax and license fees for your replacement vehicle. This can add up to \$2,000 or more. This anti-theft device works as a deterrent by making your vehicle undesirable for the thief. But if it is stolen, you'll receive a \$2,500 benefit. That could cover your out-of-pocket expenses, as well as provide you with an additional \$500. Such a payment will help take the sting out of losing your vehicle.



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14 Appearance Package vs. Vehicle Trade-In Value

Customer: I don't want the appearance package.

F&I Manager: I know you plan on keeping your vehicle

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The information was provided by Arzu Algan, Dean of Education for the Automotive Dealership Institute, a Scottsdale, Ariz.-based automotive management school that specializes in educating the next generation of finance and insurance managers and service advisors. For more information, visit autodealerinstitute.com