

# Menu selling and Full Disclosure?

By Becky Cherneck

Nobody said menu selling was going to be easy, but plenty of experts claim menu selling is the ticket to increased profits and a way to mandate full disclosure. Menu selling can be a worthwhile selling system and will provide the dealer with opportunity to increase profits while limiting liability, but it will take a concentrated effort and commitment from the entire sales team to make menu selling work. Menu selling is a full disclosure selling system and there are some who aren't buying in. Could your sales process or lack of one be prohibiting your results with menu selling? For example, countless stores support a four-square selling system; the transaction is closed on payment and not on sale price. The deal is worked on payment and finalized for delivery, but the question is who discloses the sale price and pertinent buying numbers to the customer -- finance or sales? The F&I manager is presented with a final worksheet that includes a payment to the customer, but the worksheet will not divulge a sales price, trade amount or the amount financed. The F&I manager is expected to disclose the information to the customer. Not every dealer who subscribes to four-square selling system will pass the buck onto F&I to disclose sale price, but in some instances that is exactly the case.

Generally, the F&I manager will disclose the Reg Z box after the products are pitched and sold. The F&I manager will insist that as long as he or she discloses the Reg Z box on the finance contract he or she has met Truth In Lending guidelines. In some cases the deal is turned to finance with a padded payment and the trick is, if the sale price has not been disclosed and should the F&I Manager not close on products, the sale price is increased to meet the padded payment quote. In this case the customer has no idea that the sale price was increased during negotiation because he or she didn't purchase additional products. The sales manager will argue that the sale price does not have to be disclosed to the customer prior to the deal going into finance. The manager will insist that as long as you disclose the Reg Z box he is in compliance. The dealer will insist that the F&I manager is presenting a menu to all the customers, but I'm sure what he doesn't realize is that the menu that is being used is an Option Menu. An Option Menu does not disclose the sales figures to the customer or Reg Z or Reg M terms, APR, base payment, sale price, down payment and amount financed. An Option Menu is used for payment packing or deceptive selling practices such as the one mentioned and won't hold up in court. Another typical sales strategy used is trade difference selling. Trade difference selling will literally destroy any benefits of menu selling. Although sale price is disclosed to the customer, the payment has not been disclosed. The base payment is normally disclosed to the customer by the F&I manager. It is a hard sell for a F&I manager to close the customer on a base payment and pitch products too. Many times the F&I manager will hopelessly revert to payment packing methods to close the deal and sell products.

I've asked several F&I managers how they manage to work the menu if the base payment had not been disclosed to the customer. It's real easy, I'm told, Just tell the customer he or she has some options to choose from and once the customer chooses one option have the customer sign off." I inquire about the base payment and wondered if the F&I manager had ever disclosed the base payment without products included, and the answer I've been given is, "not normally, I usually fill in the base payment once the customer leaves the store but now and again I must admit I'm in a hurry and forget to do it." Not exactly what the dealer had in mind when he went on menu selling? Remember Jim Ziegler, of Ziegler Supersystems, quote in Dealer recently, under the subhead, "F&I under siege": "In the ongoing attack on dealer finance profits, the state of California has passed in the state senate a bill, the first of its kind, to specifically outlaw payment packing and defining what is meant by the term...specifying the offense and qualifying it for consumer litigation. Going to the state house for approval, there is little possibility the bill won't be passed into law. This makes it a quantifiable crime of deception to quote to a customer any payment that includes any product other than the car being financed. Look for other states to follow suit. This is a separate issue from "Interest Rate Markup" that has recently gotten a lot of media and legal attention. I predict this is another door opening a Pandora's Box of future legal action nationally."

Menu selling may not be so easy to implement as one might imagine. Menu selling takes guts and a huge commitment to act on honest measures. It takes a leader with a mission to stamp out past aggression. I admire Mike Jackson CEO of AutoNation and his efforts, as reported in Automotive News:

"The industry should take steps, though, to ensure that customers are not taken advantage of with excessive rate markups or discriminatory practices and that customer receive full disclosure of their finance transactions. At AutoNation, we have made a pledge to provide our customers with the most transparent and principled financing process available." "Besides capping our dealerships' rate markups, we also sell our F&I and other aftermarket services through a customer-friendly menu. Many lenders and other dealers have taken those or similar steps, and we applaud them. We strongly urge dealers who have not done so to join us to create a more ethical and responsible financing environment for the good of our customer, our dealerships and the industry."

By now the message should be loud and clear - and if you are still profiting from non-disclosure tactics there is a good chance you'll pay the price; it's just a matter of time. Supporting menu selling and endorsing full disclosure will keep you profitable and out of trouble. Menu selling begins with the dealer mandating and demanding that ethical business practices are followed. If you are not disclosing a payment or a sale price prior to the transaction going into finance and think you are menu selling you may be paddling up the river and don't know it. Go pull some deals and inspect them. If the menus used on those dealers are not complete and if the disclosure terms are not stated demand change or limit your liability; hire a replacement who will follow your lead. Review your current menus and software programs to check for compliance. Will your menus hold up in court? Some menu software companies offer the dealer an option for disclosure and non-disclosure terms such as "Option Selling" alternatives. Make sure you know the difference.

Does your menu offer the following disclosures? APR, base payment, payment term, down payment, rebate, trade allowance and amount finance -- and are the pertinent buying numbers reviewed with the customer prior to products being presented? Do the products that you offer have an accurate description of what it covers and are the products itemized separately? When offering products do you use standard pricing or do you fluctuate from one price to the other? Is one product being offered or sold more than the other due to the F&I manager working a pay plan? Does your current pay plan support menu selling offering 100 percent of the products to 100 percent of the customers 100 percent of the time without prejudice? Last but not least, does your sales process make sense and does it support full disclosure selling?

Menu selling is the ticket to increased profits and will minimize your legal exposure, but you have to do your job and inspect what you expect; create positive solutions to support improved opportunity. There are plenty out there who are fighting the crusade and doing what they can to support full disclosure selling. I am all about making a profit and I believe I am entitled to make a profit as long as I'm forthright doing it. "You don't have to break laws to break records."