

The Ideal Product Mix for your Menu

June 01, 2007

By last count, I came up with 25 different kinds of products to offer in the F&I office. There are the staples: vehicle service contracts, GAP protection, credit life, and accident and health. Then there's tire and wheel, road hazard, theft deterrent, paint protection and so on. The question these days is how many is too many and at what point does adding more products become counter-productive?

My guess is that if you asked the reps selling you the products, they'd say that more products automatically mean more income. If you asked the dealers, some of them might tell you the same thing. But when you spoke to the person selling the products, the F&I manager, he or she would tell you that more products doesn't necessarily turn into more income.

There is no way anyone can give 25 products justice. You can't even give nine products the time they deserve. With an average of 20-25 minutes that we have to sign the customer up — 10 minutes of that time spent on both building rapport before the menu presentation and signing the forms afterward — not a lot of time remains for product presentations. So what's the ideal number of products to present? I'd say it's about five-to-seven products or a three-package presentation. Anymore and you can't do justice to each of your products, and, at that point, the customer will have mentally checked out from your presentation.

What's the Conventional Wisdom on F&I Selling?

If we take a glance back to the roots of F&I, you'd probably start with the selling system developed by Pat Ryan. The system was designed around what was referred to as step selling. The F&I person would present one product and close on it. Then proceed to the next product, and continue this until all 25 were sold. I'm just kidding, of course, but that makes me nauseated just thinking about it.

Actually, lucky for them there were only three products to present: service contracts, credit life and disability insurance. With only three products, step selling could be done fairly effectively. Today, step selling serves its purpose after the customer has made his or her initial choice, that is, to get the customer to take one or two additional products after he or she has selected an option from the menu.

Another F&I selling system (I'm not going to give anyone credit for this one) was designed around assumption. The F&I professional (I use this term lightly) would print the contract with all the products included, and begin disclosing. Did this work? It did until customers figured out they were being duped.

Today, most customers wouldn't fall for this approach, which makes it ineffective as a mainstream selling system. This approach would also be highly volatile to opportunistic attorneys. The good news is that 95 percent of F&I departments have sent this system to the scrap pile where it belongs. However, some secondary finance departments still say, "This is the way the bank approved the loan." Since nonprime lenders typically approve up to a maximum payment, this is sometimes manipulated by the F&I department.

Menu selling is the mainstream selling approach of today. If you asked most people in the F&I business what the point of menu selling is, they would probably say compliance. But that's not how it started. It was first introduced as an excellent way to get the customer to make a decision. I believe this should still be the primary reason to use a menu in the F&I office. Compliance should be a unilateral benefit.

One of the challenges to menu selling is that it has created the "one-more-product" mentality. This mentality insinuates that adding another product automatically gives you another profit opportunity. This brings us to the dilemma faced by many F&I professionals: "How much is too much?" {+PAGEBREAK+} **Pick Your Ideal Product Mix**

I said earlier that five-to-seven products, or a three-product package option is ideal. The crucial factor in presenting them is showing them in a way that makes the F&I person and customer comfortable. Then, the enthusiasm that the salesperson feels for the product can be transferred to the customer.

These products or package options aren't the same for all deals. I'd choose the best products for the customer

and type of transaction he or she is entering into. A long-term finance customer sees value in a different product mix than say a short-term lessee. An older buyer sees more value in credit insurance than a younger buyer. A customer putting 30-percent down of retail sees less value in GAP protection than a customer that is financing 100 percent of retail.

It also doesn't hurt to put a throw-away product in the mix. That's a product that the customer really doesn't need. By showing the customer that product, it demonstrates to the customer that you're not a greedy F&I manager. I know it's really hard to throw out a profit opportunity, but it's actually in your best interest to do so.

A good product mix for a finance buyer might be these package choices:

1. Vehicle service contract with a tire and wheel upgrade (two products)
2. Loan Protection: Includes credit life, accident and health insurance, and GAP protection (three products)
3. Appearance Package: Includes paint protection, fabric protection, and leather protection (total of six products)

An excellent lease product mix might include:

1. Maintenance and lease wear product package (2 products)
2. Service contract covering the additional miles, along with a tire and wheel upgrade (2 products)
3. Loan Protection: credit life and disability insurance (2 products)

The products are broken into packages only to make them easier to present. When broken out on the menu, they are shown individually when you close. "Mr. and Mrs. Doyle, these package options I am showing you can be purchased together or individually. Here is a list of options to help you make your decision."

Begin With the End in Mind

I have been promoting for the last five years the use of a menu as a decision-making tool rather than a sales tool. I believe it to be most effective, consoling the customer on the benefits of the products prior to giving him or her the options. If you do it this way, the customer is more likely to be sold on the benefits prior to making his or her choice.

You should then thank the customer for his or her business and invite him or her to return, whether it's to have the new car serviced or to purchase another vehicle in the future. Ask the customer to refer his or her family and friends and communicate that you hope your dealership has been prompt, efficient and straightforward. Now review the financial options and the package benefits that are available. Show the customer the menu to make it easy to select the products that meet his or her needs.

Is This the Only Way?

We are probably going to debate this point for some time to come. I expect to have e-mails before the end of the day describing why my position isn't the best choice.

The F&I department has been one of the key ingredients for a profitable dealership. Companies will continue to come up with new products to enhance F&I profitability. You'll have to continuously evaluate what the ideal product mix is for your menu.

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