“People are much more apt to understand your offering when they experience it, than when they just hear about it!” —Ron Willingham, Integrity Selling

Every day, F&I managers in dealerships all over the country get the exact same objection from customers when it comes to purchasing a vehicle service contract, and that objection hasn’t changed in over 30 years. Yet automotive technology has changed. The standard term of a new car loan has changed. And the way vehicles are manufactured has changed. But the #1 objection to a vehicle service contract has not changed… customers don’t think they “need” it.

The Basics
While most dealerships now utilize a menu-based approach in the F&I office, the basics of selling a vehicle service agreement remain the same. First, an F&I professional must always review the factory or dealership warranty prior to discussing the vehicle service agreement. The customer has to know that you know—that they know—what the factory covers.

There should also be no vehicle service contract brochures displayed in the F&I office. Customers should never see a VSC brochure… until and unless they want to see one. In addition, an F&I professional must know all of the plans, exclusions, restrictions, deductibles and eligibility requirements for every VSC plan the dealership offers.

An F&I professional must also learn what the various covered components in a vehicle are, what they do, what happens when they fail, and how much they cost to fix. In the F&I office, what the customer is really buying is your knowledge and expertise. As a professional, you must take every opportunity to expand your mechanical knowledge of vehicles. This in turn, will increase your creditability, believability, and the customer’s reliance on your expertise. As an added bonus, the more you learn about how expensive they are to fix, the more you realize how important a VSA is on today’s increasingly sophisticated vehicles.

Finally, an F&I professional must discover the customer’s needs before presenting the product. Throughout the F&I presentation, you must utilize open-ended questions and engage the customer in a dialogue to enable both you and the customer to answer that all important question, “Why does this particular customer need a vehicle service contract?” The vehicle service contract should always be presented as a solution to a specific customer need.

Step 1: Make ’Em Thirsty
Too often, F&I managers launch into a VSC presentation without making the customer want to hear what they have to say. Any discussion of the vehicle service contract should be the result of the customer wanting to know more about it. That means making a statement that will pique the customer’s curiosity, so you’re responding to a request for information.

For example, when customers indicate they don’t need a VSC, simply saying, “That surprises me, especially since you’re buying a vehicle built since 2000,” is almost guaranteed to get a response from the customer such as, “What changed in 2000?” That will then open up a discussion about component parts. Today’s automotive technicians seldom “repair” anything. They’re component replacement experts, meaning even a simple problem can be extremely expensive to fix.

Step 2: Start With Your Best Plan
Always offer the vehicle service contract that provides the customer with the best coverage, lowest deductible, longest term, and highest mileage allowance. That way, if they have a problem, you know the repair is going to be covered.

One mistake a lot of F&I managers make is trying to tailor the VSC they offer to the customer’s driving needs… and then present just that plan to the customer. Even though you’re doing the right thing—helping the customer—the customer doesn’t know you’re doing it, because he’s not aware of the other plans. What’s worse: if you only offer the plan you think fits their needs, you could be wrong; plus now the customer has only one choice, “Do I want it or not?”

By starting with the best coverage, lowest deductible, longest term, and highest mileage allowance, you can tailor the VSC to their needs, and customers know you’re trying to help them get the best plan for them. By tailoring the coverage to their needs, they also see you’re trying to save them money.
Step 3: Give The Customer Two Choices
Whatever vehicle service contract your dealership offers, they have numerous terms, mileages, deductibles, and levels of coverage available, from Automotive Preferred CareSM that covers almost everything to Value Car CareSM offering minimal coverage. Offering more than two plans at a time creates confusion, and makes it difficult for a customer to decide. Rather than risk making the wrong choice, they decide “none of the above.” So while we always want to offer the best plan, we never want the customer’s decision to be, “Do I want it or not?”

Instead, in response to the customer’s indecision or objection to the 6-year/100,000-mile VSC, we want offer a second choice. For example, when they say, “I only put on 12,000 miles a year,” you can now offer a 6-year/75,000-mile plan and the cost goes down. Then the closing question and their decision becomes, “Which do you think would work better for you, the 6-year/100,000-mile, or the 6-year/75,000-mile plan?” Give the customer two choices, so whichever one they choose, you sell a service contract.

Step 4: Use “Odd” Prices
Whenever possible, always use odd prices for your vehicle service contract. In other words, charge $1,822, not $1,795. Pricing your VSC, or any product, at $1,495 convey two messages. First, just like the price on a used car, the price on the VSC is negotiable. And second, since this is something we’re trying to sell you, we want it to sound cheaper than it really is. This is not what you want to convey to a customer. Odd prices provide built in credibility, and reduce the customer’s perception that the price has been arbitrarily set, or that this is just something we’re trying to “sell” them.

It’s also critical that you never be evasive, or afraid to give the customer the price. Being evasive, or offering even the slightest hesitation, implies either you think the VSC is too expensive or you’re afraid the customer will think it’s too expensive. Remember, if you don’t think it’s a good deal, the customer certainly won’t. Establish a set price for your VSC, and stick to it. Any reduction in price must always require reciprocity—a reduction in coverage.

Step 5: Get The Customer Involved!
An F&I professional must help customers visualize a situation where they could actually “see” themselves using the product being discussed. We do that by painting a picture with words; relating a story or giving an example of how this product could be of benefit to them. Once you paint that picture, you must then put customers in the picture by relating it back to their particular situation. The key to painting a picture is it has to be believable, and include enough details so customers can “see” it happening, and picture themselves in a similar situation.

“Suppose you’re driving down the highway and your transmission falls out?” won’t sell anyone a vehicle service contract. Most customers can’t see that ever happening to them, because (a) it’s never happened to anyone they know, (b) the odds are astronomical, and (c) transmissions simply don’t fall out of vehicles. Torque converters fail, clutch bands wear out, transmission seals leak. The picture we paint has to be believable, and include enough details so the customer can “see” it.

If you want to increase your VSC sales and profits, you must first remember the basics: go through the factory warranty, remove any visible advertising from your office, have a good understanding of the mechanical components on a vehicle, and discover the customer’s needs before presenting the product. You must also make the customer thirsty, start with your best plan, and give the customer two choices. Finally, it’s also important that you use “odd” prices, get the customer involved, and paint a picture with words, putting the customer in the picture.

According to some of the best F&I managers in the country at selling vehicle service contracts, you must also have a genuine belief in the customer’s need for a VSC, and share that belief with every customer. Then you really can increase your VSA sales and profits… today!

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