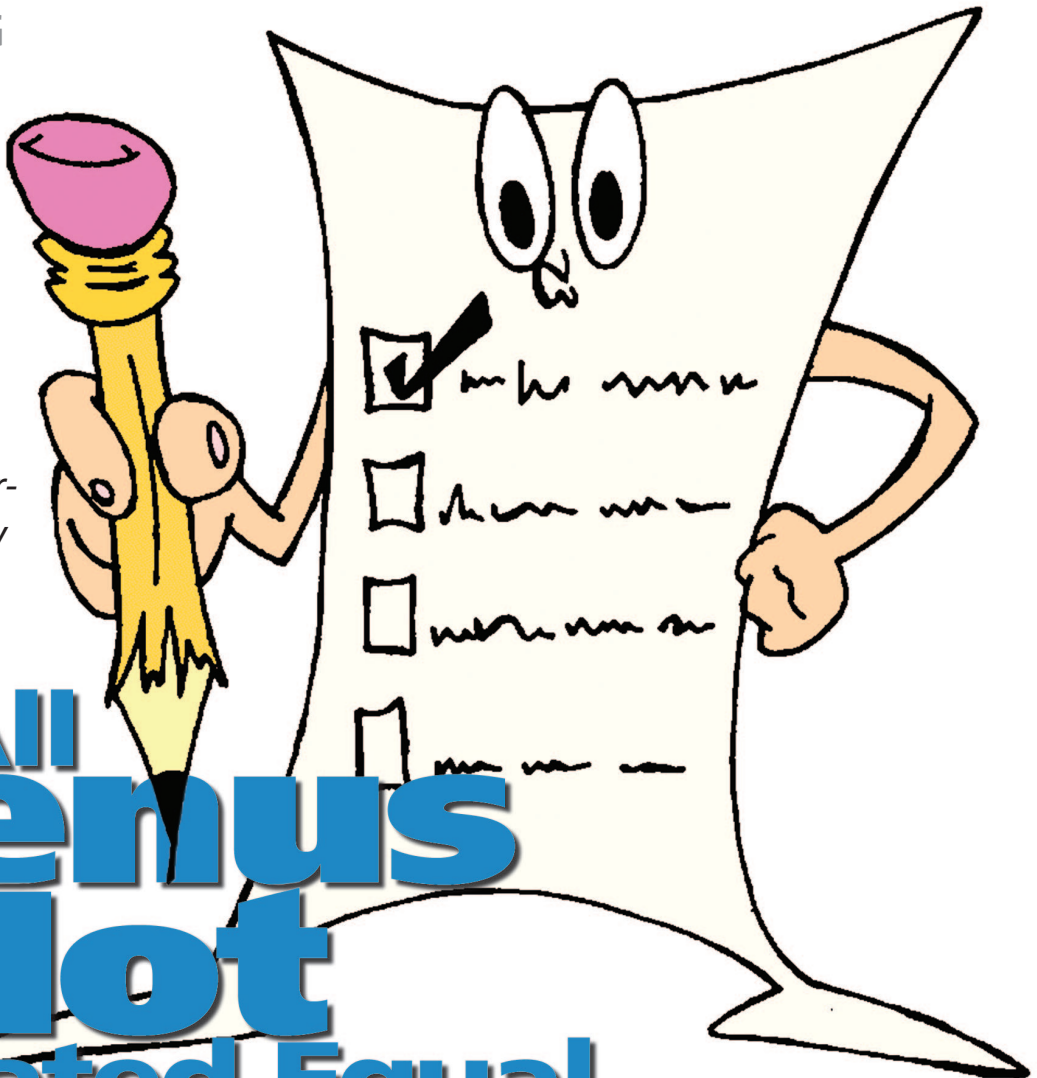


Proper disclosure, optimal product packaging and color-coding are some key traits of a great menu.



All Menus Are Not Created Equal

By Ronald J. Reahard

It's the little things that make the big things possible. Only close attention to the fine details of any operation makes the operation first class.

— J. Willard Marriott, hotelier

In recent years, virtually every company that provides F&I training and the majority of dealerships have embraced the use of a menu in the F&I office. Unfortunately, all menus aren't created equal. The best menus are professionally designed and custom-tailored to the dealership. They help the F&I manager sell more products while protecting the business. The worst menus are homemade, legally questionable documents that do nothing but add another piece of paper to every deal jacket.

If you're using a menu, there's no guarantee that it is effective, efficient or even legal. Your menu should be designed to protect the dealership. Using a menu in the F&I office can protect your store from potential liability and future litigation

— if it's used every time with every customer by every F&I manager.

A menu gets all the options on the table in front of customers so that you can discuss with them why — in their particular situation — each product is important. A menu also helps in proving that all the products were offered and the coverage explained, and that the customer selected the products he or she wanted. Plus, it documents that the customer affirmatively requested the F&I products he or she purchased. It confirms that the customer actually requested that the F&I products be included in his or her payment.

DESIGN FOR COMPLIANCE

Not all menus comply with all applicable laws and regulations. A menu must not be deceptive or designed to misinform, mislead or confuse customers.

For example, the term "base payment" on a finance menu is a misnomer because it is actually a lease term. The proper term is "principal and interest payment."

Customers must see the principal and interest pay-



RON REAHARD

ment they agreed to before reviewing or discussing any options. They need to be reassured that the payment they were given is correct and that they can take delivery of the vehicle for that amount.

Suppose a menu

- Isn't filled out completely
- Doesn't show the principal and interest payment
- Doesn't show the APR
- Reflects inflated monthly payments based on the rate shown

In these scenarios, the menu can also create a paper trail that documents deceptive F&I sales practices at your dealership.

All dealers should consult with their attorneys to ensure their menu (especially if it was created in-house) and their managers' menu-based presentations comply with the consumer protection laws that apply to F&I, including all necessary disclosures. These include the principal and interest payment, interest rate, and loan term. The menu should

also include a statement conveying that the vehicle sale or financing isn't contingent on the purchase of F&I products and that buying products won't influence the customer's interest rate, credit approval or ability to obtain financing.

F&I managers should use menus to introduce products with a consistent, non-confrontational, consultative approach that lets the customer make a well-informed decision about the options available with the purchase. Using a menu as a last resort or as another disclosure after making the customer endure yet another feature/advantage/benefit presentation on every F&I product is not menu selling; it's step selling using a piece of paper. A well-designed menu shouldn't be yet another form a customer has to sign after being forced to endure an unwanted, uninvited sales pitch.

During the past eight years of working with F&I professionals around the country, I've learned a lot about what it takes to make a menu an effective sales tool.

First, whatever type of menu or menu software you use, the menu should always be printed out. Customers should be able to review the options available in connection with their purchase. Once the menu is printed, an F&I manager can focus on finding and fulfilling customer needs versus creating the perfect menu of products and payments. More importantly, the F&I manager can use a printed menu to get customers' commitment to a product or payment by circling the appropriate icon or having them initial the payment desired.

PACKAGE PRODUCTS WISELY

A menu must be tailored to the products your dealership offers. The managers who will be using the menu should create the product packages. While one manager may prefer to have GAP, tire and wheel road hazard protection, and the vehicle service agreement in the basic option, another may prefer the VSA, GAP and paint sealant. You can't shove a menu down

ANYTOWN MOTORS, INC.

- FINANCIAL SERVICES OVERVIEW -

Customer _____

Vehicle _____

Fin. Ser. Mgr. _____

P&I _____ Payments of \$ _____ APR _____ %

Price / Capitalized Cost \$ _____

Trade-In Value \$ _____

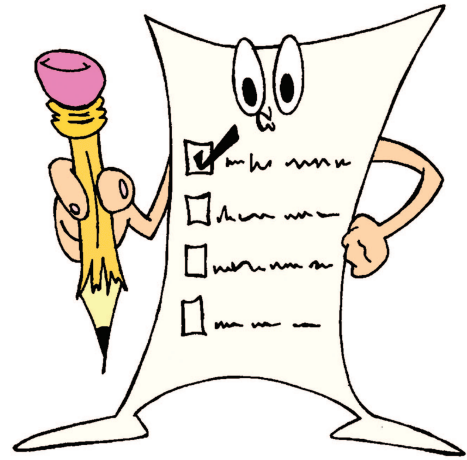
Pay Off (Estimated) \$ _____

Cash Down / Rebate / Capitalized Cost Reduction \$ _____

✓ Preferred Option	✓ Standard Option	✓ Basic Option	Alternative Option
<input checked="" type="checkbox"/> Vehicle Service Agreement Pays cost of parts labor on covered repairs for _____ months or _____ thousand miles, with a \$ _____ deductible.	<input checked="" type="checkbox"/> Vehicle Service Agreement Pays cost of parts labor on covered repairs for _____ months or _____ thousand miles, with a \$ _____ deductible.	<input checked="" type="checkbox"/> Vehicle Service Agreement Pays cost of parts labor on covered repairs for _____ months or _____ thousand miles, with a \$ _____ deductible.	<input type="checkbox"/> Vehicle Service Agreement Pays cost of parts labor on covered repairs for _____ months or _____ thousand miles, with a \$ _____ deductible.
<input checked="" type="checkbox"/> Royal Guard Protection Exterior paint and interior fabric/vinyl/leather protection.	<input checked="" type="checkbox"/> Royal Guard Protection Exterior paint and interior fabric/vinyl/leather protection.	<input checked="" type="checkbox"/> Royal Guard Protection Exterior paint and interior fabric/vinyl/leather protection.	<input type="checkbox"/> Royal Guard Protection Exterior paint and interior fabric/vinyl/leather protection.
<input checked="" type="checkbox"/> Guaranteed Auto Protection Pays difference between actual cash value and loan balance if your vehicle is declared a total loss due to theft or collision.	<input checked="" type="checkbox"/> Guaranteed Auto Protection Pays difference between actual cash value and loan balance if your vehicle is declared a total loss due to theft or collision.	<input checked="" type="checkbox"/> Guaranteed Auto Protection Pays difference between actual cash value and loan balance if your vehicle is declared a total loss due to theft or collision.	<input type="checkbox"/> Guaranteed Auto Protection Pays difference between actual cash value and loan balance if your vehicle is declared a total loss due to theft or collision.
<input checked="" type="checkbox"/> LoJack Recovery System Vehicle transmitter enables police to recover your stolen vehicle.	<input checked="" type="checkbox"/> LoJack Recovery System Vehicle transmitter enables police to recover your stolen vehicle.	<input checked="" type="checkbox"/> LoJack Recovery System Vehicle transmitter enables police to recover your stolen vehicle.	<input type="checkbox"/> LoJack Recovery System Vehicle transmitter enables police to recover your stolen vehicle.
<input checked="" type="checkbox"/> Vehicle Security System Starter Interrupt With Keyless Entry (on selected models) Panic Remote, LED Status Indicator with Passive-Active Arming.	<input checked="" type="checkbox"/> Vehicle Security System Starter Interrupt With Keyless Entry (on selected models) Panic Remote, LED Status Indicator with Passive-Active Arming.	<input checked="" type="checkbox"/> Vehicle Security System Starter Interrupt With Keyless Entry (on selected models) Panic Remote, LED Status Indicator with Passive-Active Arming.	<input type="checkbox"/> Vehicle Security System Starter Interrupt With Keyless Entry (on selected models) Panic Remote, LED Status Indicator with Passive-Active Arming.
<input checked="" type="checkbox"/> Prepaid Maintenance Plan Pays for vehicle maintenance items every _____ miles for _____ months.			<input type="checkbox"/> Prepaid Maintenance Plan Pays for vehicle maintenance items every _____ miles for _____ months.
<input type="checkbox"/> _____ Payments of \$ _____	<input type="checkbox"/> _____ Payments of \$ _____	<input type="checkbox"/> _____ Payments of \$ _____	<input type="checkbox"/> _____ Payments of \$ _____
Payment Date Desired <input checked="" type="checkbox"/> _____ * All terms, conditions and APR subject to lender approval.			<input type="checkbox"/> Guaranteed Value \$ _____

The option listed above have been fully explained to me, and I have selected the payment and option(s) indicated. I understand the purchase of any options will not influence my interest rate, credit approval or ability to obtain financing, and that specific details and coverage are outlined in their respective product agreement.

When customers feel a menu is being used to sell them products and not to review the available options, an effective sales tool becomes a sales hammer.



people's throats and expect them to embrace it. You must have buy-in from your F&I managers, and you only get it when they're involved in designing the menu and packaging the products.

The most effective menus include three distinct option packages with appropriate names. A fourth or Alternative Option typically offers the same products as the Preferred or Standard Option, only with a slightly longer (or shorter) term or including additional cash down. The key is, the payment in the fourth option must be higher than the Basic Option but lower than the Standard or Preferred Option.

Too many menus make the fourth column an Economy Option with fewer options and a lower payment than the Basic Option; the payments gradually decrease across the menu. This isn't nearly as effective as making the Alternative Option payment higher than the Basic Option payment. If the last option requires a higher payment than the Basic Option, it brings the customer's attention back to the Basic Option. If it requires a lower payment, the customer's eyes shoot right off the page to the "none of the above" option. In fact, in a dealership offering an Economy Option, one customer actually pointed to the desk beside the menu and said, "I'll take this option right here."

If you look at menus used by other businesses, they don't list products from most expensive to least expensive. The appetizers on a restaurant menu aren't in that order, and neither are the entrees or the deserts. Kinko's doesn't list its services from most expensive to least expensive. Likewise, F&I menus shouldn't present their option packages in this order.

While most states don't require that the prices of each product be shown on the menu, it's critical that each option package, including the Alternative Option, list a payment. A customer won't commit to buying a package without knowing its price. The purpose of grouping products into packages is to make it easier for customers to buy multiple products. Leaving the Alternative Option blank and offering to custom tailor an option package during the initial F&I presentation greatly reduces the chance that the customer will select a package. We're more than happy to tailor a payment option upon request, but our hope is that customers will pick one of the predetermined packages.

FORMAT PURPOSEFULLY

A professionally designed menu — whether pre-printed or computer-generated — with each package presented in a different color is much more effective than a black and white menu. Color makes it easier for a customer to distinguish one package from another and conveys a subtle yet powerful message. Color has meaning. Blue means something. Green means something. Red means something.

It's critical, however, that color be used to delineate each option package, not each product. The idea behind using color is to help the customer distinguish between packages and to encourage them to select the preferred package.

The use of product-specific icons on a menu also helps make F&I products more tangible. It's a way for F&I managers to get a commitment from customers — by circling the appropriate icon — without asking them to sign or initial anything. Icons enable F&I managers to use an assump-

tive close whenever they get a positive response from the customer. By circling the icon next to the product, the customer takes mental ownership, and you don't even have to ask a closing question. Once customers give you an affirmative response about a product, circle its icon under the Preferred Option and ask them to buy a package!

In addition to product names, your menu should include a brief explanation of what each product is and does. This allows the customer to make an informed decision about each product.

However, including a laundry list of benefits under each product turns a menu into a preprinted sales pitch, or a sales brochure for multiple products, which is a real turnoff. Customers do want to know what their options are; they just don't want somebody trying to sell them something. When customers feel a menu is being used to sell them products and not to review the available options, an effective sales tool becomes a sales hammer.

Finally, each option package should reflect only one monthly payment. When a menu includes 48-, 60- and 72-month payments for four different option packages, customers have 12 different payments to choose from. That's too many choices. Using the Alternative Option to offer an extended term lets you determine how receptive they are to extended terms while retaining all products. ■

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Ron Reahard is president of Reahard & Associates Inc., providing regional and in-dealership F&I training programs, consulting services and solutions. Ron is also an AFIP-certified course instructor. Contact him at (866) REAHARD or ron@go-reahard.com.