



More Sales

Test Drive Fundamentals and the Essentials of Leasing More Cars

Our biggest competition isn't the car on the lot at the Subaru store across town or the Toyota store down the street. It's the car that the customer arrived in. Most of our prospects don't need a car, because their current one is running fine. Our sales success is largely determined by the excitement and urgency we generate while the customer is with us. Of all the steps to the sale, the test drive is the most emotionally powerful and most effective at stoking a prospect's desire.

Nearly 100 percent of people require a test drive before buying. Even the tough customers who insist they don't need a drive and want to negotiate the whole deal will usually decide they need to drive before finally committing. Remember: *If they don't drive it, they won't buy it.* To increase test drive percentage (and therefore closing percentage), don't ask if a customer wants to test drive. Asking gives the customer the opportunity to voice a host of objections about test driving ("I don't want to be responsible for the car," "I don't have time," "I don't need to test drive it because I've owned so many before," etc.)

1. Set up the test drive properly at the conclusion of your walk around. Assume the test drive. If you were showing the actual car outside, make sure that the last part of your presentation occurs with the customer in the driver's seat. Then, ask for a license, attach a plate and go. If you were showing a car inside, let your customer know that you are going to bring down a vehicle in the desired color or trim for closer inspection.

2. Assume that you are going. Don't ask if you can join the customer, just hop in. You contribute a lot: you answer questions, manage any concerns about the vehicle (especially for used cars), observe the customers' responses to the car, and trial close (e.g. "this sure handles better than your old car, doesn't it?").

3. If someone just doesn't feel comfortable driving, you still need to do a test drive - with you driving. Taking them on a drive is not as effective as the customer driving, but it's better than no drive at all. For example, Subarus have a remarkably tight turning radius and you can impress customers even if they won't take the wheel. Once you get customers on the road, some will be willing to drive on the way back.

4. Walking back in, ask the customer, "Is this the car you want to own?" Come back to your desk. If "no" or "maybe," investigate to discover the concern and address it. If "yes," before proceeding with pricing ask the customer, "If we can fit this car into your budget, will you write an order with us?"

5. Know a good test-drive route in advance. Choose some highway and some winding streets. Take 15 to 20 minutes, minimum, to create mental ownership and give you "comfortable" time with the customer away from the dealership. This is usually when people loosen up and forget they are buying a car. This is a great time to sell yourself and the car.

6. Here are some safety tips. If you do not feel comfortable getting into a car with someone, talk to your manager. Customers are driving an unfamiliar vehicle, so make sure they are comfortable before leaving. Ideally, take all right turns so you never have to cross two lanes of traffic. If a customer drives irresponsibly, don't be bashful about telling them to settle down. Remember you can always pull the key out to disable the vehicle.

Once you get the customer emotionally attached to the vehicle, you can then move them towards the lease, which can be beneficial for both them and your dealership. If done correctly, explaining the finer points of leasing can make the final negotiation easier for both you and your customer.

How leasing benefits the customer:

- A lower monthly payment
- A safer, more reliable car all the time, and not just when the car is new
- A car under warranty with fewer repair bills
- Investing cash elsewhere instead of tying it up in a depreciating asset
- Sales tax only on the monthly payment instead of the whole car (this may vary depending on state)
- Owning nothing at lease end with the option to buy your car at a wholesale price
- Excess miles are cheap to buy on a lease (10 cents per mile up front) compared to the depreciation on your financed car (more like 25 cents per mile).
- Gap insurance is free from most manufacturers. If a leased car is totaled in a theft or accident, there's no risk of owing the bank more than the insurance proceeds.

- Great way to put an end to being upside down in the loan. Instead of rolling negative equity over into a new loan, nothing is owed at lease end.

Why leasing benefits you as a sales person:

- Shortens the trade cycle - The average Subaru customer, for instance, owns his/her car for seven years. The typical lease term is half that, so you sell twice the number of cars.
- Increases urgency - At lease end, a customer can't postpone making a decision about a new car because the old one is going away.
- Simplifies negotiation - It's a lot easier to fit a payment into a customer's budget than to dicker back and forth over the selling price.

Keys to successful lease presentations

- Ask this question early in qualifying: "Would you like to look at lease options?" Yes or no doesn't matter. The important thing is to introduce the lease option early. If the first time they hear about leasing is at the end of closing, after you couldn't fit their budget with a finance deal, you make leasing look like a desperation move rather than a credible alternative.

- Any time you quote finance payments, quote the lease with it. Some customers will choose leasing on payment alone.

How to present the lease

The biggest objection customers have to leasing is that they don't understand it. People tend to fear and avoid things they don't understand, especially when they are in an uncomfortable environment (such as a showroom). Your success with leasing will be determined by your ability to explain it in simple terms. Try this:

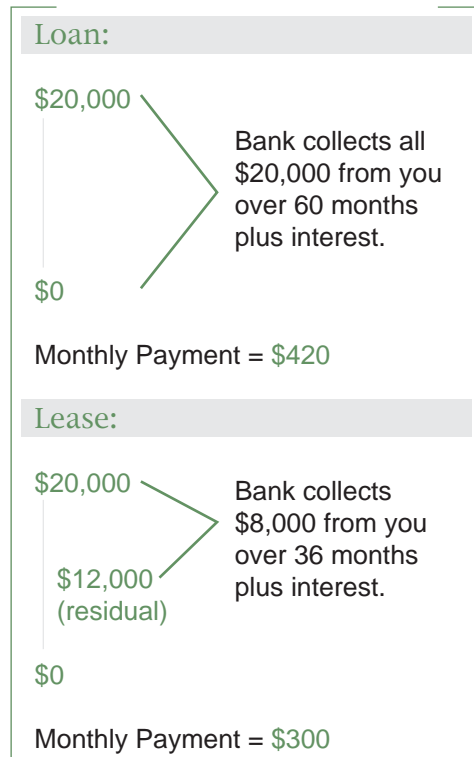
"Mr. Customer, when you get a \$20,000 loan, the bank pays us \$20,000 for your car and keeps your title until you pay off the entire \$20,000, plus interest. When you lease, the bank also pays us \$20,000, and keeps the title. What's the difference? With a loan, the bank wants back 100 percent of the \$20,000, plus interest. With a lease, the bank only wants you to pay back the difference between \$20,000 and the residual. The residual is a forecast of the value of your car after the lease term, and the bank stands behind that forecast."

See the sample comparison below, between a 60-month loan and a 36-month lease:

Handling The Top-Ten Objections to Leasing

- 1. **With a lease, I don't own anything.**

continued



"When you take out a loan, do you get the title? Not until you pay off the whole amount. So you don't really own it till it's paid off. A lease is the same way. The bank retains the title and if you want to own the car you just pay off the lease."

2. **With a loan, I own the car at the end.** "True. But not much of a car! A five-year-old car with nearly 100k? If the lease saves you \$120 a month for the term of a 60-month loan, that's \$7,200. (And that's assuming you didn't make some interest on it by investing it or putting it in the bank.) What's a 100k-mile car worth? Probably not \$7,200. So you would have been better off saving money along the way instead of parking it in a depreciating asset.

3. **It's better to own than rent.** "The reason you should buy a house instead of rent is because the house almost always appreciates. But cars depreciate. Why would you want to own something that's going down in value?"

4. **I can't trade the car in before lease end.** "Actually, you can. After driving your car for 30 months, don't you think it's less expensive to get out of a 36-month lease that's almost up rather than a 60-month loan that's only half paid?" Approximately 40 percent of people owe more on their loans than their cars are worth - not only do they not have equity, they are actually "upside down."

5. **You seem awfully excited about leasing, Mr. Sales person.** What's in it for you? "Because our lease customers pay less to

drive a nicer, safer car that's under warranty, they are almost always thrilled with their experience here. The margins in auto retail are thin, so we've built our business on the volume of repeat and referral business from happy lease customers."

6. **I don't want a new car every few years.** I like to buy new, pay the car off, and then have the car without a payment. "While you may not have a payment in those out years, there are still costs. You'll be spending more in repairs to keep an older car on the road, older cars use more gas and pollute the environment more, have fewer safety features than modern cars and are more likely to break down and leave you in a dangerous situation."

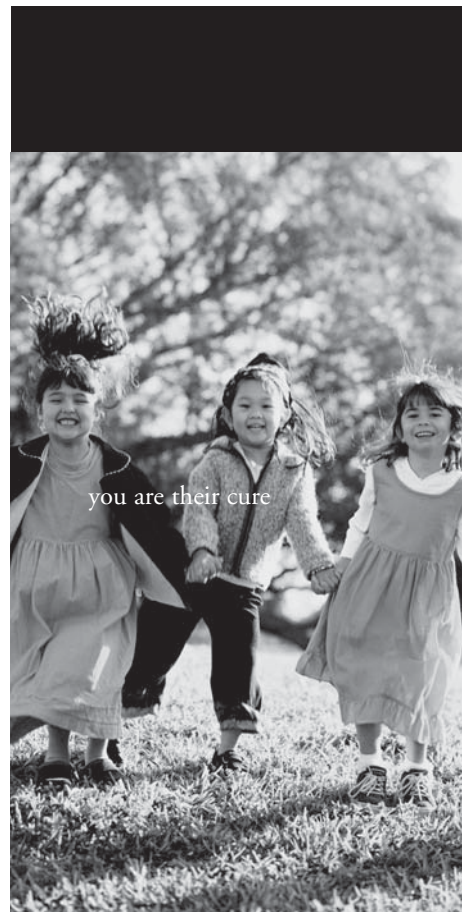
7. **Do you lease?** If yes, "Yes I do, as do most of my colleagues here. And who would know better than the insiders?" If no, "I drive a car that I had before I started here. I'll definitely lease my next one."

8. **I drive too many miles.** "Cars depreciate about 25 cents per mile. Yet with a Subaru lease, you can buy additional miles upfront for only 10 cents. At the end, if you go over, they're only 15 cents. People who put a lot of miles on financed cars usually end up owing more than they are worth - not only do you not own your car, it owns you."

9. **I had a bad experience with a lease because I drove over the miles and I had to write a big check at the end.** "If you had financed the car, don't you think that piling on extra miles would have substantially reduced the value of the car at trade-in time? Cars depreciate about 25 cents per mile but they only cost 15 cents on a lease if you go over. If you buy them up front, they're only 10 cents. So if you're concerned about driving a lot of miles, we'll build them into the lease for you. Either way, you're better off putting too many miles on somebody else's car."

10. **I had a bad experience with a lease because I had to pay for damage at the end.** "People who trade in financed cars with damage have to pay too - because they get less on trade in. You don't get a bill in the mail for it, but you still pay it. Furthermore, our experience with lease returns is that the inspectors are pretty lenient about minor damage because they want you to get another lease."

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Mary Tyler Moore International Chairman

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