



# What are dealerships doing about leasing these days?

by **Hector Bosotti**

With the withdrawal of some manufacturer-subsidized leasing programs over the past year, many dealerships have had to revisit their leasing strategies. Many manufacturers who still support or offer leasing options have elected to support finance offers instead. Another observation is that many salespeople and managers seem to have lost their love affair with the benefits of leasing and subsequently leasing penetration levels have dropped off in many dealerships by as much as 50%! Dealerships who have maintained an in-house leasing company have stepped up their efforts to replace their manufacturer's program with their own versions with most offering open-ended options where customers must guarantee the residuals. For those dealerships that did not have an in-house leasing back-up option or plan, some have gone on to establish relationships with third party leasing companies, while others have given up on leasing entirely. A common and critical element to most dealerships however, is that most dealerships will still be enjoying lease renewal opportunities for the next few years. Their ability to either renew a lease customer or to coerce them into a finance solution will avoid the migration of their lease-loyal customers to other brands that still offer attractive leasing options.

There was a time when most manufacturers supported leasing with in-dealership point-of-sale materials. These included: banners, sign posts displays, window stickers, car toppers, mirror danglers, window cling ons, posters, worksheet pads, pens, balloons, lapel pins etc. Salespeople and managers lived and breathed leasing and many dealerships had instituted sales procedures that openly invited a lease vs. financing presentation up front in the sales process after just meeting and greeting a customer.

Manufacturers sponsored or offered lease training workshops; dealerships held weekly training meetings dedicated to leasing and even incentivized

**leasing penetration or renewal success in their compensation plans for their salespeople or managers.**

**For most dealerships and manufacturers, most of these initiatives have gone by the wayside. The result of this lack of attention, focus and support will continue to negatively affect the sales rate of new vehicles in the future. Dealerships and manufacturers who do not offer attractive leasing options have been forced to extend financing terms to be able to offer lower payments that are comparable to other competitive manufacturers' leasing offers. We see six and seven year financing terms as the norm now where they were rarely offered or accepted by customers. Theoretically, there should have been a dramatic increase in the sale of extended warranty plans with these new longer term finance transactions to look forward to but few dealers have seen an increase. The bottom line is that dealers who have used long term financing terms as a solution to fill their leasing void have now pro-actively increased their customer base trading cycles and have lost a predictability that leasing offered to manage their portfolio.**

**Dealers who fail to develop leasing alternatives for its customers will need to be pro-active in other areas to make up for the potential lost sales. Let's examine some action plan options:**

- 1. Develop better lease renewal strategies that promote financing over leasing. This requires a dealership to use the objections or apprehensions that people used to have about leasing to promote financing instead.**
- 2. Develop better 'desking' strategies for new customers who have been offered leasing options by another brand.**
- 3. Develop better procedures and presentations in the Business Office to promote the sale of extended warranty plans, vehicle protection products and loan protection plans such as credit insurance, loss of employment insurance and other loan protection products.**
- 4. Develop or promote the sale of service maintenance programs that are offered by the manufacturer or by the dealership itself.**
- 5. Develop or adopt better service retention programs that keep their customers' loyal to their service department. There is always a huge migration from dealerships' service departments to independent service operators after the factory warranty expires.**

- 6. Develop or adopt better customer relationship management procedures and strategies that pro-actively market to their customer base promoting the need for change as opposed to a desire for change.**
- 7. Update the dealership website to include pages that detail the advantages of financing over leasing.**
- 8. Develop a video that presents the advantages of financing over leasing that can be accessed on the dealership website, sent to potential customers as a link when following up to a customer visit, sales call or e-lead or used in a presentation when dealing with an off-lease renewal customer.**
- 9. Produce testimonials from customers that endorse financing over leasing. Post them on your website and consider using video.**

**Dealerships that still offer leasing options and wish to increase their penetration levels can consider adopting some of the following action plans:**

- 1. Review and update lease renewal procedures. Most dealerships who do not have a lease renewal manager will distribute off- lease customer leads to untrained salespeople who are asked to urge the customer to come in and step into a newer vehicle. Many salespeople will suggest to customers that the payment could be the same or even lower than what they are paying now but only suffer a huge let-down for both the salesperson and the customer when faced to deal with early termination charges, excess mileage or excess wear and tear charges applicable. Many customers also do not want to think about getting another vehicle four to six months away from their lease termination. It is for these reasons that lease renewal productivity has been on the decline.**
- 2. Co-ordinate a lease renewal appointment for a customer with a service appointment to ensure 100% contact.**
- 3. Do not try to promote the leasing of another vehicle to secure a renewal appointment. Inform the customer that a market value assessment will be performed to provide the customer with comfort that they will be buying a vehicle that is worth the residual at the end of the lease. Some dealerships will even offer to provide a renewal customer with safety inspection and/or certificate along with detailing the customer's vehicle and all at no charge.**

- 4. Develop or adopt better renewal worksheets and strategies that show a customer that a lease renewal is a logical choice over buying out the residual balance.**
- 5. Ensure that salespeople and managers receive up-to-date lease training so they can properly present leasing as a preferred option to financing.**
- 6. Develop or adopt a better strategy when salespeople are to discuss leasing benefits with customers.**
- 7. Salespeople should not ask customers if they want to finance or lease early in the sales process. If they do and a customer says that they are not interested in leasing a vehicle, it will become difficult for a customer to change their position when later presented with payment options. Leasing could be the only affordable way that a customer could step into the vehicle that they want.**
- 8. Update the dealership's website that displays a page detailing the advantages of leasing over financing.**
- 9. Develop a video that presents the advantages of leasing over financing that can be accessed on the dealership website, sent to potential customers as a link when following up on a customer visit, sales call or e-lead or used in a presentation when dealing with an off-lease renewal customer.**
- 10. Produce testimonials from customers that endorse leasing over financing. Post them on your website and consider using video.**
- 11. Develop or adopt point-of-sale materials that will promote leasing on the premises.**

**The constant change in the automobile industry is the only true constant. Dealerships need to continually evolve and adapt to changing economic times, consumer demands, available resources, new tools, technologies and strategies that become available. To change requires thought, research, training, commitment and execution. Too many dealer principals, sales managers and salespeople are literally paralyzed by recent events and media hype. In a time where many dealerships are suffering, we have seen many of our clients post first quarter (2009) volume and gross profit records. My compliments go out to these dealers and others who have been pro-active in taking advantage of their vision and execution. With these thoughts and suggestions, I leave you and your management team with a question for your next managers' meeting: "What are you doing about leasing in your dealership?"**

*Hector Bosotti is a trainer, consultant and Vice President of Wye Management. He has over 25 years of retail automotive experience whose success has been founded on 3 key elements: People, Process & Training.*

*Wye Management offers in-dealership training, seminars and manufacturer's training/ consulting for salespeople, F&I managers, sub-prime managers, used vehicle managers and sales managers throughout Canada and the United States. For more information or a proposal, visit [wyemanagement.com](http://wyemanagement.com) or contact their toll-free number 1(888) 993-6468.*

Please send your comments or requests to [hbosotti@wyemanagement.com](mailto:hbosotti@wyemanagement.com) .