

Boosting Profits With Menu Selling

Created January 2007
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While extremely prevalent in the United States, Menu Selling has never really caught on in Canada. The purpose of this report is to examine Menu Selling from a Canadian perspective; point out the benefits to using them; and describe what you can do to begin boosting your profits from Menu Selling.

A Little History

For those of you still unsure, menu selling is a method of selling that presents groups of products or services to a prospect – as opposed to traditional step selling methods where each product is presented and sold to conclusion.

Grouping products together on a menu is not new – fast food giants like McDonalds and A&W have been using it for years – if you have ever bought a “Combo” you’ve used a “menu” to purchase your meal. Menu selling has been around US dealerships since the mid 1990’s.

Menus don’t sell anything on their own – its purpose is to present the growing number of products you sell more efficiently than a step selling approach. Imagine how long it would take to purchase a hamburger and fries if you had to make individual decisions on each of the 63 products McDonald’s sell – it wouldn’t be “fast food”, that’s for sure! Fortunately, you don’t have to because you are familiar with their products. It’s the same with your products – your customers are quite savvy – they know what most F&I products are through past experience or their own research. The last thing customers want when they have just closed the deal is to endure another hour or more for an F&I presentation.

While it is unlikely your customers will purchase something they do not need – for sure they are not going to buy something that was not presented. Which highlights the crux of the problem and the opportunity for menu selling – how are you going to position the myriad of products you sell? Simply, there is not enough time to present each product. Menu selling is the most effective and only way to present all of your products to every customer, every time. Not only is it more efficient, it is also more effective because it takes you from your agenda of “selling” to focusing on the customer’s needs. When you use menus, you are not selling, you are reviewing options.

Menu Selling Benefits

You probably aren’t convinced yet, so before we get too far into the mechanics of menu selling or our recommendations, let’s review menu selling benefits.

- **Increases F&I revenue** – according to Chris Schulthies of Wye Management Group, “when dealerships implement menu selling in their F&I departments, we normally see an increase of \$200 to \$300 per transaction almost immediately”.
- **Shrinking profits from retail** – according to 2005 US research (CNW Marketing/Research), F&I sales represent 43.1 percent of dealer profits, auto dealerships biggest profit center – all the more reason to maximize your F&I department’s revenue potential.
- **Reduces time in the F&I office** – there is no doubt that menu selling reduces the amount of time a customer spends in the F&I office. The

savings vary depending on menu complexity and time spent qualifying your customer – many are able to the amount of time from 45 minutes to about 15.

- **Reduces customer pressure** – because people tend to purchase more when they're relaxed and don't feel as if they are being "sold" to.
- **Ensures government compliance and reduces liability** – this point is a key selling point and one of the primary reasons menu selling is so prevalent in heavily regulated US markets. Does it apply here? Not yet, but as we often see – what happens in the US usually follows to Canada.
- **Provides proof that all products were offered** – while more important in litigious US markets, this point is worth considering here where you are required by anti-discrimination laws to consistently offer the same products to all people.
Also – revenue is left on the table and costs incurred when your business manager fails to present all products.
- **Fewer charge-backs** – because (in menu selling) the customer plays the primary roll in determining what is purchased, returns are drastically reduced. Remember – the business manager's roll is not to sell – it is to help customers uncover their needs by reviewing options.
- **Increased customer satisfaction** – taking advantage of the correlation between the length of time spent in the dealership and customer satisfaction indexes – important for automobile franchises.
- **More professional** – menu selling software combined with a colour printer allows you to present the F&I products to computer savvy customers more professionally than traditional handwritten methods.

What is Holding Canada Back?

So if menu selling is so hot, how come more Canadian dealerships are not using it? The answer is complex and simple. The simple answer is that it is easier not to. Making the change from step selling to a menu approach represents revolutionary change in how your business managers sell. It involves work; and it involves change, something many people resist. Also, the fact menu selling is based on a simple concept compounds the challenge – a dealership will attempt to implement their own menus or purchase menu selling software without training, obtain inconsistent results and then go back to its old selling methods.

Another key reason menus are not prevalent in Canada is the lack of pressure to change. Most dealerships are profitable and there is no external force to change, so there is no problem to fix. In the US, government regulations and threats of litigation from unsatisfied customers were strong forces. In fact, a key reason US dealers began using a menu selling approach was to meet compliance and disclosure requirements forced on them; after dealers started using menus they realized they could increase revenue using the technique.

In spite of the lack of internal and external pressure, you owe it to your customer to point out all of their options as efficiently as possible – if you are using a step selling technique it is unlikely you will be able to do so.

Keys to Success

So you've decided to try menu selling – what can you do to ensure it succeeds? Here's a list of considerations from various sources and personal experience.

Keys to Success

- **Use software designed for Canada** – most menu selling software is developed in the US to meet its unique regulatory requirements. The Canadian market is different – make sure the software meets your needs.
- **Be wary of DMS Menu add-ons** – some DMS developers add menu selling as separate modules. Well designed standalone menu software may be easier to use, work with any DMS system, and even produce more profits than many add-on packages.
- **Get training** – as earlier stated, menu selling represents revolutionary change – you owe it to your staff to set them up for success, not failure.
- **Participation and buy in** – use a top down approach or have an outside company or consultant create your menus and you will likely fail. It is important to get commitment and buy in from your business managers. In a “best case” they should play the lead role in creating the menus.
- **Use a colour printer** – in an age where style often wins over substance, studies have shown customers find colour menus easier to understand. Invest in a colour printer and always print your menus in colour.
- **Use menus all the time** – make it a rule that menus have to be used every time F&I products are sold. Manage it by making it a requirement that your business managers submit a signed menu for every unit sold; motivate it by attaching it to compensation.
- **Qualify the customer** – given the focus in menu selling is on the customer; it is your responsibility is to ask the customer questions that help you determine what F&I products they need and why they need it. Remember, “with no need, there is no sale”.
- **Use a canned approach** – (after qualification) increase the importance of what you are attempting to accomplish in the eyes of the customer by reciting an introduction to the menu presentation like ‘it is now my responsibility and legal obligation to make sure you know all of the options available to you in connection with your purchase’.
- **First pass is to review, not sell** – many business managers revert to traditional step selling methods and get in to selling one menu or product over another right away. The purpose of the first pass is to relax the customer and create a dialogue by merely listing each product option.
- **Make it all about the customer** – put the onus on the customer to take responsibility by positioning the menu as a list of their options. Your role is to describe what all their options are. Further, limit your discussions to the products your customer expresses interest in, not the products you are interested in selling.

At The End Of The Day – It's all good!

When a dealership commits to implementing and sticking with menu selling there is no down side, everyone wins. Customers win because their purchase decisions were made based on the full disclosure of their options; business managers win because they will be more effective in serving customers and selling F&I products; dealer principals win because they will have simultaneously increased effectiveness and profits while decreasing the potential for litigation at a later date.

For additional information on this report or on Menu Selling contact Quantech Software.com: 877-611-0622.

Resources

Training on Menu Selling

- *Wye Management Group*
Contact: Chris Schulthies
Phone: 888-993-6468
Web: <http://wyemanagement.com/>
- Harvey Cohen Learning Systems
Contact: Harvey Cohen
Phone: 604-722-7967
Web: <http://www.harveycohen.com/>

Research

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