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Lesson 1: THE COST VS. VALUE MYTH

For years I've heard sales trainers say, *"When the value exceeds the cost, the customer will always buy"*, but it's not exactly true...

Let's discuss what **cost** and **value** *actually* mean:

Costs are relatively fixed, and we have some control over them. Inventory, advertising, reconditioning, compensation, interest rates, and insurance products are all pretty similar across the car business. It's rare that one dealership has a unique advantage in these areas.

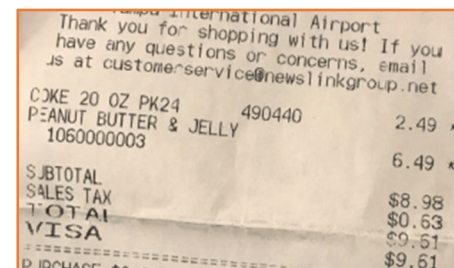
Value, on the other hand, is about belief, it's an opinion. Value doesn't care about cost. Value is determined by how someone *feels* in the moment.

Eventually, you're going to have to answer the customer's question when they ask, *"How much is the VSC or GAP"*, and at that moment the customer is going to begin making judgments. They will begin making assumptions and associations based on your pricing and the way you deliver that information. The value of your products is going to be determined by your customer's opinions. Value can be heavily influenced by data, and time, but the value is still perceived. As a result, value can still sometimes just be an illusion.



Tonight, you can go outside and hold a penny up in front of the moon. You'll see Abraham Lincoln's head is almost as big as the moon, but of course, it's not. It's just an illusion created by distance. If the penny was farther away than your arm's length away, the illusion would disappear. Time influences value in the same way. If we lengthen the amount of time before an F&I product is needed, its perceived value lessens. If we shorten the time, then the perceived value increases. It's that simple.

Imagine yourself at the airport rushing to catch a red-eye flight. You're super hungry, so you grab a peanut butter & jelly sandwich from the gift store. The cashier asks you for \$6.49 and you think that's kinda pricey for a basic PB&J. Heck, you could buy a loaf of bread, peanut butter, and jelly for about the same cost at a grocery store. But, with no time left to find other options, the value of the sandwich grows. You buy it now or risk being hungry for the next six hours, and suddenly, (as you can see from my receipt) it's worth it!



Be well,

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For more information like this, please check out my book, **The Art of F&I** available everywhere.

