

Selling the Intangible

Offering Road Hazard Protection on the Side Can Boost Business

Today's tires provide consumers with many positives: recognized brands, outstanding technology and quality, reliable service and long treadlife, and exceptional traction and handling in all types of conditions.

All of these tangibles add up to one big intangible that plays heavily in a consumer's mentality: peace of mind.

The good news is that all those brand marketers spend millions promoting those tangibles (and, by inference, the intangible) to drive consumers to your door.

The better news is that there is one product you can offer that makes peace of mind a real-life tangible for your customers and a real profit-booster for your business.

It's road hazard protection.

A dealer offering a road hazard warranty isn't news at all. Whether privately financed by the dealer, obtained through a marketing or affinity group program like American Car Care Centers, Bridgestone/Firestone's TireStarz program or Goodyear's Gemini program, or purchased directly through a company like Sonsio, road hazard protection programs have been around for years.

Some dealers love them and offer them to every customer who buys new tires, says Michael Jones, president of Golden, Colo.-based Sonsio. Others either get tired of being turned down or just plain forget they have the warranty to offer. And still other dealers just don't want to bother at all.

Only around 40% to 42% of all independent tire dealers offer road hazard protection programs, according to TIRE REVIEW research. Given all the "pluses" such programs afford tire dealers – especially the pure profit potential – that is a surprisingly low number.

That trend may be changing, though. Sonsio, for instance, added some 700 new dealer customers through the first three quarters of 2004, according to Jones, nearly twice as many as it had added over the

last two years combined. While it's hard to say what's driving that growth, it is fair to say that tire prices – especially UHP and light truck/SUV units – have grown considerably in recent years.

After spending \$500 to \$1,000 for a set of tires, for instance, customers may be more willing to protect their costly investment with a replacement warranty. In fact, it is in the high-end segments, Jones says, in which dealers see the most road hazard warranty sales.

Nothing But Net

For a dealer, the road hazard protection concept is pretty simple: Purchase warranties for X, sell them to consumers for Y and the difference is pure net profit. Why? Because the warranty issuer, like Sonsio, covers the administrative and claim costs, the dealer has no overhead attached to the warranty sale.

Not only that, but the dealer gains the added intangible benefit of building a stronger relationship with its customers. "These programs really help with customer retention," says Jones. "They feel you have provided them with peace of mind and that you are looking out for them."

Sonsio, according to Jones, offers multiple types of programs, which can be pro-rated based on treadwear (at set 32nds of an inch) or time (months, years), or they can be all-inclusive for the life of the tire. Sonsio's programs all provide coverage nationwide, giving consumers added peace of mind from coast to coast.

What should road hazard protection cost a consumer? Well, according to Jones, the general rule of thumb is to sell the warranty on a sliding scale based on 10% of the retail price of the tires. So, a warranty for a \$1,000 set of UHP tires would run \$100. Pricing is up to the dealer, he says, and most dealers set a bare minimum at which they will sell the warranty to ensure a set profit percentage.

Without getting into real dollars and cents, Jones indicates that dealers typically can net three or four

times the cost of a warranty.

However, some dealers will sell the warranty for basically nothing and bake the cost into their "out-the-door" prices. These dealers aren't interested in using the warranty programs as a profit center but as a tool to build and retain business.

In those cases, he says, six out of 10 consumers will buy the warranty no questions asked. The other four will ask questions, and two of those will still buy.

Facing the Fear

Dealers who are reluctant to try a warranty program, Jones says, often think it will be hard to sell to cus-

tomers or may have a bias against such programs. Others think it will be tough to implement and get staff trained or fear there will be no one around to pay claims.

Jones says Sonsio takes a lot of extra steps to help dealers, including extensive on-demand training, and in-store POP displays and materials. Plus, Sonsio flags all first-time claims and walks the dealer through the process to show them how easy it is, he says.

"Dealers who do best with the program are those who aren't afraid of selling it," Jones says. "They include it in every tire price quote and take the time to educate their

customers.

"The ones who do the worst are really nervous to begin with, don't sell it correctly, get shot down a couple of times and then just quit selling it," he adds. "Dealers who do just OK with it still sell warranties 20% to 25% of the time."

So, what should peace of mind cost? More importantly, why shouldn't you get a piece of the peace-of-mind business? **TR**

IF YOU ARE SELLING TIRES WITHOUT A NATIONWIDE ROAD HAZARD PROGRAM...

You have **2** options:

OPTION 1- DO IT YOURSELF

- Document and track all paperwork (sales, claim requests, adjustments, denials and approvals), – or risk an inquiry from your state's insurance commission
- Take on the financial risk, hold reserves for future claims, recognize your revenue properly, – or suffer through an audit with the IRS
- Make absolutely sure your program terms and conditions are legally compliant, duly distributed, clearly stated, – or be in violation of the Magnuson-Moss Act of 1975
- Prepare, print, and inventory professional marketing materials, – or run the risk of damaging your image and reputation
- Handle your customer's call from another state demanding that you buy them another tire, – or deal with their anger when they get back

OPTION 2- PARTNER WITH SONSION

- Make money by selling the program at the point of sale
- Make more money on the replacement tires
- Trust Sonsio with the rest

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Learn how Sonsio's Tire Road Hazard program has generated over \$500 million in dealer profits since 1994...all without financial risk, and without the administrative headaches of running your own program. Request our **FREE Report, "Make More Money with Road Hazard,"** which details how you make money, what the program covers, how to implement it in your shop, how quickly we pay claims, marketing tools we provide, frequently asked questions from dealers like you, and much more!

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