

The road to increased F&I profitability:

research dealers can use to support today's knowledgeable and digitally savvy buyers



ASSURANT®



Car Buyers Expect More. Give It to Them.

In today's market, car buyers expect a highly personalized and convenient experience that allows them to shop their way. To help dealers offer this, we've conducted an in-depth research study of the F&I product customer experience. The resulting ebook is designed to help dealers craft the right customer communications strategy by leveraging the latest consumer buying data, creating needs-based awareness of protection products, and honing sales and F&I training to enhance the overall buying experience. We'll also offer some practical tips along the way that will help plan the sale of these products in a way that helps build more value for your customers — and more profit for you.

Today's car buyer can choose from a broad menu of protection products to supplement the manufacturer's warranty. These products, while effective, can be confusing for consumers if coverage features aren't explained and directly tied to needs and driving habits at the point of sale. This can have negative impacts on customer satisfaction and loyalty down the line. To better understand this challenge, we'll be taking a closer look at how consumers view these products and how they deliver value.

F&I Products: Buyers Know More and Understand the Value

Every experienced F&I manager knows that VSCs and ancillary products come in many shapes and sizes, each with varying levels of coverage and cost. With so much variation, it's important for consumers to be better educated on their options and to be properly presented with coverage that best fits their needs, driving habits, and budget.

The good news: In our 2023 study, a large majority of consumers feel protection products add value. And those that have had coverage in the past and actually used the products had a high degree of satisfaction with the products and repair claim process.

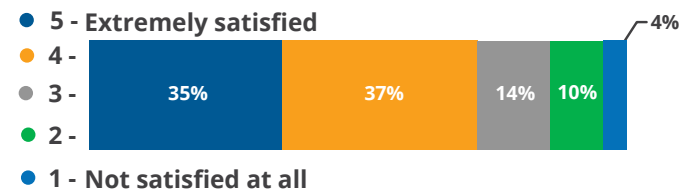
Consumer experience

91% were satisfied with their repair/claim experience



Consumer perception of product value

72% think that a VSC is a valuable product



Consumer knowledge of product coverage



90% Accurately believe that a VSC covers the components that cause a mechanical breakdown or engine failure

82% Accurately believe that a VSC takes effect after the manufacturer's warranty expires

39% Erroneously believe that a VSC covers repairs for wear and tear items on the vehicle

F&I Products: Buyers Know More

Since the cost of a VSC or ancillary product can vary considerably depending on factors such as the type of coverage and the vehicle make and model, customizing the approach to the audience is more critical than ever. Current economic pressures — specifically inflation — can also affect the value of these products. As we recently discussed in our [inflation ebook](#), the costs of parts and labor have risen significantly since the start of the COVID-19 pandemic, **making it important for consumers to consider the long-term cost of inflation when deciding whether to purchase a VSC.**

Consumer value perception of VSCs and their knowledge of the coverage they provide can play a significant role in their decision to purchase. Most customers reported being very knowledgeable about VSCs and their overall benefits, with a notable exception: 39% erroneously believed that VSCs cover repairs for wear and tear items. This is why having a properly trained and equipped dealer staff with effective F&I marketing tools is so important.



F&I Tip:

Understanding the consumer's needs and lifestyle then focusing on product features and benefits that address those needs is the key to building value in — and selling — protection products. Your F&I team can avoid unmet expectations and potential dissatisfaction by asking about driving habits and making a concerted effort to inform consumers of program coverage and limitations. By reviewing program features and benefits with the customer and emphasizing available coverage levels, terms, and benefits, you can make all the difference in overall F&I satisfaction.

Key Reasons Consumers Purchase — or Don't Purchase — VSCs

When it comes to analyzing VSC demand, there are several factors to consider. According to our survey, **54% of respondents stated that their main reason for adding VSC coverage was the fact that they planned to keep the vehicle for a longer period.** It's important to note that this is the first time since Assurant has been monitoring VSC habits that "peace of mind" was replaced as the number one reason for purchase. This indicates that consumers have made a conscious decision to extend the use of their current vehicles due to the current inflationary environment, rising vehicle costs, and/or issues related to the auto industry supply chain. Reasons for not purchasing a VSC were focused on inexperience with the product, added payment cost, and actual value of the product, suggesting that better needs awareness and F&I education around products and value could have an impact on nonbuyers.

Reasons for purchasing a VSC

- 54%** Will keep the vehicle longer than manufacturer's warranty
- 22%** Peace of mind, less stress about dealing with unforeseen repairs
- 20%** Repairs are more costly than the extended warranty purchase
- 2%** I have had expensive issues with vehicles in the past
- 2%** Added security

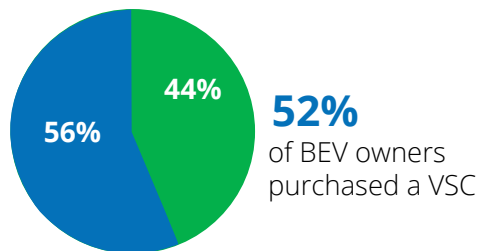
Reasons for NOT purchasing a VSC

- 27%** Never purchase extended warranty coverage
- 24%** Too expensive, it raises the monthly payment
- 24%** It might not be used, so not worth the expense
- 14%** Not keeping the vehicle long enough to need
- 11%** Not needed, vehicles today are more reliable

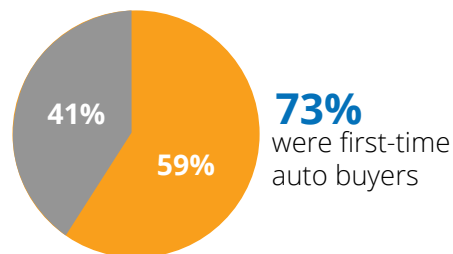
Key Reasons Consumers Purchase — or Don't Purchase — VSCs

Keeping in line with conventional wisdom, **our research showed a 44% attachment rate for VSC products and more than 50% attachment for EVs.** For those that buy a VSC, 59% were first-time buyers. It's important to recognize that a past VSC purchase is highly indicative of future purchase intent. That's because 91% of consumers who previously purchased a VSC and filed a claim were satisfied with their repair experience. On another note, nearly three-quarters of first-time VSC buyers were also first-time vehicle buyers. These customers have less experience with how often vehicles need repair or with the costs involved. Buyers are also financing vehicles for longer periods, with 57% of consumers choosing a financing option with a term of 60 months or more to reduce their monthly payment amount, reinforcing the idea that VSC buyers are looking to protect their investment and save money over time.

VSC purchase with current vehicle



● Yes ● No



● First-time VSC buyers ● Repeat purchase

F&I Tip:

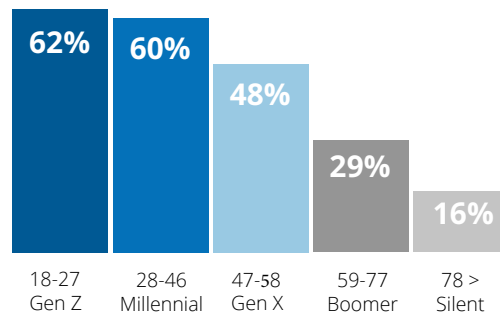
Ask the customer how long they intend to keep their vehicle and introduce the concept of total ownership cost over time, which estimates the added costs of depreciation, taxes, fees, insurance, fuel, maintenance, and repairs. Better understanding the true cost of a vehicle helps customers see how F&I products can help mitigate that cost. By engaging customers with F&I education early in the customer journey, you can build awareness and trust, increasing the likelihood of F&I attachment.

The Opportunity of Gen Z: Most Likely VSC Purchasers

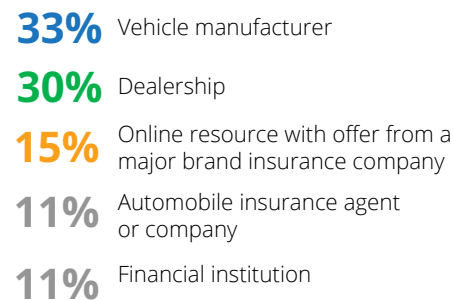
Our research shows that age is a key indicator for F&I attachment. **Gen Z and millennial car buyers were more likely to purchase VSC coverage for their vehicle than more senior generations, with both age groups reporting 60% attachment** and above. These generations typically have less disposable income than senior generations; meanwhile, vehicles are more expensive than ever. As a result, they may plan to own vehicles longer, want to control repair costs, and get more value over time from their purchase.

Another key learning from our survey was that dealers are a trusted source of protection products, ranking nearly as high as OEMs and much higher than aftermarket sellers. This should be an important consideration for any dealership sales strategy. Knowing your customer has trust in your offerings means you can leverage that trust to drive higher attachment.

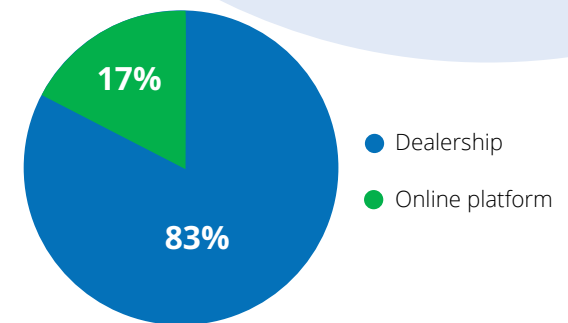
VSC purchase by ...



Most trusted VSC source ...

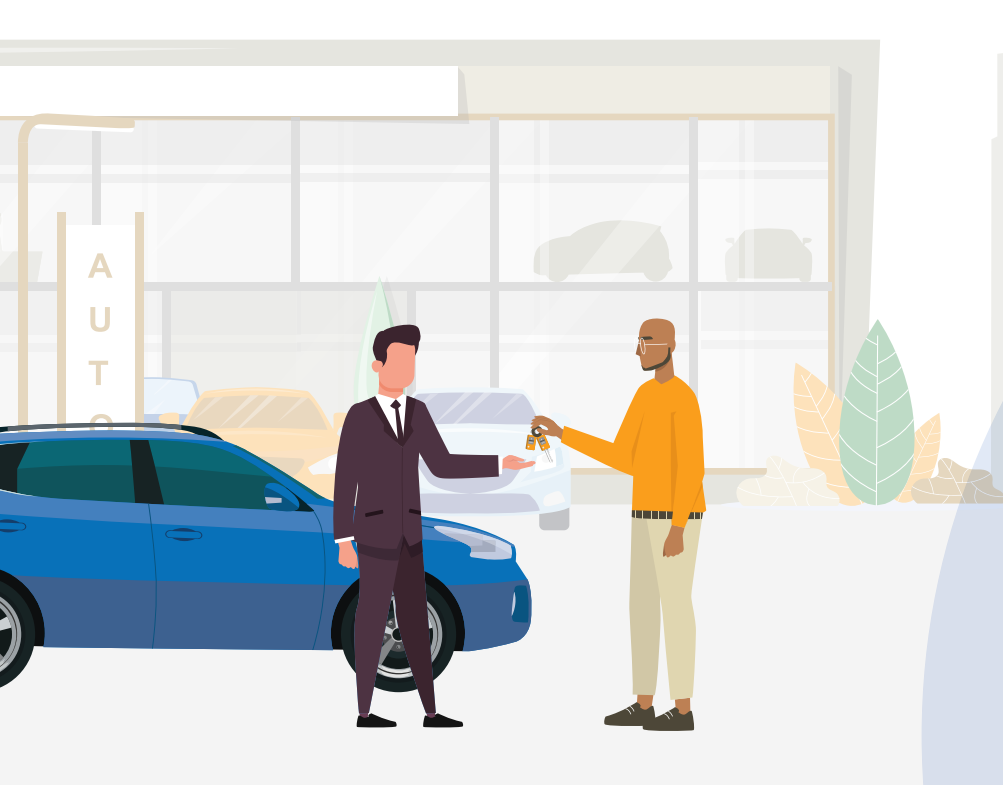


VSC purchased from ...



Key Reasons Consumers Purchase — or Don't Purchase — VSCs

It's worth noting that 17% of VSC purchases were made via an online platform, almost exactly in line with the number of new vehicles purchased online. This will be a key number to watch in coming years as online sales options expand and younger generations become the primary purchasers of vehicles. Gen Z consumers tend to be highly informed and will research and weigh options before making a buying decision. They expect faster, richer customer experiences online, but they also like to shop in stores, bucking previous assumptions about buying behavior. **Gen Z will drive the retail experience of tomorrow.** They're media savvy. Discerning dealers should be prepared to respond to their needs and preferences as retail shoppers.



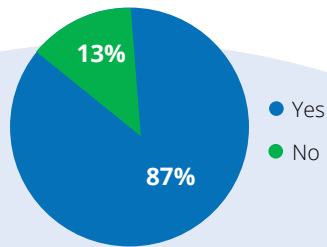
F&I Tip:

Dealerships should reach their buyers where they are. Using social media to promote F&I education can allow them to respond to customer questions and needs during the research stage and purchase process, and throughout the ownership lifecycle, helping to build trust that can flow right into the dealership. Failing to engage with consumers on social platforms is like ignoring a customer when they enter your showroom. All touch points with consumers, whether online or off, should offer complete engagement.

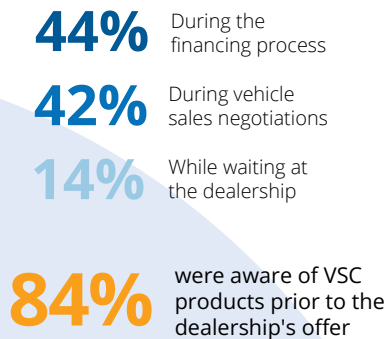
Drive Attachment by Offering Educational Materials Earlier

It's important for consumers to be able to carefully consider their options and choose the coverage that truly fits their needs. Dealers can accomplish this by educating customers about F&I benefits earlier in the experience. For instance, dealers can provide product descriptions and even pricing on the dealer website or offer a brochure early on. Our research has shown that 85% of consumers would be open to purchasing a VSC (84% ancillary) if they had access to protection product benefits before going to the dealership. Buyers want more transparency earlier because they're trying to assess cost up front. They're also seeking out more ecommerce opportunities and will gravitate to dealership websites that offer them. **59% of consumers completed part of the buying process online prior to visiting the dealership**, with 72% engaging in the research phase. We believe these trends will only increase.

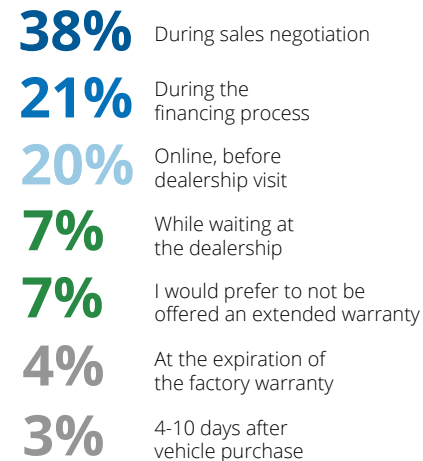
VSC was offered at the dealership



Offer touch point in the buyer journey



Preferred offer touch point



F&I Tip:

Make F&I product research easy and transparent by featuring it prominently on your website. Provide effective tools like videos and interactive brochures throughout their purchase path. Include detailed descriptions of each product's features and benefits, and the real, needs-based value they provide throughout the ownership experience to help build trust. Buyers who are able to self-educate are able to make better informed decisions, making them more comfortable during the vehicle and F&I product purchase.

Drive Success by Integrating F&I Into the Sales Negotiation

Dealers should realize that when you offer a VSC in the customer journey is critical to attachment rates. 38% of consumers would prefer the offer to occur during the sales negotiation, with another 20% preferring an online offer before visiting the dealership. While, historically, VSCs have been offered at the close of the buying experience during F&I, a shift is clearly underway with 42% of surveyed consumers now receiving an offer during sales negotiations. Dealers should view this as an opportunity to steer the conversation from vehicle features to buyer needs and driving habits to help tailor the offer and build trust. This can help put a customer at ease during the stress of a big-ticket purchase.

The early introduction of VSCs should also extend to the online buying experience. Some forward-thinking dealers already have the ability to recommend specific aftermarket products to buyers on their website by using consumer data points.

Dealers should also reinforce a consistent selling process within their teams. Most consumers (87%) we surveyed were offered a VSC when purchasing their vehicle, implying dealers have increased attachment potential. Qualified buyers should receive the VSC offer 100% of the time.

F&I Tip:

Build product assistance steps into the sales negotiation. Use this as an opportunity to ask questions about the buyer's lifestyle, driving habits, and individual needs. Relay this information to the F&I manager to continue the needs-based conversation. This allows you to build trust and provide a faster, more personalized customer engagement during F&I, which will increase the likelihood of attachment. But remember: It's not just about attachment rates — it's about building a relationship with the customer that extends beyond the initial purchase. F&I managers that fully understand a customer's needs and expectations will be able to deliver more value. Keep it simple. And always make it about the customer.



Realize the Ancillary Opportunity

While all F&I products play a key role in overall dealer revenue, some are more popular — and may be easier to attach — than others. When it comes to perceived value of add-on products that are offered during the F&I process, Guaranteed Asset Protection remains the coverage that consumers consider the most valuable. This is because GAP is generally considered to be the most beneficial from a monetary and risk-reward perspective given high vehicle and financing costs. Tire and Wheel and Pre-Paid Maintenance coverage rank second and third, respectively, for perceived value, largely mirroring actual product penetration.

Most valuable ancillary product

- #1** GAP Insurance
- #2** Tire and Wheel
- #3** Pre-Paid Maintenance
- #4** Theft Protection
- #5** Dent and Ding
- #6** Windshield
- #7** Key Fob Replacement
- #8** Paint and Fabric

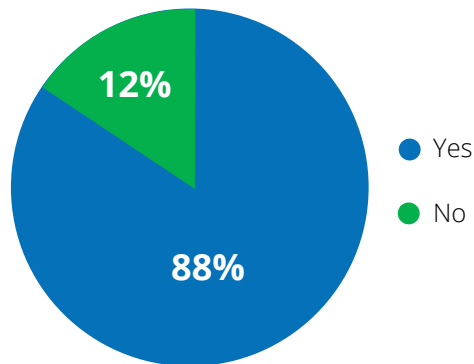
What product was purchased

- 45%** GAP Insurance
- 42%** Tire and Wheel
- 40%** Theft Protection
- 35%** Pre-Paid Maintenance
- 32%** Windshield
- 26%** Dent and Ding
- 25%** Paint and Fabric
- 24%** Key Fob Replacement

Realize the Ancillary Opportunity

Importantly, there's a clear correlation between the purchase of a VSC and the subsequent purchase of ancillary products, with 88% of VSC buyers having an appetite for additional coverage options. The ancillary product preference was the same for those that purchased a VSC and those that didn't. Of those consumers that chose not to purchase a VSC, nearly half did include an ancillary product with their final auto purchase.

Purchased a VSC and ancillary product



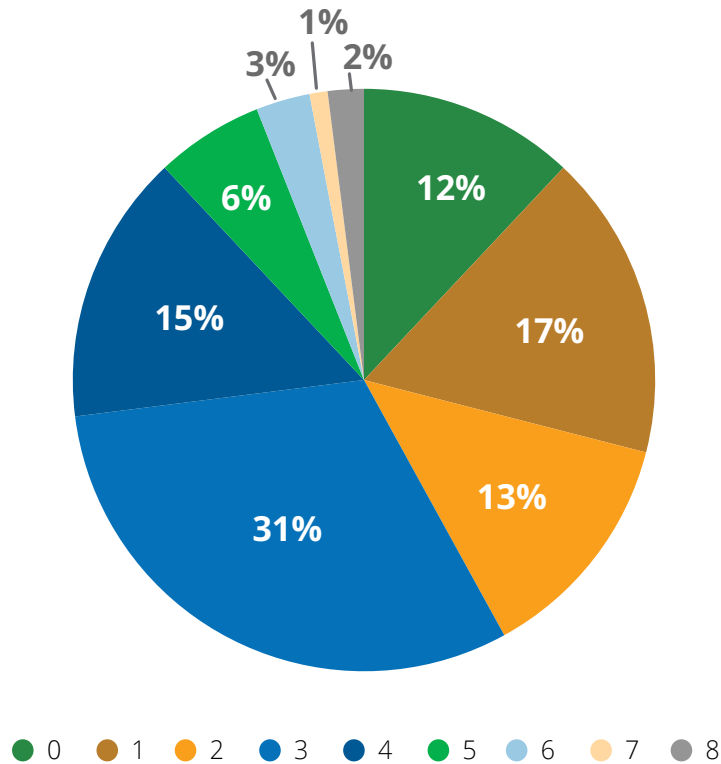
49%
Purchased ancillary
products **WITHOUT**
a VSC purchase



Realize the Ancillary Opportunity

Of those that chose to purchase a VSC, most added more than one ancillary product to their final auto purchase, with the highest number adding three products.

Number of ancillary products purchased in addition to VSC coverage



F&I Tip:

F&I teams should understand the potential to attach ancillary products to a VSC purchase along with potential driving and ownership hazards covered by each product. Use the customer interview to identify driving habits, budget, and needs along with personality type and mindset to establish which ancillary products will best fit the customer's budget and lifestyle. Being organized and doing your due diligence here can help streamline interactions and provide a smoother customer experience. The goal of the interview isn't collecting data points to sell more products — you're helping identify and solve potential problems so you can build value, create a fitting offer, and deliver a truly personalized experience that they'll remember.

At Assurant, we have the right combination of cutting-edge F&I products, tools, omnichannel expertise, and training to help you deliver a superior customer experience with more sales and higher attachment.

Assurant conducted this study to gain insights related to the auto customer purchase journey to identify consumer motivation, purchase preference, and financing decisions, with a focus on general F&I activity and vehicle service contract offerings. Additionally, insights related to a potential monthly product were also included in the study as validation to prior baseline data.

This survey was conducted using a national panel of participants acquired through sample provider Trackwave, Inc.

- Initial launch (n500) fielded July 7 – 10, 2023
- Second launch (n500) fielded July 11 – 14, 2023
- 1,000 total participants/completes
- Automobile owners that purchased a new, certified pre-owned, or used vehicle (no leased vehicles)
- Vehicle was purchase within the past four-year period
- Vehicle was purchased from a dealership or online-based platform



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GA16768-1023

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