

# CAR DEALER INSIDER

Profit Making Secrets for the Competitive Dealer

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**Issue Date: June 16, 2003**

**F&I question: Is etch losing favor with dealers?**

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There's some evidence that dealers are concerned about whether etch is a product that might land them in regulatory trouble—a factor that's triggering some stores to at least mull whether it's worthwhile to offer it in F&I. The concerns flow from two fronts:

1. F&I enforcement actions that involve etch. The widely known F&I case involving Gunderson Chevrolet in California included claims of abusive pricing and lack of disclosure with customers about the products they wound up purchasing. "Etch is a trigger item with attorneys general," says F&I consultant Jim Ziegler of Ziegler Supersystems, Norcross, Ga.

2. Confusion among regulators, lenders and dealers about how to treat the product as part of a transaction. In Florida, state regulators weighed in on whether etch should be regarded as an insurance product or a warranty. That discussion, which prompted some stores to temporarily halt etch sales, ended with etch being regarded as a warranty product that now requires filing of retail pricing with the state. Even so, there's still some confusion about the best place to disclose etch in a deal.

Given the issues, here's a look at some best practices you should consider if your store sells etch:

- **Establish uniform pricing.** Last fall, Asbury Automotive implemented mandatory price caps on etch products—an effort to stop any potential price gouging, says Tom McCollum, vice president for the public dealer group. What's the sweet price point? McCollum believes \$199 is a retail price that "is priced properly and represents a benefit for consumers."

- **Itemize and disclose the product and purchase prices.** Often, dealers will include etch as a Line 1 item on retail contracts. If that's your practice, make sure the product and price are itemized on a buyer's order, F&I menu or the contract itself. F&I consultant **Gil Van Over** of gvo3 Consulting notes that some of his clients have foregone etch sales altogether to avoid the disclosure pitfalls. Ziegler adds that some stores are adding accessory and other theft prevention devices (such as starter interrupts) to help offset income losses from scaling back etch sales and pricing.

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