

# Retail Spotlight

## Boost Profit by Selling Warranties

BY RAY KEENER

How can you increase profits by 10 percent with no risk? One way is by selling extended warranties, said Mike Olson, who owns four Trek Concept stores in San Diego. “A few companies offer these. Our experience is with the Trek Red Shield program,” Olson said.

Olson cites three benefits to selling extended protection plans:

1. It differentiates them from their competitors.
2. If a bike comes back under warranty, Olson’s store gets paid for the repair. His store makes a profit on the broken part and gets a fair labor reimbursement.
3. It’s a high-margin item that lets Olson share that profit with his salespeople. Olson said many have given

themselves a \$2 per hour raise by selling Red Shield.

“About 15 percent of customers want to buy it if all we do is ask,” he said. “Salespeople who present it well add it to about 25 percent of their bike sales.”



**Rob Templeton, manager of the Kearny Mesa store, with Red Shield brochure**

The real kicker for Olson is that it requires no inventory. “I’m never stuck with last year’s model, and it doesn’t tie up my credit line. For 2007, our Red Shield profit increased our margin by 1 percent. If you make a 5 percent net profit, that would be a 20 percent increase in your profit,” he said.

Bottom line for Olson and his staff: “Don’t decide for your customer. Give them the option to buy extended warranties and you’ll both be happy.”