YOUTUBE AUDIO

LESSON 08

The Science of Framing

Prospect Theory: how you frame a choice decides how much risk your customer will take.

> In the box, and in life, we sometimes frame things in a way that keeps us — or our customer — from really understanding a problem. Could the way we present a product influence how much risk a person chooses to take? Yes. If you've been in F&I for more than a month, you've experienced it: one small phrase, framed negatively, and the customer reflexively says "No."

Nobel-prize-winning economists **Daniel Kahneman** and **Amos Tversky** developed **Prospect Theory**, which describes how people make decisions based on how the information *felt*, rather than the information itself.

RISK VS. BENEFIT FRAMING

Use **"risk"** as a closing tool (e.g., mechanical breakdown) and you're more likely to trigger a **risk-seeking** mindset. Use **"benefit"** as a closing tool and the customer adopts a **benefit-seeking** mindset. A blended approach is often necessary — but always begin with the benefits.

According to Kahneman & Tversky, presenting a problem as a potential *loss* adds momentum to risk-seeking behavior, while framing a situation as a *gain* adds momentum to risk-aversion.

The layoff experiment

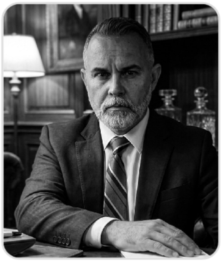
Picture a large dealership facing losses. The GM decides 60 layoffs are necessary and brings in two consulting firms to try to save the 60 jobs. People shown the options framed around jobs **saved** (solutions A & B) predominantly choose the risk-averse option. People shown the statistically identical options framed around jobs **lost** (solutions C & D) predominantly choose the risk-seeking one.

The two situations are basically identical and the questions are statistically the same, yet they consistently elicit different answers. The only difference is wording: "saved" versus "lost." We can watch the same person swing from risk-seeking to risk-averse just because we asked the question differently.

How this works in the box

How often does the "ALL CARS BREAK" close work on someone buying their 4th Honda because they've never had a problem? Not very well. F&I managers are traditionally taught to close on loss or risk — but framing the purchase as a potential problem encourages the customer to become a risk-taker. Instead of a sale, you hear "I'll take my chances."

> To avoid encouraging risk-seeking behavior, talk about benefits and solutions first. Then, only if necessary, discuss the loss or risk you're trying to protect them from.



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- 30+ years in automotive F&I
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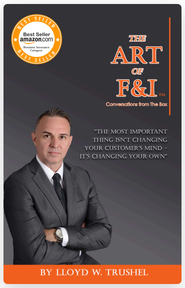
- Clients across the U.S. and Canada
- 10,000+ transactions across all brands
- Trust-based training — zero word-tracks
- F&I training built on trust, not scripts



The Art of F&I
Amazon Best Seller