

Yes, CASH CUSTOMERS WILL FINANCE!

When it comes to converting cash buyers to dealership financing, **follow the customer's lead. F&I regular shows you how.**

BY RON REAHARD

Cash customers are the bane of virtually every F&I manager. The typical cash buyer is in his or her 50s or 60s, has plenty of cash, and doesn't need to finance his or her new vehicle. They've experienced every sales pitch ever invented and can smell commission breath a mile away. That tired old word-track might work on an 18-year-old, first-time buyer, but it won't work with a 65-year-old, last-time buyer. These customers have heard it before, and they don't want to listen to it again. They just want to write a check and take their new car home.

The problem with "pitching" financing or any product to a cash buyer is they immediately recognize you are trying to sell them, not help them. So they turn off, tune out, and you're left without a sale.

DON'T TRY AND CONVERT FIRST

The most common mistake F&I managers make when it comes to cash buyers is attempting to convert them to dealership financing as soon as they discover the customer intends to pay cash for his or her vehicle. This is absolutely the **WORST** thing you can do with a cash buyer!

Of all the products we have available in the F&I office (and financing **IS** a product; that's what the F stands for in F&I), financing is the one product a cash buyer doesn't want, and doesn't think he or she needs. Financing should be the last product we try to sell a cash buyer, not the first.

That doesn't mean we won't discuss the benefits of dealership financing. We will. But asking a cash customer, "Why do you want to pay cash?" immediately puts them on the defensive, and virtually guarantees we won't finance them or sell

them any products. The option of financing should be presented on the menu, just like every other option. Otherwise, we kill our credibility. Once you try to sell a cash buyer the one product they don't want and don't think they need, their defenses come up, and again, you won't sell them anything.

GOOD NEEDS DISCOVERY

Needs discovery is the foundation upon which we must build the sale of every product, including financing. Whether or not you're able to convince a cash buyer to finance his or her new car depends on discovering why he or she needs to finance. We discover customer needs by examining the buyer's order, the credit application, the credit bureau, and by asking open-ended questions. It's also important to compliment the customer on his or her financial acumen prior to asking any open-ended questions.



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**DISCOVERY ZONE:
OPEN-ENDED QUESTIONS**

- How long has it been since you financed a major purchase?
- How long has it been since you reviewed your credit bureau report?
- What do you like about paying cash?
- What type of return are you getting on your investments?
- How long will it take you to replace the money you're taking from savings?
- What type of credit do you have established in your spouse's name?
- What impact will this have on your retirement income and cash reserves?

Keep in mind that cash customers won't finance through the dealership just because we want them to. In fact, sometimes they won't finance even when they can borrow money for less than they're earning on their investments. We have to discover a need that financing will fill, or a problem it will solve, so there is basis for our discussion of financing with the customer. In order to do that, you have to utilize open-ended questions that will enable you and the customer to answer that all important question: "How will financing help this customer?"

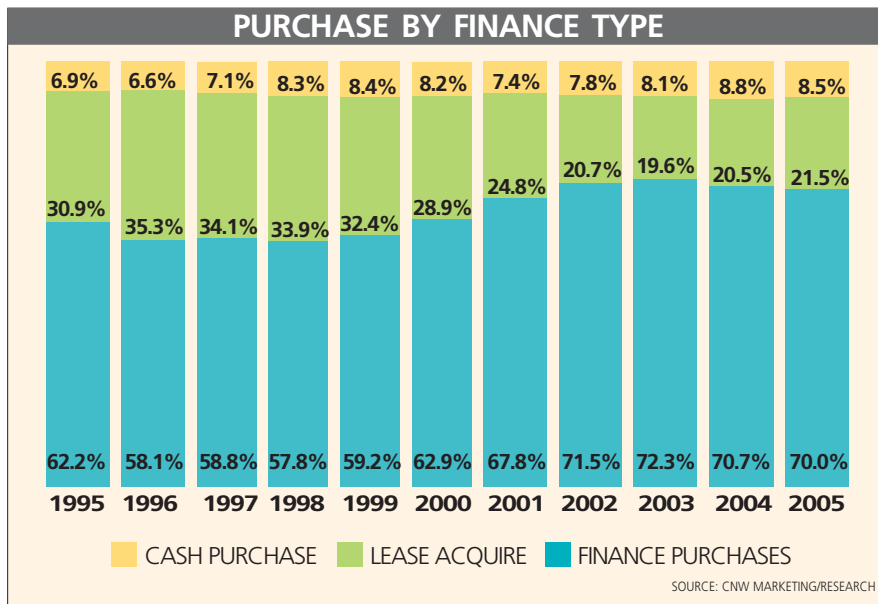
OFFER FINANCING ON THE MENU

Presenting a menu to cash buyers that includes the availability of dealership financing allows every customer to make a well-informed decision about the various products (including financing) available. Like any other form presented to the customer, a proper introduction and explanation are critical.

Now instead of "pitching" financing or any product, we're simply reviewing the options available in connection with their purchase. Customers want to know what their options are. They just don't want to feel like somebody is trying to "sell" them something they don't want and don't think they need.

FOLLOW THE CUSTOMER'S LEAD

After presenting the customer's options on the menu, it's important that we follow his or her lead by first discussing those products he or she is interested in. If the customer indicates that he or she is not interested in any product, always start with the product he or she needs the most, not the one you make the most money on. So financing may be the third or fourth product you talk about.



After falling to 7.4 percent in 2001, cash purchases have hovered around the same level since 2002. Leasing has experienced an uptick since 2003. Financing has also hovered around the same levels since 2001.

After your initial needs discovery, you should have several good reasons why the customer needs all of your products, including financing. The key is to make the customer want to know more about the benefits of financing vs. paying cash, so we're responding to the customer's request for information vs. making a sales pitch. We do that by making a statement that piques the customer's curiosity and makes him or her thirsty to know more. That way, we're helping the customer, not selling the customer.

CREATE CUSTOMER INTEREST IN FINANCING

Creating interest in dealership financing is the key to converting a cash customer. It's critical the customer wants to hear what you have to say, as opposed to forcing him or her to listen to what you have to say. A middle-aged couple paying cash often presents the perfect scenario for a cash conversion.

After you have discussed any other F&I products he or she might be interested in, it's time to help your customer see the benefits of dealership financing. You can pique his or her interest by talking about the three assets he or she can leave your dealership with if he or she chooses to finance. When your customer wants to know what those assets are (i.e., car, cash and established credit), it's time to demonstrate how financing will benefit him or her. You can take this further by talking about two additional assets your F&I products offer (See sidebar on page 38).

One of the best tools you have for a cash conversion is the credit bureau report. Ob-

taining a credit bureau report on every customer is just a good policy. It helps ensure the person is who they say they are, and allows us to check them against the OFAC list. Identity theft is a huge problem today, so reviewing the customer's credit bureau with a cash customer also allows them to confirm all the information in the bureau is correct. Even people who have always paid cash still like to know what their credit score is.

When they learn their FICO score is "only" 763, while the top score is 850, they're disappointed. They thought for sure their score would be at least 849. This helps them "see" the need to finance this purchase. It's easy to create interest in financing after reviewing their credit bureau when you make a statement like, "I'm glad to hear all the information in your credit bureau appears to be correct, because identity theft is such a huge problem today. That's why I wanted to review it with you. Just to make sure you recognized all the credit being reported. Although, after reviewing your credit bureau, I do have a couple of serious concerns." Believe me, those cash customers will want to know what you know. While warning customers about the importance of regularly checking their credit bureau, your real message is about the need for them to establish some installment credit in addition to their revolving credit.

THE BENEFITS OF FINANCING

Every customer has unique needs. The challenge with cash customers, as with any



WORD TRACKS YOU CAN USE

Introducing Financing Using a Menu

"Nancy, before we finish up the paperwork, I do need to go through this disclosure form with you. I'm required to review your repayment, risk management and vehicle protection options, and answer any questions you may have. Would that be OK with you?"

Reviewing (i.e., Selling) Your Customer's Options

"Mr. Johnson, I know you're planning on paying cash, and you're welcome to do so. However, I did take the liberty of working up some repayment options to let you see what is available, just in case you're interested."

Piquing Your Customer's Interest in Financing

"Obviously, if you want to pay cash for the car, you're welcome to do so. We've never turned down a check that I'm aware of. And if you write us a check, you'll leave here today with a car that's paid for. I know that's a good feeling. That's one asset. You could also leave here today with three assets. And should anything happen to either of you, your spouse would inherit five assets."

Planting the Seed Using a Credit Report

"I'm glad to hear all the information in your credit bureau appears to be correct, because identity theft is such a huge problem today. That's why I wanted to review it with you. Just to make sure you recognized all the credit being reported. Although after reviewing your credit bureau, I do have a couple of serious concerns."

Putting the Decision in the Customer's Hands

"After today, your credit score will either go up or go down. Which would you prefer that it do?"

Presenting the Plan

"The best way to ensure a good score is through the responsible use of credit. This might be the perfect time to establish or re-establish some installment credit by financing a portion of the cost for two or three years. That credit will remain in your bureau for seven years after the loan is paid off. Right now you don't need to borrow money. Who's to say 10 years from now you won't need to borrow money? There could be some serious financial reversals with your investments, a long-term illness, hospice care, a problem with the kids or grandkids. The best time to borrow is when you don't need to, so if you ever do need to, you can... at the lowest possible cost."

customer and any product, is to demonstrate how financing through the dealership will benefit him or her.

If this couple pays cash for this car, they leave with one asset: a car that's paid for. However, if they finance their purchase, they leave with three assets: the car, the cash, and the current credit established in both names. More importantly, should either of them pass away, their spouse will inherit five assets:

- The car that's now paid in full with credit life insurance.
- The cash they didn't spend.
- The interest earned on the cash they didn't spend.
- The unearned finance charge returned to the state (with gross indebtedness coverage) because they elected to purchase credit life insurance.

- Credit through a nationwide lender should they ever need a loan in the future. And if they elected to finance the entire purchase price, GAP protection can even shift the risk of excessive depreciation to the GAP provider.

To convert cash customers, you must help them see how they might benefit from financing. Even cash customers recognize the importance of a good credit score. And as a financial services professional, your responsibility is to use their past to help them make informed decisions about their future. Whether it's leaving additional assets to a surviving spouse, establishing or re-establishing credit, or keeping their cash available for a future business opportunity, you must be able to demonstrate how financing through the dealership will help them. If there is no benefit to your customers, there is no reason for them to finance their purchase.

Cash buyers will see the benefit of dealership financing if you don't try and convert them first, discover their needs, and offer financing as an option on the menu. If you then follow the customer's lead, create interest in financing vs. paying cash, and remember to communicate end-results benefits, he or she will finance. As with any product, it still comes down to asking: "How will financing help this customer?" Once you communicate how financing will help them, they will finance. ■

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