'We Know What We're Doing!'

by Hector Bosotti

There are some dealers who have been marketing to and servicing special finance customers for many years. Some would consider these people to be the experts in the industry. Last year I visited and spoke with dealerships from coast to coast that are considered among the best in special financing and discovered some startling revelations.

Many were reporting that they were seeing less traffic than they had experienced in prior years and were only interested in hearing about marketing ideas and strategies that I could offer to generate more inquiries. Upon further investigation, I discovered some common observations from these dealers who "knew what they were doing."

- They were spending thousands of dollars in advertising per month (some in the $25,000 to $30,000 range).
- They had no tracking system to record their showroom traffic, nor where the inquiries were coming from.
- They had no idea of how many sales calls they were receiving, who was taking them, or what was happening to them.
- They had no idea of how many appointments were being kept.
- They had no follow up system in place.
- A common challenge that they had was getting customers to come and see them even after they got the customer approved.
- Another challenge was getting customers to accept the higher interest rates or the "qualifying" vehicle.
- Their web sites (online presence) had not been updated for sometime and they were not very engaging or efficient at attracting or capturing customers.
- Most had never invested in special finance training.

The days of merely throwing money at your advertising budget to generate more traffic has come and gone. With more and more dealerships entering into the special finance marketplace today, it's very easy to understand why many seasoned dealerships are seeing less traffic – there's more competition. There are more dealers marketing to special finance customers today than there were five years ago and the reality is that there will be more in another five years. While less than 10 percent of dealerships pro-actively market to credit-challenged customers today, we see more and more dealerships get the training required to understand the marketplace, the opportunity, the customer and how to effectively market to and handle this market segment.

Many top performing dealers have adopted a number of the following successful marketing strategies:

- They mine their existing customer base (most new vehicle dealerships have not yet informed their client base that they can help credit-challenged individuals). Other special finance dealers have a renewal manager or have a process to get their special finance customers back into the dealership to trade up for another vehicle. They leverage the loyalty programs available from some of the special finance lenders.
- They have developed aggressive referral programs. Dealers were paying $100 for a referral 20 years ago, but we now see dealers going as high as $500 with some interesting twists.
- They purchase third-party leads from many lead generating companies. Statistics show that you can expect to close between 9 to 11 percent of these leads so buy as many as you can get!
- They have developed a separate and distinct unique online presence that does not conflict with the image or brand of their new vehicle dealership.
- They utilize *Canada Post* and local newspapers for direct mail or flyer distribution. This continues to be one of the most effective marketing strategies across the country.
- Several have developed their own infomercial to run on cable television.
- Some use radio spots.
- Some offer a 10 year/160,000 km warranty with each purchase.

Oddly enough, we have also found that there is not one single special finance sales process that is successful, but rather several. The key to an efficient and successful sales process depends on certain procedures that are executed when adopting a certain strategy. Some dealers always take a credit application over the telephone and some never do. Some dealers never pull a credit bureau on a customer and some always do. Some dealers offer a single vehicle as a choice where others offer several. It's easy to see how adopting what one dealer does or doesn't do can create a less efficient sales process for your operation. Some dealers are using processes or strategies because that's the way the first person that started up the department did it. Dealers and special finance managers need to understand the full scope of each procedure and what elements to adopt or exclude when executing a particular strategy. There is no doubt that these successful dealerships made many mistakes along the way and lost many opportunities while streamlining their sales process. The question that you should ask yourself is, "Do I want to make those same mistakes and can I afford the time to learn by trial and error?"

Many other industries have floundered for precisely the same reason – they thought they knew it all. They rested on their laurels while other companies got better and eventually took part or a significant chunk of their market share. If you are operating a successful special finance operation today, the worst thing that you could do is to not allow yourself the opportunity to get better.

The best investment that a special finance dealership can make this year is to get more training to see what other dealers and individuals are doing in the marketplace. In doing so, you will likely discover many other marketing ideas, sales process tips and strategies that you will want to adopt. You miss out on 100 percent of the opportunities that you don't take!

Special finance dealers who have been in business for a while need to take stock of their operation and look at:

- their current efficiencies
- different ways to attract customers (marketing and advertising)
- their online presence, functionality and efficiencies
- different ways to capture customer inquiries and become more efficient at getting them to the store
- different sales process tips on dealing with them when they arrive
- and how to discover inventory opportunities

We have all read or heard of our lenders' performance averages: 40 percent get approved, 30 percent of those get delivered and that reflects a 12 percent success rate.

The fact remains that we see many dealerships getting 50 percent or more applications approved, 40 percent or more approvals ultimately delivered, realizing a 20 percent or more a success rate.

In some cases, dealers will not necessarily need to generate more opportunities but just do a better job with the ones they have. If you don't want to be average, then you have to get better. Continuous improvement never hurt anyone and it just may be your best investment of the year.

Hector Bosotti is a consultant, trainer and speaker with the Wye Management Group. He has over 23 years of retail automotive experience and his success has been founded on three key elements: people, process and training.

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