

Converting the Nonbelievers

Turn Cash Customers into Finance Customers



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When a customer pays cash for a boat, you are leaving a boatload of money on the table. An average marine dealership can make tens of thousands of dollars a year through its F&I department from customer financing. Unfortunately, this important element of the business is too often forgotten by boat dealers.

Marine dealerships are missing out on this backend profit because much of the marine industry continues to be confused about what F&I really means. F&I is about PROFIT. It's not simply about obtaining customer financing just to sell boats. An F&I professional's job is to make as much money as he or she can for your dealership through finance reserves (making money on the loan itself), selling extended service contracts, and selling credit insurance.

According to Dennis Eaton, President of Profit Workshop 2000, "The F&I department holds untapped profit potential with little or no investment by the dealer. The key to participating in this overlooked profit center is to commit to an F&I outsource company or hire a properly trained F&I Manager."

Did you realize that F&I can earn your dealership anywhere from \$800 to \$1500 or more on each sale? Consequently, that is how much profit you're losing each time your customer pays cash as opposed to financing the purchase of a boat. When a customer opens his or her checkbook, it's easy to get excited about the sale and to forget about F&I, but you should remember how much more money you can make by asking your customer a few quick questions before accepting that check. Cash conversions—the process of converting your cash customers to finance customers—"are overlooked or ignored by many dealers," says Vernon Blanc, Director of F&I Training for Profit Workshop 2000. "And an F&I outsource company or a properly trained F&I Manager should be able to convert from 10% to 15% or more of your cash customers to finance."

Let's take a look at how quickly cash conversion profits can add up. An average boat dealership will likely generate 50% of its annual sales from cash and 50% from financing. If you're a \$3-million-a-year dealer, and your average price per unit is \$20,000, you're selling about 150 boats a year. If 50% of those boats are cash deals, 75 customers paid cash. If your dealership converts 15% of those 75 cash customers to financing, you have just made another \$9000 to \$16,875 a year. That is equivalent to selling nearly 5 more boats a year! (Based upon a gross profit of 18% per \$20,000 boat)

Cash conversions will help you achieve two goals toward higher profits. As already mentioned, cash conversions enable your dealership to make additional income through your F&I department. Secondly, they allow you to maintain control of the sale by discouraging the customer from obtaining outside financing, and a saved sale means profit too.

Here are a few tips for successfully converting your cash deals to finance deals.

When a customer says that he or she would like to pay cash for the boat, ask the customer, "Will this be actual cash, or do I need to put a lien on the title?" This question will determine whether the customer is really paying cash or getting a loan from an



outside bank or credit union. WHEN A CUSTOMER SEEKS FINANCING FROM AN OUTSIDE SOURCE, YOU LOSE CONTROL OF THE SALE! (The outside lender may tell the customer that he or she is paying too much for the boat and direct the customer to another dealership. The outside lender may only agree to finance the boat for a short period of time, and due to higher monthly payments the purchase suddenly becomes too expensive for the customer, and the customer is not likely to tell you that he or she can't afford the boat. In either case, you lose the sale.)

If the customer says you will need to put a lien on the title, this is not really a cash deal. The customer intends to obtain financing from an outside source. When you know that a lien will be necessary, mention to the customer that your dealership offers numerous competitive financing options and that customers typically find these options very appealing. At this point you should direct the customer to your F&I manager or your contracted F&I service provider.

If the customer says he or she will be paying actual cash for the boat, point out that certain boats qualify as a second home to the IRS. If the customer pays for the boat with a loan, and the boat is declared as a second home, the interest on the boat loan becomes tax deductible.

Explain to the "cash" customer that interest on a boat loan is simple interest and is paid only on the outstanding balance of the loan. Consequently, the interest a customer pays will diminish as payments are made, and the principle shrinks.

Further explain to the "cash" customer that if he or she keeps the cash invested, the interest is compounded, and the customer's investment grows more rapidly.

The bottom line for the "cash" customer is that he or she comes out ahead financially by keeping his or her cash invested and by taking out a loan to pay for the boat.

Once you've convinced the customer to finance his or her purchase, direct the customer to your F&I manager or your contracted F&I service provider.

When you become skilled at cash conversions, you will realize several benefits:

1. You maintain better control of your sales.
2. You make more money for your dealership from F&I profits.
3. You provide great customer service by offering your customers a wide array of finance and insurance options.

Cash conversions should become as much a part of your selling process as the walk around. At first it may be difficult to fight the temptation to immediately accept a check, but by fighting that temptation your dealership will become more successful. You won't go wrong when you remember this very important concept, "You can't spell PROFIT without F&I!"

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