

RV EXECUTIVE TODAY



Converting the NonBelievers: Turn Cash Customers Into Finance Customers

by: Lisa Gladstone

How often do you encounter a customer who tells you they will be paying cash for their RV purchase? Undoubtedly, your first response is to accept their check and move on to the next customer. What many dealers tend to forget, is when a customer pays cash for an RV, you are losing potential profit. The average RV dealership can generate several hundreds of thousands of dollars in profit annually through F&I. Unfortunately, this important element of the business is often overlooked by RV dealers who are in a rush to complete the sale and move on.

RV owners are also missing out on a potential tax break because the interest on the vast majority of RV loans is tax deductible as second home mortgage interest.

F&I IS ABOUT PROFIT

Many RV dealerships miss out on the backend profit generated in the F&I department simply because they continue to be unclear about what F&I means. While it is true that helping your customers obtain financing helps you sell more RVs, at its core F&I is about PROFIT. A true F&I professional is trained to make as much money as he or she can for your dealership through finance reserves and selling products such as extended service contracts and credit insurance. Many dealers rely upon F&I outsourcing as a means of benefiting from the expertise of trained F&I professionals without the costly overhead associated with an in-house F&I manager.

Did you realize that F&I can earn your dealership thousands of dollars on each sale? Consequently, that is how much profit you lose each time your customer pays cash instead of financing the purchase of an RV. When a customer opens his or her checkbook, it is easy to get excited about the sale and to forget about F&I, however you should remember how much more money you can make by asking your customer a few simple questions before accepting that check. Cash conversions – the process of converting your cash customers to finance customers – are often overlooked by dealers and can be a source of additional profit with minimal effort.

CONTROLLING THE SALE

Cash conversions will help you achieve two goals towards higher profits. As already mentioned, they will enable you to earn 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.

Remember: 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 RV and direct the customer to another dealership. The outside lender may only agree to finance the RV for a short period of time, and due to higher monthly payments the purchase suddenly becomes too expensive. A customer is not likely to tell you that he or she can't afford the RV. In either case, you lose the sale.

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CONVERTING CASH CUSTOMERS

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 RV, 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 truly paying cash or getting a loan from an outside bank or credit union.

Lien on the Title

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.

Actual Cash

If the customer says he or she will be paying actual cash for the RV, explain to the "cash" customer that interest on an RV 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 RV. Once you've convinced the customer to consider your finance options, direct the customer to your F&I manager or your contracted F&I service provider.

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!"

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.

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