Why you need your Business Manager to evolve

by Hector Bosotti

Most Business Managers working in dealerships today have been trained to be great salespeople. They sell extended warranties, vehicle protection, insurance products on loans or leases and a myriad of other aftermarket goods or services. They have an interest to convert a cash buyer to choose one of your dealer plan options as it makes selling their aftermarket products much easier. They also have a vested interest to get more deals approved.

The reality is that more people are moving towards using their lines of credit to purchase their vehicles than ever before. And why shouldn't they with the prime interest rate under 3%? Franchised dealers that offer low finance or lease rates have not seen such a decline on their new vehicle transactions but have on their used. Independent used vehicle operators have experienced a similar trend. Clearly, the lay of the land has changed and that is why dealerships need their Business Manager to respond to these new challenges. Converting a cash customer who is using their line of credit to purchase a vehicle is a formidable task unless he/she is equipped with the skills, tools and strategies required to convert them. It is likely that your finance penetration will continue to dwindle as will your Business Office gross profit per unit sold if it has not already.

A recent J.D. Power and Associates study reported the following results:

- **Almost 70% of General Motors, Ford and Chrysler dealers in Canada experienced a drop in credit approvals for their customers in the past year. (June 2009)**
- **The study of 950 dealers found that about 30% expect a drop in business with captive providers in the next year.**
- **More than half of dealers of Asian-based brands saw a decline in approvals.**
- **30% of dealers of European brands, which generally attract higher-income customers, faced a drop in approvals.**

The results indicate the severity of the global financial meltdown and subsequent tightening of consumer credit on vehicle sales, which have plunged in the past year.

Today most Business Managers simply take a credit application and click it through to their preferred lender, and if declined, they send it off to a non-prime lender. The good news is that nationally, about half of those declined applications will be approved by a non-prime lending institution but the bad news is that less than half of those approvals will not result in a delivery. Why? The two most common reasons are:

1. **The customer will not accept a higher interest rate.**
2. **The customer will not accept another vehicle that matches the payment call from the lender.**

Since 2004 it has been estimated that 25% of the retail market does not qualify for a loan at a prime lending institution (Source: Equifax). With the credit crunch in full swing, unemployment rates setting new records and bankruptcies up almost 50% in many provinces, is it any wonder that the J.D. Power study confirmed what everyone suspected.

Non-prime lenders seek to approve risk if a customer has reached the trough of their credit problems. If they are still having trouble managing their credit, adding another loan will certainly not help. This is why a customer who has gone through a bankruptcy is eligible for a non-prime loan - the worst is over and the slate has been wiped clean. Business Managers need to review credit reports with customers to determine any justification, extenuating circumstances and resolve in order to prepare a better case for a lender approval. This needs to be done prior to a submission and not after! Non-prime lenders are looking for good reasons to loan out money but not if the risk is unwarranted. The common denominator that provides dealers with superior approval and delivery rates is that their Business Managers pull credit reports.

There are literally a couple of dozen benefits why a Business Manager should pull credit reports but the most compelling reason is that it allows he/she to show a customer why they do not qualify for lower interest rates instead of just merely telling them why. Pulling credit reports and reviewing them with customers is a powerful selling tool. It allows a Business Manager to take control, look for errors/omissions and to look for resolve - it simply allows a Business Manager to build a better case to submit to a lender. This applies to declined or qualified applications to prime lenders as well. Reviewing a credit

report with a customer allows a Business Manager to counsel them towards recovery. Many Business Managers today in fact, have a Credit Recovery manual that they provide to their customers as a complimentary service. This procedure allows a customer to see that there is a brighter future. After all, most credit challenged customers will want to be able to buy a home one day, look after their children's education or just plan for retirement. By executing this simple strategy, a customer is provided with the motivation to accept a higher interest rate and a vehicle that they may have not originally wanted. Pulling credit reports gets more deals approved and delivered.

Why is it that most Business Managers do not pull credit reports?

1. **They believe that it is too time consuming.**
2. **They or the dealer believe that the cost is prohibitive.**
3. **Many Business Managers may be intimidated about pulling a credit report because they do not know how to read them and what benefits would be derived if they learned how to.**
4. **Some believe that it is not their duty to approve a loan or lease application and that is falls beyond their job descriptions.**
5. **Many believe that pulling a customer's credit bureau will not change the outcome of a lender's call.**

With credit reports costing only about $5 on the DealerTrack portal, surely cost cannot be an excuse, so the true reason probably lies with a Business Manager's lack of knowledge or understanding.

With the changing economic times, credit line usage up, less lenders available and their purchasing parameters tightened because of the credit crunch, it is imperative that dealerships respond by further educating their Business Managers and provide them with the tools and strategies to be more effective at capturing more finance contracts and getting more deals approved and delivered.

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The Wye Management Group is currently facilitating VFC's sponsored Special Finance workshop across Canada. For more information on the workshops, visit **wyemanagement.com** ***or contact their toll-free number 1(888) 993-6468.***