

Hector Bosotti



Marketing to Non-prime Customers

We all would like to have more customers visit, call or e-mail our dealerships and it certainly becomes very frustrating and expensive when trying to find that magic formula to accomplish more traffic. Unfortunately, most dealerships have absolutely no marketing or advertising strategies in place to attract regular credit-worthy customers let alone a strategy to get credit-challenged customers in to see them. Regardless of your customers' credit scores, you must develop a marketing and advertising game plan.

U.S. dealerships have the luxury of buying leads from a myriad of lead generating organizations to fuel their operations and this avenue greatly increases a special finance department's opportunity for success. There is however, only a limited number of lead generating companies in Canada so you will want to seek out as many of them as you can and try to do business with as many of them as you can find. The laws in Canada prohibit public access to individual credit scores and the process of surgically marketing to non-prime customers becomes more complicated as it forces Canadian dealers to literally become their own lead generators. It is precisely for this reason that many dealerships fail to get more actively involved in the sub-prime market; they just don't know how. We have provided some basic steps to get you going or to see how you are doing with respect to generating leads. While the process is more involved, we have found that the dealers who have made the effort and investment are the ones reaping huge dividends today. We hope that you will be able to implement some of these ideas and strategies.

Step 1: Decide who you want to target market

Your lender mix will have a significant impact on who you market to. Having the depth of being able to get the 'worst of the worst' approved will allow you to be more aggressive in your advertising campaigns. "Guaranteed approval" outperforms "All applications are accepted" 80 percent of the time in advertisements. If you are seeking to market to individuals who have gone bankrupt, ensure that you have a lender with that particular appetite. Remember that credit-challenged individuals have few boundaries. They include labourers, professionals, self-employed, male and female, young and old, your next-door neighbour and even your previous customers. A curious statistic that you may wish to consider is that the average age of people who have gone bankrupt or accepted a consumer proposal is just over 41 years of age.

There are two types of credit-challenged individuals: the credit criminals and victims of circumstance. While it may be quite difficult if not impossible to help credit criminals, you can offer assistance to victims of circumstance. Divorce remains the number one reason for poor credit followed by a loss of income due to a job loss or a health disability. Other common reasons that would cause an individual not to be approved at a prime lending institution include:

- Bankruptcy/credit proposal
- Write-offs, collections, judgments
- Slow payment history
- High total debt service ratio
- No payment history
- Excessive negative trade equity
- Older vehicle with high maintenance costs

Step 2: Identify where your target market is

If you have selected some or all of the above individuals, it would seem impossible to surgically market to any one of these groups, however, consider starting your quest in places where you will likely find the individuals you are seeking. Here is a thought-prodding list to help you get started:

- Lower income housing/rental areas
- Provincially assisted housing complexes
- Apartment buildings or condominiums
- Trailer parks
- Your owner base
- Your service customer base
- Bankruptcy trustees
- Credit counselors
- Divorce lawyers
- Parents without partners organizations
- Laundromats
- Donut shops
- Bars
- Pay advance outlets
- Dollar Marts/bargain type stores
- Goodwill-type agencies
- Hair salons
- Barbers
- Trade schools
- Bus stops
- Taxi stops

- Public transportation
- Train depots
- Grocery/variety/convenience stores
- Body shops
- Daily rental agencies
- Junkyards
- Insurance agencies
- Tax preparers

Step 3: Determine the most cost effective way(s) to communicate to your target market

Consider every available medium that you have access to and start to research the costs that are involved.

- Direct mail (Canada Post/newspapers distributions)
- Display advertisements in metropolitan/local/rural
- Billboards
- Classified or spit ads
- Weekly publications
- Auto Trader or Auto Mart type magazines
- Buy and sell or similar publications
- Your online capabilities including “ghost” or “micro sites”
- Radio
- Television: traditional commercials to infomercials on network/cable stations
- Sponsorships

Step 4: Set a budget

Best practices suggest that you allocate 10 percent of your targeted/actual department’s total gross profit. If you are setting a gross profit objective for the year of \$400,000, then you need to allocate at least \$40,000 and then divide it up according to your marketing mix (to be discussed).

Step 5: Develop a positioning statement or slogan

How do you want your operation to be perceived by your target market? Most dealerships do not have a positioning statement or a slogan attached to them. This is likely because they have never actually thought about one or the benefits. Consider naming these to yourself:

1. Name a computer company.
2. Name a sneaker company.
3. Name a clothing company.
4. Name a fast food restaurant.
5. Name a facial tissue company.
6. Name an insurance company.

I’m sure that there’s a reason why you thought of your answers. It’s likely because you remembered their slogans, logos or advertisements. These companies were successful at branding themselves. You remembered them!

One of the most common mistakes dealerships make is to attempt to promote their own franchise brand or identity to attract credit-challenged customers.

Creating a separate marketing identity will allow your dealership to maintain its own image and allow you to use your resources to

direct customers to your separate non-prime identity. This is also known as ‘ghost/blind’ branding/marketing.

Some examples are as follows:

- driveby5.com
- carloanscanada.ca
- drcredit.ca
- 1800ownacar.ca
- auto123.com
- financialfreeway.ca

Do some searches on the Internet and try these key phrases: “bad credit auto loans,” “recently bankrupt,” “poor credit auto loans,” etc... and you will discover dozens of “ghost” sites to research.

Step 6: Determine your advertising mix

Most successful special finance operators will allocate 80 percent of their non-prime advertising budget towards promoting their ‘ghost/blind’ identity and 20 percent towards campaigns with various calls to action. Elite special finance departments will spend over 50 percent of their budget with a blend of radio and

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We have a great checklist that we use for experienced special finance dealers that you might consider to use as you sit down to work on your 2008 game plan. If you have poor lead generation (walk-ins, sales calls, online inquiries/applications), run down this list to see if you can identify any deficiencies or opportunities for your operation:

- You’re not even in the used car game (limited inventory or access to inventory).
- You have not developed a pre-owned brand for your dealership.
- You have not developed a marketing and advertising game plan.
- You are using a poor marketing/advertising mix.
- You are not using direct mail campaigns.
- You are advertising in less than efficient niche target markets or to the wrong target markets.
- You price advertise your inventory when running special finance campaigns
- You are not advertising at or near the front of your publications.
- You do not monitor leads or the source of leads.
- You do not use a variety of 1-800 numbers to track leads.
- You advertise ‘hap-hazard’ with no reasoning behind your executions.
- Your classified advertisements look like everyone else’s or are not dominant.
- You have no positioning statement or slogan to promote your brand or “ghost” site.
- You are only utilizing your primary web site.
- Your web site is not engaging, not easy to navigate or takes too long to load.
- You do a poor job at ‘traditionally’ driving traffic to your website(s).
- Your web site is not optimized.
- You do not use pay-per-click advertising.
- Another company hosts your web site or your inventory.
- You have too few or no “calls to action” online or in your advertising executions.
- You are not purchasing any leads from a third party.
- You have not consulted with professionals.

television advertising. Developing your formula can be very costly using a trial and error method. The cost of using a professional in this area will save you thousands of dollars in the long run and will allow you to start generating leads and profits immediately. Direct mail remains the medium of choice when starting to market to non-prime customers!

Step 7: Develop campaigns that you will execute

I received a 'neighbourhood sale' flyer the other day at my home from a franchised dealer and I was quite frankly embarrassed for him. It was a simple three-colour execution on a white sheet of paper that was obviously put together at the last minute and with little thought. It did leverage the manufacturer's offer but it lacked creativity, it looked very plain, it didn't capture my attention and had very poor 'calls to action.' I felt bad for the dealer and the sales staff banking on this campaign for their Boxing Month special but I knew that they were not giving themselves a very good chance to succeed with this inferior direct mail campaign. The best tip that I can share with you is to do the research and see what types of clever campaigns are working for dealers across the country. No one is going to tell you for free, so be prepared and feel comfortable in paying for professional advice or consulting in this area.

The best special finance dealers all have powerful online strategies in place that directs their target markets to their "ghost" site(s) or to one of their multiple 1-800 numbers to capture their leads.

Step 8: Ensure that you have the processes in place to convert your leads into appointments

If you've been successful at generating leads then your last step will be to ensure that you have trained all staff that will come in contact with your special finance customers. All too often, the last

piece of the puzzle is left out and unfortunately some dealers assume that just because a customer has difficulty in procuring credit, they can easily be manipulated. Any top-performing special finance department has a sales process in place that is quite different from a regular sales process that is used in showrooms or on dealers' lots today. Be sure to investigate how you should be dealing with these individuals to increase your appointment and eventual delivery rate.

Many dealerships will consider the effort to create a special finance department as too labourious or complicated and that is great news for those of you who have taken the steps toward developing one of your own. Whether you are at the early stages of development or have been active for many years, one of today's most valuable currencies is information. Those that possess more information and know how to use it will have a competitive edge as more and more dealers enter the non-prime arena. The steps that we revealed to you may seem intimidating as you may still be unclear of the terminologies used or you are simply not a marketing or advertising expert. If your expertise is selling vehicles, then stick to it and get some professional assistance or make it a point to start attending seminars this year. If you had a sore tooth, wouldn't you see a dentist? Make that appointment today and you will be glad that you did.

Hector Bosotti is a consultant and trainer for Wye Management currently facilitating special finance workshops and has over 24 years of retail automotive experience whose success has been founded on three key elements: people, process and training.

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