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REFERRAL PROGRAMS

How they can really benefit your special finance customers



by Sean V. Bradley

It's an industry fact that dealers make higher gross profit and have a higher closing ratio with referrals and prior customers. The average dealer closes between 18 to 20 percent on a fresh opportunity and 60 to 65 percent on a repeat customer or a referral. Plus the transaction averages an increase of approximately \$1,000 gross profit (front and back) over a new transaction. Yet for whatever reason most dealers still choose to allocate their more than \$30,000 per month advertising budget to generating *fresh* opportunities with a close rate of 18 to 20 percent. Let me add that the average cost per sale in advertising across our industry is over \$500.

This shouldn't be new information to anyone reading this article, but most dealers still maintain a referral strategy of ready, fire, aim. Just because you tell your salespeople to generate some referrals or you hold a periodic sales meeting to let everyone know the value of a referral, does not mean you are being very proactive to the situation. The sales transaction is about transference of energy. Lotteries and games of chance often use the slogan, "You need to be in it to win it." If you want to reap the benefits of higher closing ratios and reap the benefits of higher grosses that come from referrals then you need to immerse your whole dealership into the culture of generating referrals. Targeting the special finance customer is even more valuable as the profits on these transactions are even greater.

I recently worked with a single point domestic store that took their dealership from 40 units total per month to over 100 units, utilizing a very aggressive and targeted strategy for generating referrals. Let me also say the owner of that dealership set the tone and made it very clear that referrals were a priority. He wanted them to *fully* maximize the opportunities to obtain referrals. Staffers didn't have much choice

but to follow this strategy as the dealership had limited resources and budget dollars for promotions.

The store implemented a program that created the opportunity for the dealership to make customers' car payments for them. Let me repeat that; the owner offered to make customers' car payments for them. Has this gotten your attention? Think about how this would be received by your special finance customers. Wait, it gets better. The dealer realized that he was getting very little referral traffic by offering the standard \$50 for a "bird dog" fee. So he put a plan into motion that if anyone who bought a car from him referred someone else to him, he would either give that customer \$250 cash or make a car payment up to \$370 (he obviously had disclaimers to protect himself, like this could not be combined with any other offer and they had to let the dealership know from the beginning of the transaction that a customer was a referral prospect.) He chose \$370 for a payment because that was his dealership's average payment, and also it was about \$135 less than his average cost per sale in advertising at the time. He realized people put a special focus on budgeting themselves and a car payment is, for the most part, the second most expensive item in the average person's monthly budget next to rent or a mortgage. For someone with shaky credit this can be of even greater value.

The owner felt he could reach someone on a deeper, emotional level by hitting the spot inside triggered by their monthly payment. Isn't that how you feel? Wouldn't you give more time and thought to a program that made a car payment for you rather than one that just threw you \$50 you could spend on a dinner or a tank of gas?

But like everything else it only works if you work it. At first when he told his sales team about the idea and

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encouraged them to tell everyone about the, “Ask me how I can make your car payments for free” program, his salespeople did it only when they felt like it and sometimes not at all. The program was sporadic at best. He became frustrated because he thought he came up with a pretty good idea, but like most things in life it comes down to execution. Everyone has great ideas or means well; however the most successful people in the world know how to execute. So he took it up a notch to promote it internally. He ordered Plexiglas document holders just like you see on the restaurant tables for placement on every salesperson’s deck. He created artwork for the inserts and posters for the showroom and other locations in the dealership. He then put ads on his web site, allowing people to register their referrals and secure their free car payment, and he set up a toll-free tracking phone number called the “referral hotline.” Now imagine walking into that dealership. Every customer was bombarded with the message, “Ask me how we can make your car payments for free.” There was signage about this offer on every desk, the sales tower, service area, hallways, the waiting rooms and especially in the business office and the special finance department.

It started to gain momentum. It wasn’t just vaporware, it was a real program that people were talking about and asking questions. People were getting excited about the possibilities. Then the dealer took it to a whole new level. He created a DVD for all of his “sold” customers, thanking them for purchasing a car from him, and guaranteeing their continued satisfaction. If they had any questions or if they weren’t 100 percent satisfied with anything, please contact him directly. He gave them his e-mail address and phone number at the dealership. He then went on to explain the dealership’s, “Ask me how we can make your car payments for free” program.

He also showed a box of what looked like business cards in his mini-video and explained that every customer who purchases a car from him has the opportunity to have him pay for his car in part or in full. Inside the box was about 100 business cards; on one side it had the name of the prospect and the F&I number (deal number), and on the other side it was the “referral” side that explained to the person being referred how to register the card for special treatment at the dealership based on the fact they were a VIP referral customer.

The math is simple. He was selling 40 units a month, giving away one box, containing 100 referral cards per sold customer. One hundred cards times 40 equals 4,000; times 12 months equals 48,000 cards the first year. How long do you think it took before these cards starting coming back into the store? Well, he went from 40 to over 100 units in less than a year using this strategy.

Some folks reading this might think that \$370 is too much for a referral fee. Remember you do not have to take any deal that doesn’t make sense, but isn’t it nice to be in a position to have so many opportunities to do business? If you are going to have a higher gross and higher closing ratio it might make sense to at least consider it.

What was also very effective was turning the average up into a potential salesperson for the dealership. Even people that didn’t buy a car, people that were turned down for bad credit or people you couldn’t put a deal together with because they didn’t have enough money; these people used the opportunity of the \$250 cash to build up money for their down payment. Think about how powerful it would be if you could turn as many people as possible into general contract agents for your dealership.

Make a referral program worth your customer’s time and effort. Is a \$50 fee going to really motivate them? Just imagine the level of success a program like I described here could do for your dealership? What was the cost? There were signs, posters, plastic display holders, box of referral cards and a DVD/CD ROM for all sold customers; not so much at all. Now think of the money your dealership currently spends for an 18 to 20 percent closing ratio opportunity. Maybe a more personalized and generous program is right for your dealership.

Sean V. Bradley is founder/CEO of Dealer Synergy Inc. Dealer Synergy is an international automotive training and consulting agency that specializes in full business development, CRM, Internet sales, owner retention, phone sales, special finance and advertising/marketing.

Please direct comments and questions regarding this article to sbradley@wosfmagazine.ca or check the reader response listing on page 30.

