

The Secret to More Cash Down

It Sounds Simple – All You Have to Do Is Ask For It. But What Exactly Does That Mean?

By Justin M. Osburn

I recently had the great privilege of attending and speaking at Alabama's 50th anniversary Convention and Expo.

As I was waiting eagerly for my turn to speak during that event, I stood at the back of the room listening while Buy Here-Pay Here icon and friend Ken Shilson was finishing a powerful breakdown of subprime metrics and benchmarks for a majority BHPH audience.

He wrapped up his presentation by offering a notable "secret" in the Buy Here-Pay Here business – how to increase cash down. I could see the audience leaning in and taking careful notes.

What was Ken's secret to increasing cash down?

I was bracing for the legendary BHPH guru to reveal a super-savvy new secret or word track I had never been exposed to before.

Instead, his answer was brilliantly simple: If you simply ask for more cash down, you will get it.

Anti-climactic? Maybe. But he was 100 percent correct.

Since I'm the "retail guy" in NIADA's dealer development team, dealers don't necessarily expect large chunks of gold nuggets to fall out of my mouth about a Buy Here-Pay Here topic.

But a lot of those dealers aren't aware that I jump-started and operated three BHPH dealerships in the Middle of Nowhere, Mo., from 2007 to 2014.

Now that you know, I'll tell you the lion's share of the information I offer below is from my own personal experiences fighting CID (cash in deal) and break-even points every day as a BHPH operator.

That's why Ken's proclamation resonated with me and inspired me to expand on what it means to "ask for it."

So here are three notable considerations for increasing cash down – simply by asking for it.

WE'RE NOT ASKING FOR IT

If you've been in the car business very long at all, you've met the well-intentioned sales manager who will swear on a stack of Bibles to his/her GM or owner that the team is logging 100 percent of all customers who call in or drive up on the lot.

The more seasoned car guy understands that not only is that impossible, but that 100 percent really means 60-70 percent – on a good day.

Some sales managers really believe they are logging 100 percent. They also really believe they are doing 100 percent TOs turnovers, following up with every prospect and obtaining a closing percentage that is about as good as can be expected.

I call this “UP nonsense.” I call it that because it’s just complete nonsense to think you are logging 100 percent if you have any sizable traffic at all.

By the way, there was a time in my life when I would have sworn my team was logging 100 percent of our traffic.

So what does that have to do with cash down?

Well, when we talk about asking for cash down, the first reality check is that your team is not asking every customer for cash down.

We could call that “cash down nonsense.”

I know we all want to think our team is doing their very best, and we tend to think about their work with a very high and defensive regard. But the truth is usually another matter.

Think about this: If you commit your team to asking 100 percent of your customers for a large or best-practice down payment, what if you are at 50 or 60 percent?

There is good news and bad news with that reality.

The bad news is your team probably isn’t even taking an honest swing at half your customers. The good news? You have a whole lot of room for improvement in cash down and CID.

Jim Collins’ classic book *Good to Great* includes a chapter called “The Brutal Facts.” In it, Jim outlines how impossible it is for even great operators to make great decisions about their business if they don’t have the true and brutal facts.

The idea is they must have *all* the information – whether it’s good or bad – to even have a chance to potentially make good business decisions.

Which is why a BHPH dealer or GM must first know *with certainty* how frequently his or her team is asking for the appropriate cash down.

That is the starting block.

WHAT’S THE PLAN?

After realizing we are not asking for cash down frequently enough, the next step is determine – and train the team on – *how* we are going to ask for cash down.

What is the plan? How do we present cash down in relation to payments, vehicle selection, terms, equity position and repeat and referral business?

In my work with NIADA, traveling this great country and working with so many incredible dealers, my experience has confirmed that when dealers or key leaders *assume* their team understands what they are “supposed” to say, they don’t.

The team does not know what you want them to say. The team is not equipped to make a solid presentation of numbers, ask for cash down and then comfortably field objections.

Why is the team not equipped?

For the most part, it’s attributable to a lack of experience and training.

A strong step in the right direction is to design the ask for cash down, or the presentation of numbers.

What is it you are going to say to your prospects? How are you going to sell it?

If anyone on the team is using language like, "How much cash do you have to put down?" your CID and exposure is unnecessarily inflated. So create, design and reinvent how you and your team present numbers and ask for cash down.

This step, coupled with step one, will increase your down payment immediately.

HANDLING OBJECTIONS

Let's just jump into some word tracts to demonstrate this point – and the previous two.

You: "Mr. Prospect, most of our customers put down 25 percent of the vehicle price for a few reasons.

"First, it increases your equity in the vehicle, which allows you to trade it in for an additional vehicle or an upgrade in the future. Additionally, cash down lowers the principal on your credit contract, which decreases the amount of your total of payments while you own this vehicle.

"With X amount down, your payments are Y or Z. Which payment works best for you?"

Prospect: "I don't have that much cash down."

You: "OK, I understand. What many of our customers do when they don't have the full cash down payment is they sell something of value in order to put together the cash they need to purchase a vehicle.

"What might be one or two items you could sell so we can get you in this vehicle right now?"

Prospect: "I don't have anything to sell."

You: "I see, I understand. Another option our customers take advantage of when they don't have something of value to sell is they will pawn something of value for a short time to get into the vehicle they need.

"What might be a few things you could pawn so we can get this deal wrapped up for you?"

Prospect: "I don't have anything to pawn."

You: "I see. Well, when customers don't have anything of value to sell or pawn, many will just borrow money from a family member or friend for a short time.

"Who might be one or two people you could borrow money from today so we can get you in this vehicle and down the road. How about your mom?"

Prospect: "I don't have anyone I can borrow money from."

You: "Mr. Prospect, I understand. I have offered you several options to increase your cash down and wrap this vehicle delivery up today. None of those options have worked for you.

"Let me ask you a question. What options do you have that will provide you the cash needed today?"

Prospect: "I don't have any options."

You: "Mr. Prospect, how close to this number can you get?"

Let's examine a few details about the above interaction.

Have we really asked for cash down?

The answer is a clear and resounding yes. We asked for all the cash and didn't skip that step like it is unimportant.

Second, that example shows a plan for what we are going to say.

In every room there is a naysayer who might look at that exchange and pick it apart or offer criticism.

So let me emphasize that I am not claiming it is necessarily the best exchange. I offer it so you, the dealer and your team, can take that construct, work with it and improve it.

The larger point is this: Do you have a designed tactic to ask for cash down? Or is your team shooting in the dark?

Having a plan is better than no plan. Perhaps the above exchange can be a starting point for your plan.

As a side note, I realize I only offered the buyer three options to come up with cash down. If you sat down with your team and a dry-erase board, you can probably come up with 20 suggestions (I know that because I have done it on many a dry erase board).

BONUS TACTIC

My intent here was to offer three practical tactics to increase your cash down, but here's a bonus tactic – which just so happens to be about a bonus or incentive to your sales team and/or management.

A wise man once said if you want someone to do something, pay them for it. So if we want to increase volume and cash down, a pay plan can indeed assist in catalyzing those results.

I suggest exploring models to incorporate bonuses or incentives to support increasing cash down.

Once again, I'd like to thank Ken Shilson for continuing to talk about these subjects and keep the conversations going to provide value to all independent dealers.

As always, if you have a great way to increase cash down, I'd love to hear it. You can write me directly at justin@NIADA.com.



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