



## FINANCING

# Customer Pay

The combination can put money in your pocket.

by Bill Graham

### There's an increasing trend

in the collision repair industry to offer customers time to pay for repairs. For many shops with their own finance programs, customer pay already makes up over 15% of their business. Up to one-third of all new business is being financed.

It's hardly a new idea. Breaking a major purchase into bite-size amounts allows product retailers of everything from fitness equipment to furniture to sell more goods at better margins. Now, the advantages of financing are being realized by industry sectors that have traditionally adopted a 'pay up or walk home' philosophy.

### APPEALING OPTION

Customer pay means clients can have the work done to their standards. This is especially appealing to owners of costly vehicles requiring costly repairs!

The customer gets the car back with the repairs done right and for an easily manageable monthly payment.

For the repair facility, the advantages are many:

- Maintain full margins on parts/labour.
  - Control over choice of parts providers.
  - Improved cash flow.
  - Reduced administrative workload.
  - Attract new customers.
  - Win competitive situations without sacrificing margin.
  - Finance large insurance deductibles.
  - Reduce the number of "partial" repair jobs.
  - Separate sales volume from rate fluctuations.
- You and/or your customer will usually be required to register with the finance plan you've chosen to go with. Standard loan procedures include:
- Completion of applications forms and loan documents.
  - Complete paperwork in person or via fax or Internet.
  - Determine collateral.
  - Approval times range from a few minutes to 24 hours.

The loan company can be expected to absorb the risk of non-payment of the loan. Generally, you will not be charged a merchant discount and some finance companies will even pay you a fee for generating the loan.

You should receive payment within a day or so of completing the documentation and receiving the loan approval.

How to maximize the benefits of a "customer pay" program:

- Get the word out. Advertise. Make sure that all of your media, direct mail and yellow pages advertising makes it clear that you can make it easy!
- Quote the payment option. Quote the monthly payment when you quote the total cost of the repair. Make a bitter pill easy to swallow. Your finance company can provide you with a payment calculator.
- Everybody can play. Don't assume who will want to take advantage of the program. That guy with the Jag has three kids in university!
- Train to gain. Many finance companies offer training, workshops or educational materials. It's not rocket science, but knowledge boosts confidence and encourages you and your staff to push the program and profit from it.
- Appoint a "Credit Champion." Commit one counter employee to staying on top of the program and making it happen. Provide an incentive for goals met.
- Don't try this at home. Don't try to set up your own finance program. Just don't! It is a business as specialized as any other and requires detailed knowledge and experience.
- Set targets. And beat them!

Bill Graham is the President and CEO of RIFCO. RIFCO finances repairs through a growing network of collision repair facilities.