

Spare Times

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6 Tips to SUCCE\$\$

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I visit several new and seasoned dealers every week as I travel North and South Carolina. Some stores have the "look" of success and it is evident these dealers have made a commitment to being successful. Others appear to be doing everything wrong....poor appearance, poor lighting, poor inventory mix and seem to subscribe to the "build it and they will come" theory. Not everyone is going to be successful in any business. But if you start wrong, you will finish poorly. So for whatever it is worth, here are 6 great tips to becoming a successful car dealer.

- **Look like you know what you are doing.**

An attractive, well lighted lot makes your customers believe that you know what you

are doing. First impressions are very important. If the lot is dirty, dark and cars are displayed helter-skelter, it says to your customer that your cars may be in similar condition. Clean EVERYTHING. Paint what needs to be painted. Make sure the lot and your sales office are well lit and appear safe and comfortable.

- **Sell what you know.** If you have had experience selling a specific brand, start out with your inventory weighted with vehicles you know the most about. Your product knowledge will help you convey confidence to your customers. You will be ready to answer any questions about your vehicles quickly and confidently. Then spend some time educating yourself about brands you aren't as familiar with.
- **Have nothing to apologize for when you show a vehicle.** If they are dirty, clean them. If they need tires, put tires on them. If the

brakes, A/C, or any other mechanical systems need servicing, do it! Then ask yourself; "would I buy this car in this condition for this price?" If the answer is not an unqualified yes, do whatever it takes. Customers expect to pay more for a vehicle in excellent condition. The money you spend making the car ready will come back to you when you sell it.

And now the BIG THREE!

Buy good cars, charge a fair price, and take care of your customers after the sale!

If you will do these 3 things, you will be equal to or better than the most successful dealers around you.

LUG NOTES

- Consumers voted the Mazda 3 as best sedan of 2006 for under \$15,000. Other top cars of '06 were the Civic, Camry, TSX, and Corolla. Edmunds.com
- E85 company looking to build a plant in Cumberland County. Construction will begin soon with hopes of E85 production in May of 2008 rdu.news.com
- HD Radio becomes the new trend in vehicles. Look for them to gain popularity quickly. HDRadio.com

UNDER the HOOD

News & Updates

Offsite Data Storage

We have now created an offsite data storage software to back up your dealership's precious data from CIADA-CDS, Quickbooks, etc. www.dealerdatasafe.com

Dealer101

KGI Solutions is going to begin new dealer classes to learn the day to day operations for the inexperienced dealer. More info on the web www.kgisolutions.com

True Life Stories

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How to fail in the Buy Here Pay Here Business. This article focuses on ONE simple mistake that had a potentially successful dealer have to close his business in 6 months. Visit kgisolutions.com for this month's **True Life**

Interested in Profits

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Many dealers ask me if they should be using simple interest to calculate contract interest or the "Rule of 78's". Or, more frequently, ask "What the heck is the "Rule of 78's"? There are 2 methods of calculating interest on Consumer Finance contracts. Either method is legal in both North and South Carolina, but you must use the appropriate contract. (In North Carolina, a third method, which is called Add-on Interest, is illegal.)

The differences are these. On a simple interest contract, the interest is earned periodically (per payment period). When a customer makes a payment, the payment is broken down whereby so much goes to principal and so much goes to the interest earned in that payment period. The next time your customer makes a payment, it calculates interest on the amount of principal that was REDUCED by the previous payment, so each payment period, more of the payment is going to reduce principal. This method is also referred to as declining balance interest.

Rule of 78's is called that because there are 12 months in a calendar year.

1+2+3+4+5+6+7+8+9+10+11+12 =78. This is also called "The sum of the Digits". Under this rule, the interest is calculated on the premise that your customer has had the use of all of the money in the first month and, therefore, owes you 12/78ths of the total interest due. The next month 11/78ths would be owed and so on.

Let's assume that you do a BHPH deal financing \$2500 calling for 12 monthly payments at 29% APR and your customer wants to pay the account off. Let's look at what your customer would owe assuming that 6 payments have been made on time (Neither early nor late) comparing simple interest to the Rule of 78's:

Simple interest pay-off balance = \$1126.29
Rule of 78 pay-off balance = \$1212.45. There is a difference of \$86.16 in the pay-off balances. The difference is even greater when the loan is either paid off earlier or the amount financed is higher. The interest amounts are the same for each contract, it is how the interest is collected that is different.

BHPH dealers should be using Rule of 78's. Because BHPH customers rarely make all of their payments on the contract, this helps dealers maximize interest income on small balances that are financed for shorter terms.

Paying has never been so FUN!

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What do you do if your kids won't eat their broccoli or wear their seatbelt? You make a game out of it that makes them *want* to do it!

So what do you do to make your Buy Here, Pay Here customers pay on time?...The same thing!

This month's tip will encourage your customers to pay on time and with that make you more money and have less headaches. The concept and execution is simple.

Setup a promotional drawing where each and every time a customer makes a payment on time they receive an entry into the drawing. The drawing could be for money, a gift certificate, a gift, tickets to a game, etc. Because the more times they pay on time the better their chances of winning the prize become, your customers will begin to pay on time more and more! Soon you will see your customer's payment trends turn for the better and your profit will follow the same trend! This promotion is easy to start up and can really make your BHPH a success! Here's some more tips:

TIPS TO SUCCESS:

- **Make the prize worth it.** The better the prize the more effort your customers will put into paying on time.

- **It takes money to make money.** This promotion will *make* you money. Don't worry about putting a lot of money into your prize for the winner.

- **Make them aware of the promotion.** Mail them a letter or call them to let them know of your new promotion. If they don't know they won't try.

- **Give it a theme.** Use sports or other interests to bring them in. Have them pick the super bowl winner in order to win the prize. The more times they pay on time, the more teams they can guess!

- **Cheer them on!** Be happy when they pay on time, support them, or even tease them if they pay one late. This stirs up the competition even more and adds to the FUN!

- **Publicize the promotion.** Have signs in the office for potential customers to see and want in. Take a picture of the winner and post it as well!

True Life Stories.

Is there something you have done in the industry that others could learn from? Tell us your story for a future True Life Stories series that appears in every *SpareTimes* and online at kgisolutions.com. E-mail us with your horror or success story and help us educate the others!

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Stories we're working on for the next issue.

- Hardware Failure
- True Life Stories
- Importance of a Website

Do you have a marketing idea that you would like to share?

I could always use some new ideas or success stories! If I use your idea you will be credited in the article. Please e-mail me with your ideas or tell me how this month's marketing idea worked out for you (good or bad)!

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