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Credit crisis lessons learned

by Gil Van Over

A friend of mine owns a highly successful local real estate company. His company consistently ranks in the top ten in the nation in sales, dealing primarily with consumer sales.

We chatted last weekend at a Christmas party about how the credit crisis affected each of the industries we work in and came to the conclusion that there were more similarities than differences. We also found a number of lessons that we learned from the experience. I was also a little shocked to hear him use some of the same phrases used frequently in the car business to describe and label the lessons learned.

No Room for Order Takers

Our conversation started when he made the statement that he confessed his shock and dismay at how many Order Takers he had working for his firm. I've heard the same lament from many a Dealer Principal and General Manager.

The lesson?

Some sales people either were not trained or forgot how to work the basics, to work the deal, to understand structure and now do not know how to turn leads into sales. He found a way to allow those that did not have a desire to be sales people to leave and focused his attention, training and mentoring to those that remained.

The result?

His sales are just slightly down year over year in the midst of a national decline in real estate sales.

Cash is King

Our conversation turned to deal structure and credit standards. He confessed that he had sought out mortgage brokers who could deliver credit approvals on deals that did not fit into a standard twenty percent down, 30 year, fixed-rate mortgage. When that market dried up, he was faced with a drying revenue line on his financial statement.

The lesson?

Prudent underwriting standards at any reputable lender start with equity. Equity helps to ease the potential loss in the event a customer defaults. The old axiom "Cash is King" is truer today than it has been in the last two decades when lenders had an

almost unlimited access to cash and insatiable desire to acquire receivables.

The result?

Amazingly, by asking customers for more cash down to fit into standard underwriting guidelines, customers found the cash. He was able to outsell his competition who spent time bemoaning the credit crisis by asking for cash and the sale.

Sell the Product, not the Deal

Our conversation ended by discussing how advertising in our respective industries had shifted to and focused on the deal.

The lessons?

Look at your advertising. Are you advertising payments, terms, easy credit, no credit, bad credit, leases, or rebates? Or, are you touting the features and benefits of the vehicles you sell?

The result?

He shifted his advertising back to square footage, features of the house, price, school districts, neighborhoods and beginning to end customer service. He is pleased with his year over year results.

Good luck in 2009. I am optimistic that the economic spiral will reverse and things will improve. Just like the media started this downward spiral with its self-fulfilling prophetic tirades during the election season, more people with a positive mental attitude approach can get it going in the right direction. Getting back to the basics of selling cars will also help.

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