



## REVOLVING CREDIT CARDS

### A Win-Win Financing Option for Your Customers and Your Dealership

By Jared Zimlin, Business Development Director

Recently I was at the movie theater and noticed the parking lot was full. I wondered why the news kept talking about all the economic doom and gloom. Sure, some things are financially tougher today, but it was obvious that people were still spending money. Did I mention I was at the budget theater where my ticket was two dollars? Consumers, myself included, still go out but are smarter and more cost conscious these days. Your dealership might be experiencing a similar phenomenon. People are still making purchases but are being smarter about spending, seeking flexible financing and researching their options.

In today's economy, your dealership needs to be aware of how smart consumers are spending and implement more flexible financing options that work for all types of customers at all price points. In addition to standard installment loan programs, dealers should seek business relationships that give them access to revolving credit options for their customers as well. With this option, the lender sets up a credit line determined by each customer's credit profile. The customer is then allowed to make purchases up to the maximum allowed credit limit. Unlike installment loans which require a fixed term and payment, revolving loans require only a minimum monthly payment based on the current balance of the account.

Adding a revolving credit program to your repertoire of financing options has many perks for your customers:

- **Flexibility.** Most of your dealership's high-end sales will require installment payments but having a revolving credit program in place for smaller ticket items offers flexibility for your customer's payments and also keeps the sale within your dealership's doors.
- **Various financing options.** Usually there are no annual or start-up costs associated with this type of card and customers have several financing options available to them to meet their specific needs. Typically there are options that include no interest during promotional periods, special deferred interest options and no prepayment penalties or excessive fees.
- **Multiple purchasing options.** Customers are typically able to use the card for a variety of products, services, parts and accessories. For instance, a customer who uses his unit only in the summer can now take it in for winterization and put the cost of labor and parts on the card. This way, the customer can make small payments throughout the winter to cover the service, thus freeing up money for other things.
- **Quick and convenient.** Your customers can easily sign up with you at your dealership and be approved within a matter of seconds so they can shop immediately. No additional information, such as proof of income or employment, will be requested of the customer. They simply provide identification, complete the credit application, receive an instant decision and are free to shop.

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Not only do your customers benefit from a revolving program but so does your dealership:

- **Save money.** Most revolving credit programs are cheaper than a VISA or MasterCard transaction fee. A transaction fee could be as little as 0.2% whereas the VISA or MasterCard transaction charge could be as high as 4%. Over time and transaction fees, this can save your dealership a lot of money.
- **Increase sales through increased customer spending.** Industry research shows that purchases on a revolving credit card account are three times greater than purchases with cash and that the average initial purchase on a revolving credit card is usually 150% higher than Visa, MasterCard, Amex or Discover cards. Additionally, add-on purchases are 50% higher and customers are more likely to buy on impulse with this type of program than with standard credit cards or cash customers
- **Boost repeat business.** In your dealership, revolving credit will allow your customers to use it not only for their initial purchase but for repeat purchases of accessories or services like oil changes, maintenance and tire rotations. By making it easy to spend money at your dealership, they'll have no reason to go anywhere else for their recreational needs.
- **Build customer loyalty.** Customers typically relate their shopping experience to great customer service, a nice atmosphere and fulfillment of their wants and needs. Adding a revolving credit program to the finance options your dealership offers is another way to make their experience at your dealership positive. A positive experience at your dealership will likely build your customer loyalty.

Revolving credit programs for recreational needs are less accessible than in years past. If a revolving credit program is not available to your dealership through typical lenders, seek relationships with manufacturers that offer private labeled programs. These manufacturers see beyond moving product from their factory to your shelves and recognize the importance of helping their dealer partners move product to the consumer and into the streets.

Smarter, more cost conscious customers require dealerships to find alternative ways to assist with retail financing. Using a revolving credit program simply adds another tool to your toolbox of finance solutions helping move product into your customer's hands. Your dealership can experience the benefits through increased sales, repeat business, customer loyalty and money savings while your customers are able to finance in ways that otherwise might not have been available to them.

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### **About Priority One Financial Services**

Priority One has been serving the marine and RV industry since 1987. Acquired in 2007 by Forest River, Inc. a Berkshire Hathaway company, Priority One serves as the F&I managed services provider for hundreds of dealers nationwide. For more information, visit [www.P1FS.com](http://www.P1FS.com).