



# CONVERTING CASH TO CREDIT

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Statements such as, “We had a high cash component this month,” and “Our sales executives are not referring any of the cash deals, as they want to close the deal as soon as possible, to see the tail lights,” are not uncommon.

It has been suggested that for the past five years, the industry has experienced a norm of about an 80/20 split between financed and cash transactions. Upon investigating further, findings reveal:

- Sixty per cent of all so-called cash purchases are in fact other forms of funding.
- An average of 40 to 50 per cent of all cash-buyers was tax-orientated individuals or companies.
- An alarming 50 per cent of these were not aware of their tax benefits.
- An average of 70 per cent of all reported cash sales can potentially be converted to credit.
- Almost 80 per cent of total buyers, at many dealers, were tax-orientated.

**Which begs the question: How comprehensive is your tax-benefit knowledge?**

It is important to remember that if you want to offer cash to credit conversion, business managers must offer TLC: Think Like a

Customer, and Talk Like a Customer. Advice to give from a financial point of view:

- Don't buy medium/long-term assets with short-term money and cash.
- Don't tie up working capital on a depreciating asset.
- Financing the deal is a 'hedge' against

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inflation, i.e. use of the goods at today's cost; payment with tomorrow's depreciating Rand.

- Tax concessions for the tax-orientated.

For peace of mind:

- It is always better to know you have a nest egg for the unexpected.
- Let your cash work for you, and use someone else's.

Finally, as F&I business managers, two of the most important job priorities are:

1. Providing a value-added service to your dealerships. This requires that you provide

value to a potential customer, without whom there would be no benefit to the dealership. Unless you take the initiative and maintain a competitive advantage, customers would or could, in the future, seek alternative packages, thereby making your function redundant.

2. Generating personal reward/remuneration. All of the above clearly supports substantial increased opportunities to those who assume a proactive priority. Take possession of your customer for profit and prosperity. In this way, you are providing a service to both the customer and the dealership, whilst ensuring yourself a rewarding future.

I wish you all the best in your quest to convert cash to credit.

