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I have received many phone calls since the economic meltdown began, all from dealers with the same tale of woe: They can still sell water equipment, although it is tougher, but many of their customers are being turned down by their finance sources.



Staying Up in a Down Market

By Carl Davidson

How to finance customers during tough economic times

Some customers cannot be financed due to irresponsible use of past credit; however, as the line of acceptable credit scores continues to move up, we need ways to finance these customer. For those of you abandoned by financial sources, the following are some emergency techniques to consider.

Get Down Payments

For many years, a down payment of 20% or 40% was expected; however, in the last decade, no down payments have become popular. But nothing down puts all the risk on the finance company—customers literally have nothing to lose. Try to get back in the habit of expecting a down payment with every sale. As you write out the paperwork, casually say: “How much of a down payment were you thinking of? Most people give 30%.”

Do Not Believe Everything in the News

While times are indeed tough, do not believe everything you hear in the national media. The fact is that times are terrible mostly in areas that boomed for several years. These areas, such as Los Angeles, San Francisco, Orlando, Phoenix and Las Vegas, were red-hot real estate markets with over-inflated prices, and now the piper must be paid.

If you are located in a market where houses were not doubling and tripling every few years, the downturn is usually far less. Even if you are in a depressed market, try selling in the suburbs or rural areas.

Housing markets may be on less of a slide within a reasonable distance from dealers in large, formerly hot real estate markets. In these markets, houses are valued the same or just slightly less than they were at this time a year ago. The boom and bust has mostly bypassed many markets.

Try Local Sources

Somehow in the last decade or so, we got used to dealing with big national lenders. When they pull out or cut back, financing is hard to obtain. Try looking up local lenders such as banks and finance companies. Some will say no, but you may be surprised that some are looking for business. Where I live in Buffalo, N.Y., banks are advertising that they are still lending. There may be banks and finance companies that are looking for business in your market area, too.

Before I discuss my next two ideas, I want to point out that it is not my intention to make you disloyal to any brand or finance company. These techniques are for dealers who are floundering—these are not perfect solutions and they require work. One dealer recently told me he sold eight systems in a week’s time and financed none. If you are in this situation, consider these techniques.

Buy Here, Pay Here

You can finance customers using your own money even if you have very little. It takes a while to get this program rolling but once you have a few customers, your cash flow will begin to improve dramatically.

The idea is to take payments from customers yourself. To do this, you have to buy very inexpensive conditioners and reverse osmosis systems—they are out there if you

look. Try to buy used ones as well by placing small ads in weekly papers, such as “We Buy Used Softeners.”

If you buy a softener for \$300, plus shipping costs of \$50, your cost is \$350. If you sell the system for \$2,500 plus installation, and get a down payment of \$350 plus installation, your cost is covered and you are not paying out of pocket. You have not made money yet, but you will earn interest and monthly payments for the next three or four years.

It is tough at first, but if a customer’s payment is about \$75 per month, when you sell 100 systems over roughly two year’s time you will be taking in \$7,500 per month in a year or so. You can use several services online that allow you to automatically debit customers’ bank accounts each month for the payment. Cash will be tight in the beginning, but no tighter than if the customer is turned down and cannot buy.

Start a Finance Company

This may sound like a long shot, but I know several dealers who have done this and found it to be profitable. Right now, anyone with money has a problem, and they probably do not want to invest in the wild stock market and real estate is not a great investment.

You can approach accountants and attorneys with a business plan for their clients who have money to invest. If you can help three people to invest \$100,000, you will have enough money to finance 57 customers using the numbers above with 30% down. If you lend at 18%, the investors can get a high return, as will you.

Final Fall Back Packages

If you absolutely cannot do any of the above, I suggest you sell turn-downs, small packages for about \$399. These can contain two showerheads with carbon and KDF and a sink faucet filter. This may seem like a small sale but it is something almost anyone can afford. Even if you have only one person selling, they would probably sell one of these packages per day. That will add about \$8,000 per month to sales without any financing. *wqp*

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