



Stand Out from the Auto Lending Crowd

a publication of



The Competition is Fierce

There is a huge opportunity for financial institutions to grow market share within auto lending. With lending on the rebound following the recession, the time is right for lenders to capitalize on the momentum. Unfortunately, for many financial institutions, the competition is fierce and overall yields are down.

Takeaway

According to the [2015 Retail Bank & Credit Union Marketing Trends Report](#), in an effort to differentiate themselves, financial service marketers are focusing more attention and allocating marketing dollars to into acquiring and retaining auto loans.

The opportunity is so great that the field of competition not only includes your usual players—large banks, community banks, credit unions, and auto manufacturers—it also includes non-traditional lenders such as insurance companies.

It's no secret that consumers today have more choices and less time than ever before, and they're bombarded with marketing messages that are all the same—i.e., low rates and great terms. Go to any financial institution's website and you'll see this illustrated. This "same-ness" in message is causing people to tune you out. In order for small- and mid-sized institutions to compete in an industry that is

overcrowded and offering consumers historically low rates (who would have ever thought we would see a 1.99% auto loan?), your institution must take proactive, creative steps to make your auto lending strategy stand out from the crowd.

So, how do you stand out from the crowd?

Marketing guru, [Seth Godin](#), advises marketers to be the "Purple Cow." Let's say you're driving along a long country road, and you see some cows—cows are boring and invisible, and after a while, you fail to notice the cows altogether. But what if you saw a purple one? You would stop and take notice, right?

How do you make your marketing message stand out like a purple cow?

That's easy: give your customers a compelling offer—something of value tied to YOUR loan and YOUR institution that your borrowers can't get anywhere else.

E.G.

A great example of a crowd-stopping auto loan offer is the 2009 Hyundai Assurance vehicle return program: Buy a new Hyundai, and if you lose your job in the first 12 months, return the vehicle. Hyundai offered this complimentary coverage to their borrowers at participating dealerships, and covered up to \$7,500 in negative equity.



The Auto Loan Lifecycle

The Auto Loan Lifecycle is an idea that originated from a focus group assembled to provide clients with insight on how to stand apart from the competition in the auto loan arena. By talking to financial institutions from across the U.S. with varied asset sizes that utilize both direct and indirect lending, the Auto Loan Life Cycle was born:

1. Awareness—Craft your story and apply it to your institution's branding and marketing message.

The first phase in the Auto Loan Lifecycle focuses on making your potential borrowers aware of your institution's branding and marketing message. What do they see, hear, think, and feel when they interact with your website, see one of your print ads, see your signage when they drive past one of your branches, or hear one of your radio ads?

Takeaway

The fact is, marketing your auto loan interest rate, alone, is not enough. Potential borrowers are seeking intangible and tangible assets that are different from the institution/dealership down the street.

HELPFUL TIP

Make your borrowers and potential borrowers aware of why your institution is a purple cow, and much more than just another great interest rate offer-er. Here are a few things to think about as you're writing your story:

- ✔ What problem(s) are you aiming to solve?
- ✔ What makes you passionate about solving those problems?
- ✔ What sets you apart from your competitors?
- ✔ What is your ultimate purpose?

Why is this important? Take, for example, Subaru.

E.G.

There are dozens of companies that sell vehicles to consumers, but Subaru stands out as one with a story that captivates an audience. Subaru's tag line

is "Live. Love." and their mission is to protect the people that drive their vehicles. They not only tell their story, but they give Subaru owners a platform to share their own stories and experiences they've encountered with their Subaru ownership.

Thanks to a strong, consistent brand and loyal customers, Subaru experienced record-setting sales in 2013. From January through October 2013, Subaru's U.S. sales increased 28% from the same 10-month period in 2012. This is a great example of how telling your story and making your potential borrowers aware of it can directly impact your sales.

2. Application—Convenience is key to converting leads to closed loans.

The application process is key in the Auto Loan Lifecycle. Having a cumbersome, difficult application on your website—where most consumers prefer to conduct business—can deter potential borrowers from completing the process. Further, many consumers opt to do business at night or on the weekend, when your branches are likely closed, making an efficient online application process more important than ever.

HELPFUL TIP

Consider implementing a borrower continuous contact strategy. Implementing an effective ongoing email campaign can instill greater borrower loyalty, while increasing loan volume, retention, and refinancing rates. Having an effective, more engaging follow-up process in place will make sure you book the loans you approve.

THE IMPORTANCE OF SELF SERVICE OPTIONS

According to Aberdeen's February 2014 report, Optimizing the Self-Service Experience: Help Customers Help Themselves, companies that give their customers self-service options experience 85% year-over-year increase in customer retention rates compared to companies that do not provide self-service options.

Whether lending is centralized or conducted in your branches, the application process shouldn't just be efficient for potential borrowers, but for your lending team as well. Quick decisions are important. Nothing

hurts your brand more than having applicants wait days or weeks to find out if they've been approved. All borrowers should be contacted by their loan officer as soon as possible, and if they are approved, arrangements should be made for closing. If they aren't approved, be sure to thank them for their loan application, give them some insight as to why they weren't approved, and then offer information on how they can turn things around and gain your approval in the future. Offering timely, significant advice will increase chances the customer will return to you when they are in a position to borrow.



3. Closing—Signing on the dotted line has become so passé.

This is obviously a very critical phase because this is where the risk lies that your potential borrower will choose another option for financing their vehicle. Losing the loan here means more than just losing a customer—it also means losing the opportunity to earn non-interest income from ancillary loan protection products. Financial institutions that have the ability to accept electronic signatures close more loans than those that don't, and tracking funding ratio (“look to book”) can help you understand what loans you're losing and why. However, offering something of unique value (remember the purple cow) will keep your borrower from going somewhere else.

Takeaway

Electronic signatures are big business. According to [DocuSign CMO, Dustin Grosse](#), the e-signing sector is on track to grow to more than \$5 billion by the end of the decade.

HELPFUL TIP

Refine the sales process. Make sure your loan officers have the tools and resources available to make the closing process as quick and easy as possible. If they have to go to several websites/applications to get the loan closed and the ancillary products/services ordered, this is a sign that your loan officers aren't set up for success, and your customers are going to notice.



4. Servicing—Keep in touch with your borrower to set the stage for a long-term relationship

Once the auto loan closes, the servicing phase of the Auto Loan Lifecycle begins. In most cases, once the loan closes, there is no ongoing communication with the borrower—unless of course, they get behind on their payment. You can stand out from the competition by providing ongoing, valuable communication. Just like any other business, once you get a customer, you have to keep them happy and engaged or you risk losing them to the competition.

Takeaway

[Research](#) shows that it truly is “cheaper to keep her.” Studies across several industries show that the cost of acquiring a new customer is 10% more expensive than keeping an existing customer.

HELPFUL TIP

Since you know the make and model of the vehicle your borrower purchased, consider running an email campaign sending periodic maintenance tips or a recommended maintenance schedule reminder.



5. Recapture

Having a robust recapture program in place to encourage your borrowers to finance their next loan with your institution is the final phase in the Auto Loan Lifecycle. Knowing when closed loans (and loans you didn't close) are near term maturity, and having a formal process in place to recapture business will greatly improve your results.

HELPFUL TIP

Keep reading to learn our five-step guide to implementing a successful auto loan recapture program!

Takeaway

[Click here](#) to find out how Billy Borrower's Credit Union saved the day after he totaled his vehicle!

How to Implement a Successful Recapture Program

One of the most economical ways to increase lending is through an effective loan recapture program.

Potential borrowers who have a checking/savings account or previous auto loan with you, are already aware of your financial institution—they know that you offer loans, how your lending process operates, and what kind of customer service you provide. If you build an attractive program to discover and address your potential borrowers' needs, you could regain their repeat business.

TO HELP YOU ACCOMPLISH THIS FEAT, FOLLOW THESE FIVE STEPS:

- 1. Determine Your Potential**
- 2. Create a Communication Strategy**
- 3. Make Your Offer Attractive**
- 4. Close the Sale**
- 5. Follow Through**

1. Determine Your Potential

Your auto loan recapture program should begin with a well-established list of potential candidates. Whether you acquire the list from your existing member base, or purchase a list of potential members from a third party, it's vital that you screen that list against well-defined criteria.

If you decide to go the organic route, there are several things you can do to help build your list of current customers, such as check out your loan close ratios, current customers to potential customers, and borrowers to customers. The more defined and specific your list, the greater your chances are of increasing your campaign's return on investment (ROI) and overall success.

2. Create a Communication Strategy

Your recapture program is only as effective as your communication strategy. It's important to have a well laid-out plan that will work for both your employees and your customers.



Create your overall communication strategy by answering the following questions:

- ❓ How will you reach out to your customers?
- ❓ Do you need to hire staff? Use existing staff? Utilize vendors?
- ❓ Who produces the communication, and what channels will you use?
- ❓ Will you use letters, postcards, flyers, print and/or digital ads, email, social media? Do you plan to make phone calls or coordinate a month-long special event with all of the above?
- ❓ When will you distribute this communication? Is one time of the year better than the next?
- ❓ Is your staff able and willing to stay evenings and work weekends to make calls during a time when customers are more likely to be home?
- ❓ Is your staff sales-oriented? Can they meet the challenge to offer and close to every qualified customer?
- ❓ What's the cost of using internal employees vs. an external vendor?
- ❓ Do you have the capability to produce these communications or will you have to purchase and implement new technology to do it?

3. Make Your Offer Attractive

Developing an attractive offer is an art form. Begin by determining WHY your prospect closed their prior or current auto loan elsewhere. Was it convenience, a compelling offer, rate, preapproval, service, or the availability of ancillary products and insurance? You can use surveys to get this information, or just ask your customers when you contact them.

You must also figure out why anyone would go through the effort of moving a loan back to you once it had already been made somewhere else. The general answer most institutions come up with is that their offer provides more value, but the term “value” is an often misunderstood word in marketing.

Takeaway

What does “value” mean to your potential borrower? It could be rate, service, ancillary products, ease of transacting business, longer lobby hours, friendliness, a caring workforce, or all of these things combined?

View your loan offers, rate, and service from the “borrower perspective.” Identify your “differentiators” and fine-tune where necessary. What can you offer that is different from the competition and to your customers and your loan? In other words, how can your offer stand out like a “purple cow?” Whatever you decide to offer, the language should be clear and communicate the value, benefits, and convenience your loan program has to offer.

4. Close the Sale

If your staff can't close the sale, you've essentially wasted your time and resources in steps 1–3. Ensure they are prepared, can engage customers into considering your program, are confident in their product knowledge, and able to adjust their approach based on the potential borrowers' needs and what is of value to them. Your sales staff should feel comfortable asking for the sale and be motivated to do so.

Do your employees believe that your lending program is strong and that the additional point-of-sale products offered are valuable? If the answer is yes, you are ready to go. However, if you answered no, it may be time to determine if your employees need additional training, or if you simply need better products.

5. Follow Through

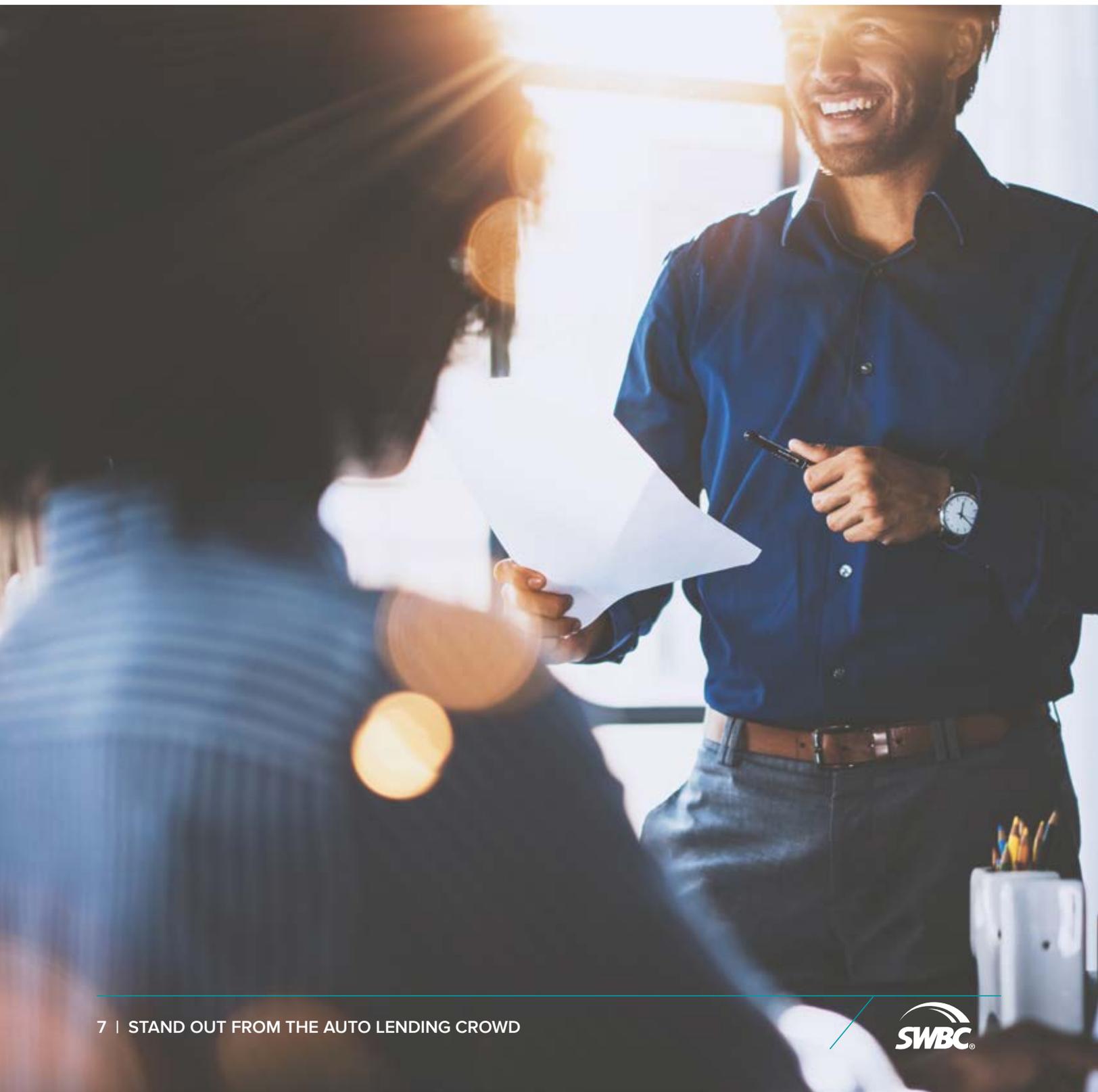
As we mentioned earlier in the Auto Loan Lifecycle, it is more expensive to obtain a new customer than to keep your current ones.

Send new customers a welcome letter with the name and contact information of their loan officer, and have that loan officer reach out to them to let them know how your financial institution differs from other lenders.

Have someone from your executive team call, email, or send a letter to customers inviting them to the annual meeting, summer picnic, etc., and then greet them when they arrive. Nothing makes someone want to do business with you more than instilling the feeling that they are welcome, appreciated, and are an **important part of your organization!**

Takeaway

Follow-through ensures your customers stay actively involved with you and increases the likelihood that they will come to you for their next loan, and any subsequent ones after that.



Offer Products that Differentiate You from Your Competitors

If your institution is interested in taking your auto loan program to the next level, but you simply don't have the products or resources to implement, you may consider partnering with an organization that can help you stand out from the crowd.

Our GAP with PowerBuy™ product can pay up to the remaining balance of your borrower's auto loan after an insurance payout and give them money for a replacement vehicle when financed with your institution. **This program can:**

- ✔ Provide significant fee income
- ✔ Reduce loan losses
- ✔ Enhance your auto lending and recapture strategies

A partnership with SWBC includes flexible coverage options, professional and proficient training, a web-based application that automates the delivery of products and forms, and much more.





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Headquartered in San Antonio, SWBC is a diversified financial services company providing a wide range of insurance, mortgage, and investment solutions to financial institutions, businesses, and individuals. With offices across the country, SWBC is committed to providing quality products, outstanding service, and customized financial solutions in all 50 states.



[Click here](#) to check out our step-by-step guide, where you can see how GAP with PowerBuy saved a credit union member from depreciation loss and put him behind the wheel of a new vehicle!

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