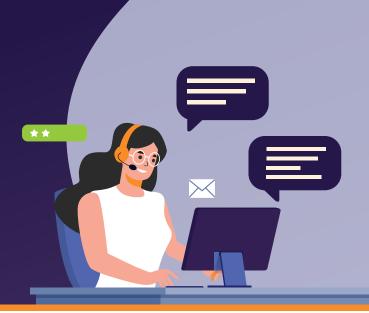
## **a** automotive **Mastermind**°

# NAVIGATING NEGATIVE EQUITY:

STRATEGIC CONVERSATIONS WITH CUSTOMERS



Negative equity — when a loan balance exceeds the vehicle's worth — has been exacerbated in the post-pandemic era, fueled by soaring interest rates, inflated car prices and extended loan terms introduced during inventory shortages.

As the market normalizes, customers who purchased a vehicle over MSRP are realizing they may owe more than what their vehicle is worth. For dealers, handling conversations about negative equity requires a delicate balance of empathy and transparency.

### **How to Handle Negative Equity Conversations with Customers**

- » **Assess the Customer's Financial Position:** Beyond just knowing how much a customer owes vs. their vehicle's current value, analyze each buyer's financial situation. This includes looking at their loan details, credit history and overall financial health.
- » **Explore Options Based on Individual Needs:** Each customer's situation is unique, and solutions should be tailored accordingly. For instance, refinancing might be a viable option for some, while for others, it might be more about restructuring their current loan.
- » **Provide Guidance on Vehicle Selection:** If a trade-in is part of the solution, help the customer select a new vehicle that meets their unique needs, buying preferences and financial considerations.

#### **Building Long-Term Customer Relationships**

In the face of negative equity and increased costs, building lasting customer relationships is key to promoting long-term loyalty. This requires sales teams to offer value-added services that resonate with the customer's needs, encouraging repeat business.

- » Offer Customized Service Plans: Create service packages or maintenance plans tailored to the customer's new vehicle and driving habits.
- » **Engage Customers on a Regular Basis:** Keep in touch with customers through newsletters, service reminders and personalized offers based on their interests and purchase history.
- » **Collect Customer Feedback:** Regularly gather and follow up on customer feedback to improve services, demonstrating a commitment to meeting their evolving needs.

#### **Navigating Supply Chain Challenges**

Keeping customers engaged, informed, and satisfied, even when immediate solutions aren't available, will be especially important in the dealership service drive.

- » **Set Realistic Expectations:** Be upfront about potential delays due to parts shortages, offering clear timelines whenever possible.
- » **Proactively Communicate with Customers:** Keep customers updated on the status of their vehicle, especially if there are changes or delays.
- » **Offer Alternatives:** When possible, provide alternative transportation options or interim solutions to minimize customer inconvenience.

#### **Adapting Sales Approaches in a Changing Market**

Finally, dealership sales teams need to shift from high-velocity selling to a more strategic and thoughtful approach.

This evolution requires an understanding of changing consumer behaviors and leveraging technology and data analytics to tailor marketing efforts and customer interactions, ensuring a more personalized and effective sales process.

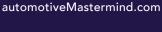
- » **Focus on Customer Experience:** Shift sales tactics towards a more consultative approach that prioritizes relationship-building and addresses individual customer needs.
- » Offer a Transparent Sales Process: Establish trust with customers with a transparent sales process that helps buyers feel confirmed and informed.
- » **Take a Data-Driven Approach:** Leverage data from your CRM, DMS and CDP to understand buyer's needs and to personalize vehicle recommendations and follow-up strategies.

To navigate challenges with negative equity customers requires dealership sales and service teams to adopt a dynamic and adaptable approach.

By adapting to changing consumer behaviors, leveraging technology for personalized interactions and prioritizing transparent customer experiences, dealerships can effectively address these challenges, fostering long-term loyalty and success in today's evolving market.

Want to learn how Mastermind can help improve your dealership's customer communications? Request a demo.











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