

POWERSPORTS  
EQUITY:  
**KNOW WHEN  
TO TRADE**

CUSTOMERS OUT  
OF THE OLD AND  
INTO THE NEW!

**PX** DIGITAL



+ 2020 **E-BOOK**



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## CHAPTER ONE: A BRIEF LOOK AT EQUITY AND HOW IT WORKS

It's surprising how little information you can find on powersports trades and equity. However, despite the lack of information, this **is still a very important part of business for your powersports dealership**. Overlooking the value of trades or treating them like an afterthought isn't going to do your business any favors, but unfortunately, too many sales teams get caught up in the sale and don't even think about the value of trades and what they can do for the dealership. Equity is actually a much more important topic for your sales team than you might realize, however, and it can do a lot more for your bottom line by helping you build a new avenue of profits.

Keep reading to learn about equity and how it works, how your dealership can use it, and how to train your sales team on trades. You'll find out more about training your team on trades and why you need to focus on them, as well as how to maximize your profits with the help of a solid trade program and the right technology tools. There's a lot more to equity than you think, so let's get started.

### What is Equity?

**In a general sense, equity refers to how much ownership someone has in a particular asset.** In the case of a powersports dealership, equity will be the amount of ownership that your customer has in their current unit that they are looking to trade. For example, if your customer wants to trade off a personal watercraft that they still owe money on, they wouldn't have 100% equity. They would only own whatever portion of the unit that is paid for. This value is important because it determines how much the trade is actually going to be worth, both to the dealership and to the customer.

Equity is tricky in the world of powersports because these units are used for a variety of activities and they see a lot of wear and tear. Therefore, this is an area where you also have to think about things like depreciation and how your unit may lose value over time simply due to age. **Fortunately, there are a lot of resources online that can help you learn about equity and how to determine what certain trades are worth.** You can even find valuable technology tools that will help you predict which trades are best and what used units your customers are most likely to purchase.

As long as you know that equity is important, you can learn the rest.

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## How is Equity Calculated?

Equity is either going to be conveyed as a dollar amount or a percentage of an item's total value. In the case of a powersports unit, for example:

**Unit Value: \$12,000**

**Customer Loan Balance: \$3,000**

**Equity: 75%, or \$9,000**

Why does this matter? This essentially tells you what something is worth and what it is worth to a customer that may be looking for an equity trade but unsure of how much value they can actually get for their trade. By helping your customers calculate their equity contribution for trade, **you might be able to help them see that they can actually afford something much nicer as an upgrade.**

There are situations where you will run into people who have low or negative equity in their units, and yet they still want to trade or need help getting out of an upside-down loan. These situations are usually handled on a discretionary basis and are something that you will have to consider when you are training your team on the trade-in process and figuring out what your parameters and guidelines are going to be. Negative equity is when someone owes more than their unit is worth, and it's a lot more common than you might realize. Being able to help customers out of these situations may be what sets your dealership apart and gives you the chance to become a leader in the market.

At the same time, you'll be getting some good trades, provided that you utilize all the tools available to make sure that you are only taking the best units and not accepting trades that aren't going to sell.

## The Role of Equity in Powersports Deals

Trades are part of a lot of powersports sales. After all, people are usually upgrading to a new model of something and don't need multiples, so they'll be able to use the value of their old unit to help offset the cost of a new one. You might not even think about this because it's a part of the daily business that just happens, but this is exactly where equity comes into play.

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Understanding equity in powersports units and how to calculate their value is critical to your success with the trades that you take.

After all, it does you no good to take a bunch of trades where people have negative equity or they have so much positive equity that you're not going to recoup what you paid them for the trade. You have to think about how equity factors into every deal and part of that starts by training your team specifically on trade-ins. So often, dealerships overlook training on trades and just allow them to happen without a lot of planning or strategy. Unfortunately, this can end badly and cause you to collect a lot of units that won't sell. If you are going to make the most of your equity trades, you have to understand how it works and utilize the tools out there to make the most of it.

Equity is essentially cash. A customer that brings in a trade with \$5,000 in equity is the same as a customer that brings in \$5,000 in cash. That money is given to them to go toward the purchase of their new unit, thereby helping reduce its cost. Some people may choose to hold onto a particular unit if they have too much equity or if the value means more than the trade potential. It's a conversation your sales team needs to have with their customers every time, but they can only do that if you train them and give them the appropriate tools.



## CHAPTER TWO: GO FOR THE TRADE

Once you've armed yourself with information, you'll have a better understanding of how equity works and you can use that to help your customers along the way. Improving your dealership's trade performance starts by knowing where things stand. If you don't already have analytics and tracking tools in place, you need to find them and implement them. **The profitability of trades is much higher when you have the right tracking tools in place and dedicate specific resources to the trade-in process.** It's now time to take the conversation to the customer and make sure that they understand what they're getting.

*A lot of sales pros will avoid the trade talk, or they will immediately jump in with the question as soon as the customer asks about purchasing a new unit. Both of these are ineffective and won't get you the best results. It's important to build a relationship and have a conversation with your customers, which includes eventually getting to the trade discussion and talking about what equity they bring to the table. If you let the trade talk happen naturally, you'll see much better results all around.*

### How to Talk to Your Customers about Equity

Equity is really a simple concept, so long as you don't put too much thought into it. Some people hear words like this and immediately get intimidated, but you can put your customers at ease by letting them know that this is a good thing and that your team knows how to handle trades and make sure that they get the best values for their trades. When you're looking at potential trades from your customers, make sure that you think about the next customer, as well, including whether there will be one to buy the unit that you're taking on trade. Then, you can start the conversation about what they're doing with the equity that they have.

Help people understand that while they don't have to trade, they certainly can benefit by offsetting how much they have to pay for a new unit. When you have a customer that's on the fence about a purchase and you haven't discussed trades, you're

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missing a great opportunity to get them to finish taking the leap and complete the transaction. Some customers will come in ready to talk trades. Others won't. You have to make it a part of your sales training so that your team knows how to handle the buying journey either way.

## Helping People Make the Best Trades

There are a lot of tools and technology out there that can help your sales team learn more about equity and powersports trades. There are even resources that you can implement to help ensure that customers are always getting top dollar for their trades, or to find out if maybe it would be in their best interest to hang onto their unit since the equity is still low. It's all about figuring out what the customer needs, and wants, just like you would in the sales part of the transaction.

One way that you can reassure your customers that you are giving them the best trades is to provide transparency in all that you do. Customers today want to know exactly what they're getting and they don't want to feel like they're being jerked around. Make sure that you have a clear trade-in process and that you are willing to openly discuss things with your audience. **Even something as simple as not giving them a full picture of their trade value can cost you an entire deal.**

The best way to help customers maximize their trade potential is to have a staff that is well-trained and ready to handle all types of trade situations. We'll discuss that more in the next chapter, but for now just know that you need to be proactive with equity trades to help customers get what they want out of their buying experience, no matter what they have in mind.

## The Benefits of Equity Trades: For the Customer

There are a lot of perks to taking equity trades as a powersports dealer. You will be able to close more sales with people who might otherwise not have a down payment to help with their purchase. You will also be able to provide a better selection of products to your own customers in the used department with the things that you acquire. However, when you're trying to talk equity with your customers, they want to know how **they** will benefit from the trade-off. This is where you need to explain things like:

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## "DAYS INVENTORY OUTSTANDING"

The amount of inventory on hand based on average sales per day – has risen 8.3% over the past five years.

More and more businesses are increasing the range of products they stock in order to meet consumer "long tail" demands.

54% OF WAREHOUSES PLAN TO EXPAND THE NUMBER OF INVENTORY SKUS CARRIED OVER THE NEXT FIVE YEARS.





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- *Reducing the loan amount or unit cost of the new powersports item, which is easy when you add the equity value of a trade that the customer already has. What might have been out of their price range is now affordable, thanks to the trade credit that they are getting. People often don't realize that they can get so much more without a much bigger investment, but something as simple as a trade can make a big impact on the final pricing and give more people the chance to upgrade.*
- *A chance to upgrade to a new unit, even if the old one isn't entirely paid off. People like upgrades, and when they have a loan that isn't paid, they might feel like they're stuck until they have paid it in full. Fortunately, with equity trades, you can help them trade out of their current unit and get into a better one at a lower cost, thanks to the value of whatever unit they are trading.*
- *A chance to put their hard work to good use. People spend a lot of time and effort paying their bills and making sure that things are done in a timely manner. If your customer has been diligently paying on their unit for five years, they are deserving of an upgrade for all of their efforts. They might still owe a little money, but why not treat themselves and trade up when they have the chance?*

There are plenty of perks to trade-ins, for your customers as much as your dealership. Keep reading to learn how to make sure your sales team is trained and ready for whatever trades come their way.





## CHAPTER THREE: TRAINING YOUR TEAM TO SUCCEED WITH EQUITY DEALS

As with anything, training is going to serve you well to help ensure that your team is ready to go with trades. You have to take the time to learn about trade-ins and equity for your powersports dealership and what they mean to your bottom line. Then, you need to see what tools are out there and how you can capitalize on those tools to find the best trade deals. Once you've come up with a solid strategy, then it's time to get the entire team on board. Remember, though, that training on trades is just as powerful as sales training.

### Trade-In Training Matters

The average dealership can make a significantly larger profit on used deals when they take good trades. However, most sales teams focus exclusively on sales and let trades go by the wayside, and that can lead to a lot of missed opportunities. Think about it for a second—if you really want to give your powersports customers the tools that they need to get the best deal, wouldn't that also include any trade-ins or equity that they have in other units that may offset their costs? Trade values are a little more complicated in the world of powersports, but the training is worth it to ensure that your team is ready to capitalize on this profit potential for your dealership.

When you train your team, you'll spend less time being the go-to person for the nuts and bolts of the deal. You'll equip your team to make more decisions on their own and set their sales up for success with a solid trade. You will give people tools that they need to be better sales professionals to all types of customers. Plus, this type of training is just one aspect of creating a well-rounded sales team that knows how to handle every step of the transaction.

### Take Advantage of Technology Tools

Technology is changing the way that your dealership does business, fortunately, and it's for the better. There are so many valuable dealer tools out there that are designed to improve your operations and help you better manage your transactions. You'll even find a slew of predictive and analytics tools that are designed to help you plan ahead for your business and utilize customer data to make decisions about trades and other deals that go on in your powersports dealership.

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A solid CRM platform that integrates all aspects of your dealership, from the basics of sales to the nuts and bolts of trades, will make all the difference in your overall success. These training tools and resources are going to be invaluable in helping your sales team become better at trades. **Unlike in other purchasing situations, your team is going to be making more concessions with a trade in order to get the deal done.** Therefore, you really want to make sure that you train your team and give them the tools to make the best deals every time.

## Analytics and Predictive Data

So many dealers don't realize the potential of the tech tools that they have available to assist them in building their business. When it comes to tracking things like trades, it can be hard to figure out on your own what will or won't sell, as well as how much money you can actually make off of a trade. However, with the use of a predictive data engine, you'll be able to organize and compile all of the information in your system to determine what customers are most likely to buy, and what it is they might be looking to purchase.

*Having this kind of insight can be invaluable to your sales team when it comes to handling trades. You don't have to train each sales rep to memorize numbers or data because it's all right there in the computer system. In recent research, dealerships that utilize predictive data engines have seen a 30% increase in their sales and as much as 15% higher gross profits as a result.*

## Build Your Bottom Line with Trade Profits

Now that you know how to help your team capitalize on the trade game, it should be easy for you to make a new strategy for your powersports dealership that improves your trade-in performance both now and for the future. Remember, especially when you're first getting started, that this is not a temporary solution or a quick fix. You will see better results at first, but you really have to implement a long-term training mindset that helps people realize the value of trades for your business on a daily basis.

Because you control both the buying and selling price of equity trades, you're giving your dealership the upper hand in every transaction involving a trade. While you might not have as much room for negotiations or profits with newer units or used equipment purchased at auction, your trades allow you to figure out where you can maximize profits or help customers feel like they're getting a better deal by offering them the best possible trade potential. **In the end, you'll build new relationships and create lifelong customers, all while doing something that also helps your business.**

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## Resources

<https://www.vauto.com/learning-center/articles/increase-dealerships-trade-in-performance/>

<http://fuel.reyrey.com/sales-and-fi/2020/01/trade-ins-the-sleeping-giant-of-profitability/>

<https://www.experian.com/blogs/ask-experian/what-does-it-mean-to-have-equity-in-your-car/>

<https://www.autolist.com/guides/car-dealerships-pay-off-trade-in>

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