

Simplicity is key to increased profits

Andy Gruber, ALPHERA Financial Services' director, believes the new FCA rules will present business opportunities for dealers

ALPHERA Financial Services is leading the charge for a new approach to finance which puts the customer firmly at the heart of business. Director Andy Gruber explains the company's new business model, its drivers for change and, importantly, the opportunities for the industry

In the age of Amazon, Google and Apple, customers expect simplicity in everything they do. The motor industry needs to acknowledge this trend and embrace it. As a matter of fact, it is not only the customer that demands simplicity, but also the sales teams in dealerships, who have been complaining about the complexity involved in the current finance packages provided.

Alphera has listened to these demands and has led the way by launching the most simplistic and transparent pricing and commission model available to the market. This new approach focuses on three key goals:

- To provide simplicity for dealerships and customers
- To ensure the best outcome for customers
- To allow retailers to maintain their levels of profitability

The new Alphera business model should, however, not just be seen as a response to the regulator. While it shows the business has listened to the Financial Conduct Authority (FCA) and its requirements, it is actually about moving the whole industry forward by providing both the customers and the dealers with what they demand: an easy to understand, transparent and fair finance pricing model.

Indeed, with the motor trade facing its first full year of FCA regulation in 2015, it's more important than ever for the industry to embrace these changes in order to secure future success.

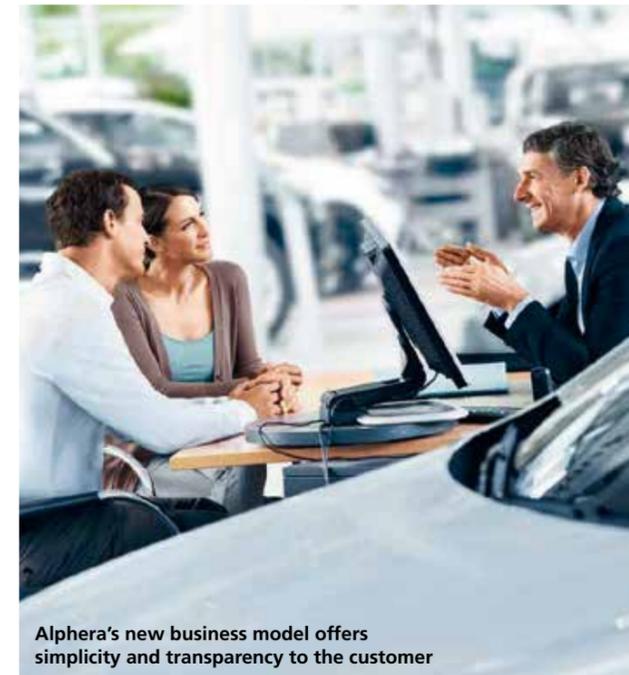
Focus on what is right for the customer

While the FCA has recently provided the sector with increasing clarity, we had already decided that the time was right to commit to a new model of working which truly puts the customer first following a strategic review back in 2012.

The key feature of our new pricing model really is its simplicity. There will be no customer fees anymore, apart from a nominal option-to-purchase payment. In addition, we have removed the need for any volume bonus and will instead pay a fixed commission at a capped rate, regardless of the product, term or age of the vehicle. Should the dealer see the need to discount this offer to help enable a customer purchase, a simple table will show how much this will cost.

The focus of our new approach is around being simple and compliant,

The new Alphera business model will help simplify the sales process for staff and customers



Alphera's new business model offers simplicity and transparency to the customer

yet ensuring our partners are able to remain profitable and increase their finance penetration by fully engaging their sales teams and making it easy for the customer.

Partners who have already adopted this approach have benefited from significantly improved penetration rates, as a result of both the sales people and customers fully buying into a simple and transparent pricing structure.

While some dealerships are nervous that a 'one-rate-for-all-customers' approach will negatively impact their profits, we can see that in fact the opposite is true with those dealers that have adopted this approach. The increase in penetration rate more than offsets any potential loss in income per retail unit and, as a matter of fact, the bottom line profits increased as a result of the new approach.

Furthermore on the back of higher penetration rates the opportunities for the dealers to retain more of their customer base have also increased on the back of higher penetration rates, since we all know that a finance customer has a higher chance of returning to the originating dealer at the end of his contract. Moreover, a culture of treating customers fairly in dealerships will naturally increase customer satisfaction and loyalty.

In my opinion by putting the customer at the heart of everything we do, it is perfectly possible to increase the share of dealer-sourced car finance from the current 75% to more than 80%. We should, therefore, be able to create our own growth opportunities, even if the growth in overall car sales slows down in 2015.

Continuing the journey

We are facing a really important and exciting time for the industry. Simplifying finance deals, ensuring transparency and making decisions with the customer at the heart of the business are all key to guaranteeing a successful future.

We will see further standardisation from FCA regulations in the next 12-18 months but beyond this we must continue to listen to our customers and innovate the way we do business.

As an industry, we need to stop talking about commission and remuneration and instead need to focus on what our customers really want. We need to take the brave pill and show how the motor finance industry can set the TCF benchmark for all industries.

ALPHERA is leading this charge but it's a journey and it's a journey we're all on as industry, together.

It works: Richard Sanders Group

Established in 2002, the family-run Richard Sanders Group operates six franchises in the Kettering and Northamptonshire area. Representing Citroën, Renault, Nissan, Peugeot,



Honda and Dacia, Richard Sanders has built up an enviable reputation for excellent service, including its commitment to finance sales.

Ross Brandrick, group business manager, explains why the Richard Sanders team has embraced Alphera's

new business model: "As a business we've always ensured that our customers receive a high level of service and clear explanations of the products that we offer. So, we didn't have to make any drastic process changes.

"The biggest variation we've made has been to put all of our customers on the same rate for all products and terms. At a fixed APR and with no fees, this makes everything far simpler for our sales team. Instead of referring to a finance rate card with multiple permutations, they can now focus on making sure customers get a consistent, fair and straightforward deal, allowing us to deliver really exceptional service."

Just one month into the changes, finance figures and KPIs for January 2015 have improved on January 2014 performance, and the business is expecting to see further improvement throughout the coming 12 months.



Brandrick continues: "We've had a positive response to these changes from both customers and staff. The team enjoys the fact that our finance rates are open, honest and available for all to see. Our managers have had to get better at making the overall deal work for customers in different ways, rather than just dropping the finance rate, and this gives us all the

incentive to be even more imaginative."

Looking to the future, Richard Sanders Group is embracing the opportunities delivered by the FCA. Brandrick comments: "We shouldn't be scared of the future. Regulation



is a good thing for business, providing you do things properly and look after your customers well. It will continue to be a very important part of the industry for all concerned.

"The change in regulator has no doubt sped up change; however, we were heading in this direction anyway. Our decisions to review products and pricing alongside Alphera are already paying dividends."