

## Top tips for making the most of interest free finance



**Tim Baker from Black Horse provides some useful advice on how to generate more business using the customer's most popular form of retail finance**

Interest free credit is the dominant retail finance product currently used by cycle retailers. In 2006 almost 90% of applications were for interest free financing. However, when looking at individual retailer performance it can be seen that some shops are not getting the full benefit that proper use of this product can deliver.

Analysis of overall average sales values highlights little difference in the value transactions, regardless of the term of interest free credit offered. In other words, the retailer is incurring needless additional cost without benefiting from the extra turnover achieved by increasing the value of the sale over a longer interest free period.

The key to success is having various terms of interest free finance available which reflect the increasing value of the sale. For example:

Sale value	Balance after deposit	Interest free term	Cost to the customer per month
£350	£315	6 months	£52.50
£650	£585	12 months	£48.75
£900	£810	18 months	£45.00
£1200	£1080	24 months	£45.00

Here the sale value has increased by £850 yet the cost to the customer has actually reduced. Therefore on a monthly basis it is actually more cost effective to increase the sale value using finance. This can be based on product or full sale value.

Of course I am not suggesting that every £350 sale can be increased to £1,200 (or more), but even if only 2 out of 10 did increase in value, think what that would do for your turnover. The increased retailer subsidy for offering a longer interest free term can be offset by the additional turnover generated by gaining more high value sales. It is proven that up-selling is far easier when the actual additional cost is divided by 12 or 24.

With the use of retail finance continuing to grow it is more important than ever for retailers not only have access to the right finance products at competitive rates, but also to know how to maximise finance to fully benefit their business.

**To discuss retail finance in more detail contact the ActSmart team on 08704 288 404 or visit [www.actsmart.biz](http://www.actsmart.biz)**