

Transforming **CUSTOMER FINANCING** for Larger Profits



Introduction: Overcoming Fear and Unlocking Opportunity

For many businesses, financing customers is fraught with uncertainty and fear. Concerns about default, cash flow, and administrative complexity often prevent companies from leveraging the full potential of in-house financing. This report explores practical solutions that address these challenges, providing businesses with the tools to increase the size and quantity of their sales, realize significant tax benefits, and rapidly enhance their overall value.

THE IMPORTANCE OF REMOVING EMOTIONAL UNCERTAINTY OF SELF-FINANCING

THE FEAR - THE TOOLS TO OVERCOME - THE INCREASE.



The Traditional Challenges to Financing Customer Yourself

1. **Default Risks**: Businesses often fear that customers will default, leaving them with uncollectible accounts.
2. **Cash Flow Concerns**: Financing ties up working capital, which can create liquidity issues.
3. **Administrative Burden**: Managing payment plans and collections can overwhelm existing resources.
4. **Customer Relationships**: Aggressive collection practices strain relationships, potentially damaging a company's reputation.

The Practical Solutions

1. **Transparent Processes**: Offering clear, fair terms that customers can trust reduces misunderstandings and disputes.
2. **Supportive Onboarding**: Streamlined onboarding ensures customers feel comfortable and confident about their payment plans.
3. **Revenue Optimization**: There are ways businesses can keep 100% of their sales revenue with no merchant fees deducted (typically a 2.5% to 3.75% loss) .
4. **Interest Income Management**: Setting fair and controlled interest rates ensures customer trust and additional business income.
5. **Simplified Management Tools**: Having an efficient tool reduces the administrative burden of managing payment plans and collections.
6. **Ethical Practices**: Transparent and respectful practices strengthen customer relationships, fostering long-term loyalty.

List of Enhancing Business Value and Accelerating Exit Strategies

Financial Growth

1. **Revenue Increases**: Larger sales volumes and interest income drive profitability.
2. **Stronger Margins**: Retaining all sales revenue and earning interest improve bottom lines.
3. **Predictable Income**: Consistent cash flow from financing enhances business stability.

Increasing Exit Strategy Value

1. **Attractive Financials**: Businesses with scalable financing models command higher valuations.
2. **Market Differentiation**: Ethical and flexible financing practices enhance market appeal.
3. **Long-Term Stability**: Strong financial performance and predictable income streams attract buyers.

Key Takeaways

1. **Prioritize building predictable income streams.**
 2. **Highlight ethical practices as a unique selling point.**
 3. **Focus on scaling financing capabilities to enhance business value.**
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Real-Life Example 1: Auto Repair

An auto repair business helps customers finance large repair costs. Businesses with customers unable to pay the full amount upfront, can set a down payment to cover material costs and customers agree on manageable payment terms with single-digit interest. By allowing customers to suggest their payment threshold and offering slightly lower auto-payments, the business ensures both comfort for the customer and consistent cash flow for the company.



Dr. Steven Renfeldt, a clinical psychologist, explains the psychology behind single-digit interest rates. When faced with double-digit interest, customers who may have struggles in life often feel stress and justify nonpayment by labeling the business as greedy or the product or service was poor, though it is not. Single-digit rates eliminate this stress and justification, increasing payment reliability. Businesses adopting this approach reported receiving 100% of their principal and make a steady stream of interest over the past few decades.

Real-Life Example 2: Reposeession

An auto repair shop faced a challenging situation where a customer's car was repossessed from the shop's lot the night after a costly repair. The customer had no funds to pay for the repair, and the shop had no recourse to file a mechanic's lien. Initially, they considered pursuing legal action but decided instead to offer the customer a payment plan.

The shop proposed a single-digit interest rate, reassuring the customer that the goal was not to profit excessively from interest. They asked the customer what monthly payment she could manage and then offered an auto-payment plan slightly below her stated threshold. Feeling valued and relieved, the customer signed the agreement immediately.

This approach salvaged the payment and preserved the customer relationship completely avoided legal expenses. The mandatory bank-to-bank auto withdrawal ensured consistent payments while minimizing the risk of cancellation or disputes.

Real-Life Example 3: Pet Trainer's Transformation through Financing

A pet trainer in a competitive market faced challenges in maintaining sales and resorted to heavy discounting to attract clients. Despite offering high-quality training services, price-sensitive customers often chose cheaper alternatives, leaving the trainer with slim margins and erratic cash flow.

The trainer realized that the continuous discounting strategy was unsustainable and did not reflect the value of his services. He needed a way to align his pricing with industry standards without losing clients, while also ensuring predictable income.

Inspired by the financing strategies outlined in this report, the pet trainer implemented a flexible in-house financing model:

- **Transparent Payment Plans:** He introduced clear, easy-to-understand payment plans that allowed clients to finance the cost of training, setting a deposit with payments that were below the customers “threshold”.
- **Single-Digit Interest Rates:** To maintain customer trust, he applied a single-digit interest rate, emphasizing that the goal was to make training accessible without profiting excessively from financing.
- **Mandatory Bank-to-Bank Auto Withdrawals:** To secure consistent payments, he required clients to set up automatic withdrawals from their bank accounts, ensuring reliable cash flow.



Outcome:

Within the first month of offering financing options, the pet trainer experienced a remarkable financial turnaround:

- He managed to secure \$41,000 in financed payment plans, allowing him to stabilize his cash flow and reduce the need for discounting.
- Additionally, he received approximately \$7,000 in deposits, providing immediate liquidity and reinforcing the value perception of his services.

Impact:

This shift not only preserved his business's profitability but also enhanced client relationships by offering flexible, stress-free payment options. By acknowledging and addressing his clients' financial constraints, the pet trainer successfully positioned his business for sustainable growth and long-term success.

Importance of Mandatory Auto Withdrawal



When financing customers, mandatory auto withdrawal from bank accounts—not credit cards—is crucial. Here's why:

- 1. Card Cancellation Risks:** It takes only minutes for a customer to cancel a credit card or claim fraud. Even with a signed contract, if a customer claims fraud, credit card companies often immediately pull funds back from the business's account and require a lengthy dispute process with little to no success.
 - 2. Bank Account Stability:** Closing a bank account requires a time-intensive process of visiting a bank, which customers rarely do. This stability ensures continued payments. No one will close down a bank account and reopen a new one because of a business that uses relationship base financing methods.
 - 3. Signed Contract Protection:** If a customer calls fraud to their bank, Banks are more likely to honor the businesses auto withdrawal agreements when provided with a signed contract, as this absolves them of responsibility for the transaction.
 - 4. Enhanced Payment Reliability:** Combining single-digit interest rates and payments below customer thresholds creates trust, reducing the likelihood of default while ensuring ethical and steady cash flow.
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Your First Steps To Financing Success



1. **Choose an Item or Service:** Select a product or service to offer with financing. If you are more product based, don't worry about low profit margins initially.
2. **Determine Your Price Point:** Ensure your pricing is competitive and reflects the quality of your offering. Avoid financing low-quality products at high prices. Your product needs to be equivalent in quality as the higher competitors.
3. **Material - Labor - Profit:** Identify the raw material costs for your product or service. For example:
 - For a coach: Information, hard books, or workbooks.
 - For a dentist: Crowns and dispensary tools.
 - For a sign company: Materials before manufacturing.**NOTE:** Exclude marketing or overhead costs from financing calculations and reserve these for cash jobs.
4. **Set the Down Payment:** A down payment is both psychologically and fiscally critical. It ensures customers have "skin in the game" and covers at least the material costs, if not some labor costs. For low-margin products, upselling through financing can expand profits.
5. **Example:** A granite countertop company increased profits by financing upsells. While customers budgeted for kitchen countertops, salespeople offered to finance matching bathroom granite using remnant granite from their kitchen, increasing labor time by only 30 minutes. The sale of the kitchen counter was the deposit to cover material costs, securing profits and reducing risks.
6. **Evaluate Outsourced Financing:** Companies like CareCredit often charge high interest rates and take control of the customer relationship. Use outsourced financing for your benefit:

- Offer financing options and let third-party lenders assess credit.
 - Choose from those whose credit was approved that you wish to finance yourself, retaining some of the customers with strong credit for in-house financing. Work towards building this to a profit point where you are doing all inhouse financing.
 - Don't discount higher-risk customers. Most of the time credit score do not show what is really going on. With holding the control you can require larger down payment, even up to 50%. Then set auto payment at an amount that is, "out of sight-out of mind".
7. **Watch for Opportunities:** Many companies realize how many sales they lose by not offering flexible financing. Start small and observe the increase in conversions and customer satisfaction.
8. **Case Study:** A dog trainer struggled with high prices in a competitive market. After switching to financing with transparent terms, they raised prices to industry standards and secured deposits. Within 30 days, they generated thousands in deposits and over \$40,000 in financed payment plans.
9. **Mandatory Bank-to-Bank Auto Withdrawal:** Require auto withdrawals from bank accounts, not credit cards. This protects your business by ensuring payment stability and avoiding disputes. If they ask to do payments with a credit card, inform the customer you will store their card on file, but bank-to-bank is required for financing.
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Conclusion: Simple Solutions, Significant Impact

The solutions outlined above address common challenges in customer financing, helping businesses reduce fear, improve cash flow, and strengthen customer relationships. By adopting flexible payment plans, single-digit interest rates, and transparent practices, businesses can:

- Increase sales size and quantity
- Achieve significant tax advantages
- Enhance their value and exit strategy

Woje is Your Partner in Success

Everything discussed in this report can be implemented effortlessly with Woje's platform. Woje provides businesses with all the tools needed to simplify financing at no cost to sign up and start their first payment plan. Additionally, Woje offers live interactive training for MyWoje users and their teams every Monday through Thursday at 11:00 AM Mountain Time, ensuring you and your team are fully supported. Transform your approach to customer financing today.

Get Your MYWOJE Dashboard at www.mywojemoney.com.

Or hop on a discovery and demo call: <https://calendly.com/wojescott/20min>

Remember to leave your credit card and money in your pocket. You won't need them.