

Now what do we do?

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The many true stories of franchise dealers being forced out of business is disheartening. Long term relationships, financial commitments and contracts seem to be of no value in today's volatile business climate. The circumstances leading to the closure of so many dealerships seem to go against the very fabric of what America was built on- accountability, honesty and fairness.

We certainly sympathize with our counterparts and the dealings with manufacturers and government, it is a very difficult time for them. It is times like these that demonstrate that it is impossible to predict or prepare for every possible business challenge. While it is true that we can only deal with the hand we are dealt, there are always ways to proactively adapt to change and thrive in a new environment.

Selling vehicles to the American consumer who is over-leveraged and has little excess disposable income certainly presents a challenge. Every business scholar will concede that business challenges present opportunities to those who have a vision that sees beyond the obstacles. The challenge presented today for all dealerships is how do they finance the sale to this consumer?

New car dealerships have been described as the factories for used car inventory creation. There will be shortages of quality used cars due to the drastic drop in new car sales. While acquiring quality inventory will continue to be more difficult for used car dealerships, the opportunity is the used car dealership is now in the position to not just be a dealership- but the only real source of financing for the un-bankable consumer.

Before, the used car dealership would utilize local banks and credit unions to directly finance the consumer, or sell their paper at a favorable discount to indirect lenders- earning all revenue at the point of sale. Now the opportunity exists to change their business from a transaction model to one where they are receiving continuous returns over the life of the note well past the original transaction.

There is a perception that it takes very deep pockets and a full time repossession agent to create a profitable portfolio; this is simply not true. The Vehicle Acceptance program provides nearly all the capital, and all necessary collection efforts. With a Cash Advance, it is indeed possible to get all of your cash out of the deal at the point of sale; and with Servicing, you do not need to create a collections department to effectively manage your portfolio.

What is readily apparent to those of us already in Buy-Here-Pay-Here is that now is a great time to be an independent used car dealer. It is true that there are challenges with inventory acquisition, and there may be former new car dealers entering into your local used car market. But given the lack of availability of traditional financing for the un-bankable consumer, there is a really big opportunity to grow your portfolio right now.