

THE
MONEY,
OR
YOUR KEYS,
please.

Reflections on the Buy Here – Pay Here Business
by a guy who repossessed 15,000 cars.
40 years experience building one of the
most successful BHPH dealerships in America.

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About the Author



I spent the first 14 years of my career in the car business with a small town, but high powered Ford dealer in Ponca City, Oklahoma. The dealership was Jack Bowker Ford. Jack was the second youngest dealer Ford put in. They could spot a winner. He also was a very successful real estate developer and investor, bank owner, etc. The dealership continues to be successful under the ownership of his son, Cory Bowker. Jack understood the concepts of the Buy Here – Pay Here business as well as anyone I’ve ever been around. I’m always amused when he calls me and asks about that segment of the industry when I know if he had put his mind to it he’d be the most successful Buy Here – Pay Here operator in the country. In those days we did it a little differently, but the concept of marginal credit has always been the same; as a matter of fact for thousands of years. In the 14 years I was working for and learning from Jack I had the standard career path that so many of us share. I started as a salesperson who knew nothing and went through all the desks from there.

Then, 15 years ago, it was my good fortune to become involved with a legend in his own time, Bob Moore. Through a mutual friend, I joined Bob Moore’s Buy Here – Pay Here (BHPH) operation, Eldorado Motors. Bob Moore passed away a few years ago but he left a legacy of fair dealing that is priceless. Bob also was a success with his family. His family was composed of his best friend & wife, Lynn Moore, and three children, Ted Moore, Mark Moore and Vicki Moore. All successful people of character. Bob also left hundreds of friends enriched by his life.

Before I talk much about Eldorado Motors I’d like to say a few things about Bob Moore. If there was ever someone who lived the true American dream that person’s name would be Bob Moore. From humble beginnings he achieved great things in more than one

industry and was such a person of integrity that his own name would become synonymous with the highest standards of honesty. I could write an entire book about Bob Moore if I could get all his friends to write one story about him. He had a lot of friends and there are a lot of marvelous stories. Bob enjoyed more than anything else helping people make something of themselves. He used to refer to his young junior partners as “the boys”, and I think he was referring to us as a group not so different from his own children.

I'll tell only this one story to give you an idea about what Bob was like. He was chewing me out once for two pretty small errors in what happened to be a very tiny office. Bob could have a one hour meeting with you in about 5 minutes, so in close quarters you felt like you were a phone booth with freight train coming at you. When this ended, all I wanted was out of this office. As I walked past him to get out the door, he grabs me by the coat sleeve and looks up at me with these words, “Julian, the only reason I'm talking to you like this is because the only reason I've even got this deal (Eldorado Motors) is that I think you can amount to something and I'm trying to help you. I've already got all the steak I can eat. I believe in you.” How do you think I felt from then on? There were approximately 28 partners before me and 8 after me. We all felt the same way. When Bob Moore believed in you, you better believe in yourself. Bob Moore is a member of the NADA Hall of Fame and also the American Quarter Horse Hall of Fame.

The mutual friend that had brought us together was Jim Decker, who continues to be a good friend and mentor. Jim is without a doubt the finest loan collector in the world. He was Bob Moore's original GMAC representative and was enormously successful as President of three banks before retiring at an early age. Bob Moore called him out of retirement to clean up a mess he had in a leasing company and one of the miscellaneous assets was a small note lot named Eldorado Motors.

What first drew me to the Buy Here Pay Here business was my first conversation with my friend and banker Jim Decker, who had come out of retirement to work for Bob Moore. When Jim told me how much profit there was per car I thought WOW! If the pie is that big there is going to be plenty to be shared. I figured something else; that there was a group of my peers that didn't want to “get their hands dirty working with working people”. They wanted to sell Lexus's to Doctors. By the way, in case you don't know doctors do get their hands dirty. Real dirty.

That first year I really learned as much about business as I ever have in my life. Our lots in those days were in a tough part of town. From there things kept going and growing. We made a fair number of mistakes as we went as well. Those were sort of the golden years of Buy Here Pay Here where the consumer didn't have many alternatives. They do now! But the pendulum is moving back to the middle, which makes for an improving long term business cycle for the BHPH business.

So, fifteen years ago, I joined the team at Eldorado Motors. Jim Decker had retired once and wanted to train a replacement so he could retire again. I'd had some collection experience so after a tour of duty as a salesperson (a standard Bob Moore procedure) I got

the Collection Manager's job. It was a mess. The first month I repossessed almost as many cars as they sold. The sales crew went through the roof.

The next thirteen years were busy ones with lots of fun and friends attached. We grew and grew and grew. We had one really bad year, the only time in our history that we lost money. I learned a lot from that one. We spread from Oklahoma City, to Tulsa, to Omaha and we also started buying paper direct from Bob Moore and related company new car dealerships. We had an office in Wichita Kansas at this point. At our largest we exceeded 40M in outstandings and were booking over 400 deals a month. Our goal was to continue expanding and to take the company public.

That's when I learned that in order to grow at the 20% compounded rate, the investment bankers required we needed much more depth in internal systems than we had or could develop fast enough. After visiting with my partner in management, a very gifted person and great friend, Robin Meyer, we decided one day that we just couldn't grow every year at that rate. I called Bob Moore to tell him and offered to stay and help if he wanted to bring in new management. Bob said, "Julian, that's about the smartest thing you're ever told me. I'll never worry about you again. I'll just sell the deal out to you."

We shrank back some and focused on running our business well. One big asset we had was a tremendous car guy; Larry Menser. Besides being a life long friend, he is the best wholesale buyer I've ever known and a great retail hand also. We were one of the first to offer a free vehicle service contract. We were the first in a lot of good ideas, and also a couple of bad ones. One good idea that was that I gave every customer my direct phone. You'd be amazed at how few calls you will get after your employees and managers know that the customer has the boss's number.

Also, this was the time that a super young man came into our organization, Rick Beck who continues to be enormously successful as General Manager of Eldorado Motors. Two years ago I joined the parent company, Bob Moore Auto Group as Vice President and Chief Operating Officer. That was a great experience to work with so many, many really good people. In November of 2004, events took me to the point of separation from Bob Moore Auto Group management and to start my BHPH consulting company.

BHPH Wisdom Point: Never look at this business as a single month. The smallest increment that is going to mean anything is six months. If you can't handle that, don't get in the business. This is a big difference with a new car store because there if you're not looking a business weekly and monthly you're not going to make a good year.

The Two Big Questions:

This is the simple test to determine if you belong in the BHPH business:

1. Could you personally look someone in the face, ask for the money or the car and if they don't have the money, take the car? In other words could you repossess a car yourself?
2. How do you refer to this person in your own mind before you ask them for the money or the car? If you think of them as beneath you, if you label them with some derogatory word, then you need to stay out of this business. Because they are THE CUSTOMER.

If you answered No to #1 or anything but the correct answer to #2 then this just isn't the business for you. You'll never relate, you'll never understand. Buy another new car store.

What Makes BHPH a great business?

1. No blue sky. Let's say you go buy a new car store and pay 3 or 4 times earnings. The store's been making 1 million; you think you can increase it maybe 25%. So, you've paid 3.5 million in blue, plus assets, plus working capital, etc. Maybe you've got a great deal. But consider the alternative of putting the blue sky money alone: 3.5 million in BHPH. Now you've instantly got a lot more than 3.5 million.
2. Using Assets and Resources that you already have and are paid for. There are lots of synergies when you pair a new car store with a BHPH operation. I've listed a few major ones. The point that I want to make here is that in the theory of return on investment, when you utilize an asset that is a by product of something you are already doing, your rate of return is infinite. You're making big money now.

Here are a few examples:

Product	With BHPH	Without BHPH
Credit Turn Downs	Sales	Nothing or your Salespeople are selling the leads.
\$4000 and lower trades	Your most profitable car	Goes to the auction
Service Business	Your n/c store shop is full	You don't maximize profits
Credit Move Ups	You "graduate" customers	Lost profit potential

Some footnote comments on a couple of these items:

1. Credit turn downs that are shared between a new car store and a related BHPH operation have some very exacting rules about how that is done and the documentation that is required. Privacy is now a law, and must be taken seriously. You can overcome the compliance issues with a good plan, but don't think a good plan is going to be implemented without follow up.
2. Also, I think the Service Business issue is a huge one. Our new car stores were often ranked nationally in CSI and SSI. Yet, the only service department that we always had full was the BHPH store. That's another advantage to offering vehicle service contracts on every BHPH car. When you go to NADA and they tell you that, because of reductions in scheduled maintenance and reduced warranty work, due to improvements in car quality, they are sending a message that we really don't want to hear. Service Marketing is going to be a major issue in the next 15 years. Without getting into a lot of details let me share with you this concept: have your new car store contract with your BHPH operation on a 10 and 10 basis. 10 days, 10%. Here's the way that works. Your BHPH operation has 8 cars that need various amounts of reconditioning, averaging around \$500 a car. Your Service department takes the work, writes the repair orders and stamps them 10% / 10 days. The day the car is due out is clearly marked in big letters on the repair order where it shows if it's in a repair order rack. Your Service Manager now has the perfect customer. He's found someone who can wait 10 business days, which gives the Service Manager the flexibility of taking retail work on a TODAY basis and filling in with the 10 & 10 work. Your technicians will be happy because they always have work. The service contract work on the cars your BHPH sells will add to your Service volume. It gets treated just like any other customer work. The BHPH manager is getting a 10% discount and still knows

that the car is going to be ready on a certain day. Here's the magic in this and where the paradigms have shifted; **the BHPH car doesn't depreciate!**

3. Now you take a late model Cadillac or Lexus and start delaying them 10 days before they hit the lot and you're losing big time. The market is going down every day. I'll talk some more in another section about paradigms and how they fool us, but let me just say for the first of a thousand times, BHPH and the Retail New and Used Car Business ARE NOT THE SAME BUSINESS. DON'T GET FOOLED. THIS IS THE BIG ILLUSION BECAUSE DRIVING BY THEY LOOK THE SAME.

Flexibility:

In the Chinese classic book The Art of War it points out that flexibility and options are of greater value in a war than the size of an army. Something as simple as picking the time and the place has more to do with victory than the number of soldiers. The same thing is true in business. In the BHPH business, you're in control. In the ever competitive new car business you are less in control every day.

Does any of this sound familiar? The factory has a new program you have to buy, special tools that you will never use, poor selling inventory that you have to take, and does your factory rep ever get to that last report on the list called "dealer profitability?" Well, he's not going to. One of the reasons is that the manufactures need the money worse than the dealers. That is something new and it applies to everyone except Toyota and Honda.

Have you heard these sweet words lately "build a new building or do a major upgrade on your existing one. Get a 30 year note to pay for it. We've got the first hot products we've had in 5 years and we don't really know how long it's going to last. No, we can't promise any other winners after this one, but if you don't build that new building there will be hell to pay."? Then after you build the building you find out that your market has been "reanalyzed" and there is going to be yet another dealer in markets that are already over saturated.

The Exit Strategy:

I've had friends over the years say that they liked the idea of a BHPH operation, but didn't want to get involved in something that they couldn't "take the inventory to the auction" and be out of it in a day. I think that's a good point, but a little closer examination of the facts might look more like this.

You probably can't walk away from your car dealerships or individual used car lots either. The real estate issues typically have some long term commitments.

Typically while the comment is correct, if you want to liquidate your BHPH business, you will get 80% of your money within half of the term of your average note. The reasons are mathematical in nature. The repos come early on in a liquidation scenario and so do the payoffs when people trade. There's a way to liquidate effectively and a way not to. The number one way not to is to sell your notes to the highest bidder. *Don't forget this; you're always the highest bidder on your own money.*

I can help. If you want to get out I can set up a plan that will accomplish that goal and do so in a controlled, business like manner that you will be comfortable with. By the way.....you're going to get out someday. There will be some event that will change your objectives. It might be retirement, or it might be expansion. Right now new car stores are either winners or losers. The winners are bringing huge money, especially if they are Honda or Toyota related. I'm not sure it's worth buying one of those stores and committing yourself to a lot of hard work for a low return on your money. The other kinds of stores are the losers. They sell for "cheap" and that is way, way too much. But someday, there is going to be a recession or a local setback and you'll have the opportunity to buy that other new car store you've been wanting. You have more options in liquidating a BHPH than you might imagine. You can cut the sales 50% or you can cut the sales 90% and just resell your perfect pays. You can lower the inventory. You can close the lot. But the very way to get your money out is to decide how much you want to take out of what comes in and limit the sales to do so. What holds most people back from understanding how simple this is the paradigm of "*Selling More Cars is Good – If We Could Sell More Cars It Would Solve All Our Problems*". Getting out starts with selecting a strategy. I can predefine those for you.

Common Sense

The finest compliment that Bob Moore could ever give you was to say "you have plain ordinary common sense" and boy did Bob have a bunch of it! But, sometimes we get so busy looking at 20 page spreadsheets that we forget the simple formula of what's happening or what needs to happen.

The BHPH business is a pretty simple concept, but to make sense out of it you have to first "confront the brutal facts" and understand that as much as you would like this to be "the car business" it is not. The BHPH business has a lot more to do with sub prime / high risk / finance company scenario than it does with the car business. So, the beginning of all wisdom is to accept what we don't know or what we don't know correctly. **THIS IS THE MONEY BUSINESS.**

Service to the Customer

If there one thing that ties BHPH and the Retail Dealership Environment together for success it is the concept of service. We serve the customer. That's where the money comes from. That's where repeat and referrals come from. That's where success comes from. **SERVING THE CUSTOMER.**

By the way, the BHPH business is competitive enough now that you must serve the customer to be in business. At one time this unfortunately was not true, but those days are long gone. People will only do business with you if you serve their needs. (By the way, that's how to effectively lead any organization; start with service to employees and customers. Then people will follow you up any mountain.)

Exceeding the Customer's Expectations

I know someone who recently took delivery of their brand new private jet and they were very excited about getting it. It was larger and much more powerful than their previous one. The price was millions and millions. When I asked about the jet they said that they were frustrated because the delivery had been delayed. I inquired why and they said that on the purchase inspection they had found a scratch on some of the beautiful woodwork.

There's a point to this story: **THE CUSTOMER SETS THE EXPECTATIONS OF THE PURCHASE IN RELATIONSHIP TO THE VALUES INVOLVED. THE PERSON DOING THE SELLING DOESN'T!**

So, if you're a Cadillac dealer, there is a level of expectation on a new XLR. If it's a BHPH customer there is a different level. **IF YOU DON'T COMMUNICATE THE EXPECTATION BEFORE THE SALE, YOU WON'T ENJOY DOING IT AFTERWARDS.** That's why, in addition to the documents you need to legally close a BHPH sale, you need some other documents and procedures to get the communication about expectations cleared up.

IF IT'S YOUR MONEY THAT IS MAKING THE FINANCING POSSIBLE, YOU NEED TO COMMUNICATE EXACTLY WHAT IS EXPECTED OF THE CUSTOMER IN TERMS OF PERFORMANCE.

In other words, the customer tells you what they expect in terms of the car, and you try to exceed their expectations and by telling the customer what you expect in terms of payment performance. If they are capable and are using their head they will exceed those expectations.

I learned that from Jim Decker, the man that taught me what to say to a customer when you're closing the deal. I learned that no salesperson in the world is going to say those things to a customer because it goes against everything they have ever been taught or were inclined to do.

Wisdom Point: There are two types of people that think they can change human nature. Preachers and Fools. If you're trying to go against human nature ask yourself which one of those people you intend to be.

So, here's the solution. With documents that I refer to as the "Customer Relations Form" and with a video or audio tape that presents a closing statement to the customer you take the steps to exceed the customer's expectations and your own.

Pride Point: Eldorado Motors was one of the first BHPH dealers in the country to use a professionally produced closing video. It was mandatory that each customer watch it before signing any papers or taking delivery on the car. More than once a customer got up and said they were going to buy somewhere else now that they knew how serious we were about getting our payments. More than once we sent the closing video to a customer's lawyer, who then advised their client not to sue.

Protecting Yourself Legally

The first step in addressing a risk is to identify it. Below is a list of the worst five worst things that could happen to you in the BHPH business. I can provide you with precautions you should take to minimize the risk. Your attorney needs to be involved in setting your BHPH operation up as its own corporation and to give you an overview of your legal exposure. In general, you can position yourself in the BHPH business with the same amount of legal exposure that you have in a new car store. The key is to have a checklist of steps you should take initially and the continuing steps that reinforce your protection.

The major risks are:

1. Repossession gets out of control.
2. Credit violations.
3. Class action for wrongful sale of repossessions.
4. Robbery.
5. All the other risks that any car sales venture has.

Who is the Manager?

A lot of your success is going to depend on management just should not as it does in any car dealership. First, let me tell you who the manager should NOT be. Definitely not that bright eyed, energetic salesperson you've had your eye on who has been leading the board every month and reminds you of yourself. DON'T PICK HIM! The person that you need is probably not working for you right now. You need a collector, because this is the sub-prime money business. Local finance company managers are your single best source. They don't get paid that much, they know how to do what you want done, and they are available in almost every market. Paying top dollar for a finance company manager is both a good investment and also a lot less money than what your Sales Managers are costing you.

Wisdom Point: Who ever is responsible for collecting the MONEY should be the person making the credit decision under the guidelines of the person who OWNS the money. Never allow someone in sales to make the credit decision.

The Difference in BHPH and New Car Financials

First we have to get back to that big paradigm: *It looks like the car business but it's really not.* You can't apply the same set of rules. You'd like to, but remember that line about changing human nature?

When you pick up your BHPH financials you need the mindset of looking at a finance company. With finance company financials you actually don't start with the balance sheet, you start with an aging of your principal asset; your accounts receivable. From a common sense perspective; that makes all the sense in the world doesn't it? The reason is that if the loans are declining or improving significantly in their performance then the balance sheet is not truly representative of the condition of the business. That means that the income statement is meaningless. Worse though, you would have the tendency to believe it, and that's where you get into a lot of trouble.

Look for trends and look a lot farther down the road than you would with a new car store. Consider quarters like months. The best trends are the year to year comparison. Remember this: You really don't know what you've got until you have cycled your notes more than once.

Split statements where a sale of notes is made to your in-house finance company is the standard of the industry for significant tax advantages. It takes a little while to get used to putting a sales lot and a finance company statement together. But that's what it takes. There are some very good experts that are worth the money to light the way.

I can help you make those contacts.

BHPH Wisdom Point: When the car quits running the customer quits paying.

BHPH Wisdom Point: Look at the cash flow every month on your BHPH. It's not going to throw off any cash until the note balances peak and stabilize. But you need to know the cash flow every month. REALITY IS THE CASH.

Major Paradigm: Selling more cars isn't the answer.

This is a huge difference between the retail automobile environment and BHPH. Nothing separates the two businesses' more clearly than this single issue. The best example I can give you is an old depression era story about a Kansas cattle rancher who at the very bottom of the depression is forced to sell cattle in a collapsed market. The method of communication in those days was the telegraph and the method of shipping to market was by railroad. The sale agent telegraphs the rancher with the message, "cattle did not bring enough money to cover freight and sales expense. Please advise." The rancher responds with the only answer that seems available to him, "Am sending more cattle". That little story represents the heart of the issue. You don't want to sell "everybody" in the BHPH business because "everybody" is not going to pay you. You want to talk to "everybody" and approve the "somebody who pays for their cars".

About Reconditioning:

There is always a balance that comes with a great decision. This is one of those areas. The first money that you lose on repossession is the reconditioning. But, it is also equally as true that if the car quits running the customer quits paying. The best objectives for your reconditioning are to make the car safe, serviceable and saleable; in that order. Regarding the safety issue, that's a reason that you need an inspection checklist before any car is offered for sale at your BHPH lot. In general, you need to be spending not less than \$300 a car and not more than \$700 a car. Serviceable means, could you drive the car home this evening and get to work in the morning? Do that occasionally. It will get everyone focused. Remember that if you can't trust the car to go home and come to work, your

customer can't either. Additionally, you should put tires on the car if it needs them and do a complete maintenance prior to the sale. Your customer isn't going to have the cash to do it after the sale. Consider offering a once a year oil change also. That may be the only time it gets it and it will give you a chance to look at your customer and your collateral.

What Kinds of Cars to Sell and What Not to Sell:

There are some cars you just don't want to put on a BHPH lot. They look good, they sell well, but they are impossibly expensive to maintain when they get a lot of miles on them. You have to set some rules about what you're going to invest in and what you're not. Remember: You are investing money in the customer and the car.

The Type of Salesperson You Need:

A good salesperson does well where ever you put him or her. But there are a few traits that are a little different for a good BHPH salesperson. I think patience is the main one. It takes some time and there are plenty of hassles getting a BHPH deal on. Getting a COMPLETE credit application is half of the entire collection process, so that's a primary component in getting their job done. The real question probably isn't who you need; it's who you don't want. You don't want a "hammer" in there intimidating and forcing people into cars they can't afford. That's why you need to keep track of repossessions by salesperson. You may find that a someone who is leading the board every month has a repossession rate that's double everyone else's. They need to go. You can't afford it. We're back to that paradigms about selling more cars not being the answer.

Rent All the Brains that You Can:

If BHPH is something new for you, rent all the brains that you can. There's an old joke about two people who go in business. One has the money and the other has the experience. When the partnership is over, the guy with the experience has the

money and the guy who had the money now has the experience. Don't put yourself in that position.

Wisdom Point: Don't ask your local tax person and local attorney if they know enough about this business to help you. What do you expect them to say? Keep them involved. They are a valuable resource that is loyal to you, but rent expertise whenever you get the chance. It's cheaper than building it in yourself, your people and your advisors.

Branding and More:

You've got a lot of money invested in the local market branding that you've done with your new car store. Don't send a confused signal. Name your BHPH something different than your new car store. It's good if your BHPH customers know that the lot is a part of something bigger, that gives them the idea that they can move up to a new car sometime.

Credit Scoring Systems:

I learned in 15 years that none of the scoring systems work as well as everyone wants. Use and constantly study your own scoring system results. Everybody wants a scoring system that works. Everybody thinks there is some way to create one. Nobody has been able to get a product that works well.

You would think this could be done, and there are scoring systems that do provide some benefit. The concept has worked so well in the retail credit business that Fair Isaacs and others have quite a product. By the way, the very first theory was Altman Bankruptcy theory which correlated the relationship between low working capital and the probability that a company would file bankruptcy. The reason I mention that is that the connection is obvious on a common sense basis. Low working capital and going broke makes sense.

That leads me to my favorite scoring system. Its one that the guy with the money decides on. The way we develop it is that I lay out a standard type scoring system and the owner sets the priorities that he sees. Then we put the plan to work and

track it. You shouldn't be making credit qualifications based 100% on a scoring system and you shouldn't be doing it without one. It's greatest value is in defining trends. Trends make you rich or poor in this business it is vital that you study your credit and repossession results. The scoring system is reinforcement to common sense. That's its great value.

Credit Do's and Don't:

You need a written credit policy that is signed by everyone involved. It needs to include things like your policy of non discrimination. Also, it needs to include things as simple as the person who approves the credit needs to not see the driver's license or anything else that might identify the consumer as a minority prior to the credit being qualified. There are a many issues on the compliance end with the new privacy laws.

Don't fight these laws. If you do you're going to lose. Accept that this is just the way things have to be done. Protect yourself with a policy that is well thought out, well written, well communicated and well documented.

Two Tier Pricing:

Imagine the monster Frankenstein grabbing you by the throat and lifting you off the ground. He says these words to you, "Two Tier Pricing Class Action Lawsuit". Now is the time to really get scared. These are the words that you never want to hear in the BHPH business.

If you don't understand two tier pricing, it will be very simple to break the law. A customer comes into your new car dealership and because of special credit requirement there is an \$800 acquisition fee. The F&I guy is friends with the salesperson and he hates to see him take a hit on the commission so he tells him about the acquisition fee. The Salesperson doesn't want to take less commission so he tells the customer, "look, we've got to pay this acquisition fee because your credit is so tough. So is it ok if we raise the price of the car \$800?" Or, you have a customer on your BHPH lot who hits the Salesperson with this line, "Well look, your prices seem way too high. If I pay cash how much would you knock off the price of any car on the lot?" The Salesperson responds, "We would take off \$2000 a car if you're paying cash. That's about we charge for carrying a bad credit loan."

I hope you noticed that word “we” in those conversations. The Salesperson was talking about you. You are the other half of the we. You as in someone who worked twenty or thirty years to accumulate some net worth. You as in the guy who has to pay thousand and hundreds of thousands in legal fees..... if you win. If you lose we’re back to Frankenstein having both hands around your neck.

I can help you stay out of this mess, but you have to help yourself. This is one of the three legal battles you never, ever want to be in.

Wisdom Point: Make it simple. There is one price and one price only.

The Life of a Collector:

Here’s something you wouldn’t know unless you’ve done it: Being a collector is fun. No kidding. Most people that don’t know assume that being a collector is a job for someone who likes to kick dogs. There are some people with that mentality in collection jobs but if you have someone like that, fire them. They need to take their anger out on someone besides your customers.

Collecting is just like selling. It’s all about communicating. It’s true that the message sometimes is “the money or the car”, but most of the time the communicating needs to be “How can we work this out together”. Anybody can fill out a request for repossession paperwork (you must have this paperwork).

A collector is someone who gets the customer to pay. Don’t accept less.

By the way, I’ve only noticed one difference between really good collectors and really good salespeople. A good collector has to be organized. A good salesperson can get away with not being organized. If you want good results, pay a little more for top collectors and treat them well enough that they don’t leave. You need about one collector for every 300 accounts. Give them a good environment to work in. Give them some attention. Consider working collectors on a 4 day / 10 hour day week. One other thing, rotate accounts every 6 months or so. That keeps the collector from getting to be better friends with the past due customer than they are with you.

Wisdom Point: Don’t ever let your collection people be afraid to repossess a car because there have been too many repos in a certain month. There are some months out of the year where you are just going to sell more cars and you repossess more units.

Wisdom Point: Don’t ever let your collection people repossess a car without trying to collect the money. It’s a horrible habit to ever start.

Written Policies:

You may not need a written plan in your new car store. You may have communicated it so well that everyone has it committed to memory and to heart. But this is little different business. You need to protect yourself. Its good business to have written policies. But it is vital that you have them as you go into or expand your BHPH business.

If you choose to have me help, you'll have the policies you need to get started correctly.

Wisdom Point: Don't ever let your collection people repossess a car without a letter in the file that notifies the customer they are in default and the car is subject to repossession. What was said on the phone doesn't count in court.

How Do You Sleep at Night?

Everybody in business has had some sleepless nights and tough days. Let me share with you a method by which you don't have any more of those than necessary.

1. Get a plan. Think the plan through. Rent all the brains you can to come up with a good plan.
2. Get some written policies.
3. Have checklists that are designed for the week, month, quarter and year end. Formalize so that you know exactly what information to expect.

How Do You Repossess 14,999 Cars Without a Problem?

Well, you can tell from that lead in (14,999 out of 15, 000) that I did have one problem repossessing a car. It worked out, but would you believe that when I talked to the customer afterwards to discuss it he was in the locker room of the New York Jets where he was a professional football player?

Here's are the secrets to repossessing cars responsibly:

1. Communicate with the customer so it's never a surprise.
2. Hire good repossession agents with insurance and good references. Don't ever hire the low bidder or the most flamboyant person.

3. Insist that the customer always be treated with respect.
4. If the customer is a thug (and you'll run across a bad person or two over the years), just wait until his wife or girlfriend goes to the grocery store and reposses the car there. Everybody goes to the grocery store.
5. Do your homework. Don't send someone who isn't prepared and has the necessary documentation with them after a car.
6. Have a written repossession policy that your collectors and recovery agent have signed. Write the recovery agent a letter twice a year reminding them of your policy. Once a year have the recovery agent come to your office and you read him the letter. The law does not give you protection by the right of agency where the recovery agent alone is responsible for his acts. The policy won't fully protect you. But if you can demonstrate that you were responsible in having a policy and enforcing it, your liability can be greatly reduced. Also, when you do your homework, you reduce the chance of there ever being a problem.

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Fellow Dealer,

Thank you for looking at these thoughts of mine. This is a great business and it's been great to me. You know, the very best thing about the car business and the BHPH business is the people.

I'll be adding to this book in the months and years ahead so please check back for the latest version.

Let me leave you with this closing thought: ***The achievement of excellence is a state of mind, not a function of any particular segment of the automobile business. You can achieve excellence in your BHPH operation and take just as much pride as you do your other business interests.***

Respectfully,

Julian K. Coddling

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