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BEPO

Discover the
financial rewards
associated
with selling
repossessions.
By Don Sadler

THE CHALLENGES faced by automobile manufacturers and dealers in the current economy have been well documented. What hasn't been as well publicized, however, are the opportunities many dealerships are uncovering via pre-owned vehicles in the midst of the new vehicle sales slump.

Dan Heinrich, vice president, Asset Remarketing for AmeriCredit, says there has been a noticeable increase in used car purchases at auctions recently. "In fact, dealers are buying more vehicles at auctions at the present time, so there has been a stronger inclination to sell more used cars," he notes.

Mathew Underwood, a buyer in Brighton, Mich., says he purchases many program and off-lease vehicles, but as leases dry up, he's taking a closer look at repos. "There's not a lot coming in trade — that's just the way the market is right now," he says.

The challenging economy has placed a renewed emphasis on used vehicles, says Michael Frank, a buyer for One Way Auto Sales in Hammond, Ind. "I used to rule the repo lane with very little competition, but with new car sales slowing down, many dealers are gravitating toward anything they can get their hands on that will make them money," he says. "A new car dealer that wouldn't have looked at a late-model vehicle a couple of years ago might be a little more interested now. For example, a 2006 car with 80,000 miles that still has book, but that you can buy behind book, could be a real possibility for such a dealer."

Overcoming Apprehension

Some dealers that are new on the used side of the vehicle aisle — and even some who have

sold used vehicles for years — can be a little apprehensive when purchasing inventory at auction, though. This can be especially true when purchasing repossessed vehicles.

But nowadays, these fears are mostly unfounded, Frank says. "I honestly don't see any additional risk in buying repos (as compared to consignment and off-lease vehicles) at auction," he says. "To think they're riskier — that they may have cigarette burns in the upholstery — is ridiculous."

Many dealerships are relying more on purchasing repossessed vehicles at auctions to build their used car inventory, Heinrich says. "Repossessed vehicles offered at auctions make it easier for dealerships to expand their used car inventory by providing a better mix of makes, models, prices and conditions," he says. "They can search the auction inventory before the sale — including vehicles that will appear in the repo lane — and compare this to their inventory, current market demand and developing trends to

know that each car is judged by the same standards every time. This allows dealers to make educated and hopefully profitable decisions for their dealerships."

AmeriCredit's Advantage program is a dealer-focused remarketing program that offers high-quality vehicles through one of three different product lines:

- **Assured.** These vehicles have been inspected and are certified showroom quality. They are in excellent condition inside and out, with no tears, burn holes, stains, dents, dings, scratches or chips. They have received an extra reconditioning step, have no frame or unibody damage, have clean titles and actual miles, and come with a 7-day guarantee.

- **Choice.** These vehicles have been inspected and are certified frontline-ready. They are solid used vehicles with minimal wear and tear and are in above-average condition inside and out. Choice vehicles also have no frame or unibody damage, clean titles and actual miles, and come with a 7-day guarantee.

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help them plan their purchasing strategies."

One of the biggest benefits in buying repos, according to Frank, is the variety of types of vehicles it affords him. "There are lots of different repo makes and models dealers can choose from to fill their lots with a wider variety of used vehicles. The word 'repo' is just another category of car at auction now."

Protection for Dealers

Perhaps the biggest factor in what many dealers perceive as a reduced risk of buying repos at auction today is the proliferation of remarketing programs that offer a higher degree of protection to dealers. "Remarketing programs provide integrity and consistency to the auction buying process," Heinrich says. "Dealers

- **80+.** These vehicles have been inspected and are certified as qualifying higher-mileage. They have been test-driven and are mechanically sound. They also have clean titles and actual miles but may have minor body or frame damage. All 80+ vehicles come with a 24-hour "green light" guarantee.

"AmeriCredit Remarketing and the AmeriCredit Advantage program offer something for all dealerships, from franchised to independents," Heinrich says. "Buying within these product lines increases dealer margins since less reconditioning and showroom preparation is required. Furthermore, dealers may choose to purchase within particular product lines in order to align their inventory with their target audience."

Creating Confidence

Underwood and Frank, who are both high-volume buyers, sing the praises of the AmeriCredit Advantage program. "These cars have gone through more of a recon, which makes me more comfortable purchasing them,"

says Underwood, who buys for 26 dealerships. "If you buy a vehicle that's not covered under Advantage, you don't know what you're getting. Advantage just makes my job easier."

One Way Auto Sales has had a "fabulous" experience with AmeriCredit Advantage,

Frank says, adding that he's especially fond of the 80+ vehicles. "It gives you peace of mind in a high-mileage vehicle you might not have even looked at before. When you see the AmeriCredit sticker, you know you can buy with confidence."

In addition to offering the three different certifications, Heinrich says, AmeriCredit goes the extra mile by having virtually all (98 percent) of its auctions manned by one of eight traveling representatives. These representatives walk all AmeriCredit vehicles the day before the auction, making sure they've been reconditioned and detailed, and are ready for the sale.

"We strive for confidence and consistency with our program," Heinrich says. "We provide global standards for excellence, so there is consistent quality at each auction where AmeriCredit vehicles are purchased."

This consistency, he adds, applies to vehicles brought online as well as those purchased on-site at auction. "Through AmeriCredit's Advantage program, we achieve consistency regardless of the physical location or purchase venue — whether in the lanes or via the Internet. We want franchised and independent dealers to trust that the reconditioning and remarketing standards are identical, and that quality control is constant regardless of where they purchased the vehicle."

Prior to auctions, dealers can log onto <http://auctions.americredit.com> and access AmeriCredit's auction inventory by VIN number, make, model, year and mileage, as well as search by state, auction and sale date. Then they can click the corresponding auction link for vehicles at Manheim, ADESA and ServNet auctions to go directly to the auction Web sites, where they can view condition reports, photos and additional AmeriCredit inventory.

"Consistency of AmeriCredit standards and vehicle quality are important factors," Heinrich says. "Dealers must have the confidence that they can buy an AmeriCredit car from us sight-unseen and know exactly what they're going to get." //

Don Sadler is a freelance writer and editor based in Atlanta. He has written on all aspects of business and management since he began his journalism career in 1985, including access control and security.



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