

# BHPH Dealer

MAGAZINE



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## STAYING ON THE RIGHT PATH

Keep an eye on  
data to get through  
turbulent times

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PLUS+

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Dealers find nuggets to grow business at NIADA Accelerate 2023.

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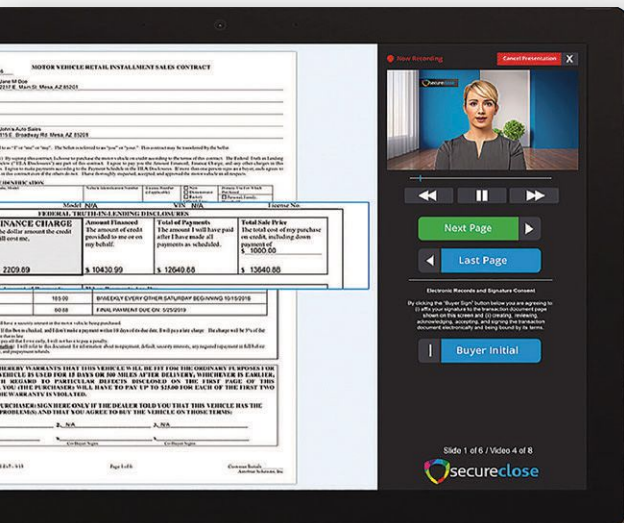
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# New NIADA Board elected unanimously

**NIADA**

**G**ordon Tormohlen is the new president of the National Independent Automobile Dealers Association.

Tormohlen and the slate of nominees were elected unanimously to the post at the NIADA Accelerate 2023 Convention and Expo during the General Membership Meeting.

“We are going to have a great year,” said Tormohlen after being elected. “We have a terrific team and terrific leadership. Progress will occur. With the current economy, our dealers are going to face some tough times this year, and they are going to need their association. We are going to be there for them.”



The entire Board of Directors for 2023 include:

**President, Gordon Tormohlen,** Good People Auto, Freeport, Ill.

**President-elect, Michael Darrow,** The Auto Finders, Inc., Durham, N.C.

**Senior Vice President, Don Griffin,** CarHop Auto Sales, Edna, Minn.

**Treasurer, Darla Booher,** Deal Depot, Greer, S.C.

**Secretary, Dan Johnson,** LiteHouse Auto, Lakewood, N.Y.

**Vice President Region 1, Chris Maher, Sr.,** Car Credit Nation, Winchester, Va.

**Vice President Region 2, Ken McFarland,** City Auto Sales, Hueytown, Ala.

**Vice President Region 3, Greg Zak,** Dixon Motors, Houston, Texas

**Vice President Region 4, Brenna Stansberry,** Park Marina Motors, Redding, Calif.

**Vice President At Large (2 positions), Bentley Nolan,** Nolan Brothers Motor Sales, Tupelo, Miss.; and **Nick Markosian,** Markosian Auto, Taylorsville, Utah

Scott Allen, the 2022 President, (Auto Land, Haltom City, Texas) will move into the role of Chairman of the Board. Allen thanked the board and members for their help in the past year before passing the gavel to Tormohlen.

“We’ve had significant challenges in the past year,” Allen said. “The Board made important decisions that are going to impact the Association for years to come.

“Thank you. You will never know how much I appreciate your service.” ■



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# Bringing picture into focus

## Data shows opportunity for BHPH dealers

BY RICHARD GREENE

**M**idway through 2023, many are still wondering where the market is headed.

Vehicle prices have bounced up and down and interest rates have risen steadily. Dealers have also seen costs rise.

To try to paint a thorough picture of where the market is and where it is headed, NIADA Vice President of Dealer Development Jeremy Beck gave dealers an extensive market report during the Welcome Session at the NIADA Accelerate 2023 Convention and Expo.

“Pay attention to this data. As you start to go through it, engage it and compare it against where you are in your stores,” Beck said. “Understand where you are in these various different key performance indicators. And then use that as a guide to engaging in the educational sessions this week at convention. Go out and seek areas where you know you have challenges, or you know that you have opportunities. Seek out educational sessions that will help drive effectiveness and efficiency.”

One of the first key economic trends Beck pointed out was the ups and downs in

consumer sentiment, according to Morning Consult. Sentiment decreased in June but is up year over year.

Also noted from Morning Consult is the recent rise in adults reporting a loss in income in the past week. Nearly every industry experienced a rise in the index since the beginning of May.

Debt — mortgage and non-mortgage — is also climbing steadily.

The number of auto loans has decreased in the past year from 87 million in April 2022 to 86.5 million this past April, according to Equifax. The amount of money owed is up from \$1.495 trillion in that time to \$1.589 trillion.

Used vehicle sales are down 10 percent year over year, as reported by Cox Automotive. Days of supply are down four days.

“You’re selling less vehicles, but you’re also managing your inventory better,” Beck said.

The average sales price for used vehicles is up to \$25,497 in 2023 from \$24,965 in 2022. The front-end gross is down from \$4,110 to \$4,068.

But dealers are making up the difference

The average sales price for used vehicles is up to \$25,497 in 2023 from \$24,965 in 2022. The front-end gross is down from \$4,110 to \$4,068. But dealers are making up the difference with F&I products, seeing an increase of nearly \$200 to \$1,603.

with F&I products, seeing an increase of nearly \$200 to \$1,603.

Reconditioning costs continue to rise, hitting \$1,741.

For the buy-here, pay-here sector, the average reconditioning cost is at \$1,267. In BHPH deals, the average financed is up nearly \$1,000 to \$13,117.

“As the costs have gone up, the down payments have not gone up,” Beck said.

Beck also pointed out the delinquency rates are rising.

“All the indicators are pointing to it’s a good time to be a BHPH dealer,” Beck said.

He added dealers need to stay engaged with the market and tighten inventory management.

“Where there are challenges, there are opportunities,” Beck said. ■





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# Growing the circle

## Tormohlen takes lead of NIADA Board

BY RICHARD GREENE

In 2000, an internal theft led Gordon Tormohlen to sell his successful Chrysler dealership.

When finalizing the sale, the buyer wasn't interested in Tormohlen's buy-here, pay-here dealership. More than 20 years later, Tormohlen has built a successful business at Good People's Automotive from that little lot.

"The guy that bought the franchise wanted nothing to do with that icky little used car lot that I had a block up the hill," Tormohlen said. "We closed the franchise one day and opened up as

an independent the next day. We've been doing it ever since. When we started up here, it was literally a one-man operation. My dad was near 80 at the time, and he hung out at the dealership and answered phones. I did field calls and collections calls. We just built it."

He now has 11 employees, selling 10 to 15 units per month in Freeport, Ill.

"We're in a small market. Our entire county is only about 50,000 residents," Tormohlen said. "I went from the Chrysler store where my overhead was \$300,000 per month to this

BHPH where the way we've structured it, my overhead runs about \$28,000. Between service profits, interest income, we've built the business so that we have a one car per month break even."

In his fifth decade in the industry, Tormohlen is now beginning his tenure as the President of the National Independent Automobile Dealers Association.

He was unanimously elected to the post at the NIADA Accelerate 2023 Convention and Expo.



Addressing the membership for the first time, he offered support and praise for his fellow entrepreneurs. He also reminded dealers they are ready for what is to come because of their courage and grit, which has allowed them to chase their dreams in the first place.

“Look at you now, you’re an entrepreneur,” Tormohlen said. “I hope you don’t mind me saying, I’m proud of you!”

The dealers are also helping many others from their families, their employees and the customers, who are receiving safe and reliable vehicles.

“Everyone benefits by you chasing your dream,” he said.

Tormohlen received an early introduction to the industry, when his father was named the general manager of the Chevrolet store in Freeport, Ill. As his father put in long hours to get the new sales and service building built, the young Tormohlen was brought to the dealership and put to work.

“He couldn’t back off from what he was doing, so his solution was to have me come over and work at the dealership,” Tormohlen recalled. “He could not get a work permit. The school district wouldn’t allow it because there were dangerous machines. He wound up paying me 50 cents an hour out of his own pocket.”

Tormohlen started in the body shop doing paint prep, which morphed into extensive body work and led to his first vehicle sale.

“They took in this little Cushman meter maid cart from the city. I knew they had \$25 in it. I just hounded my dad. I was relentless, like every kid when they really want something,” Tormohlen said. “Sure enough, they sold it to me. The guys in the body shop taught me how to put it back together. We welded fenders back on it and did some paint work and so forth. I painted it blaze red and sold it for \$250. Man, I thought I was the king of the universe. From that point on, the disease just took hold.”

Five decades later, Tormohlen remains as passionate about the car industry, while running his own buy-here, pay-here dealership.

Tormohlen said he is honored to be given this opportunity and follow the Association’s previous leaders.

“If you run through just the list of people of who have been president of the association since I joined the board, it’s like a who’s who list,” he said. “These people are strong influences on the industry. Many of them have remained in the association. They’re extremely wise and successful people. I’ve benefitted just from rubbing shoulders with them.”

After the early introduction to the car industry, Tormohlen worked in nearly every department, from paint and body, sales, up to management. That varied experience has served him well in running a dealership and helping to lead NIADA.

“What I found was really helpful was the fact that I had done what they did, so I knew what they were they were going through,” Tormohlen said. “I knew the difficulties of their job, whether it was selling or hanging parts on a car, or whatever the case might be. I knew what they

were dealing with, so I could talk to them in terms of what their task was and their level and what their needs were and how it was to be them.”

He attended Northwood University earning multiple degrees. He worked for a short time in finance before purchasing a bankrupt Chrysler dealership with his father in 1983. He operated it for 20 years, earning 19 Chrysler Five Star of Excellence awards, a TIME Magazine Quality Dealer of the Year award, and the Malcolm Baldrige-based Lincoln Award for Business Excellence.

“We took it from having 10 employees up to 72,” Tormohlen said.

The Chrysler dealership was extremely successful selling used vehicles.

“I’d sell one new car and I’d sell two used cars. We were always 2 to 1 on our used car ratios,” Tormohlen said.

With its background in used car sales, the dealership started adding buy-here, pay-here to its portfolio in the early 1990s. Tormohlen credited a 20 Group meeting with Rick Reeves with getting his BHPH operation started. Reeves helped train his staff and get a computer program in place.

“We sold the first one in October of 1992. As a matter of fact, those folks are still customers,” Tormohlen said.

“It didn’t seem that much different. It was just a different way of accessing a new marketplace.”

It was a few years after opening his BHPH lot, he was approached by a colleague about joining in the Illinois Independent Automobile Dealers Association board. He rose to president within a few years.

As president, he made the trip to Dallas for executive training. During the training, Tormohlen shared his ideas about recruiting new members and other topics. He soon was approached about joining the NIADA Board of Directors. He was appointed in 2012 and has remained a member, serving as regional vice president, secretary, treasurer, senior vice president, president elect and now president.

“It’s so doggone rewarding. I know a lot of people will join boards because they want to change the world, and they know exactly how things should be done,” Tormohlen said. “When I get on a board, I look to learn and I listen, read the room and make my own independent judgment in terms of what would be best. Actually being involved in a national board that is like the tip of the spear for an industry.”

As he starts as President, Tormohlen is looking forward to working with CEO Jeff Martin, who started NIADA in March. Martin previously was the Executive Director for the Texas Independent Automobile Dealers Association. Tormohlen expects Martin to bring stability to the Association, which has had four CEOs in the past three years.

“It’s important to bring some stability to the association,” Tormohlen said.

There will also be a focus on dealers and vendors at the center of the association with the circle expanding to the states.

As the Illinois president, he made the trip to Dallas for executive training. During the training, Tormohlen shared his ideas about recruiting new members and other topics. He soon was approached about joining the NIADA Board of Directors. He was appointed in 2012 and has remained a member, serving as regional vice president, secretary, treasurer, senior vice president, president elect and now president.

“We serve as the circle gets broader and larger. We serve a more supportive role rather than a direct impact role,” Tormohlen said. “What we really want is the key to everything is we want dealers and vendors to thrive. And that’s our goal.”

Tormohlen hopes to enhance the relationships with dealers across the country that he’s built with NIADA. He knows many dealers are concerned with the current market, economy and increasing amount of regulation from Washington D.C. and the state legislatures. The veteran car dealer knows it’s part of a regular cycle, especially the ups and downs of prices and interest rates.

“Although we’re facing difficult times and some dealers are very concerned about recessions, it’s actually a normal part of the business cycle,” Tormohlen said. “I’ve been through about a half a dozen of these throughout my career, and I’ve found that it’s helpful to not be concerned about it. It’s a good learning experience. You get in a profit coma when things have been so good and you’re making money. Then along comes one of these times where you need to tighten down and spend a little bit less. Everything has to be analyzed and gone through to make sure you’re as strong as you need to be to profit through these times. What you find is that you become way more healthy as a business person and entrepreneur and your business is more stable. It’s difficult, but at the same time it’s healthy.”

After 50 years in the profession, Tormohlen remains as passionate about the industry, which now includes his son and daughter, as he was selling the Cushman cart to begin his career. The second-generation dealer knows how NIADA can help the next generation carry the industry forward.

“It’s terribly important to continue the legacy,” Tormohlen said. ■



# Dealers find nuggets to grow business



NIADA Accelerate 2023 brings industry together

BY RICHARD GREENE



This year's event featured 77 education sessions, including sessions with representatives of the Federal Trade Commission, Consumer Financial Protection Bureau and Internal Revenue Service.

The dealers are also helping many others from their families, their employees and the customers, who are receiving safe and reliable vehicles.

"Everyone benefits by you chasing your dream," he said.

Before Tormohlen addressed the general assembly, the 2022-23 Chairman of the Board Joe McCloskey reflected on his nine years on the board.

"This is the culmination of an extraordinary chapter of my life," McCloskey said.

During that time, NIADA worked to influence policy and protect the industry in Washington, D.C. It also brought dealers together for education.

"We've worked to keep the heart of the independent industry beating," McCloskey said. "We're not only taking care of the customers, but each other.

"Let us continue to be a beacon of integrity, innovation and excellence in the automotive industry. May we always remember that our greatest strength lies in our unity, shared commitment to excellence and our unwavering dedication to the industry we serve."

**continued on page 13**

**A**s brothers looking to grow their business, Adam and Omar Abduli found nuggets they could take back to Chicago during the four days of NIADA Accelerate 2023.

"We learned some new things and met new people," said Adam Abduli of Chicago. "The expo had a lot of companies and good options."

Omar Abduli pointed to their last class led by Steve Roessler, "Are You Dating Your Internet Leads?" leaving a lasting impression.

"It was about internet leads and marketing. It was the best," he said. "I learned a lot from him."

Dealers from across the nation spent four days networking and learning to grow businesses during NIADA Accelerate 2023 at the beautiful Wynn Las Vegas before the close of the annual convention and expo. This year's event featured 77 education sessions, including sessions with representatives of the Federal Trade Commission, Consumer Financial Protection Bureau and Internal Revenue Service.

"The education sessions were really good. They are always spot on with the education," said Scott Welch of Lock 20 Auto of Newcomerstown, Ohio.

**Leading message**

In starting his tenure as NIADA President, Gordon Tormohlen delivered a securing message to dealers as they head into what could be a turbulent end of 2023.

Tormohlen told dealers during the Welcome General Session at the NIADA Accelerate 2023 Convention and Expo, they are not alone, with the Board of Directors, NIADA staff and vendors ready to work for them and "have their back."

"I look forward to this next year," Tormohlen said. "We'll spend more time together, have conversations, and I'll get to meet all of you. That's the biggest reward of all. As your president, it's a high honor for me and I'm grateful for you for it."

He also reminded dealers they are ready for what is to come because of their courage and grit, which has allowed them to chase their dreams in the first place.

"Look at you now, you're an entrepreneur," Tormohlen said. "I hope you don't mind me saying, 'I'm proud of you.'"





**First impressions**

Just two months after starting his buy-here, pay-here dealership, Good Deal Car Sales in Florence, S.C., Brandon Davis went to a portion of the BHPH Super Forum in Austin, Texas, in November.

The experience whet Davis' appetite to learn more about the industry and pick up more tips to help his business. He was one of the many first-time attendees at the NIADA Accelerate 2023 Convention and Expo.

"I went to the one in Austin and missed the first part. I'd only been in business two months," Davis said. "I'm here to learn as much as I can about the business and find help with online sales and marketing."

NIADA Accelerate 2023 drew a record number of first-time attendees, 270 in total, from coast to coast. The largest convention and expo for the independent automobile dealer provided unlimited networking opportunities for new dealers with industry veterans.

"We're here to learn something new and meet some new people," said Elvira Stepanov, CEO of Dapper Car Sales in Los Angeles, Calif.

NIADA held a first-timers reception on the opening day of the 2023 convention. First-time attendees were greeted by members of the association, including the Board of Directors. Many were given the opportunity to sit down and ask questions of the veterans about the industry and the association.

The first-time attendee reception was followed by the grand Welcome Reception in the promenade of the Cristal Ballroom.

**Put in the roadwork**

In defeating some of the greatest boxers to step in the ring, Sugar Ray Leonard credited his triumphs to not what he did in the ring on the night of the bout. The victories were earned with the early morning five-mile runs or long sparring sessions in the months before.

"I did the roadwork. The more you do, the easier it is to do what you are trying to do," Leonard said during his keynote address presented by CARFAX at the NIADA Accelerate 2023 Convention and Expo at the Wynn in Las Vegas.

Leonard thrilled the crowd, recounting his many title bouts against Marvin Hagler, Tommy Hearns and Roberto Duran. Perhaps, his most powerful lesson for independent car dealers was how he fought back and trained harder after his loss to Duran in 1980.

"You can't know success until you know failure," Leonard said. "When you get knocked down, you get back up."

He applied that lesson to the greatest entrepreneurs in history, who took risks to find success.

Car dealers are facing challenges from rising costs, interest rates and regulatory actions in Washington D.C.

Leonard reminded dealers to continue dreaming and that they will need people behind them. He pointed to his trainers pushing him with their belief when he moved up in weight class to beat Donny LaLonde.

"Everyone needs someone in their corner for success," Leonard said.

**Taking care of your people**

The convention closed with the National Quality Dealer ceremony.

Keynote speaker Michael Cirillo, the host of the Dealer Playbook podcast and the CEO of FlexDealer, sent dealers home with a reminder of the importance of taking care of their people and helping them grow.

"When we care about our people, they care about our customers," Cirillo said. "It's our responsibility to create an environment where happiness can exist."

The largest convention and expo for the independent dealer ended with the naming of the 2023 National Quality Dealer of the Year. Dan Johnson of LiteHouse Auto in Lakewood, N.Y., was this year's honoree.

"What an absolute honor. I'm humbled. Everyone who was a finalist deserves this award," Johnson said. "I'm truly humbled to be the recipient."

As NIADA CEO Jeff Martin told dealers during the opening general session, "It's time to get to work." ■

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# Things That Make Sense

## Streamlining your accounting processes

BY AMANDA SANCHEZ, CPA

**H**aving worked closely with BHPH dealers for more than a decade, I understand the unique skillset required to thrive in this industry.

As dealers, you have a natural talent for building connections and managing the mechanical aspects of the business. In contrast, we accountants... well, let's just say we're better at spreadsheets than small talk. All that to say, I understand that accounting and numbers may not be your natural strength, just as cars and people aren't mine. But establishing efficient accounting practices for your dealership is essential for success.

The good news is achieving that goal doesn't have to be complicated, and you don't need to be a CPA to make significant improvements. I will share a few examples of strategies you can implement to streamline your accounting processes. These strategies have proven so effective that they go beyond recommendations and are requirements for my clients. It's simply doing things that make sense.

Let's start with the foundation – your chart of accounts. It is the backbone of your financial statements, providing structure and organization for your financial transactions.

Instead of relying on a generic chart of accounts found in off-the-shelf accounting software, imagine basing that foundation on something tailored to your business, preapproved by industry lenders, aligned with 20 group composites, and mapped to reports from your dealer management software. It makes sense, which is why all my clients operate using a standardized chart of accounts built specifically for BHPH dealers. Adopting this standardized approach not only streamlines accounting processes, but also allows for meaningful performance comparisons among dealers.

Another approach that makes sense is implementing systematic financial reporting. Financial statements shouldn't be reduced to a tedious tax season chore or hurried response to your lender's demands. Instead, they should be used for what they are – an opportunity to measure your dealership's performance, identify trends and gain insights into the financial health of your business. Quarterly financial statements are the minimum requirement for my clients, and we establish a reporting schedule right away because it makes sense. By breaking the process into manageable steps, assigning responsible parties and deadlines to each step, and leveraging technology to keep us on track, we're able to fall into a rhythm where financial reporting becomes habit. This systematic approach allows for timely reporting, proactive planning, and dedicated time to work on the business instead of just in it.

Further, keeping in mind that your financial statements have a wider audience than just yourself, collaborating with the different users – your lenders, business partners, CPAs, etc. - also makes a lot of sense. Each user has different needs, and proactively addressing those needs not only saves everyone time but also builds trust. While our standardized chart of accounts was built with this principle in mind, there are opportunities to go further. For

example, if your lender has specific reporting deadlines, incorporate them into your financial reporting schedule. If certain users prefer a more detailed expense breakdown, consider adding sub-accounts to your chart of accounts to eliminate the need for additional steps later on. Anticipating and accommodating these needs is efficient and shows a real commitment to collaboration.

In addition to the above strategies, here are a few other things that make sense and can help streamline your accounting processes:

- Make the most of your dealer management software and accounting software to maximize efficiency and accuracy.
- Establish effective internal controls to safeguard your dealership's assets.
- Implement an organized system for managing receipts.
- Consider outsourcing or delegating certain accounting tasks to professionals with industry expertise.
- Remain open to continuous improvement.

For assistance implementing these strategies, I encourage you to explore the resources and training available to members at [www.bhphboardroom.com](http://www.bhphboardroom.com). The BHPH Boardroom is an online platform for dealers filled with valuable tools, guidance, and resources from reputable industry experts. It includes my standardized chart of accounts, further accounting training, and a range of

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other resources on various industry topics. Fueled by my passion for dealer education and things that make sense, The BHPH Boardroom is my mission to gather top-tier dealer resources into one convenient spot because, well, it just makes sense. ■



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# From Scarcity to Solutions

How dealers can thrive in the current used car market

BY EYO TOE

**D**ue to difficulties in inventory and manufacturing, the scarcity of used cars is expected to persist for years to come.

According to JD Power and NADA, the supply of vehicles aged between 0 and 5 years was reported at 16.2 million in 2020. Projections now show 14.1 million in 2023, 13.5 million in 2024, and 12.7 million in 2025.

This situation opens up an opportunity for the Lease-Here, Pay-Here model, enabling dealers to generate maximum revenue from these vehicles over their useful life, while catering to customers with less-than-perfect credit.

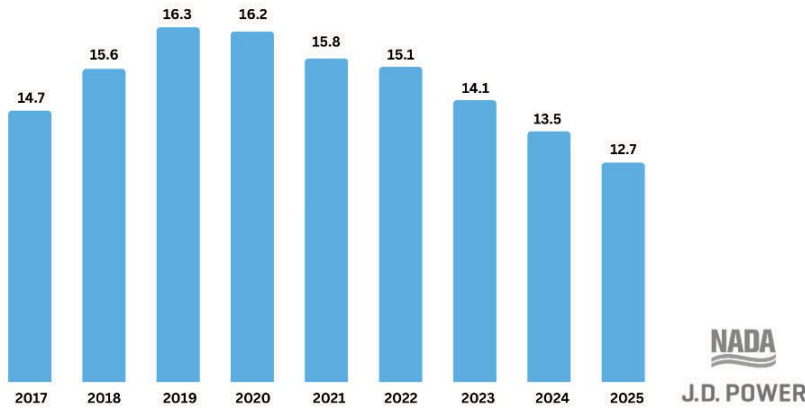
Back in 2018, approximately 60 percent of used vehicles had retail prices of \$20,000 or less. However, as we fast forward to 2023, this percentage has dropped to only 30 percent.

Learning from the lessons of the 2008 financial crisis, it is unlikely that vehicle prices will return to their pre-pandemic levels, which will undoubtedly create significant affordability challenges for consumers in the years ahead.

The Buy-Here, Pay-Here and Lease-Here, Pay-Here models offer an in-house financing solution that dealers can provide to customers who struggle to secure traditional financing options.



Supply of 0-5 Year Old Used vehicles (Millions)



Learning from the lessons of the 2008 financial crisis, it is unlikely that vehicle prices will return to their pre-pandemic levels, which will undoubtedly create significant affordability challenges for consumers in the years ahead.

The LHPH model brings several benefits for dealers, including federal income tax advantages, sales tax advantages in some states, protection from the current uptick in consumer bankruptcies, greater control over collateral and more.

By leveraging the lease structure, consumers gain access to reliable transportation at an affordable payment level and reasonable term. In the face of an uncertain economic climate, dealers will need to find innovative approaches to counteract rising inventory prices while ensuring that transportation remains affordable for their customers.

Furthermore, the current used car

market is experiencing a significant impact due to the scarcity of new vehicles. With limited supply in the 0-5-year-old vehicle segment, consumers seeking used cars face a competitive market and elevated monthly payments.

The reduced inventory projection, as indicated by JD Power and NADA, suggests that the availability of used cars will continue to decline over the next few years. As the gap between supply and demand widens, the prices of used cars will find a new floor and are expected to remain historically high, making it crucial for dealers to explore innovative ways to ensure that customers can still obtain transportation within their budget. ■

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# Race to Indianapolis

Bringing together the top dealers in the Buy-Here, Pay-Here industry, the NIADA Dealer Forum will help you rev up your business.

**T**he premier event for BHPH dealers, the Dealer Forum features hands-on education geared toward owners, general managers, sales managers, finance managers, service managers and collections managers. This year's event is Nov. 13-15 at the JW Marriott in Indianapolis, Ind. Register now at [niada.com/BHPHdealerforum](http://niada.com/BHPHdealerforum).

"If you are in the financial portion of the industry, you need to come and get the latest information," said NIADA President Gordon Tormohlen. "Where the forum is situated on the calendar, it helps with planning for

next year. You are able to plan for the first and second quarter with the most up-to-date information."

Take advantage of the opportunity to gain knowledge from seasoned BHPH dealers, who will moderate the popular Dealer Driven Roundtables. Each dealer in attendance will be assigned a specific group matched to their dealership's operation. The moderator will lead the group through topics and allow dealers to share ideas, ask questions and learn best practices from their peers.

"The roundtables function like mini 20 Groups," Tormohlen said. "You can sit

there and get a myriad of ideas from across the country from dealers about what's important. All that sharing between dealers is invaluable. The exchange of ideas is unparalleled. Instead of one guy speaking to you, you get seven to eight positions."

A number of industry partners will also be available during the three days to share new ideas and discuss the latest services and solutions specifically tailored to helping BHPH dealers.

Race to register at [niada.com/BHPHdealerforum](http://niada.com/BHPHdealerforum), and we'll see you at the starting line in Indianapolis. ■





# BHPH Dealer Forum

**November  
13-15, 2023**

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# STAYING ON THE RIGHT PATH

Keep an eye on data to get through turbulent times

BY RICHARD GREENE

**T**hough the ride may be about to get a little bumpy, the path to a land of opportunity is straight ahead again for buy here, pay-here dealers.

But to stay on the right path and get through these turbulent times, dealers must keep an eye on their data and act accordingly, said successful dealers Eddie Hale of Neighborhood Autos in Decatur, Texas, Jeff Baker of Car City in Michigan, Mark Jones of MCMC Auto in Fort Worth, Texas, and Chad Randash of Randash Auto in Billings, Mont., during a panel discussion at NIADA Accelerate 2023.

The best advice is to constantly be checking your numbers — expenses and revenues, delinquencies and capital lending rates. Some of the data may need to be checked weekly and others monthly.

“Some of these numbers tell you where you’ve been, some tell you where you are and others tell you where you’re going,” Hale said.

“I watch our business through trends of where we’ve been and where we are going. We can figure out real quick where we are at. But where are we going, and how are we going to get there and still be able to pay our bills?”

To easily figure out why or why not you’re profitable, breakdown the total cost per account. This is more than looking at the price of the car and the reconditioning. It also includes payroll, collections and a breakdown other expenses. Hale calls it figuring out the true cost of selling a vehicle.

“All these are easily attainable by going through your financials,” Hale said. “Those are the number that will give you a great reflection on why you’re profitable or why you’re not profitable.”



▲ Eddie Hale of Neighborhood Autos in Decatur, Texas



Chad Randash of Randash Auto in Billings, Mont., and Jeff Baker of Car City in Michigan provided advice to dealers at NIADA Accelerate 2023. ▲

He added dealers need to use caution when just increasing the price of the car to balance the books.

“The payment pressure that you’re putting on your client, and all the things that you may be looking for the client to take care of, you may have pushed them to the brim or to their threshold,” Hale said.

Another key consideration is the cost of capital, which have increased with interest rates. Margins are much slimmer due to the increased cost of attaining capital to create loans. In some instances dealers are seeing their interest payments per month triple.

Delinquencies are on the rise and so are repossessions for BHPH dealers. But as Jones pointed out, what is troubling for the sector of the industry, is the amount dealers are having to write out for loss.

“I think it’s really important to understand why that is actually happening,” Jones said. “You know every car has a depreciation curve. If you think back before COVID, a lot of dealers were probably buying cars that were a little bit newer with less miles. Then COVID hit, and if you were typically a person who bought a car with 80,000 miles, what were you having to buy? You had to buy what was there. All of a sudden you were buying 120,000-mile cars and if the bad loans lasted 20 months in your old model, that car hit about the middle of the depreciation curve on a used car. You weren’t really seeing a huge severity of loss because it still actually had some real value to it.

“Fast forward to buying a 120,000- or 130,000-mile car. If your customers are like mine two years later, that car has 170,000 miles on it. I don’t I have to tell anybody in this room, there’s not nearly as many people standing at the auction to buy a 170,000-mile car as there is to buy that 120,000-mile car.”

Jones said for years his average write off was around \$7,500 and now it is above \$10,000.

“If you have 100 repos a month and you’re writing off \$3,000 more, that’s \$300,000 more a month,” Jones said.

The market has been complicated also moving from an appreciative market, where vehicles were increasing in value in 2022 and the first few months of 2023, back to a normal depreciative market, where vehicles continually lose value.

“We’re seeing a more severe repossession severity of loss because what you sold had a higher value,” Hale said. “Your losses will become greater percentage wise because you’re overcoming not only normal depreciation, but the appreciative value that was built in, which no longer exists.”

The dealers panel said the key to heading off the delinquencies and repossessions is better underwriting.

“We’re continuing to try to move our underwriting to a better place without killing the sale,” Hale said. “We have to learn to underwrite better without stopping the sell of the vehicle. It’s possible. You may have to sift through more leads, and you may have to create a different way to generate more leads. There is an ability to sift through more to get better. That’s what we’ve actually invested in more.”

Hale said the additional work of going through more applications has paid off with better performance of their notes.

Baker said trying to find those nuggets to help underwrite better is a continuous task. He added it’s an interesting time gaging whether you should pay more for the lower mileage vehicle, knowing it may severely limit the client pool due to affordability.

“That’s the great part of this industry, 30 years in and you still spend all your time trying to figure it out,” Baker said.

Randash did point out that options are shrinking for subprime buyers, as lenders have pulled out and some bigger stores have closed.

“It’s harder to go down the street,” Randash said.

While his recency is at 97 to 98 percent, he’s still focused on improving his underwriting.

“Now is the time to really focus on that, to see what’s coming in and make sure that you’ve got the right client in the right car because the options are shrinking for the consumers,” Randash said. “We become the solution for our clients.”

With the possibility of a recession still lurking, even as inflation has started to wane, the panel suggested opportunities will come to BHPH dealers.

“Some of my best years were after ‘08,” Baker said. “There’s a lot of dry powder and on the back side of the recession there’s good opportunity. You want to be in a position to take advantage of it.”

Hale agreed, adding interest rates may not be coming down soon and could still rise.

“We’ve still got a long ways to go. You’ve got to plan for the worst,” Hale said. “Analyze where you are and what do you make. Figure out what profit is acceptable to prepare for the future.

“There’s going to be a reset. After the reset, there’s going to be a land of opportunity again.” ■

# Is Your Website Creating Risk?

I was recently asked by one of NIADA's 20 group moderators to do a presentation on website advertising.

In order to prepare, I performed a compliance review of the websites of several group members and then presented my findings at the meetings. This was an opportunity to look at dozens of sites in a short period of time, and it truly gave me insight into what information is and isn't being presented to consumers.

## Trigger Terms Weren't a Big Issue

I was surprised to find that not many of the sites used trigger terms. For purposes of understanding Reg. Z (Truth in Lending) advertising requirements, if a dealer advertises down payment, term, payment or finance charge, it must advertise all of those figures plus the APR. I'm used to seeing a lot more trigger term disclosures when I do website reviews on a dealer by dealer basis, so I was surprised to run across so few in my analysis.

On the ones where there was an issue, it was because the down payment was either provided by itself with no other terms, or it included the rest of the terms further down on the page and not in close proximity to the down payment that was quoted. The Federal Trade Commission has made it clear that it wants ads to be clear and conspicuous and key terms in close proximity so that the consumer doesn't need to search for it.

Historically, I get a lot of client questions about this subject, so if a dealer is using trigger terms it's important to get the legal and compliance blessing to make sure everything is in order.

## Warranties and Extended Service Contracts

I was concerned to find that there seems to be some confusion about what constitutes a warranty versus an extended service contract, and several of the sites seemed to blend these two concepts together.

Simply put, a warranty comes with the vehicle and an extended service contract is a product that can be purchased to provide additional coverage for the vehicle. If a warranty is provided on a used car, it should be referred to as a "limited warranty" and the specific term and duration should be provided. If there is a deductible payment required or some other restriction of use, this should also be mentioned. The extended service contract has different coverage and should not be linked together. If an extended service contract is offered, there should be some reference that it is available for an "additional charge" so that consumers don't think it is included in the cost of the vehicle.

I was discouraged to find that several dealers offered robust limited warranties, but did a lousy job of making this obvious to the viewer. Even a limited warranty as short as 30 days or 3,000 miles can set a dealer apart from its competition

that only sells vehicles "as-is." Making the limited warranty prominent seems like it should be a great marketing opportunity. However, many of the sites examined buried this information.

Also, several of the subject dealers had extensive service facilities, but I found not many of them championed this information on their site. This is a huge marketing advantage and should be emphasized.

## "Bad Credit"

I was troubled that so many of the sites discussed "bad credit" and championed their dealership as one willing to take on these customers. I don't think any consumer likes to have it pointed out that their credit is "bad", so I suggest phrasing things more gently, such as "we help people that have suffered bumps in the road" or "we realize that life events happen to good people and we look past credit blemishes." There's lots of ways to deliver this message more effectively without the negative connotation.

Also, many of these same sites made claims such as "your credit score will go up with timely car payments" or "we'll help you rebuild your credit." Dealers should stay away from claims like these because, first, it may unwittingly be holding itself out as a credit repair organization. You also don't want to make any claims about how performance will impact credit score, because this is left to the credit reporting agencies.

## Pre-Approval vs. Pre-Qualification

This is one of those areas where the marketing folks can cause trouble when left to their own devices. "Pre-Approval" is a term that has legal significance and great care must be taken when using it. For most dealers, it's more accurate to explain the pre-qualification process. I emphasize "explain" because I'd like to see more of an explanation than simply using the term "pre-qualify." I think it's smart to walk the viewer through the entire credit application process and go into detail about what happens at each step.

I also saw a few sites that used terms like "no hard credit pull", "soft pull only", or something similar. A lot of the general public is unfamiliar with these terms, so I think these also deserve more explanation, and if a claim is made that credit isn't pulled, I think it could create an issue if even a soft pull is run.

## Privacy Notices, Privacy Policies, and Terms and Conditions

These subjects were the ones that caused me the most concern, and I found these concepts handled inconsistently.

Let's start with some definitions: A privacy notice tells the customer what you do

Make sure you are not misleading consumers with online claims

BY STEVE LEVINE

with their personal information submitted on the credit application and thereafter provided during account servicing, and the GLB privacy law sets forth the proper disclosures and even provides a "safe harbor" example. A privacy policy, on the other hand, explains to the viewer what information is collected on the website, the "cookie" practices, how information is stored, and a wide range of other information. Similarly, terms and conditions explain to the viewer the terms under which they are agreeing to use the website.

The first problem I saw was that several of the sites blended together the privacy notice and the privacy policy. These are distinct and should be kept separate. My strong suggestion is that every dealer should publish its privacy notice prominently on its site because there is an obligation to provide this information to customers on an annual basis. If this is provided on the website, and the information hasn't changed since account inception, then a separate mailing isn't necessary.

Secondly, the privacy policy and terms and conditions are not the same thing and there were numerous examples where they contained inconsistent or even contradictory information. To make matters worse, on several of the sites the third party service provider that was maintaining the site also provided its terms and conditions, which referenced state laws and other legal concepts that were its own and not the dealer in question. There is a cottage industry of law firms that look to bring cases like this based on incorrect information that gets turned into a deceptive acts and practices claim, so it's important to understand the practices of both the dealership and service provider and make sure the site is clear in its communication.

There were a lot more examples, both good and bad, that I discussed during the actual group meetings, but I think this is plenty to get your minds thinking. The big take-away is don't take your website for granted. Dealers spend a lot of marketing dollars and the website, as well as social media, present the best opportunities to familiarize prospective customers with inventory, financing options and other reasons to shop here. It's your website, so take great care to make sure it reflects your business in both a compelling and compliant manner. ■

Steve Levine is an auto finance lawyer with over 30 years of experience protecting car dealers and finance companies. He is an owner and Chief Legal and Compliance Officer of Ignite Consulting Partners, which offers guidance on compliance, operations and best practices.

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# Is Email Marketing Back?

An appropriately utilized email list is an asset to a business

BY KENNY ATCHESON

35.8 percent  
36.3 percent  
33.3 percent

These numbers are the email open rates for three of our most recent email newsletter batches that we sent for one client. Each batch was sent to about 3,600 people, which means about 1,300 people opened our client's email newsletter.

How much money would you spend to reach 1,300 people who are perfect targets for what you sell? If running Google Ads, you might spend \$3 per click costing you \$3,900.

If you want to calculate how many people this may have reached who are in the market to buy soon, consider how often you want to sell to the same person. If it is every three years: 1,300 people divided by 36 months equals 36 people.

What is it worth for a dealership to reach 36 people who may buy soon and who already have some level of trust with that dealership? Let's not forget that they also reached 36 people who are in the market next month and 36 more who are in the market the following month. They are also communicating regularly with their customers, building relationships by communicating and not only asking for money.

Items that may appear in the email newsletter:

A link to a feedback system — Every time we send an email newsletter for clients they get positive and sometimes negative feedback. Positive feedback can be proactively used for marketing and to inspire employees. Negative feedback can alert leadership of a small issue that would have turned into a big issue if not addressed. Negative feedback can be used for

employee training. Negative feedback may be kept internal because the customer was given an opportunity to vent instead of doing it publicly on Google or elsewhere. Most customers are happy at the point of sale. They become unhappy months later when they have vehicle issues or a dealer calls to ask for payment. This is the point when they desperately need a place to voice their opinion.

Valuable content — In January we wrote about New Year's resolutions and goals. Our client's customers enjoyed it. In March we may send an email newsletter about spring cleaning. Staying organized clears the mind and relieves stress. Our clients' newsletters offer small nuggets to make their customers' lives better. This is one reason emails get opened, read, and shared.

A link to inventory — Probably the most obvious and trackable. In a recent newsletter about deferring down payments until tax returns arrived, we included a link to the inventory; 79 people clicked on it. We exported the list of 79 and sent that to the manager who then gave the list to salespeople to make calls.

Videos — A fast and nearly free way to get action on a video is to post it on YouTube then email it to your entire list. It will get immediate views which signals to YouTube (owned by Google) that this video may be important. It may then get more views by others who are not already on your list.

Referral reminders — More than one study has revealed that customers do not refer others — simply because they were not asked.

Upgrade/trade-in reminders — Add a message at the end of each email newsletter such as: "If your balance is below \$1,500 or you are within four months of paying off your vehicle, we may be able to get you into another vehicle right now."

Email marketing may be dead for some dealers because they use it incorrectly. Continuous sales pitches lead to people unsubscribing from emails. Content that has no value leads people to delete emails without opening them.

By sending an email newsletter you control the message and the platform. Say something politically incorrect on social media and your page may get "canceled." Some of the same famous people and politicians who have been "canceled" online can still send emails.

An appropriately utilized email list is an asset to a business. In fact, on numerous occasions when I have consulted with a company owner who is buying another company, I reminded them to get the email list, which is on my own checklist for buying another company.

It would be odd to say that email marketing is back because it never really left. Adjustments have to be made to use it in an effective way. As social messaging grew along with texting, we had to adjust how we run our client's email newsletters so that their customers opened them and read them. It is working. ■

**Kenny Atcheson** is the founder and president of Dealer Profit Pros and author of *Marketing Battleground: How to Deploy Under-the-Radar Strategies to Explode Your Profits*. Kenny teaches workshops and speaks at conventions and 20 Groups.



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# Certified pre-owned sales continue to be a strength in the used vehicle market



In June, CPO sales were up more than 17,000 vehicles, 8.4 percent, from the same month in 2022, according to a new report from Cox Automotive. CPO sales were up 2 percent or 4,000 vehicles from May.

Through the first six months of the year, CPO sales are running 6.4 percent ahead of 2022, with an additional 78,000 vehicles sold.

“One area of strength in the used-vehicle market is certified pre-owned,” said Chris Frey, senior manager of Economic and Industry Insights at Cox Automotive in a news release. “Interestingly, certified pre-owned loans saw the most loosening of all loan types in June on a month-over-month basis, according to the Dealertrack Credit Availability Index. For consumers with good credit that are struggling to afford a new vehicle, CPO is an excellent alternative. Buyers can get a nearly new vehicle at a much better interest rate than they can get in the used market.”

CPO sales were running ahead of the total used sales, which were up 2.8 percent in June. CPO sales are expected to get another bump

later in the year.

“For the most part, we are expecting CPO sales to track somewhat closely to 2022, with an increase in sales starting in October to finish the year at 2.6 million overall,” Frey noted.

Several dealers around the nation are taking advantage of the CPO market, utilizing NIADA’s Certified 360.

NIADA launched in January Certified 360 in January to give independent dealers a program to compete with franchise dealers. The CPO program helps independent dealerships increase buyer confidence and their profitability.

“The independent world never had a true CPO program. This is a true CPO limited warranty program,” said NIADA Vice President Jeremy Beck. “It allows the independent dealer to be on par with manufacturers and have a leg up on other independent dealers.”

NIADA developed the program working with the top administrators in the

industry AUL, GWC Warranty, ProGuard and Southwest Dealer Services. NIADA also partnered with Carketa to provide a completed digital 200-point inspection to help dealers streamline their inspection process.

“We put together highly respected administrators known for their claims and customer service experience,” Beck said. “They provide a level of confidence for the independent car shopper. These administrators are respected by dealers and known by customers.”

The program is easy to implement and affordable. The NIADA Certified 360 covers vehicles up to 10 years old with up to 125,000, offering three term and mileage offerings:

- 3 months or 3,000 miles for \$199
- 6 months or 6,000 miles for \$299
- 12 months or 12,000 miles for \$399

For information about the NIADA Certified 360 Program and connect with an administrator, visit [niada.com/certified-360](http://niada.com/certified-360).



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**Dave Andrews,**  
Principal Founder and CEO,  
City Enterprises, LLC  
*Former NIADA President*



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***For information on the NIADA member partnership offerings visit [AutoZonePro.com](https://www.AutoZonePro.com)***



\* Based on research from (Flemming source).

# Click



# Conundrum

## Why clicks don't equal car sales

BY SEAN TOUSSI

In the competitive world of car marketing, dealerships of all sizes are constantly striving to maximize the effectiveness of their online campaigns.

While digital metrics such as clicks, likes and shares on platforms like Facebook may appear promising, it's crucial to understand that these metrics alone do not guarantee actual car sales and service. The truth is the correlation between clicks and conversions is often weak or even nonexistent. In order to truly measure success and drive tangible results, dealerships need to shift their focus toward tracking metrics that align with their ultimate business objective: generating sales.

### Two Common Cases

Let's delve into some practical examples to illustrate why clicks are not the be-all and end-all of automotive marketing. Consider a scenario where a dealership invests heavily in a Facebook ad campaign targeting a specific model of cars. The campaign generates a substantial number of clicks, indicating initial engagement. However, upon closer analysis, it becomes apparent that these clicks do not necessarily lead to a significant increase in car sales. Despite the high click-through rate, the conversion rate remains disappointingly low.

On the other hand, let's explore a different situation. A dealership runs a campaign with the goal of raising awareness and connecting with its existing customer base. The campaign achieves a massive number of clicks, generating excitement and buzz around the brand. However, when analyzing the impact on actual sales, it becomes evident that many clicks came from individuals who

were simply curious or merely browsing rather than serious car buyers. The campaign captured attention but failed to convert clicks into tangible sales.

### What is the solution?

To overcome the click conundrum, dealerships need to adopt a more holistic approach to measurement and focus on tracking metrics that directly tie to sales. One effective method is utilizing Facebook's offline conversions product, which enables dealerships to bridge the gap between their online campaigns and real-world transactions. By leveraging this tool, dealerships can determine the offline impact of their digital efforts and gain valuable insights into which customers, exposed to their Facebook or Instagram ads, ultimately made purchases in their physical business locations.

Let's consider a practical implementation of this approach. A dealership sets up an offline event set within Facebook's Business Manager and links it to the ad account running their campaigns. By enabling auto tracking, the dealership ensures that only tracked impressions and clicks will be considered for offline attribution. As customers make in-store purchases, the dealership manually uploads the sales data to the offline events tool or connects with one of Facebook's partner integrations to automate the process. This allows the dealership to track and attribute sales to specific Facebook ad exposures.

By integrating offline conversion metrics into the reporting within Facebook's

ads manager, dealerships can gain a comprehensive understanding of their campaigns' impact on sales. They can break down the attribution rate and identify how many customers from their sales list were exposed to their Facebook ads before making a purchase, regardless of whether they clicked on the ad or not. This provides valuable insights into the effectiveness of the campaigns in driving real-world sales.

While online metrics still hold importance for targeting and engagement purposes, it is essential for dealerships to prioritize the metrics that directly align with their ultimate goal: moving metal off the lot. By tracking offline conversions and utilizing the right measurement metrics and tools on Facebook, dealerships can make informed decisions, optimize their campaigns, and drive meaningful results.

The click conundrum in automotive marketing emphasizes the need for dealerships to look beyond clicks as the sole indicator of success. While clicks can generate initial engagement and interest, they do not guarantee car sales. Dealerships must shift their focus towards measuring metrics that tie directly to their business objective: generating tangible sales. By leveraging tools such as Facebook's offline conversions product and adopting a comprehensive approach to measurement, dealerships can gain a competitive edge in the dynamic and ever-evolving automotive industry. ■

Sean Toussi is the founder and CEO for Glo3D.com.

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—Alex, Chicago, IL

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—Karen, Dallas, TX

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# Industry Calendar



**M**ake your voice heard in Washington, D.C. Independent dealers will get their opportunity to take their concerns about the automobile industry directly to policymakers on Capitol Hill in September.

Registration is now open for the NIADA 2023 Policy Conference Sept. 19-20 at the Ritz-Carlton Pentagon City.

The two-day event brings dealers together with members of Congress and regulators to discuss real legislative and regulatory issues facing the independent automobile industry.

The conference will include meetings with federal agencies and regulatory dignitaries Sept. 19. The PAC Cup dinner will end the day, where the region which contributes the most to the PAC Fund between the NIADA Convention and the Policy Conference will be honored. In the past eight years, the competition between the four regions has raised more than \$800,000.

The PAC Fund helps NIADA support candidates for office who share NIADA's philosophy.

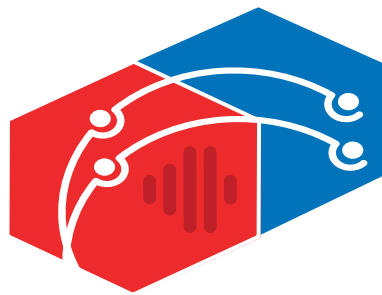
On Sept. 20, there will be Capitol Hill meetings around lunch at the Library of Congress. A Capitol Hill debrief and farewell reception will conclude the conference.

"During this year's conference we will be going back to the Hill" said NIADA President Gordon Tormohlen. "Putting our dealer members and industry partners face-to-face with legislators and their staff has always been the most effective way to get our message across."

Registration is \$100 per member dealer. Register today at [niada.com/policyconference](http://niada.com/policyconference). ■

August							
<b>THU August 3-6</b> Carolinas IADA Convention	<b>THU August 10-13</b> Mississippi-Louisiana IADA Convention	<b>SUN August 13-15</b> Arizona IADA State Convention	<b>MON August 21</b> Michigan IADA Golf Outing	<b>MON August 21</b> MIADA Golf Outing 2023	<b>TUE August 22-24</b> CAR Summer Roundtable	<b>SAT August 26-27</b> Indiana IADA Convention & Awards Dinner	<b>SUN August 27</b> Indiana IADA Golf Tournament
September							
<b>FRI September 1</b> ASOTU Conference	<b>WED September 13</b> Hawaii ADA Convention	<b>MON September 19-20</b> 2023 NIADA Policy Conference	<b>TUE September 19</b> Tennessee IADA Convention	<b>FRI September 22</b> Oregon IADA Fall Conference	<b>SUN September 24-26</b> PA - MidAtlantic Regional IADA State Convention	<b>TUE September 26-28</b> NAAA Convention	
October							
<b>SUN October 1</b> Florida IADA Conference	<b>SUN October 1</b> Women in Automotive	<b>TUE October 3-5</b> Washington IADA Convention	<b>THU October 5-7</b> Northwoods University Car Show	<b>FRI October 6</b> South Dakota IADA Convention	<b>SAT October 7</b> Northwood University Fall Show	<b>SUN October 8</b> DrivingSales Executive Summit	<b>MON October 9</b> Ally A-List Summit
<b>THU October 12-14</b> LPHH Capital Summit	<b>SAT October 14</b> Ohio IADA Convention	<b>TUE October 17-19</b> Digital Dealer	<b>FRI October 20-22</b> Virginia IADA Convention	<b>WED October 25</b> Automotive Finance Summit	<b>TUE Oct-Nov 31-3</b> SEMA Show 2023		
November							
<b>THU November 2</b> New Hampshire IADA Business Conference & Partner Expo	<b>MON November 6-9</b> Used Car Week	<b>WED November 15-18</b> JD Power Phocuswright Conference					

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