



DriveTime Creates Culture to Survive & Thrive on the Road and in Communities

By Richard Greene
Editor

DriveTime's Chief Executive Officer Ray Fidel senses the "Big Mo."

Nothing like momentum to get the juices bubbling, and Fidel is leading the charge as DriveTime continues to expand on several fronts and gears up to open new doors to grow the Phoenix-headquartered company in the months ahead.

But executives were quick to point out that they are not just interested in building upon DriveTime's business success, significant as that is. On an esoteric level, they also want to create a culture whereby their nearly 2,300 employees are reaching outside themselves and contributing personally to their respective communities.

Both initiatives are working.

Step Back to Move Forward

"I think what's most important when it comes to understanding DriveTime is that we ran the company in a no-growth mode for three full years, from 2002 to 2004," Fidel explained. "We still sold 50,000 cars each of those three years, but we didn't expand our dealership base. In fact, we shrank our employee base through restructuring some aspects."

Fidel also noted, "During that time, we were tweaking, re-tooling, re-branding, experimenting, putting the right people in place. After we changed our name from Ugly Duckling to DriveTime, we changed our entire strategic focus, refocusing instead on our customers, our own people, our structure and our product. As a result, what we were able to do was increase our profitability significantly and build a very strong financial foundation, whereby creating a platform to be able to finally say, 'Now is the time to grow.'"

And 2005 has been just that time—with 2006 appearing just as bright, according to DriveTime.

"Growth always brings a whole different sense of momentum to an organization," Fidel stated. "And I believe we also have a solid business model going into 2006, so that when we expand even further, we will be able to differentiate us from other companies that focus on the sub-prime market. We're ready!"

New Stores, New Ad Campaign

DriveTime, touted by company officials as "the largest integrated used car sales and finance company in the country with assets totaling \$1 billion," presently operates 81 dealerships across eight states.

Fidel commented that DriveTime targets cities with a population of 1-2 million

that have "favorable" media costs, labor costs and regulatory climates. He added that the company usually steers clear of major metropolitan areas and those with far-reaching mass transit systems. At the same time, Fidel said a DriveTime dealership location is usually placed a few miles away from new car



Ray Fidel
DriveTime

franchises set up their lots.

Throughout this year, the company has opened stores in Corona, Calif.; Ventura, Calif.; Roundrock, Texas; San Antonio, Texas; Irving, Texas; and Norfolk, Va.

In the coming months, DriveTime plans to open three stores in Jacksonville, Fla. The company said it still believes it will reach its 2005 goal of 90 dealerships and 100 by the end of 2006-paying new ground next year in both Charlotte and Raleigh, N.C.

"Charlotte and Raleigh represent areas where there still are underserved markets where we can move into and fulfill the needs of our type of customer," the CEO stated.

The addition of new dealerships has

helped advance car sales, which Fidel said should top 55,000 vehicles by year's end.

To also boost the bottom line, DriveTime launched in late August its first new advertising campaign in three years in 13 cities across eight states. The print, radio and TV campaign in both English and Spanish was designed to position DriveTime as "the Go-to-Guys for Cars and Credit" and the "leader in helping people with credit problems get going by turning 'No' into 'Go.'"

"I think it's still too early to evaluate the true and full impact of this promotional campaign, but from what we're hearing so far, it's been positive and is picking up steam," said Al Appelman, DriveTime's vice president of risk and customer analytics. "And that foreshadows a strong sales season around the corner."

Sales Spikes Require New Sources of Cars

With tax season just a few months away, DriveTime is ramping up its inventory to meet what they expect to be widespread demand for the first two quarters of 2006.

"We want to have enough cars for tax time. That's our hottest period," said Ronnie Stephens, inspection center manager in Phoenix. "We sold 303 more cars in Phoenix from January to April of this year and 2,485 units nationally during the same time frame than we did last year in Phoenix because we

were ready. And we'll be more prepared in 2006 than we were in 2005 because we're making sure we're gearing up."

According to DriveTime, all of its cars are backed up by a six-month, 6,000-mile warranty, a program that took effect in September, increased from a 90-day, 3,000-mile program. In addition, the company implemented a vehicle inspection warranty—30 days and 1,000 miles—which will pick up anything found through DriveTime's 53-point inspection checklist.

Auctions are the source of 90 percent of DriveTime's cars, which average three years old with 60,000 miles. Because dealership expansion is fueling additional sales, DriveTime faces the extra challenge of identifying even more consistent and reliable sources to supplement its nationwide inventory and to ensure it will have enough cars to meet demand.

So it is now "manufacturing used cars," as Fidel is fond of putting it. "Since we are in a growth mode, adding more stores translates into increased sales volume, which means added pressure to find other avenues to stock our retail lots," explained John Carnahan, director of accounting.

Working with Hyundai, DriveTime is purchasing 2,300 new units, primarily Accents and Elantras, and then placing those cars with daily rental companies in leasing arrange-

ments. They're also looking at striking deals with other OEMs in Detroit.

"We're buying units in bulk, negotiating a price and then placing them into a daily rental fleet or corporate fleet," Carnahan said. "With new cars, we'll run them a little longer than a typical market cycle, which historically is 6-8 months, so we're looking at somewhere between 12 to 24 months. Or, we'll take used cars and put them back into a second rental cycle."

"In both cases, this new program, though evolving, it's now beyond an experimental stage and gaining traction, and it's allowing us to manage what inventory is going to come back in," Carnahan added. "We have great relationships with our auction partners, but we're buying every car we can at those auctions. We just need more automobiles."

Carnahan added, "We're also at the mercy of the ebb and flow of cars coming back off lease or that are being traded in through big sales programs by the manufacturers, like we

saw this summer. We have an opportunity to grow, so we need to manage the flow of vehicles coming into our supply chain, and we believe this will work nicely."

Carnahan went on to say that DriveTime is also taking a certain amount of cars from an additional 1,000 new Hyundai units and after one rental fleet cycle, then placing those immediately onto DriveTime's retail lots. "We will be evaluating very closely how a newer or younger car, with fewer miles, and a little more expensive, does at our dealerships," he said. "This is an entirely different kind of vehicle, so this program will bear watching."

Cultivating Compassionate Company Culture

But DriveTime executives do not like to concentrate just on its facts and figures. They say they want to direct increased attention on the impact their employees are having outside of work "as responsible, compassionate and active members of the communities they serve."

The company introduced SchoolTime in 2004 as a way for DriveTime volunteers to enter into stable, long-term partnerships with at least one school in their area and commit to donating time and resources to the school throughout the year. SchoolTime has established relationships with 15 schools in eight states, reaching more than 12,000 students. Elementary schools are selected based

upon several factors. These include: 80 percent or more of the students must qualify for a free lunch, a large percent of them need to be English-as-a-Second Language students, and diverse demographics must characterize the local community.

SchoolTime activities include beautification projects, reading, music and art programs, attendance incentives and school-supply drives.

As it has done from the outset, during the just-completed month of October, DriveTime donated \$100 from the sale of each car to the popular program. Last year, the promotion raised more than \$430,000 for SchoolTime programs.

"I'm really excited about what we're trying to do culturally throughout our company," said Jon Ehlinger, secretary, general counsel and vice president of public relations. "We've had a lot of our employees who had never volunteered for anything before tell us that they were ecstatic about SchoolTime and that they were enjoying these unique volunteer opportunities to work with these kids."

"We do not just want to be a company that's merely a place where you show up for an 8-to-5 job, but instead to be a place that's focused on trying to make a difference and a company that is striving practically to facilitate that difference," Ehlinger concluded. ◀