



DriveTime plans are for continued growth this year.

## DriveTime Set

By Peter A. Salinas

The Ugly Ducks have turned into big, beautiful green and white swans — 90 of them.

DriveTime, which bills itself as the country's largest integrated used car sales and finance company serving customers in the subprime marketplace, opened its 90th store last month in Norfolk, Va.

Jon Ehlinger, DriveTime's secretary, general counsel and vice president/public relations, said the company has opened 17 stores since the fall of 2004 and is on track to have 100 stores open by the end of 2006.

DriveTime began operations as Ugly Duckling in 1992 with two dealerships in Tucson, Ariz. The company went public in 1996 and became a privately-held company in March 2002. It was at that time the company chose to focus on the higher end of the subprime segment, while still maintaining its buy here-pay here business model.

The company now sells and finances more than 50,000 vehicles per year across eight states, predominantly in the South and Southeastern seaboard?

"We introduced a proprietary credit scoring model using our own data in 1996," Ehlinger said. "We know and understand our customer base. Our

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## to Have 100 Stores in U.S. By Year's End

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unique program, Rate Advantage, gives customers the ability to adjust their interest rate based on their down payment and our proprietary credit rating."

Ehlinger said the beauty of the DriveTime system is that it offers options to a segment of the marketplace that is usually without alternatives.

"As a result customers have a much better experience at our stores and we have better customers," Ehlinger said.

When it changed its name in 2002, the company also changed its business model. The company began putting vehicles on the street with higher actual cash values for its customers. Ehlinger said this meant customers had fewer mechanical problems, and DriveTime had fewer customer complaints and more customer payments. He noted that customers have the option to either mail or bring their payments to the store.

"Customers are slightly above the buy here-pay here segment and well below A-credit," Ehlinger said. "We're pretty much in the same market segment, but we're putting out a more quality product."

Each store is corporate-owned, Ehlinger said, so much of the information about sales,

profitability, gross and net profit, is considered proprietary.

"Sales were up about 10 percent in 2005 and we are having great start to 2006," he said.



### DriveTime®

Last month DriveTime opened its fourth dealership in the Norfolk, Va. area. According to its press release, "For all four stores, DriveTime has spent more than \$3.5 million in site improvements and building costs. In addition, the company anticipates more than \$53 million in total annual revenues. With vehicle sales expected to top \$44 million annually, DriveTime will be generating over \$1.3 million in annual tax revenues.

"As with anyone in this business, we have to react to the market," Ehlinger said. "Costs and interest rates are rising and we still have to provide affordable transportation to our customers."

One of the ways it provides value to its

customers is to offer a limited warranty with the sale of every vehicle.

"We recently extended our warranty from three to six months at no additional charge," Ehlinger said.

DriveTime also provides a 30-day Vehicle Inspection Warranty, a 53-point safety and quality assurance check and an Experian AutoCheck title history report at the time of sale.

Ehlinger said the company doesn't have a formalized Twenty Group program for its managers and team members, but they do meet regularly to share best practices.

"They usually come away from those meetings rejuvenated and challenged by others in the group," Ehlinger said.

Fuel prices directly affect delinquencies in the subprime and buy here-pay here segments of the market, and DriveTime isn't exempt.

"We had some big increases in delinquencies when prices spiked, but those have returned to pre-Katrina levels," Ehlinger said. "We remain optimistic in our forecasts for growth and profitability for 2006."

In fact, in the coming months, DriveTime is set to open several stores in the Charlotte, N.C. area.