

# LEASE-HERE, PAY-HERE

## LEASING BECOMES BETTER OPTION FOR SOME DEALERS

By Jeffrey Bollant

LAS VEGAS – The buy-here, pay-here business has many models, and leasing is one way dealers provide customers with better cars and more options.

M&S Auto Sales in Riverdale, Ga., is one dealership that has embraced a leasing model at its two locations.

Andrea Winkles, the stores' general manager, attended the recent National Alliance of Buy-Here, Pay-Here Dealers annual conference at the Wynn Las Vegas.

She said the dealership carries 160 units overall and leases 45 to 50 per month.

"Leasing gives the customer more options and gives us more options," she said.

In Georgia, a title ad valorem tax took effect in 2013, which made it more beneficial for dealers to lease, she said.

For example, customers who can no longer afford a car can end the lease by pay-



have with a typical buy-here, pay-here model, she said.

They can terminate the lease, switch cars or buy the vehicles, which 20 percent choose to do.

Up front, they give the customer the lease terms as well as the residual at the end of the lease if they choose to buy.

The dealership upfront agrees to provide in-house financing if the customer de-

whole process.

"Because of that, they bring their friends. (We have a strong) referral business."

The dealership tries to keep its contracts less than four years, with an average of two-and-a-half years.

Unlike many dealerships, M&S doesn't pull a credit report, which is a big draw for customers who don't want a credit check.

"The criteria is stability,"

depending on the value of the vehicle.

Ranes said the average retail price of a vehicle is \$8,000 to \$12,000 and model years range from 2006 to 2015.

Some vehicles will be re-leased two or three times, while others may go four or five times, Ranes said.

The other part of the M&S's model is, in addition to regular vehicles, they also offer highline units.

"Mercedes is a good line for us," Ranes said. "We also have Corvettes, Camaros and even a Land Rover."

Ranes said they have a customer who leases Mercedes, even though she's never had a credit problem. She just likes to switch cars.

The dealership also went to all of the local businesses in their area and gave them "Preferred Purchase Power," which gives them \$10 a week off their payment on any vehicle in stock.

"So any time they have an employee that needs a vehicle, they can (qualify) for that deal," Ranes said.

They also lease commercial vehicles to builders, construction workers or plumbers, for example.

"We try to keep a little of everything in stock" he said.

The other benefit with leasing is that customers come in to make their payments, which keeps the relationship close.

Even for dealers who have been in the buy-here, pay-here business for decades,

leasing can be a fresh option.

Don Foss, at a time when most people think of retiring, has jumped into the used leasing market with a new venture he discussed at the conference.

Foss, who already solidified his success with Foss Motors and Credit Acceptance Corp., discussed his latest project during a speech at his induction into the Buy-Here, Pay-Here Hall of Fame in Las Vegas recently.

Foss said he had reflected on his past and asked himself a question.

"If I could do it all over again, starting today, how would I want to do it? The answer was that I'd want to have one brand. I'd want to sell better cars, newer cars, lower miles with a better customer experience."

He said he wanted to provide better customer peace-of-mind with his leasing model and lifetime engine warranty.

The result is CARite.

"A few years ago, I started another venture called CARite. It's a network of branded used-car dealerships with a captive sub-prime leasing company.

"We've grown into 13 stores and we've got 12 more stores that we plan to open this year."

Foss said he's proud of CARite, because it gives entrepreneurs a chance to participate with a national brand and compete with players like CarMax.



Credit Acceptance Corp. founder Don Foss, top, discusses his move into leasing during a panel discussion at the National Alliance of Buy-Here, Pay-Here Dealers annual conference. Andrea Winkles and Ronnie Ranes, above, of M&S Auto Sales in Riverdale, Ga., said the Mike Bell-owned store also succeeds with lease-here, pay-here.

ing a \$500 early termination fee or they can switch cars at any time in the lease.

By allowing the customer to pay an early termination cost, it gives the customer options that they wouldn't

choose to buy the vehicle at the end of the term.

"We focus on the customer," said Ronnie Ranes, marketing director. "We work hard to make them happy with the purchase and the

Winkles said. "It's two current check stubs and a current utility bill."

Ranes said it's important there's an income and stability.

The minimum down payment is \$800 and that rises