

IMPOUND RECOVERY COSTS:

# THE ROAD TO RELIEF

*KNOWING IS HALF THE BATTLE*

■ ■ BY BRIAN DEELEY

Remember the end of every episode of the *GI Joe* cartoon?

Life lessons were imparted on accident-prone kids by our kung fu-gripped heroes before the requisite call and response: "And now we know – *and knowing is half the battle!*"

Little did we realize that the Joes were laying the groundwork for solving a problem dealers and lenders have struggled with for years: vehicle impound recovery costs.

Yo, Joe!

## **THE BUSINESS OF VEHICLE IMPOUNDS**

How much do vehicle impounds affect business for a BHPH dealer or auto lender?

Impound data is elusive, to say the least. Vehicle codes vary from state to state and municipality to municipality.

To get a better understanding of the situation and its impact, Spireon surveyed dealers across the country about their experiences.

The findings are enlightening.

According to respondents, it takes seven days on average to receive a notification about a vehicle that has been impounded. In one instance, the bill for seven days in impound reached \$645 in the Nashville, Tenn., area.

Though the survey responses ran the gamut, the average number of impound recoveries per year, conservatively, is about four. Do the math, and you'll find the average used car dealer is spending \$2,580 per year on impounded vehicle recovery – again, your mileage may vary. That doesn't even include any additional reconditioning costs incurred at the impound lot.

Vehicle impound is a business. Despite varying amounts of government oversight and regardless of an impound lot operator's intentions, it certainly is in their best financial interest to delay owner/lender notification for as long as possible.

According to Spireon data, almost 45 percent of vehicles are in impound for four days or longer, and 42 percent of BHPH dealers surveyed indicated it takes five or more days to receive impound notice.

The more time those vehicles remain in impound lots, the more costly the problem becomes for the nation's BHPH dealers and lenders.

Regionally, the average total recovery cost for impounded vehicles is lowest in the Midwest at \$306.94. The largest burden is in the South, with an average bill of \$439.25.

On the other hand, the southern states have the lowest average daily storage fees at \$29.18, while the West pays \$41.53, the nation's highest average daily fee.

The differences between average daily storage fee and average total recovery cost can be attributed to variances in flat fees and amount time of spent in impound.

The takeaway from all those numbers is simple. The cost of vehicle impound makes it painfully clear that dealers must gain awareness of a vehicle impound as soon as possible.

### **A REAL AMERICAN HERO: GPS**

Submitted for your approval: vehicle tracking technology.

In addition to validating customer references, improving payment collections and providing location data for faster recoveries, GPS technology has taken strides toward eliminating the latency between when a vehicle is impounded and when the notification is sent out by the impound lot operator. This is done through geozones.

A geozone is a geographical area enclosed by a virtual boundary. When a geozone is set around a perimeter, such

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as a local impound lot, a notification can be sent when a specific vehicle equipped with GPS enters that defined area.

A GPS provider with a thorough, fully built-out database of impound lots – including geozones for lots nationwide and the ability to allow user sourcing for new additions – gives dealers a powerful new tool at their disposal to manage risk.

That \$2,580 per year reclaimed



by heading off impounded vehicle recoveries easily covers the cost of the technology. Considering all the additional cost savings that come with the other benefits already noted, partnering with the right GPS provider can offer immense upside.

### **MORE NERDINESS TO COME**

Those survey results are only the tip of the iceberg. Stay tuned for more exclusive data and analysis culled from thousands of BPH dealers and Spireon's nearly 4 million active GPS devices in the comprehensive impound lot report coming in the 2018 *NIADA Used Car Industry Report*, which will be released this month. ■



**BRIAN DEELEY IS DIRECTOR OF PRODUCT MANAGEMENT FOR SPIREON, DRIVING VEHICLE FINANCE PRODUCT STRATEGY AND LEADING TEAMS RESPONSIBLE FOR PRODUCT DEFINITION, CUSTOMER REQUIREMENTS AND SOLUTION**

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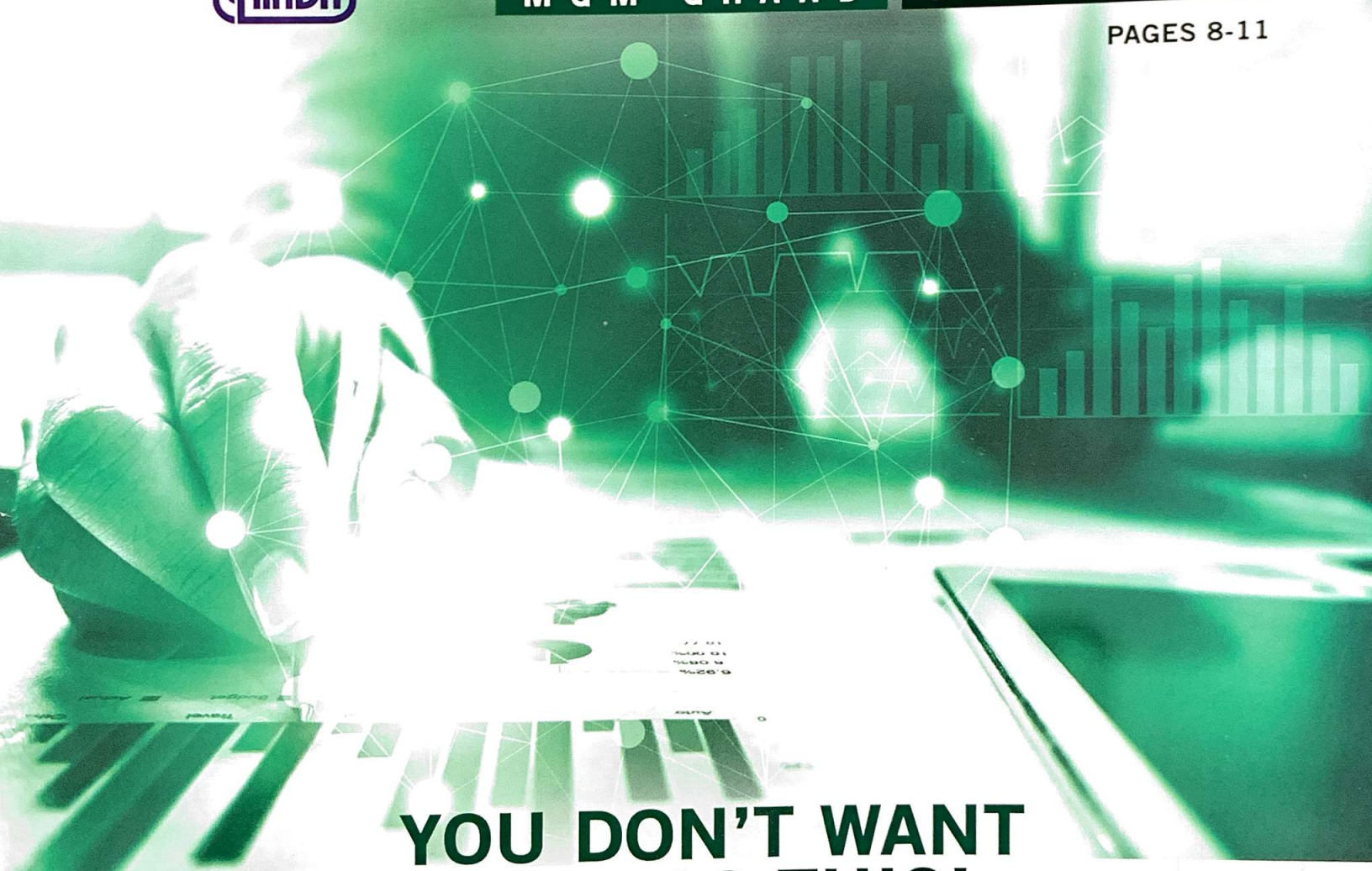


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