

A Professional's Guide to Buying Cars at Dealer Auctions©



An insider's look at buying for maximum profit and eliminating costly and painful buying mistakes.

Avoid the ten critical mistakes that can turn your trip to the auction into a *financial disaster*.

Secret ways—and places-- to buy a car "under the money."

Insider facts and tips no auction in America will let you in on.



This guide is intended for licensed car dealers only. This is not a sugar coated report designed to make the Auctions look good. This report is a no-holds-barred look at what it takes to be successful buying at any Auction in the Country.

While this report briefly covers some of the basics, it assumes you have some auction knowledge. This report is a "street fighters" guide to increasing your Auction profits and eliminating losses on purchases. I am not a professional writer, so you are going to find a few flaws in the report. However, the information in this report can easily be worth an extra \$100,000 to you—this year. Remember this; buying cars at dealer auctions is **WAR**...out and out war. If this offends you, then this report is definitely not for you.

Some very quick background...or the answer to the question: "Who are you to tell me how to buy at an Auction?"

In 1970 the Dealer I worked for called me in and promoted me off the sales floor to Used Car Buyer (Assistant Used Car Manager). Thank God the Used Car Manager had come up through the "Old School" and was able to teach me many of the ins and outs of buying cars, because I was still wet behind the ears.

I took several trips to the Auction with my 'instructor' and then I was on my own. Fortunately I had worked every summer in a Service Department, so I had a working idea of what a car was supposed to 'look' like.

A "Masters Degree" for \$100,000 in 1972 Dollars!!! In the next two years I "went to school" and learned to buy cars at auctions all around the Southeast. My honest guess is that it cost the dealer I worked for at least \$100,000 for me to get my diploma! Since I was the Used Car Manager, I was able to hide (and retail) many of my mistakes.

I got my 'diploma' and immediately quit the Dealer I was working for, and went to work for the largest wholesaler in the area; where I quickly got my Masters Degree. I later opened my own Used Car Lot, and finally opened several of the most successful New Car Dealerships in the Country.

Five years ago, out of sheer boredom (often referred to as "early retirement"), I went to an Auction and decided to starting buying and selling again. Over 20 years had passed since I first hit the streets buying. The Auctions were bigger—much bigger—but the "game" was exactly the same!

This report is real firing line information from someone who has bought cars in the snow and ice in Michigan and who has bought in 100 degree summers in Florida.

All of the information in this report is my personal opinion and I assume no liability for your buying decisions or results.

Let's get started.

Get registered. This report is for pros, so I am going to go over this quickly. Make sure you and the Dealership you buy for are properly registered at ALL the Auctions you want to buy at. If you buy for more than one dealer, you will need to be registered for each of them.

Get the Auction paperwork done before you are planning to buy. There is nothing worse than traveling across the Country to a sale and finding out at the last minute that something is missing from the paperwork package.

Also, even though some of the Auctions have Access Cards that let you go to any of their Auctions, you will commonly have to have your picture taken. If you wait until the morning of the sale, you are going to be in for a long wait.

Pay careful attention to the sales you attend. Many times you will be able to make good buys at some of the smaller, less well attended, Auctions. I also have a preference for buying at some of the mid sized auctions, since it is easier for me to get to know the staff.

Get a bidders badge when you get to the auction, you will need this to buy anything. If you happen to be buying for more than one dealer, you will need a bidders badge for each Company you buy for.

If I am registering at a new sale, or just attending it for the first time, I always try to get there the afternoon before the sale. This is a great habit to get into, and we'll cover this later.

Know the Auction Team! This can make you more money than all the other steps combined. The real truth is that auctions have become very large and many have become quite impersonal. The time you spend making friends with the staff will come back to help you many times over. A seemingly insignificant title clerk might "save the day" for you in the future.

Auctioneers. Many auctioneers work for several different auctions, so you may see them at several different sales. You need to be recognized as a good buyer.

You also need to “get a feel” for how each auctioneer stages his auctions. I strongly recommend going to the auction several times and learning the auctioneer’s methods.

At factory sales, bank sales, fleet sales, and leasing sales, the auctioneers have a tendency to start the bidding (“set the car in”) closer to the real value, and they typically sell the car much faster. In the regular lanes the Auctioneers may try to start the bidding well over the value of the car, and will usually take longer to sell each car.

Fleet and Lease Department. Different Auctions have different names for this department, but this is where the Banks, Lease Companies, etc., send their cars. These people can be invaluable to you. As you get to know them you will get a better idea of how they operate. You will learn that almost all of the vehicles that are run for these companies have what is called a floor—a minimum that the car must bring. I have had good success getting my friends in the fleet and lease department to call the Bank (or vehicle owner) and get them to lower the floor of a vehicle that doesn’t sell while it is on the block. This is easiest if the car has been a “no sale” for several weeks, or has been turned down (arbitrated).

I have also had good success with the Representatives of the Bank or Leasing Company, who actually stand on the block when the car is being sold. Some of these reps, have the power to sell you a car for less than the floor, some don’t.

If you buy a lot of cars from a specific leasing company, it stands to reason that they will try to accommodate you. Often a vehicle will not bring the floor and the reps will ‘no-sale’ it even if you are the high bidder. In some cases, I have been able to stand at the block and get the rep to sell the car.

If you are a big buyer, the auction often entertains you the night before the actual sale, and this is usually a good chance to get to know the factory or bank reps, along with some of the auction staff. Often times there will be a local restaurant (watering hole) where the auction staff goes the night before the auction and after the sale is over. This can also be a good place to get to know some of the team.

The bottom line is: People have a tendency to help friends. The more friends you make, the more successful you will be. **You need friends at the auctions!** Some of the Auctions may be too big to get to know many people, and some may have such a strong existing group of 'preferred' customers that it's hard to get in with them...but keep trying.

I made many of my best buys at auctions where I knew the staff very well.

Target your purchases. The most successful buyers know what they are going to try to buy before they get to the Auction. You can get a pre-sale list from practically every auction in America, so you know what you are going to look for. If you have a presale list, you should also be able to do research on what the cars you are looking at should sell for. With a good plan, you will be able to go straight to the cars you are interested in. Once I get to the cars I am interested in, I make a list of the lane number the car is in, so I will not miss it when it goes up for sale. It is very embarrassing—and costly—to be on the other side of the auction grounds, when the car you really need is being auctioned off.

Planning is critical. Even the small Auctions may have 1,000 cars on the lot, and a mid size Auction with 6 or 7 lanes can easily have 1,500-2,000 cars for sale. The largest Auctions often have over 5,000 cars on the lot and 20 different lanes running at one time. Without a plan, you are dead meat.

Go Early, Go Early, And Go Early. If I am seriously trying to buy cars at a specific sale, I always do anything possible to get to the auction the afternoon before the sale. The real truth is that it is hard to check a car out if you get to the auction when the cars are starting to run (sell). By going early, I can closely examine every vehicle, and make notes about each car. Later, I can better determine the real value.

I use a FenderSplendor FS 488 Paint Meter (and am now in the paint meter business) to help me find paint work. Most auctions put the cars so close together it is hard to get the 'right look' down the side of the car. A paint meter speeds up my evaluation, and tells me where to take a closer look.

I run (start) every vehicle, and check the accessories. If I need to (most often) I pull the car out of the line up, so that I can get a better look at it. Many cars are sold "As Is" especially in the fleet lanes. It is a sick feeling to buy the BMW (or whatever) you really need only to find out that the sunroof doesn't work. 18" tires easily cost \$250 each, so you'd better get a close look at them. Scuffed alloy wheels cost at least \$100 to refinish, if you are lucky enough to live in a City where someone does wheel refinishing.

I can't buy for you, but be sure that the car you are buying has all the options that people who buy that type of car are looking for. This is critical today. A Mercedes without satellite radio, or a Navigation System, might be in perfect condition, but the potential buyers who see it will walk by it time after time.

Know what you can pay! As you learn to know the auctioneers and the how to understand the bidding process, you will be able to buy some cars for less than you might expect. **The real truth is that you need to know what a**

given vehicle is worth to you...and be prepared to pay for it. It takes some discipline to learn to walk away from a vehicle that is being bid too high.

Auctioneers vary about how they handle bidding, but if they know the seller, they may attempt to push the price past the actual bidding, hoping that someone will jump back in and bid at the higher amount.

I bought the first two Hummer H2s that came to a Hummer Dealership in Detroit. I sent them to a nearby Auction. The auctioneer was someone I knew, and we agreed how we were going to "stage" the auction. I knew (felt) that the cars should bring about \$3,000 over MSRP. My plan was for the auctioneer to start the bidding at about \$2,000 below sticker, and then act like he had 'live' bidders going up \$500 at a time. The auctioneer played it perfectly. He started taking bids that did not exist, and went up fast. At about \$1,000 over sticker, I was worried because I didn't see a real 'live' bidder. Than all the sudden, two different buyers came out of nowhere and bid the H2 to about \$4,000 over list. We (me and the auctioneer) didn't have 'live money' until the very end.

The bottom line is simply to know what you can pay for a given vehicle. The person who bought the Hummer had a very specific need for it and it was a good buy for him! (He knew what he was willing to pay ahead of time.)

Know the rules of the game. Auctions rules vary, even within the same company. You need to know the exact meanings of the *lights* that are directly above the auctioneer. This can be very tricky, and a mistake in understanding the sellers disclosures and appropriate light, can cost you thousands. Some auctions "red light" a car with over 100,000 miles, some don't. Auctions have different policies on announcing paint work. Most say you have to announce paint work on a current year car. In the Mid West and North it is common that

all trucks are 4 wheel drive, and the seller has to announce a 2 wheel drive vehicle. Be sure you know the rules before you start bidding.

Be extremely wary of seeing a car that is on the block selling for less than you think it is worth. Greed is a strong motivator, and it is tempting to jump in and bid before you really know the whole story. Anyone who has bought at an auction for a few years has been guilty of this...and it is almost always painful.

You also need to know that many of the ***sellers in the fleet lanes have different rules on disclosures and arbitration.*** They will announce their rules when they start running their cars.

All auctions publish a list of their rules and you need to pay very close attention to them. You need to know what constitutes frame damage, and what items are arbitratable. A unibody car with even a small accident might be announced as a frame damage vehicle. This could represent a good buy, if you are sure about the extent of the damage. Remember that if a car is announced as "frame" it will also show up as a frame damage car if you try to resell it at a later time.

A plug for a FenderSplendor Paint Meter...one of the tricks I have used with a paint meter when I find a panel that has been painted, is to go to the door jamb of that panel. If the door jamb has been repainted...you know the vehicle was hit pretty hard.

Transportation. What a nightmare! You need to know how you are going to get the cars you buy back to your lot. It is really important to have a working relationship with a trucking company. Many of my friends who buy in large quantities have the truck they use, waiting to get their cars as soon as possible.

Most auctions have booths where agents for trucking companies can be contacted. You will find that different trucking companies specialize in shipping to different places. If you buy cars in Florida, not every trucking company will 'run' to the West Coast. You also need to take the weather into consideration. If you buy a load of cars in Detroit in the middle of a snow and ice storm, they may wind up stuck in Detroit for some time.

\$20,000 down the drain...in the snow. A real horror story. I was buying in Michigan about five years ago, when I noticed that the leasing companies were selling year old Cadillacs for \$30,500. This was exactly \$2,000 less than they were selling for in Florida. I called my partner and we agreed to buy three truckloads (10 per truck). The first load got out the same day, and we made about \$1,000 each (after all expenses) on all 10 cars.

Then the fun began. It snowed, and it snowed. Two weeks later, we finally got the cars shipped to Florida. Because of the snow and ice, the cars were filthy and were tied up in the detail shop for another week. Meanwhile, the leasing companies in Florida started selling the cars and the bottom fell out of the market. We actually lost about \$1,500 a car...my worst wholesale loss ever.

Always have a way to get your cars back home as fast as possible.

Check your purchases ASAP. After you are the successful high bidder, you will sign off for it at the auction block. You will be given a copy of a sales slip. The auction has already taken the car back out to the lot, and hopefully, put it back where it came from.

Auctions have a policy about how long you have after you buy a car to check it out. If you are not busy buying a lot of cars it makes sense to check it out as soon as you can. Some auctions have enough room on the lot for you to take a

short drive. Almost all auctions require you to get a “drive out” to take the car on the road and thoroughly check it out. Assuming the car checks out, you will then go to the auction office and pay for the vehicle.

Should the vehicle have a major problem, which was not announced at the time of sale, you can drive it to the ‘arbitration’ office where the auction will inspect the vehicle and make a decision as to whether or not you have to buy it, or the seller has to come down on price. Arbitration rules vary at almost every auction.

If you are buying good quality vehicles, and you are getting to the auction early to check them out, you should have very few visits to “arbitration.”

Do not attempt to arbitrate items that are not arbitratable. Most Auctions have a limit and smaller repairs are not subject to arbitration.

Secrets to successful bidding. If you get 10 of the most experienced auction buyers in America together and ask them how to bid, you’ll get 100 different ideas.

First and foremost, you must know what the car you are bidding on is worth. If you need the car, you are simply going to bid on it until you either win, or the bids get higher than you are willing to pay and you walk away.

Not only do individual bidding styles vary, but each auctioneer has his own style. As I mentioned earlier; in some of the lanes the bidding process will be faster than in others. In the bank repo lanes, they usually go quite fast, and you either need to be in (bidding) or out.

The market will also dictate your bidding procedure. In a soft (down) market, you can use different tactics than you can when 4 people are bidding on the same car.

Setting the car in...this is where the auctioneer starts the bidding. In most cases I recommend letting someone else start the bidding. The fact is that you need to be sure that the auctioneer has money on the car.

I have had some success starting the bidding at close to what I would pay in an attempt to get other bidders to drop out. If the other bidders think the auctioneer doesn't have live money, they will walk away.

Where you stand is important. Ideally you want to be where you can see other bidders, and where the auctioneer can see you. Everyone has their favorite places to stand. I have two spots I like. One is right under the auction block, where I am facing the other potential bidders. I also like the corners of the crowd, especially at the edge of the garage door—or even just outside the door.

If you are known to be a very strong buyer for a certain car, you might stand right out front and make it very obvious that you are bidding on the car. A good friend who bought for one of the most successful Jaguar Dealerships would stand directly in front of the auctioneer and point to himself as to say "I'm going to buy this car."

In most cases I would say that keeping a low profile, and getting into the bidding late, is the best plan. The only risk you run with this process is that the auctioneer will drop the hammer (sell the car) before he takes your bid. Many auctioneers don't like this style, and will even announce when they start their shift; "Stand where I can see you and get your hands up if you want to bid."

Try different strategies and find what works for you. Every auction and every auctioneer will be different. If the auctioneers get to know you and know that you are a strong buyer for a certain type of car, they will try to look out for you.

Two more ideas. From time to time you will get the feeling that you are the only bidder bidding on a car. Auctioneers are not supposed to let you bid against yourself, but it can happen. The easiest way to see if you are getting 'run up' is to walk away and quit bidding for a few bids. You run the risk of losing the car, but sometimes this can smoke out an auctioneer who is 'working you.'

Depending on the situation, you can sometimes have good results jumping the bid by more than the increment the auctioneer is using. If the auctioneer is taking \$100 bids, and the car is at \$13,100 you might stand under the auctioneer and jump the bid to \$13,300. This will sometimes confuse the other bidders or they will think the auctioneer is trying to bump them and they will walk away.

One last thought. If you want the car, get in and bid. Nothing make a seller madder than the idiot who walks up as the seller is getting off the block and says; "What do you want for it?"

Also, I have a policy about not raising my bid if I am the high bidder and the seller still wants more money. Unless I really need the car and the car is still under the money, I refuse to pay more than my last bid.

Buying outside the sale before the car runs. If the market is hot and cars are bringing top dollar, I will try very hard to find the owner of a car I want and get him to sell it "outside the sale." If I am at the auction the day before the sale, I will call the dealership that has the car (I want) and see if the used car manager will price it to me. Smart sellers will almost always hold their cars until they run if the market is hot, but this is always worth a try.

Also, you need to know if the car has been at the auction for two or three weeks. You might actually remember the vehicle, or the previous week's auction numbers may still be showing on the windshield. If the car has run a couple of times and not sold, the seller may be motivated to get rid of it.

I don't recommend trying to cut the auction out. Go to the line inside the auction where it says; "outside sales." Remember that almost all outside sales are as-is with no arbitration.

To summarize it all here are the most important facts:

Get to the auction early and be prepared.

Know what you are looking for. Check the cars you want **before** the auction begins. Make sure that the car you are bidding on has all the equipment buyers will expect.

Know **what you can pay** for every car you need. Be willing to adjust if the market is hot, and you need cars. Remember that a really clean, low mileage vehicle will always bring a premium.

Make as many friends as possible at the Auction.

Learn the Auctioneers and their habits as they auction off a vehicle.

Make sure you have planned how you are going to get your vehicles shipped.

Pay for the vehicles you buy as soon as possible. Always treat the auction staff with respect, especially at the end of the auction when the office is jammed and everyone is trying to get out and go home.

Use a paint meter (preferably a FenderSplendor FS488) to be sure of what you are buying. There is no worse feeling than to buy a car at the auction, send it home, and then a day or two later find out that it has been damaged. It has happened to all of us, but a FS 488 can put the odds in your favor.

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FenderSplendor, Inc.

P.O. Box 6277

Gulf Shores, AL 36547

fendersplendor@msn.com

