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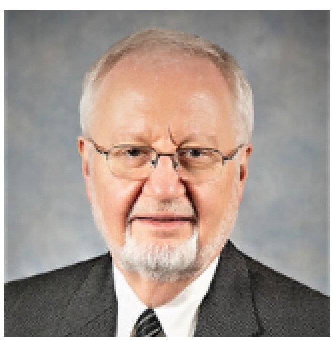
It’s Time For Your Post-COVID Strategic Plan



When our kids were young, we were fortunate to be able to visit Disney World in Florida when Space Mountain was the most popular ride. Because we arrived on a rainy day, the attendance was much lower than normal, making it possible for us to take the ride more than a dozen times within a few hours. The children became increasingly ecstatic with each loop while I became increasingly dazed. I would have been quite happy to move on to something less harrowing after our second tour around the mountain.

We have now lived almost a year with the pandemic, and I have flashbacks to the dazed feeling that I had at Disney World. The difference is that no one is having fun on the COVID roller coaster.

It has been a very tough year for everyone. Many learned more about their businesses in six months than they had learned in the previous six years. That said, please resist the temptation to blow the dust off the business plan you abandoned early in April, relabel it "2021," and attempt a do-over. You can’t step in the same river twice. It looks similar; however, the water you initially waded into has moved on.

It’s time to draw up a post-COVID strategic plan. Unlike those who have to start almost from scratch to reinvent their crippled businesses, most lessors only have to do a few nips and tucks to their products and procedures because our benchmarks have survived well in these times of so much uncertainty for others. We have learned that we knew more than we realized. One focus that is an urgent necessity for lessors is a commitment to strengthen their salesforces. Anyone who took their eye off the ball the last few years and allowed their sales staff to become ineffective is now in a place that requires a more potent, better-trained team to meet the growing need for more leased vehicles. This week I spoke to an NVLA member who just doubled their salesforce from five to ten people and has set aside the next several weeks to onboard the recruits. More should do the same.

Don't neglect to include a review of work culture when you do your strategic plan. As Matt Daus informed us at our annual conference a few weeks ago, employees working virtually initially had increased efficiency; however, now companies are finding that offsite productivity is diminishing. Add to this that the toll COVID has taken on mental health will not be fully known for some time, if ever. For many, working remotely has stripped the job to the work itself and exposed its mundanity. This teaches us that personal presence is the most vital element of every communication.

To paraphrase Thomas Jefferson: *Better are the dreams of the future than the history of the past.* This holiday season isn't filled with dreams of sugar plums, Elmo, or an Xbox. Dancing in our heads is the vision of Santa filling stockings with the promise of a vaccine for everyone so that COVID will soon become but a diminishing spec in our rear-view mirrors.

If you're an optimist, stay up until midnight on New Year's Eve to see the new year in. If you are a pessimist, stay up to make sure the old year leaves. The lessons we have learned in 2020 must be used as a framework for our future achievements.

Best wishes to you and yours for a truly blessed 2021. May you keep positive and test negative!

-Doug

Download a complimentary copy of the guide that we use at Cathedral Consulting to help clients with formulating their own strategic plans.

Looking Ahead to the Used Car Market in 2021 with Chief Economist Tom Kontos

Tom Kontos, chief economist for KAR Global, has shared his up-to-minute financial insights into the used car market and offers his take on what 2021 holds for the industry.

1. High unemployment will be the limiting constraint to a stronger economic recovery, as well as a recovery in retail auto sales and wholesale demand.
Despite job gains, over 900,000 people filed unemployment claims last week. Almost 10 million net jobs have been shed in 2020, and current job growth is slowing.

2. Wholesale prices remain strong but are past their August 2020 peak.
Pickup trucks have been the success story of the pandemic, if there is one.

3. Factors affecting wholesale supply can be broken down into the following segments:

- The previous rental supply increase from fleet downsizing/liquidation has largely been consumed.
- Nearly one million fewer new units were sold in 2020, which will leave a vacuum in new vehicle supply during 2021.
- The off-lease supply peaked in 2019, and lessee and grounding dealer purchases have a limited supply this year and into 2021.
- For the commercial fleet segment, fall de-fleeting has been deferred to the spring of 2021. We will likely see steady to modestly declining volumes thereafter.
- We will see the dealer consignment segment declining, with more dealer-to-dealer activity.

4. An uptick in repossessions is expected, but deferred to mid-2021.

- Repossession volumes have been curtailed, but repo prices remain strong.

5. Factors affecting repossessions:

- State moratoriums on repossessions caused low numbers, though moratoriums have largely expired.
- Loan deferrals and forbearance programs are limiting delinquencies and defaults.
- Government stimulus has helped distressed and unemployed borrowers stay current on their loans.
- Lenders remain reluctant to repossess vehicles considering the bad press that might create.
- Repo agent capacity remains limited with shifts in business practices.
- Bottlenecks building at state DMVs for obtaining titles for repossessed vehicles.

"The bottom line," Kontos says, " is that supply will remain tight and wholesale prices will remain elevated well into 2021. Used vehicle demand should remain strong, as the economic and societal impacts of the pandemic linger." He added, "Many people who heretofore relied on public transportation or ridesharing will likely be shopping for inexpensive personal transportation, and used vehicles will definitely fit the bill."

Tom Kontos, chief economist for KAR Global, has over [25 years of experience in the wholesale vehicle remarketing industry and is a pioneer in the analysis of used vehicle market trends.] Follow his monthly Kontos Kommentary, offering analysis of the wholesale used vehicle market, at https://www.karglobal.com/tag/kontos-kommentary/.

"Final Rule" Issued by CFPB: Lessors Put Your Seatbelts On!

By: Edward P Kaye, Esq. and Sloan Schickler, Esq.

The Consumer Financial Protection Bureau (CFPB) recently finalized its much anticipated “Final Rule,” a significant, 653-page long update to the decades-old Federal Debt Collections Practices Act (FDCPA or Act). Most importantly, the rule provides far reaching guidelines on how and when debt collectors can communicate with their consumer debtors and clarifies prohibitions against harassment and abuse, false or misleading representations, and unfair practices.

The FDCPA was originally passed by Congress in 1977, long before email, texting, and social media were commonplace. The Act did not contemplate communications with debtors through Gmail, iPhone, Facebook, or Twitter, to name a few. As communications technology evolved, debt collectors faced regulatory compliance issues as to which methods of communication allowed, the time of day they are permissible, and the contents of collection messages allowed without running into the law.

The rule directly impacts third-party debt collectors, currently covered under the FDCPA, and will be a guide for both consumer and commercial lessors that want to establish best practices to collect on their own account. In either case, the rule is a game changer and will likely require any lessor (including LHPH dealers) involved in debt collection to update its collection practices and procedures to stay compliant.

The good news is the rule does not go into effect until November 30, 2021, so there is time to determine the necessary changes to your current collection processes and procedures.

“With the vast changes in communications since the FDCPA was passed more than four decades ago, it is important to provide clear rules of the road,” said CFPB Director Kathleen L. Kraninger. Lessors, put your seatbelts on! Below are some highlights of the rule:

- Telephone call frequency limits: No more than seven times within a seven-day period or within seven days after engaging in a telephone conversation with the consumer.
- Voicemail: A voicemail message must only contain a “limited-content message,” meaning the consumer’s name, a request that the consumer reply to the message, the name(s) of natural persons whom the consumer can contact to reply, a telephone number to reply to, and if applicable, an opt-out notice. Adding additional information will be a violation of the rule.
- Time and place restrictions: Calls and messages between 8:00 a.m. and 9:00 p.m. local time at the consumer’s location is permissible. There is a prohibition against communicating at any time or place the debt collector knows or should know is inconvenient to the consumer which would include at the consumer’s place of work.
- Email: Email can be used if the consumer used the email address to communicate with the creditor; the consumer consented to the use of the email address and has not withdrawn consent; the creditor obtained the email address from the consumer, and the consumer did not ask the creditor to stop using the email address.
- Text messages: Text messages can be used if the consumer used the phone number to communicate with the debt collector and has not opted out; and within the past 60 days either sent a text message from that phone number; or the debt collector confirmed, using a complete and accurate database, that the phone number has not been reassigned from the consumer to another user.

- Social media: Debt collectors are prohibited from communicating through a social media platform if the communication is viewable by the general public or the consumer's contacts. However, there is no prohibition from sending a message through a social media platform if the message is not viewable by the general public or the person's social media contacts.
- Opt-out: The rule requires debt collectors who communicate electronically to offer the consumer a reasonable and simple method to opt out of such communications at a specific email address or telephone number. The rule also provides that consumers may, if the debt collector communicates through electronic communications, use that medium to place a cease communication request or notify the debt collector that they refuse to pay the debt.

The final rule contains provisions on disputes, record retention and many other topics and the CFPB intends to issue a second debt collection final rule focused on consumer disclosure in December 2020. Until then, keep your seatbelts on!

The final rule can be found here:
https://files.consumerfinance.gov/f/documents/cfpb_debt-collection_final-rule_2020-10.pdf

Sloan Schickler and Ed Kaye are partners in the vehicle finance law firm, Schickler Kaye LLP (www.skfinancelaw.com). Schickler, a veteran vehicle leasing, finance, and bank attorney, has been the NVLA Legal and Legislative counsel since 2017 and currently sits on the board of directors. Kaye is the former CEO and General Counsel of a prominent independent vehicle leasing company and the immediate past president of the NVLA. He currently sits on the NVLA board of directors. Together, they provide decades of experience representing and protecting lessors and lenders in all facets of the vehicle leasing and financing business. They can be reached at ekaye@skfinancelaw.com, sschickler@skfinancelaw.com or 212-262-6400.

NVLA News

1. Trends Mixed for Consumer Auto Loan Credit Availability
2. Jonathan Smoke: Auto Market Updated Summary

Marketing for Your Business: Inbound or Outbound?

By: Aaron Larsen

Never in the history has there been a time so rich in technology, tools, and tactics for reaching and engaging with your future customers. Beyond traditional forms of advertising such as newspapers, television, billboards, and radio, we also have the Internet. Known to many as the "Great Equalizer," savvy digital marketing professionals have discovered ways to use the Internet to bring in more leads for lower cost.

How do they do it? The answer is often found within their inbound and outbound marketing strategies. In this article we'll explore the differences between the two and how you could use them to grow your business.

Inbound Marketing

Inbound marketing is the strategic development and placement of valuable content and/or experiences that attract and provide solutions that a customer is seeking out. The key here is that the customer is already engaged in the process of searching for a solution to a problem or to realize an ambition. It's also referred to as "pull" marketing. It can be helpful to think of it as a magnet that attracts customers. Here are a few examples of what this could look like in the leasing space:

- A medical supply company executive is searching Google for ways to lower fleet management costs and discovers a blog article with five tips for doing just that.
- A pest control company manager is researching fleet management companies on LinkedIn and sees a post shared by one of his colleagues for a free whitepaper download that outlines ways she can maximize fleet fuel efficiency.
- A construction company owner is searching YouTube to compare trucks and discovers a video from a leasing company that walks through the pros and cons of the two models he had in mind.

Outbound Marketing

Outbound marketing is different from inbound marketing in that it focuses on tactics that initiate the conversation, send out the message, and "interrupt" the customer. Often referred to as "push" marketing, many traditional forms of advertising fall into this category. Some think of it as a "megaphone." A few examples include:

- A medical supply company executive is driving to work and hears an ad on the radio.
- A pest control company manager is flipping through channels on the television and sees an ad featuring a local leasing company.
- A construction company owner receives an unsolicited phone call from a fleet management sales representative to inquire about fleet needs.

Which Should You Use?

As with all things marketing, there is no single right answer that applies to all companies. However, after over a decade of helping companies of all shapes and sizes generate results with their marketing efforts, I've generally found it best to include an integrated mix of inbound and outbound marketing. Each can play an important role at different stages in the customer journey. Outbound marketing, for example, can be utilized to effectively generate awareness so that when a customer is in the market for services you provide, your company immediately comes to mind. On the other hand, in the situation when your company does not come to mind and the client is actively seeking services you provide, you want your inbound marketing efforts to ensure that you show up where they are looking.

Additionally, inbound and outbound marketing can work really well together. For example, if you are cold calling a prospect, imagine how much more effective it would be if you were able to take a "value first" approach and provide them up front with a whitepaper that immediately addresses a problem they are experiencing. Businesses with longer sales cycles can strategically deliver these resources in a way that leads prospects closer to signing the deal.

By integrating inbound and outbound marketing efforts, companies can increase their results exponentially. The key is to discover which strategies and tactics work best for your company.

If you have questions about optimizing your inbound and/or outbound marketing efforts, drop me a line at alarsen@cathedralconsulting.com or message me on LinkedIn. Looking forward to connecting with you.

Best,

~Aaron

Aaron Larsen currently serves as the Director of Growth Marketing at Cathedral Consulting where he helps industry professionals connect with the people, ideas, and resources they need to build value in their businesses. Learn more about Cathedral Consulting and its Leasing Competitive Edge industry performance group at www.cathedralconsulting.com.

Best Practices for Deferring Payments

By: Bill Elizondo

As we close the year, we are back in about the same situation we were combating earlier this spring: *how do you help your customers during this continued crisis?*

Deferring payments is an effective way to help your customers get through the lack of work and layoffs they are experiencing again as the pandemic drags on and job growth proves to be slowing.

Best practices for deferring payments:
Contacting customers continuously is more important than ever. Keep the conversations going with distressed customers to make sure you don’t have a vehicle drop off.

- Empathy and understanding are important when talking with the customer. Right now, we have the possibility of having another stimulus prior to tax returns this spring. Asking how someone is doing and listening to them is crucial to building that relationship and will normally put you first in line to get paid when the customer gets their money.

- Gather and verify information. Gathering good information will help you make a sound business decision on how to move forward with your customers. Of course, once you gather the information, verifying its accuracy is crucial to your business’s success.

- Deferring payments should not be considered lightly, and you'll want to take into account as many variables as possible:

    - Look at the relationship this customer has had with you and your dealership. If they have responded to you and kept you informed of their situation you have a better chance of having a successful deferral.
    - Consider the customer's pay history. Have their payments been on time or close to on time?
    - Verify personal information and look for consistency. Is their job and residence information still the same? Making sure this is all correct helps you succeed.
    - Is the job loss or layoff temporary? Having paperwork verifying that they will be going back to work on a certain day is about the easiest way to decide to approve a payment deferral.
    - Work within your DMS to arrange deferral payments so the documentation is correct and both parties understand the agreement.

Another option to consider is temporarily lowering payments to help the customer get past a temporary setback. Discussing all of their financial responsibilities can give you a better sense on how you can help. You must become their advisor and help get them through this time.

Honesty, understanding, and consistency with your customers is the avenue to take to ensure a positive customer experience for you and your business.

Bill Elizondo, COO of AFS Dealers, LLC has been in the sub-prime financing, LHPH/BHPH business for over 30 years working for Car Financial, America's Car-Mart, and Superior Auto in operations and senior level positions. Bill, a proud NVLA member, currently uses his expertise consulting clients across the country and teaches in seminars and conferences at the national and state levels.

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