Outside Sales Commit Inside Jobs

by : Gil Van Over

I am fairly passionate about my college sports teams. I stay in tune with recruiting. I diligently look for any changes at rival's coaching staffs. I anticipate that the coaches at the competing schools are cheating and will soon be caught.

I also watch with interest the annual march of the coaches in some programs either to another school or to the pros or back from the pros. Just this past year, two major programs hired new coaches with promises of taking the programs to the Promised Land.

These two coaches abandoned the teams they were coaching. One left his NFL team before the regular season ended, the other coach bolted from his university during preparations for a bowl game. The departures were ugly. One left notes in the players' lockers, the other held a quick 10-minute players' meeting before bolting.

Both coaches were originally hired and paid handsomely to guide their teams to a championship. Both coaches had contracts. Both coaches apparently forgot what a contract means when they were presented with a seemingly better opportunity.

In their wake, they left many disillusioned players, fans and management. In their new position, they were selling their snake oil to high school kids to come and play for them.

Apparently, they felt no accountability for the mess they left behind.

Kinda sounds like some of the outside sales promotion companies in our industry.

Not passing judgment

I am not positioned to pass judgment on the legitimacy or need to contract with outside sales contractors. I can't even tell you which outside sales promotions companies offer a legitimate, professional sales presence, although I suspect most do. I understand they can provide an infusion of excitement in a lethargic sales force. They can create sales. They promise front-end gross improvement.

The wrong ones can create a high level of follow up, headaches and compliance issues.

The stories reported in industry periodicals, relayed second-hand and observed first-hand are horrific. Rather than focus on the sensational stories, like the Oregon salesperson who allegedly committed some pretty heinous acts one weekend in New Hampshire, I will highlight some of the potential compliance issues that F&I managers are left cleaning up.

Compliance issues

Luck will sometimes land me in a compliance review at a dealership that contracted with an outside sales promotion company, whose files fall under the scope of my review. I have found the following:

- Identity theft
- Power booking

• Straw purchases
• Scooping rebates
• Payment packing
• Falsified income

Identity theft: In one deal, the original customer did not qualify for financing. The car was supposedly delivered to an uncle, whose signatures on the documents were eerily similar to the nephew's. The uncle also happened to live four borders away and the day I was reviewing the file, he called in and wanted to know why he got a payment book on a car loan. Evidently the promise of increased sales drove this transaction.

Straw purchases: Similar to the ID theft case above, there were numerous instances of outright straw purchases. Same increased sales motivation combined with the ability to leave the mess to someone else to clean up was too easy to pass up.

Power booking: Most of the used cars' values were inflated anywhere from $500 to $2,500. The apparent motivation was to support the lender's loan to value requirements on the deals with inflated (higher) front-end grosses.

Falsified income: Many of the transactions had evidence that the sales company's contractors had the ability to give customers raises or promotions. Like power booking, overcoming a lender's ratios involved bank fraud to support the higher front-end gross instead of structuring the deal with legitimate information.

Scooping rebates: One way to illegitimately increase gross is to steal the customer's money. Taking a rebate to the bottom line instead of as a reduction to the sale price can help to fulfill promises of increased grosses.
Payment packing: This illegal practice is apparently still the standard sales practice for some outside sales promotion companies. Improved grosses? Probably. Illegal? Absolutely. Left holding the bag? You.

What's a dealer to do?
Like it or not, transgressions are your responsibility. It is your dealership; you simply are using contractors, not employees. Consider taking the following steps if you are inclined to hire an outside sales promotion company to conduct a special four-day event:

• Have your attorney review the contract. Consider trying to structure payment to the company contingent upon your internal review of the transactions and funding on the deals.

• Make sure the contract contains the required Safeguards Rule language.

• Your F&I manager should be the final say on spot delivering deals after his or her review of the deal file.

• Do not give them access to Dealer Track or RouteOne. Have your employees enter the deals.

• Confirm the company's payment quoting methodology is consistent with the legitimate one you have in place.

Don't let an outside company pull an inside job on your deals.

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