



TURNING CHALLENGES INTO OPPORTUNITIES: REEL'S AUTO SALES

CASE STUDY | MARCH 2021*

NEXTGEAR
CAPITAL

CASE STUDY OVERVIEW

DEALERSHIP

Reel's Auto Sales

TYPE

Independent

MARKET

Cleveland, OH

INVENTORY

125 vehicles a month

AVERAGE TURN TIME

89 days

UNITS FLOORED IN

THE LAST 90 DAYS

26

FLOOR PLAN

PROVIDER

NextGear Capital



A FAMILY AFFAIR

Reel's Auto Sales located in Orwell, Ohio started as a family affair according to owner Dan Reel. "My father Louis and my brother Tony opened the dealership in 1998 with money they borrowed from my grandmother. I had just graduated from high school and went straight into the army. In 2003, a few years after I left the military, I decided to join them. I started out doing things around the dealership like oil changes and cleaning cars before transitioning into selling which I really enjoyed and excelled at. Then, in 2008 my father passed away after a lengthy illness, and I decided to purchase his share of the dealership and take over the daily management of the dealership."

SHAKING THINGS UP

Once Reel took over, he decided it was time to make some changes. "Reel's Auto Sales was doing well but it was still operating on an old school business model and I wanted to see if we could make it more profitable and efficient. I educated

myself on how to best run the dealership and dug into the details, looking at everything from how we managed our inventory to how we were financing our vehicles. That's when I discovered

NextGear Capital. It was actually still called Dealer Services Corporation but that's how I started floor planning. We used to self-fund most of our vehicles, but I wanted more purchasing flexibility, so we gradually grew our floor plan each year and now most of our inventory is on our NextGear Capital floor plan."

Reel says that while the additional cash flow is important, he also likes the

extra support he receives from NextGear Capital. "We've always had good relationships with everyone from NextGear Capital which is a huge selling point. The representatives I've worked with over the years have felt more like true friendships. Our current Portfolio Manager is great. My wife Nicole is very involved in the running of our dealerships and she uses Account Portal every day to manage our floor plan. She says it's very easy to use and has never had any

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issues with it. I personally think women in general are much better at managing the nitty gritty details than men. So, between the people we work with and the additional support through tools like Account Portal, it's a great overall client experience."

Reel says that another thing that he likes about NextGear Capital is the integration with other Cox Automotive products. "Despite the pandemic, I do still purchase about half my inventory at physical auction locations when I'm able to. I do miss going to the Manheim Auction down in Orlando to buy inventory and escape the cold winter weather, but I started using Manheim Express last year and think it's a nice platform. The other Cox product we use frequently is Dealertrack, we're on it every day."

NAVIGATING THE PANDEMIC

Just like a lot of dealers, when the pandemic hit Reel had to make some quick and difficult decisions. "When COVID happened, I didn't know what to expect and I was nervous because all of our employees depend on us for their livelihood. I had to cut back on certain expenses but thankfully not my staff. Those moves proved to be very fruitful decisions, because if I hadn't done it, the expenses would have continued to roll in without the income. When the economy started to open back up, I realized that some of those expenses were unnecessary, which was kind of an eye-opener for me. We've also had some staff members contract COVID, which we had to adjust for but it wasn't too difficult since we already all wear a lot of hats."

Reel said he's also faced some other challenges brought on by the pandemic. "Pricing is through the roof right now. It's really weird because if you look at the market reports of how many cars are being sold right now, it doesn't equate to the demand. Tax season is around the corner, so I know a lot of dealers are stocking up but I'm being extremely conservative with spending on my inventory because I'm not seeing the demand with my customers yet. I did open a second location in Chardon, Ohio back in May during the height of the pandemic and between the two stores I average about 125 units. However, I'm still trying to grow my inventory at a slow pace. I always say Rome wasn't built in a day, but it burned down in a day, and I've seen some other dealerships grow quickly and fizzle out just as fast, so I prefer to take my time."

Despite all the uncertainty, Reel says that he remains optimistic and still has plans to grow his business. "I know things are changing quickly and two years from now it could be a completely different world, but I'm also a planner. I want to be able to recondition our inventory faster which is challenging now with the two locations. We just finished building a service center at the new dealership and I want to expand our service department at our original location. Once it's completed, I want to hire more technicians so we can streamline the process of getting our inventory ready to sell quicker."



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PAYING IT FORWARD

Reel says that while he loves what he does, giving back to others is really what it's all about. "One of the biggest things we believe in at Reel's Auto Sales is community first! We like cars, but love helping people. We support a local woman's shelter because even though it sounds terrible in 2021, women are still a vulnerable group when it comes to domestic violence, so we collect household goods and personal products for the women at the shelter. I'm also on the board for a local senior citizens group called Country Neighbor that takes seniors to doctor's

appointments and provides them with warm meals on a daily basis. This has been quite challenging during the pandemic, but we've found ways to interact with them while still keeping them safe since they're so isolated right now. My kids are also very involved in everything we do and just helped me with a Facebook giveaway we did for people who went above and beyond during the pandemic. And of course, I also support several veterans' organizations."



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PLANNING FOR THE FUTURE

In closing, Reel says that his business is still very much a family affair, “My son Lukas is 11 and my daughter Sofia is 9. They already argue about which location they’re going to take over in the future and I want to make sure my dealerships are ready for them to do so. That’s why I focus on looking toward the future and not being afraid to adapt my business model as things change. There’s not a day that goes by where I don’t try to learn something new about this industry. I know that hybrid and electric cars are eventually going to be the standard in the market, and I try to keep my eye on things like that coming down the pipeline. It’s funny because I’ve never considered myself a car person. I didn’t know anything about cars until I started working at the dealership but I worked hard and educated myself, and was able to carry on my father’s legacy. I want to provide that same opportunity for my kids.”



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ABOUT NEXTGEAR CAPITAL

NextGear Capital is the largest independent inventory finance company in North America, providing flexible lines of credit for auto dealers to buy used vehicles from over 1,000 auto and other vehicle sources throughout North America. With a client base of more than 20,000 dealers, NextGear Capital provides comprehensive services and support enabling dealers to buy and sell more inventory through self-service management tools, title services, records management and collateral protection. Headquartered in Carmel, Indiana, NextGear Capital is a Cox Automotive brand.

For more information, visit nextgearcapital.com.

*This case study and testimonial were received via interview, audio and/or video submission. It is based on the dealer’s individual experiences, reflecting real life experiences of that NextGear Capital dealer. NextGear Capital does not claim they are typical results that dealers generally will achieve. This dealer’s experiences may not be indicative of future performance or success of any other dealers. Some of the testimonials have been shortened so the whole message is not displayed due to length and/or relevance. All advances made in California by NextGear Capital are made pursuant to NextGear Capital’s California Finance Lender License #603G505.

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