

November 1, 2009

Auction Direct reaches top by changing used car sales

CEO credits low-pressure, buyer-oriented approach

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Staff writer

The used car business has two basic paradigms: a lot full of cars with a salesperson trailing in your wake and Web-based bidding by which cars are bought and sold sight unseen.

As an auto company executive early in his career, John Iannone realized that the modern used car business was a divide needing a bridge. So he built one. The Irondequoit native is founder and CEO of Auction Direct USA in Victor.

Auction Direct's approach to selling — melding Web research, auction buying and traditional customer service — has brought it recognition as the No. 1 company for 2009 in the annual ranking of the Top 100 fastest-growing privately held businesses in the nine-county Rochester region.

The company's ascension to No. 1 will be celebrated at the Rochester Business Alliance's 23rd annual awards celebration and membership meeting on Thursday at the Riverside Convention Center.

"I know it sounds corny," Iannone said, "but we're consumer advocates. From the moment you walk into this building, we are working for the car buyer. None of our salesmen work on commission. That takes the pressure off. We show the auctions on TV here so buyers can see the prices up there and compare them to what we offer here. We're as transparent as possible."

When Iannone was working for Ford, he became involved in a project designed to bring some of the top experts in the used car market into contact with the automaker. He met people who had advanced ideas about how to buy and market used vehicles and to do so in a way that doesn't affect customer service.

"We were rebellious used car guys," Iannone said, referring to himself and his chief operating officer, Todd Hoaghey. "We realized that the domestic automakers were moving away from the customer. The imports got it, meaning they understood how to serve people."

In 2005, Iannone turned his and Hoaghey's ideas into practice. He found the best ways to cut the best deals at the major auto auctions and to offer those buys to customers using the low-pressure, buyer-centered approach that was lacking in most arenas of the car business, especially the used car end.

Sales jumped almost from the first month — "we sold 100 cars in the first 30 days," Iannone said — and have stayed strong even through the recession. There are now Auction Direct USA stores in Jacksonville, Fla., and Raleigh, N.C., and Jacksonville in June reported that year-over-year sales had increased 43 percent. The company has grown to about 200 employees.

In October, Auction Direct opened a parts and service center adjacent to its Victor headquarters with

more than a dozen employees and 14 vehicle lifts. Investors are coming aboard. The local Trillium Group is among investors putting up \$10 million to help Auction Direct expand into other markets. The company recently opened a store at the Eastview Mall in Victor — the mall's first used car retailer — and sold two cars on its first day.

Helping the business has been growth in the used car industry coinciding with the economic downturn, the bankruptcies of General Motors and Chrysler and the improved quality of the vehicles coming onto the used market.

Though prices for used vehicles jumped in the wake of the cash for clunkers program last summer, large used car dealers such as CarMax and Auction Direct are reporting major earnings gains.

"The investors believe in our customer approach," Iannone said. "We have a lot more expansion in the works. Pittsburgh, Buffalo."

Iannone is proud of his Rochester roots and said he is committed to keeping the company here.

He lives in Penfield with his wife, Cheryl, and children, Olivia, 13, and Gianna, 9, and grew up in Irondequoit. His mother was a seamstress; his father worked for Eastman Kodak Co. and was renowned for his work ethic — he never took a sick day, Iannone said.

Iannone said he has adopted that approach to work in his own life.

He led a recent tour of the Victor headquarters, which is essentially a large showroom of the kind normally found in a new car dealership. In the center of the room was a like-new 2007 BMW with a sticker showing its Blue Book value —\$29,000 — and Auction Direct's price of \$26,300.

The customer service desk is dotted with computer terminals where prospective buyers can sort through the company's roster of available vehicles. Sales representatives answer questions and help navigate the online offerings.

There is a traditional used car lot outdoors but much of the buying activity occurs indoors, with buyer and salesperson blending the usual car-buying discussion with computerized scrutiny of thousands of vehicles in the company's database.

On another wall, writ large, is the company's mission and pricing policy. Auction Direct has a no-haggle standard, meaning it offers customers the reserve price — what the company pays at auction —plus \$399. Iannone said there is nothing special about the number.

"I wanted it to be under \$500, and \$399 seemed about right," he said.

Also listed is the company's return policy — a buyer has a three-day money-back guarantee. "If you don't like the car after you drive it out of here, you can bring it back, no problem," Iannone said.

A television on another wall showed a vehicle auction in progress. Buyers can compare the prices they see on the screen, as the cars move through the auction, with the prices offered at Auction Direct.

"We have a lot of confidence in what we do," Iannone said as he opened a door to the garage. There, recently purchased cars, washed and given an 85-point inspection check, await the hand-over-the-keys ceremony that the company provides.

"You know," Iannone said, "I've learned a lot from Wegmans about customer satisfaction. The grocery business is like ours. You have to move the product, it can't sit around. That means you have to win over people and give them a reason to come back. That's what we strive to do."

Additional Facts

At a glance

Auction Direct USA: Used car dealer.

Year founded: 2005.

Location: Route 96, Victor.

Executives: John Iannone, CEO; and Todd Hoaghey, chief operating officer.

Employees: 200.

Web: www.auctiondirectusa.com