

DriveTime to use GPS devices as repo trackers

BY PATRICK O'GRADY

Phoenix Business Journal

A Chandler company is turning a car-tracking technology originally created for the consumer market into one used to track people who skip out on auto payments.

Inilex Inc. recently signed a deal with DriveTime Automotive Group Inc. of Phoenix to install the technology on the dealer's cars to help it track vehicles on its lots, as well as those sold to customers deemed high-risk because of low credit scores. In the event a customer fails to make payments, the device allows DriveTime to find and repossess the car if necessary.

"We've had a lot of success selling products into dealerships, but this takes us into a new vertical," said Inilex CEO Michael Maledon.

He would not disclose financial details of the deal, which closed last month, but said it is seven figures.

The technology is an outgrowth of Inilex's Skyway device, which was designed as a consumer product to deter vehicle thefts and locate stolen cars and trucks.

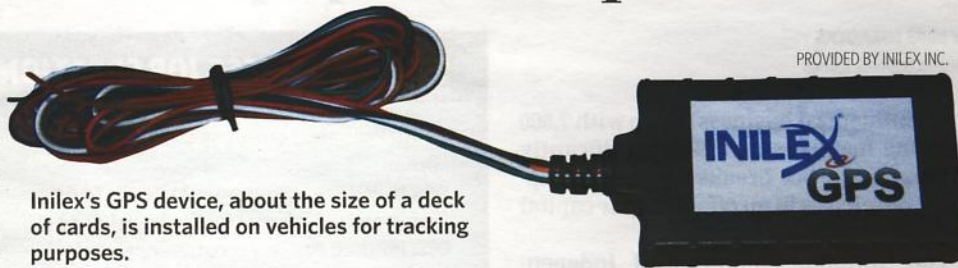
The device, about the size of a deck of cards, is permanently attached to the car. It features a global positioning system that allows it to be tracked by satellite. The technology is nearly identical to GPS devices within mobile phones that allow their locations to be detected.

Inilex has a deal to supply that technology through Ford Motor Co. as an anti-theft device for its cars, and has used it as an aftermarket option with other dealers. It bought the technology in 2007, and it allows the car to be tracked via computer and mobile devices. Other companies offer similar services, typically with either one-time fees or monthly charges.

DriveTime began looking at systems a year ago as many independent dealerships started adopting such technologies. The



Maledon



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Inilex's GPS device, about the size of a deck of cards, is installed on vehicles for tracking purposes.

company has been watching the evolution of tracking systems for more than 10 years but only recently decided to begin deploying them in the cars it sells, said John Gersitz, DriveTime's managing director.

The devices are to be used primarily for high-risk loans — those that require little documentation or are reserved for people with poor credit, industry officials said.

The industry as a whole started using the technology only about three years ago because the cost of the device prior to that was too high to justify its use in repossessing cars, Gersitz said.

"It was one thing to track a \$5,000 asset with a \$1,000 box," he said. "It makes more sense to track (it) with a \$100 box."

DriveTime is deploying the technology slowly and will give customers written notification that the devices are mounted on the cars at the time of sale. Gersitz said DriveTime also looks at the devices as a customer-oriented tool.

"More than anything, we look at it as a value-add for the customer," he said.

The devices have gained the most acceptance in the industry segment where dealers provide the financing and collect the payments. Known as "buy here, pay here" dealers, such businesses look for ways to control losses from people who might skip payments.

According to a survey by the Houston-based National Alliance of Buy Here Pay Here Dealers, 44 percent of its members reported using a GPS tracking device as a way to find cars, while 46 percent said they used a remote disabling device that stops the car from running.

GPS tracking devices deter people from missing payments and make it easier for dealers to repossess a vehicle, according to the survey.

Charity Crawford, executive director of the Arizona Independent Automobile Dealers Association, said "buy here, pay here" dealers in Arizona have been using the technology for several years.

"It seems to be an overall trend in the industry," she said.

Dealers that offer their own financing have seen more customers as the economy has pushed down credit scores with foreclosures and bad debt, and they are making use of the technology more as the potential for losses increases, Crawford said.

"The 'buy here, pay here' industry is serving a larger demographic than it ever has in the past," she said.

Industry officials also said it was not uncommon for financing companies working with high-risk clients to require the use of tracking devices.

While the devices have made inroads into the high-risk loan pool, they have not been used by other types of dealers, said Bobbi Sparrow, president of the Arizona Automobile Dealers Association.

"It's a different market and a different risk," she said.

Inilex is looking to spin the deal with DriveTime into other dealers in its category, Maledon said.

"It's a huge catalyst for our business," he said.

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