

Car repair financing firm shifts into high gear

By Catherine Carson
For Business Edge

His first foray into car-repair financing brought Lee Emerson a fully reconditioned 1957 Thunderbird convertible.

Now, as the Red Deer-based entrepreneur is taking his successor company, RIFCO, nationwide, he laughingly says "This will earn me my second T-Bird."

Emerson, who once ran an equipment leasing and finance company in British Columbia, found himself in the car-repair business in 1988 when a garage defaulted on a loan.

He took over the garage, making a deal with the employees that he would give the business back once they repaid the loan with a little bonus — a reconditioned T-Bird.

"I noticed many people coming in for estimates" to the garage, recalls Emerson, now president and CEO of RIFCO. "Our estimator would spend 15-20 minutes of valuable time calculating paint, price, etc. Then they'd say 'OK', and walk out the door. Every repair shop experiences the same thing. The sense of rejection one feels is almost like getting turned down for a date, because you say:



RIFCO photo

Lee Emerson sold his beloved Thunderbird to raise funds.

"What did I do wrong? Why didn't I get the job?"

To find out why he didn't get the business, Emerson called customers about a week after their initial visit. "Again and again, only the words varied, but the substance was: 'I just don't have the money right now.'"

While car dealerships offer easy payment plans, garages and even service departments of dealerships expect full payment on completion of the job. Small, independent garages don't have the capital resources to carry customers over a period of time

— and repairs are not cheap.

"The next person I talked to," Emerson continues the story, "I said: 'Oh, I forgot to tell you about our payment plan.' He said: 'What is it?' I gave him the terms of it and he said 'When can I come in?'"

"That was the beginning of it," Emerson adds.

His first experience in car repair financing had planted the seed of an idea and he spent the next few years researching it. "The big question that kept coming up was if this is such a good idea, how come nobody else has done it?"

Repair shop owners thought it was a good idea; so did potential customers, but the banks where he went for financing were not impressed.

By 1997, however, he had raised \$1 million, enough to start the business. Even his beloved T-Bird had to be sold to raise financing.

As the company expanded, he and his original partners disagreed on the direction the business should take.

They wanted to concentrate on vehicle financing; he wanted to focus on repair. His partners bought him out and he went back to his original concept — to finance car repairs for the entire automotive after-market, including the purchase of used vehicles.

Today, RIFCO has more than 800 repairers/dealers originating loans and is starting to expand from its Western Canada base, mainly Alberta and British Columbia, into Ontario. RIFCO recently announced an agreement with Ontario auto service chain The Master Mechanic Inc.

Saskatchewan is expected to come onstream in January, there's a small beachhead in Manitoba, and the company hopes to make inroads soon

into Atlantic Canada.

Emerson and his three principal partners all have ties to Red Deer. He describes them "as refugees from big cities." He spent 20 years in Vancouver "I was spending 2 1/2 hours a day getting back and forth to work. Now it takes me nine minutes to get to work."

RIFCO made its first loan in March 2002. It now boasts a staff of 14 and has recently announced that its \$1.25 million debt-funding arrangement with a bank has been increased to \$3.5 million.

It's a relatively simple process for a customer who needs a loan to finance a repair. The garage has the necessary forms, the information is faxed to RIFCO — and the loan can be approved within an hour. The interest rate is 27.8 per cent, slightly below the basic consumer loan rate.

Emerson envisions the company eventually moving beyond Canada — and North America. "The need is universal and the opportunity is universal," he says.

"We intend to become the primary provider of all financing needs to the industry."

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www.rifco.net