

“Junked Cars Keep Entrepreneur in Riches”

by David Rees

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Claiming to sell more cars than Longo Toyota's 2,000 a month, Bradley Sterling Scott, 43, is planning his next expansion moves to continue his company's rapid growth of sales.

They now sell 2,500 cars a month – most of which don't run, Scott said – from zero in October 1982 when he founded **Los Angeles Auto Salvage** on an acre leased in Van Nuys. Despite slack sales by most auto dealerships, Scott projected revenues will zoom to more than \$50 million this year from \$38 million last year and \$27 million in 1989.

After trying his hand in sales and marketing management at various companies, Scott got help (from his mentor, his former finance professor at USC) to create a business plan. He then took out a second mortgage on his home in 1982 to finance his start-up business.

It resold to car repair shops and auto rebuilders cars that had been wrecked, which he bought as salvage under a purchase agreement with 20th Century Insurance Co. Scott subcontracted with a local towing company to begin hauling 20th Century's 150 "totaled" cars a month, which his sales personnel then sold from his leased-acre lot.

However, he expanded his sales significantly in 1984 by converting to an auction system. Volume grew so much that Scott in 1985 moved to a larger lot in North Hollywood and in 1987 began opening additional lots, a development that caused him to change the company's name to Insurance Auto Auctions Inc.

Today, he said, the company leases and operates storage and auction lots in six places. They include, Scott said: 14 acres in North Hollywood, 12 acres in Gardena, 11 acres in Riverside, five acres in Oahu, five acres in Orange and, since April, 12 acres in San Diego.

To provide statewide service to insurers, he plans operations in Northern California, Scott said, and then in Arizona and Nevada, either by starting new lots or acquiring existing ones.

To improve his company's efficiency and to serve insurance companies' needs better, Scott said, he and a hired consultant in 1987 created a proprietary computer system. It was designed at a cost of \$30,000 to keep track of the complex logistics involved in locating, dispatching and selling more than 800 cars a month bought from seven different insurance companies.

Scott's relentless expansion subsequently required him to upgrade his computer system at a cost approaching \$500,000, he said. The system today is tied in by modem to the insurance companies and the California Department of Motor Vehicles, he said, to speed paperwork and cash flow.

Held every week at each of the six lots, auctions usually last two to three hours, Scott said, during which time a car a minute is sold. Some 3,000 "members" pay \$35 a year to receive weekly lists of the cars to be offered at all of the lots.

To enhance the price Scott gets, he tries to "merchandise" the totaled cars by "pairing" them – a rear-ended car with a front-ended car of the same make and model. That assists members to rebuild totaled cars by putting together the two good ends, Scott asserted.

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Although 90 percent of his volume is in auctioning totaled cars bought from insurers, Scott also sells on non-auction days good cars that were stolen and then recovered after the insurer paid off the insured. Before offering at “dealer cost” such cars, which Insurance Auto Auctions receives on consignment from insurers, Scott said, his company has to “warrant” the cars by replacing “popped” ignitions, broken windows, etc.

Such rapid growth as Scott has enjoyed, naturally has strained his capital. Thus, he has switched to progressively larger lenders, Scott reported, and last year he got a capital infusion from **Equivest Partners**, a Newport Beach venture capital firm, and Westinghouse Credit.

While obviously achieving much in a relatively short time span, Scott allowed he’d do some things differently. “If I were to do it over,” he said. “I’d delegate more, keep things in perspective and take time off more often to clear my head.”

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Note: Equivest Partners, Inc. (the predecessor name of Fairmont Capital, Inc.) acquired Los Angeles Auto Salvage (the predecessor name of Insurance Auto Auctions, Inc.) in January 1991. Michael Gibbons co-founded Equivest/Fairmont.