



PODCAST TRANSCRIPTION SESSION NO. 144-ROD BUSCHER

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Peter Renton: Today on the show we are talking used cars, well actually not really, we're talking about the complete disruption of the used car buying and selling experience. Today I'm delighted to welcome, Rod Buscher, he is the CEO and Founder of Blinker. Blinker is a technology company focused on the auto industry and basically they have looked at the private buying and selling experience and completely redone it into the modern world, into an app-based world.

Rod isn't someone who's just a kid come up with a great idea, he has decades of experience in the car industry as a dealer, as a seller of cars and he's taken all of his knowledge and brought it to bear into the way the car buying experience should be today. So we talk a lot about that, we talk about the financing process that they go through and how they're able to offer loans on the app in a very short amount of time. We talk about the scale they're at, we talk about how the actual process works, we get into some detail into how this whole process works and we talk about Rod's vision, not just for the future of Blinker, but for the future of the car buying experience. It was a fascinating show. I hope you enjoy it!

Welcome to the podcast, Rod.

Rod Buscher: Yeah, thanks for having me.

Peter: So I like to get these things started by giving the listeners a little bit of background about yourself. I know you've had an interesting career that's included a partnership with a certain Super Bowl winning quarterback. Can you tell us a little bit about that and about your history?

Rod: Sure, you know, I just got into the car business way back in 1973 by accident, started selling cars and liked the business and grew and ended up buying my first dealership in 1987. I wanted to grow and there was this quarterback in Denver that everybody knew named John Elway, and so through basically a cold call to Pat Bowlen, the owner of the Broncos, I told him what I wanted to do and he brought John into the mix and we ended up with a partnership in 1989. John and I were partners from 1989 through 1998 and then we sold to AutoNation at that time.

Peter: Okay interesting, so it's funny, I'm not from here. I arrived in Denver in 1991 and I had never heard of John Elway, never heard of him and I soon found out who he was, but it was



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interesting when I first started driving around, I think it was like my first weekend here, I noticed these John Elway dealerships, I thought oh he must be a car dealer (laughs) then I quickly found out that he was actually a football player and now I'm a big Broncos fan but that was a long time ago.

Okay, so you sold to AutoNation and then...that was obviously some time ago now, so what did you do after that and what led to the founding of Blinker?

Rod: Yeah, I actually took a little time and took my family to Spain and let them see the world and then came back and bought some more dealerships and had about 25 franchises nationwide with some in New England, Nashville, and the Groove dealerships here in Denver and sold my interest in those in 2012 and started Blinker in July of 2013.

You know, the idea with Blinker is I had 30 plus years of all the experiences that people like about doing business with dealerships and experiences they don't like and one of the biggest experiences was the value that they got for their trade-ins, that was a constant rub, but they didn't have a good solution to sell them themselves.

The Craigslist experience is not great, sometimes dangerous, they don't really give you any support so the idea was how could you bring all those issues together and empower people to be able to sell their cars privately and do it safely and securely and give them all the tools that the dealer has and so that was really the idea behind Blinker is how can we do all of that and make it easy and put it all on a smartphone where you can do it remotely and help people nationwide and be able to facilitate all those sales from Denver and so that's what we've been successful in doing.

Peter: Okay, so let's just talk about the process. I should preface this by saying I've actually gone through your process. You know, I've known about Blinker for several years now because just by total coincidence, Jeff Robert, who is on your team was the coach of my son's soccer team back several years ago and so I found out about Blinker through him so we actually went through the process. It was almost two years ago now when my wife sold her car and we did it on Blinker and it was a great process. Why don't you describe for the listeners how the process actually works, particularly on the selling side but also on the buying side.

Rod: Sure, so our technology, we have 17 patents around our image recognition technology and that's one of the real foundations of our company. You can use our technology like Zillow or Shazam for cars. There are 270 to 300 million cars in America and you can, today, in any of the 50 states stand 6 feet behind any car and take one picture and in three seconds you're going to know the year, make, model, all the equipment on the car, a value of that vehicle and approximate miles on that vehicle.

So you can do that just for fun, you see a Ferrari, you want to know about it, you take a picture and you get all that information and you don't get any personal information, you just get information about the car itself. And then if it's your car and you want to sell it, you hit the sell button and we'll ask you to take a picture of your driver's license and then we verify that you



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actually own the car and can sell it. So that's the first part of a fraud check and verification that we do. Once we verify you then we ask you to take a few pictures, we give you guidance of what pictures to take and what angles to take them at. We found that the quality of the pictures has a direct relationship to the potential of the car selling so that and pricing are the two most important things.

So you take a dozen pictures, we allow you to write a brief description if you like, which you can tell about some things on the car that are accessories or dings on the car or anything that might affect the value. Then we give you a map where you can put a pin on the map where you feel safe and secure to show your car for a demo ride and then we give you pricing guidance from Black Book and we'll show you dealer retail, we'll show you private party price and we'll show you average trade-in. We give you pricing guidance, but you pick your price.

So let's just say you picked \$20,000, we then convert that to a monthly payment so now you're selling your car like a dealer for \$20,000 or say \$350 a month. So now the ad is complete, we put it all together into a nice format and then we post it to sites like Craigslist, like AutoTrader and the other sites. We give it to you to send to your Facebook friends, LinkedIn friends, Twitter friends, Instagram, wherever you have a nice following, you can send the ad out there because a lot of people like to buy cars from people they know.

So now the car is posted and we also give you a free \$40 Carfax report once you listed your car and that Carfax report is in the ad so anyone looking at your car can review the Carfax report and see the history on the vehicle. So now it's posted and say it's your car and I'm interested and I text you, message you through the app. You know my first name, I know your first name, no personal information is exchanged so it's all safe and secure. I say I would like to come and do a test drive, we pick out a time in that safe location.

In the meantime, I've taken a picture of my driver's license and I literally get approved, a soft credit pull, I literally get approved for credit in less than a minute. So now we verified you, the seller, we verified the vehicle and we verified also that the vehicle is not stolen or is not a branded title so it's never been a salvaged car because we don't allow salvaged cars, flood cars or stolen cars on our site so we've done those fraud checks and now we've also verified the buyer so we have a much more safe and secure environment where you and I can meet and you know you have a real someone who can actually buy your vehicle.

So we meet, I love the car and make you an offer, you can accept, reject or counter and once we get together on a price then we're both given some to-dos. You have to take pictures of your title and your registration, link your bank account and I have to link my bank account...maybe I have to give a little more information, depending on my credit score, but not much. Once all of that's done, the buyer's order and the finance contracts are literally downloaded on to the phone, e-Sign through DocuSign and once all that's done we have somebody verify that all the to-dos are done, the contracts are signed properly, we do all of that virtually, and at that point we instruct you to give me your keys, I drive away with your car and now it's my car, I'm making payments to Blinker.



If I had a down payment, it's pulled securely from my bank account and the money is in your bank account tomorrow morning. If you sold the car for \$20,000, all \$20,000 is in your bank account. It's really important to know that it's all free to both the buyer and the seller, we do not charge a commission for assisting that transaction so that is a complete transaction.

Peter: Okay, as someone who went through this process, I really appreciated the fact that I could offer financing...I wasn't really offering it, you were offering it, but I was able to say to someone...and we were selling a Mini for like \$10,000 or something, but the great thing was...because the people who came to see the vehicle didn't have \$10,000 to give us, rather than having to...I've gone through the process where they've got to go to the bank and suddenly it's a week later and you still haven't sold your car. So that was really the great advantage for the seller is that you can offer financing.

I guess the question that I'm curious about is what percentage of used vehicles are financed versus paid for in cash, do you have sort of some sense of that number?

Rod: Well you know, because there's a lot of low dollar cars being sold, those \$2,000 and \$3,000, the numbers probably get down to 50/50, but I can tell you that any car that qualifies for financing that we we're selling through Blinker, 80% of the customers are taking Blinker financing.

Peter: Right.

Rod: The other thing that's important Peter, for you to understand is the other thing that takes people to dealerships is that they have a lien on their car. So if you're selling your car for \$20,000 but you owe \$12,000 on it, people don't have the money to pay the \$12,000 so they can have a free and clear title so then they have to work through their bank and work through the buyer and it's a mess. So at Blinker, we will pay off, we verify your payoff, we will pay off the \$12,000 and send you \$8,000 and so we take care of that part of it also which is a huge issue because most of the cars on the road have liens on them.

Peter: Right, right, that makes sense. So I'd like to dig in a little bit into the financing process. You know, when I sold my wife's car the first person came along said, yep, yep, we want to buy it and they went in and they were rejected for financing. The second person that came along actually was able to get financing, but can you tell us a little bit about how you pre-qualify people and how you're able to...what's the process like when you're applying for financing?

Rod: Yeah, so typically we will just get a driver's license, front and back, and we will ask for annual income and then we ask for the customer to authorize a soft credit pull and that gives us enough information that we can do a pre-approval on the person so when they go out and look at the car, they already know if they're approved.

What we do is we approve them first and then we approve every car individually so based on their income level they may be a perfect fit for a \$15,000 car, but not a \$40,000 car so those two



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approvals will look very different. Currently today, we're financing the range between 560 and 800 plus on the FICO range so we're doing a full spectrum of lending...

Peter: Interesting.

Rod: ...and we're financing cars that are ten years old or newer and then 100,000 miles or less.

Peter: Okay, okay, that's interesting. So then when you're making a financing decision...obviously you're making sure the person can afford to pay, but you're obviously making sure the value of the car is correct, you're not selling a car that's not the right...that's overvalued, that you wouldn't be able to take ownership of yourself. So I guess...like I'm curious about what data you're actually using. You talked about...you're obviously using driver's license data, but what data are you pulling in to make that underwriting decision?

Rod: Well without going into all the detail, I mean, first of all we're getting information from both the buyer and seller, that's unique. Most of the time when you're making a credit decision you don't have all the information about both the buyer or the seller or Carfax report on the vehicle itself and then we've got third party data providers that help us with a lot of information. We use Plaid for bank verification and for linking bank accounts, we do some micro deposit work. The phone itself is a great fraud device because of the GPS. We know that if somebody says they're in Denver and they're in the Ukraine, we know we have a problem.

Peter: (laughs) Right.

Rod: So there's just more and more opportunities to get more information virtually than to have the customer sitting in front of you. I think what's important...there's been a lot of people attempt to be successful in the private party space. CapitalOne was one that...I mean, they went after it hard for many, many years and I think they were not particularly successful at it and a lot of it had to do with fraud. So there's been a lot of people that have attempted it or a lot of companies and nobody has really been successful.

We think that Blinker has really changed that and that was the most important thing for us to prove is that we could do transactions virtually with two parties that we're never going to see and a car that we're never going to see. Can we make all of that work?

Initially, banks that we talked to, they were concerned that we were going to just get credit seekers or millennials without any credit, that we wouldn't get a full spectrum of business. And that has absolutely turned out to not be the case. We are getting a full spectrum, we've got basically five buckets of FICO scores and we are getting a cross section in every one of those, it's almost an even spread between all of those.

Our FICO scores are higher than we expected, our income levels are higher than we expected and our loan to value on the vehicles that we're selling are much better than a dealer portfolio. So we have proven a process that nobody else has ever proven before and we're really excited about that and now to the point that we have some of the biggest banks in the country



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interested in buying our paper on a forward purchase agreement or on a direct sale agreement and two years ago, we couldn't say that.

Peter: Right, right, we'll get into that in a little bit, but I want to just talk about your demographics here. You mentioned millennials, but who is the target audience here and is it different for buyers and sellers?

Rod: You know, they're very similar and we thought that our target was going to be that 25 to high 30's and we're finding that our customers are from low 20's to 60's...

Peter: Huh.

Rod: ...and we had a young lady of 75 years old sell her car on Blinker the other day which was really exciting for us. So our spectrum, we are covering all ages and the 40, 50 and 60-year olds are absolutely using Blinker and enjoying it.

Peter: Okay, okay, how are you finding these people, how are you getting the word out about Blinker?

Rod: So, you know, we had done traditional...you may see our ads here in Denver, we've been running them in Texas, we've got a 15 second ad that shows how the technology works and then we're doing all the digital, social advertising that you have to do to be successful today through all the different channels, you know, Facebook is a big one for us. So it's just all the traditional ways and we have influencers out there that we're working with now, they have articles that they write and have talked about Blinker.

First of all, they have to be interested and believe in our product before they do that, but there are people out there that can help get the word out and that's really the biggest thing for us is once people have experienced it, they love it.

Our NPS scores, Net Promoter Scores, are in the 90's for both the buyers and the sellers so the experience when people use it, love it. On the App Store, I think, our rating is 4.7 out of 5, so the experience is good. It's really about finding the sellers, we can find the buyers. It's getting sellers to list their cars and once they have learned about us and learn that it's free and we give them all this help, it's really easy to get them on. It's just about them learning about Blinker, learning who we are and having the trust to be able to do it with us and we've gotten great traction here in Colorado, we're getting traction in Texas, we just moved in to Florida and California.

But one of the ways that we're helping open marketplaces...I'll give you an example, in California there's a large rental car company up in northern California, they have very nice cars, well taken care of and they just put 70 cars on our platform the other day to test with us. We actually are selling some cars from Manheim Auction here in Denver and we've been very successful with them. In fact, we're going to open with them in Texas also and what those



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are...those are “win win” situations. They get a little more for their vehicles, but the customers get a great buy and it’s all done through the app.

We’re talking to some member based organizations that have huge member bases with lots and lots of cars and they’re interested in using our technology with their member bases to empower them to be able to buy and sell their cars on their platform so some licensing like that.

So it’s really...there are lots and lots of different ways that we’re approaching the marketplace and people are just finding out about Blinker and are excited about it and are interested in partnering with us and using it. So we’ll grow the business both organically by the individual seller, but we’ll also have some partnerships that will help us bring product to the marketplace.

Once they’ve tried it and they’ve found a car to buy I think there’s a lot of a viral component to what we do, people will talk about it. What we’ve learned is that somebody who sells a \$2,000 or \$3,000 car on Blinker, we don’t make any money because we can’t finance it, we can’t do anything other than help them sell their car, but what we’re finding as we’ve surveyed a lot of those customers as soon as they sell that \$3,000 car they come back on the platform and buy another car and finance it with us because they like the experience.

Peter: Right, that’s very true. I know when my wife did it, I mean, we got more than the trade-in value, and we undercut the dealer price and it was a great experience. I remember she shared it on Facebook, said it was the first time she ever had a positive experience in a car transaction. (laughs) That was nice. I’ll probably be selling my car next year, it will probably be and I’ll be certainly be using you guys.

Anyway, I wanted to talk a little bit about how you’re funding these loans. You did mention that you’re talking with banks who want to buy your paper, but like today do you have a warehouse line or are these coming off your balance sheet, how are you funding the loans today?

Rod: So initially it was all off the balance sheet because we had to prove the platform and once we were able to do that now we have a debt facility so we’ve been able to bring that cash back on to our balance sheet and use the debt facility to facilitate those loans and additional loans that we’re making today and then we are in diligence with a couple of large institutions on a forward purchase agreement.

I just had a call today with another 50 state bank that would buy direct where we would contract on their document and they would buy the loans directly so there’s lots of interest in the loans that we’re producing. Fifty percent of our loans today also are refinance and so there’s lots of interest in that refinance business.

Peter: Interesting, so I wanted to talk about that because that wasn’t around I don’t think when I was using your site. So the refinance market is becoming a big part of your business, tell us a little bit about how you’re approaching that.



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Rod: You know, it's kind of the old fashioned way, it's direct mail and what we do is we can go to one of the credit bureaus and get information on customers who, they were just maybe mispriced when they bought their car and their interest rate was really higher than it should have been. Either they were mispriced or they were taken advantage of, one of the two. Also, there's customers out there that might have had some tough credit and have made payments for a year or 18 months on a timely basis and have rebuilt their credit and they deserve their interest rate to come down so we target those customers. We just sent out about 200,000 mailers this week and those will be hitting the mailboxes over the next couple of days and we're saving on average those customers, are saving on average \$127 a month...

Peter: Wow!

Rod: ...so it's really significant and it's so easy. If somebody gets our mailer, we tell them what we can do, what we think we can do for them. They go out and take a picture of their car, they take a picture of their driver's license, they go back in their house and sit on the couch, have a glass of wine and get refinanced in less than 20 minutes and they never left their house.

Peter: So how are you actually lending this money? You said you are in four states today, do you have state lending licenses? Is that how you're operating?

Rod: We do, we have licenses in those four. I think we're just about to be licensed in another eight or ten states. We're rolling out across the country, we've targeted states, we targeted the four that we are in, that's 30% of the cars in America so it's a very significant piece of the number of autos in the country, but we're moving into targeted states, but we plan to be in all 50 states hopefully by the end of the year. We want to be nationwide.

Peter: Are you going to do that state by state or are you going to go with a partner bank to sort of help you get nationwide coverage or how are you going to do it?

Rod: You know, we'll probably do both. We always want to be able to stand alone on our own so we will probably get licensed in all 50 states, but we will certainly in the interim take advantage of a national bank and be able to use their lending license when we're returning the loans directly to them.

Peter: Okay, so can give us a sense of the scale you guys are at today like how many cars have transacted through your platform?

Rod: Yeah, so we've had about 9,000 vehicles since we started listed on our site; we've had about 4,000 sales. In dollars, we estimate that to be about...I think it's around \$400 million, \$450 million in car sales. We've had right at \$225 million in loan requests and we've done over...I don't exactly have the dollar number of loans, but you know, it's significant and it's growing. Every month and every quarter it's just getting bigger and bigger.



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Peter: Okay, so we're almost out of time, but I just want to make sure I'm clear here on your business model, I mean, are you making money on the interest rate spread or is there any other way you're making money today?

Rod: Yes, so we make money on the loan just like a dealership would; we get a small piece of the interest rate spread; we're selling service contracts and we're selling those for about 30% less than I sold them for when I had the dealerships. We're selling guaranteed asset protection insurance, gap insurance and we've just signed up with a partner to start selling auto insurance and we'll go out and find the best product in the marketplace and bring it back to the customer through our app. So that's not live yet, it's about to be live on our website and then it'll be integrated into the app itself so you'll be able to complete the entire transaction on the phone.

Peter: Interesting, interesting. So I'm curious about your vision for Blinker, I mean, here you are, you're a car dealer guy, you've owned many car dealerships over the years and like are you trying to put the used car dealers out of business? What is your vision for Blinker?

Rod: 25% of the cars, maybe as high as 30% have always been sold privately so it's a big number by itself. So we're not anti-dealer, we are pro-consumer, we're pro-transparency, we're just trying to give people who want to sell the cars themselves and get the value themselves and still go out and buy that new car from the dealer, that's great.

But if they want to go through the process, we want to make it easier for them to do that and really the vision of Blinker is bigger than that. It's about having one app on your phone that is everything about car ownership, whether you want to buy a car, sell a car, refinance a car, you want to get recall information on your vehicle, you want to buy a part for your car, you want to get service for your car, you want to have a button on your phone that if you get in a car wreck, you can document both your car and the other car and have it all done electronically rather than writing down license numbers or taking pictures of the car and having to download them.

So all kinds of things like that where everything about car ownership is all on one app and it makes it easy so at any point you need information on your car, you just go to your phone, you don't have to go to your file at home and pull that information out. So that's really the vision, whether you like BMWs and you want information on the latest BMW coming out, we can feed that to you directly from BMW's website. So that's really the big picture, is to give all the tools to a customer right on their phone.

Peter: Alright. Well it sounds like a great vision and one that I believe it should become reality at some point. This should be a digital experience and it really isn't yet. I wish you all the best, Rod, thanks for coming on the show today.

Rod: I appreciate it, thank you.

Peter: Okay, see you.



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You know, I can certainly see a time in the not too distant future where all cars are going to be transacted in an app environment. The days are numbered where you go to Craigslist and you go to the bank and get cash or a cashier's check and go and transact in an offline way. This really should be an online process; it's clearly going to be an online process, whether it's Blinker or some other company that turns out to be the industry standard. I obviously don't know, but clearly, there obviously may be multiple companies that are doing this well. But clearly, the vision that Rod has is one that is going to become a reality one way or another and the car buying experience and the car selling experience will go from being a total pain to one that is fairly effortless and that is what the expectation should be and I think will be in the not too distant future.

Anyway on that note, I will sign off. I very much appreciate you listening and I'll catch you next time. Bye.

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