A Fantastic Culture

Salvage Direct

The Story | Salvage Direct's founder Bob Joyce set out in 1998 with the ambitious goal of revolutionizing the salvage vehicle settlement process. In time, that goal was reached through the company's pioneering use of on-line auctions for cars, trucks, motorcycles, boats and recreational vehicles and technical innovations that reduce "salvage-to-settlement" times and maximize sales proceeds to insurance companies. Salvage Direct's environmental impact is also significant and includes recycling and parts reuse for 49,000 salvage vehicles in 2009 alone.

Equally significant is the company's local economic impact. The firm created 145 high quality jobs, mostly in rural Titusville, PA, an Appalachian town of 6,000 people with limited employment opportunities. Dan Hoversten, former CEO, said the company is one of the "five top employers in the town."

Engagement Strategies | Salvage Direct jobs are highly coveted for their competitive salaries, good benefits including 100% employer-paid health, life, and disability insurance for employees (additional family members can be added at a small premium), matched 401(k)'s, continuing education assistance, opportunities to work in a high tech business and broad-based employee stock options. Eighty-three of the company's jobs are entry-level positions and 79% of employees participate in the retirement savings plan.

Employees also share in one of two annual bonus pools (upper management is separate). "We made it clear the bonus was not a gift – if the company did well and the board signed off, then it would be awarded," Hoversten explained. Nonetheless, awards were given out every year under Hoversten's four year turn as CEO.

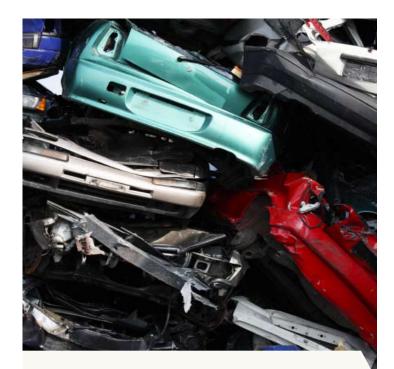
"In 2006, the first year it was awarded, we had people in tears over \$1,300 bonuses" he recalled. "People used it for Christmas to buy toys for their kids and pay off their bills." The company always tried to award the bonuses for non-management in December for that reason, even though

the company's books were not closed for the year. Management received their bonuses in January.

A strong employee culture based on what Hoversten called "mutual respect" is one of the company's most outstanding features. Far from a staid work environment, though, Hoversten said "we had a good culture – we worked hard and had a lot of fun."

To show employees how valued they are, the firm throws a big annual party with plentiful food and entertainment for customers, employees, and families. Employees get to play golf at a cut rate each Tuesday and employee retirements or going away parties are celebrated at a local brewery. Employee inclusion is cemented in matching company gear – a \$50 credit towards the purchase for Salvage Direct apparel makes people "feel like part of the organization," said Hoversten.

Shared Ownership | Many non-management employees were part of the broad based stock option plan when Salvage Direct was acquired by the nation's largest independent salvage auction company, QCSA Auctions, in May 2010. Besides providing strong returns for its investors, Salvage Direct's sale resulted in meaningful cash distributions to 67 employees. Fifty-eight non-senior management employees received average net cash proceeds of \$7,632 from their stock option shares – a highly impactful award for



AT A GLANCE SALVAGE DIRECT

Business:

Salvage vehicle management

Location:

Titusville, PA

Employees:

145

Revenues:

\$21 million in 2009

Ownership:

Broad based stock options, annual bonuses

Engagement:

- promotion from within
- strong benefits
- employee rewards and recognition
- culture of respect and trust
- annual bonuses

Business result:

Currently the third largest company in the salvage vehicle auction industry

employees averaging \$32,596 in annual salary. Hoversten said most people will pay off bills and buy major appliances with the proceeds. The buyer currently plans to retain all Salvage Direct employees and maintain the jobs in Titusville.

Business Results | Salvage Direct grew to become a significant player in the Mid-Atlantic region, a national competitor for catastrophic event response, and one of the largest sellers of salvage vehicles in the U.S., ranking among the top five in the industry by volume sold. The firm's team of engaged employees helped grow the company to the point where it was attractive to industry leader QCSA.

LESSONS LEARNED:

- A culture of working hard and playing together can help build a strong team.
- Paying out bonuses prior to year end is meaningful to nonmanagement employees

