

Barrett-Jackson Auction Company: Family, Fairness, and Philanthropy

INTRODUCTION

Many influential organizations are transformed by strong individuals who have a passion to make a change in the world around them. Such leaders take hold of their industries by competing effectively through execution of a solid vision for the future of the business. One such individual is Craig Jackson, Chairman and CEO of Barrett-Jackson Auction Company.

Craig joined Barrett-Jackson when there seemed to be a solid foundation upon which to build a successful future for his family's company. However, unforeseen events called for a new direction within the company. Craig Jackson needed to introduce a new business model and create a strategic plan that considered all stakeholders while maintaining the integrity and values of the family-owned business.

COMPANY BACKGROUND

Barrett-Jackson Auction Company, LLC began in Scottsdale, Arizona, almost 50 years ago during a simple meeting between two car enthusiasts, Russ Jackson and Tom Barrett. The two men first met when Tom was selling his 1933 Cadillac V16 Town Car. Russ initially approached Tom about the vehicle, yet instead of buying the car, Russ made a lifelong friendship that transformed into a successful business partnership.

Since the inception of the company, Barrett and Jackson have shown their passion not only for cars but also for their community. In 1967, at their first car show, the "Fiesta de los Autos Elegantes," Russ and Tom donated all proceeds to local charities including the Scottsdale Library and the community arts center. In 1971 the pair held their first car auction for rare collector and classic cars. The auction captured the world's attention and helped the company to gain international recognition.

With the organization having such a successful track record, the Jackson and Barrett families felt optimistic about their personal and professional futures. This came to an abrupt halt when Russ Jackson passed away from colon cancer in 1993 followed by his son Brian in 1995. Tom Barrett suffered from the turmoil of losing his friend and partner, causing him to retire in 1997 before his death in 2004.

This turn of events left Craig, Russ Jackson's other son, to lead the company in 1997. Craig decided to take Barrett-Jackson in a new direction by transforming the business model. Craig wanted to expand the organization and provide consumers with additional benefits that would attract them to the Barrett-Jackson auctions over competing events. This shift also provided the foundation to

This case was prepared by Rachael Allen, Amanda Thomas, and Harper Baird for and under the direction of O.C. Ferrell and Linda Ferrell. It was prepared for classroom discussion rather than to illustrate either effective or ineffective handling of an administrative, ethical, or legal decision by management. All sources used for this case were obtained through publicly available material. Users of this case are prohibited from converting to digital format to email or place on the Internet. Call O.C. Ferrell at 505-277-3468 for more information.

implement new programs that would enhance the overall experience for both the sellers and buyers at the auctions.

BARRETT-JACKSON INTRODUCES A NEW BUSINESS APPROACH

Craig Jackson planned to expand Barrett-Jackson while creating a high-tech innovative side for the company. These changes included the addition of live Internet bidding, cyber-simulcasts of auctions on SPEED (a cable television channel devoted to automotive programming), bidder liaison services, and the introduction of an international fashion show. Barrett-Jackson also changed the selection of cars offered at the auctions to include muscle cars, hot rods, and resto-mods.

With Craig's emphasis on innovation, Barrett-Jackson focused on providing its sellers and buyers with an exceptional and unique auction experience. In order to accomplish this, the company became one of the first auctions to offer vehicles at No Reserve. In a No Reserve auction, each car is sold to the highest bidder regardless of the bid, which opens the auction to a larger market and often generates more excitement because of the possibility of a bargain. Barrett-Jackson later re-introduced a Reserve auction alternative to attract sellers who are not comfortable selling without a base or "reserve" price. In either type of auction, sellers know that Barrett-Jackson offers cars to the largest pool of qualified bidders worldwide.

Barrett-Jackson also started to take its auctions on the road starting in 2008. In addition to its original location in Scottsdale, the company held actions in Palm Beach, Las Vegas, and Orange Country. Over 400,000 people attended Barrett-Jackson auctions in the 2008-2010 season. Besides generating millions of dollars in sales, the auctions attracted the attention of not only wealthy individuals but also families, first-time buyers, and general enthusiasts. Steve Davis, the company's president, says, "We're an aspiration-lifestyle destination event for a much wider audience, especially people getting started in collecting, or who just want to come look at the cool cars."

Barrett-Jackson also created additional programs that catered to the needs of its customers. One of the most important programs was Barrett-Jackson-endorsed insurance for collector cars. The insurance offers special features such as non-depreciating coverage, roadside assistance, post-accident restoration, and coverage of any difference in the vehicle's market value due to repairs. By offering access to an insurance program, Barrett-Jackson can provide car enthusiasts with unmatched coverage, service, value, and expertise.

These changes have helped Barrett Jackson solidify its reputation as what *Bloomberg Businessweek* calls "the largest and gaudiest annual car auction in the U.S." At the 2010 Scottsdale show, the company sold 1,200 cars, boats, and other vehicles for over \$70 million. Barrett-Jackson generates over \$150 million annually from its auctions, advertisers (including Ford and GM), branded clothing, and admission fees.

ETHICAL CONDUCT SATISFIES STAKEHOLDERS

Barrett-Jackson realizes that it is not only a player within the auction industry but also in the business of maintaining customer expectations. This philosophy stems from the sentimental value

associated with the vehicles being auctioned. These cars are worth more than just money, which makes the auction process difficult, requiring a higher than expected ethical standard. Barrett-Jackson keeps its key stakeholders satisfied through fulfillment of the ethical standards set by the organization to better serve employees, customers, and stakeholders.

Craig Jackson continues to uphold the ethical values of the company that was passed down from his parents. His family emphasized a strong sense of business ethics, which separated Barrett-Jackson from many of its competitors. Craig says, "We will separate ourselves and do things in an ethical manner to make sure we set the right standards for our customers. These are the things that have been entrenched in our corporate culture since the beginning."

The company strives to ensure that all auctions are fair. It makes sure all cars have proper documentation of their ownership and history, and it rejects sellers that do not meet its requirements. Barrett-Jackson works to prevent false bids from non-existent buyers designed to raise the price as well as owners bidding on their own cars if the price is too low. Auction personnel even monitor the owner and bidders on security cameras and double-check their bidding histories. Bidders must also provide Barrett-Jackson with verifiable proof of their ability to pay.

Barrett-Jackson believes that being transparent is critical to offering exceptional customer service. Craig Jackson says, "Particularly during these challenging economic times, there needs to be transparency in our industry, and we are leading that charge." The company provides detailed information, giving customers and the public insight into their business functions. This is reflected in the extensive amount of news articles and press releases available on the company's website regarding all aspects of their business, including auctions, job opportunities, and philanthropy. Because all of the auctions are broadcasted live on SPEED, anyone can watch the auction process and ensure that it is conducted ethically. Finally, the company has a separate account dedicated to paying consigners so that funds from the auction are not mixed with operating expenses.

To avoid complacency with its ethical business practices, Barrett-Jackson consistently reviews and revises its company policies and even engaged a major auditing firm to conduct an independent examination of its business practices in 2009. Deloitte & Touche analyzed several aspects of Barrett Jackson's auction process including consignment, bidder qualification, registration procedures, documentation of sales, adherence to terms of sales, commissions, calculation of proceeds, timely payments, and adherence to documented auction practices.

The company's commitment to ethics is paying off. Barrett-Jackson Auction Company was named one of 2010's World's Most Ethical Companies by *Ethisphere* magazine. Organizations that receive this honor conduct business in an ethical manner by demonstrating real and sustained ethical leadership within their industries. This is a huge accomplishment as this is the first time that a company in the auction industry has landed on the list.

SOCIAL RESPONSIBILITY

Barrett-Jackson seeks to be a socially responsible organization by giving back to local communities and charities. To accomplish this goal, the company honors different foundations and organizations

at its auction shows and then donates a portion of its proceeds to multiple recipients in the local community.

CHARITABLE GIVING

Barrett-Jackson is known for its significant contributions to community organizations and charities. To date, the auction powerhouse has generated almost \$33 million for various charities across the United States. The company promotes charitable organizations within the auction host cities by using its own marketing dollars to ensure that the charities communicate their causes to bidders, vendors, and other event attendees. Barrett-Jackson also waives all consignment fees and sales commissions on any car sold for charitable purposes.

Giving back to local communities is consistent with the values of founders Russ Jackson and Tom Bennett. The Darrell Gwynn Foundation, Carroll Shelby Foundation, The Armed Forces Foundation, The American Heart Association, Juvenile Diabetes Research Foundation, The Fisher House, United Way, The Hendrick Marrow Foundation, ChildHelp, NotMyKid, and the Susan G. Komen Foundation are only some of the nonprofit organizations that have benefitted from the sale of a vehicle at a Barrett-Jackson auction and the philanthropic actions of its customers. During its January 2011 auction in Scottsdale, Barrett-Jackson generated over \$4 million for 20 national and local charity foundations to continue its tradition of giving back to the community.

BARRETT-JACKSON CANCER RESEARCH FUND

In 2010 Craig Jackson established the Barrett-Jackson Cancer Research Fund at the Translational Genomics Research Institute (TGen) in memory of Russ and Brian Jackson, who both passed away from colon cancer. The main objective for this fund is to enable TGen scientists and physicians to research and develop new diagnostic tests and therapies for patients with colon and prostate cancer.

At the most recent auction in Scottsdale held January 2011, Barrett-Jackson raised over \$250,000 for TGen for cancer research through the sale of a special 1993 Chevrolet Corvette Coupe and individual donations. The vehicle was donated by a collector-car enthusiast to be sold at the 40th anniversary auction.

CONCLUSION

Barrett-Jackson has implemented a corporate culture that thrives on providing an exceptional experience for sellers, buyers, and visitors at its collector car auctions. The company is a well-run organization that thrives on making its business as transparent as possible. This is accomplished in many ways, including sharing corporate information on its website, independent auditing of the company's business practices, and live TV coverage that goes behind the scenes of the auctions. Since the auction industry is susceptible to misconduct, Barrett-Jackson has chosen to be proactive by providing detailed information regarding the company's practices.

Barrett-Jackson Auction Company endeavors to not only positively influence the auction industry but also the local communities in which it conducts business. This is reflected in its philanthropic efforts with nonprofits as well as with its cancer research foundation.

Barrett-Jackson has set the standard for the auction industry in terms of providing an ethical transaction process that gives its customers greater confidence and security. Steve Davis, president of Barrett-Jackson, says, “What Barrett-Jackson is assuring its customers on both sides of the transaction—buyers as well as sellers—is that the company runs a clean ship. If you’re selling, it’s going to be a fair transaction, and if you’re buying, you’re not bidding against a shill. Valid sellers are selling, valid bidders are bidding, and the price that results is fair based on the auction.” Providing this type of service has been successful for Barrett-Jackson Auction Company in the past and will guide it into the future.

QUESTIONS AND DISCUSSION

1. What are the characteristics of Barrett-Jackson’s culture that has led to the company’s success?
2. What are some potential risks for Barrett-Jackson as well as the auto industry?
3. Why is philanthropy important to Barrett-Jackson and its stakeholders?

Sources

- “2010 Most Ethical Companies in the World,” Barrett-Jackson website, <http://www.barrett-jackson.com/articles/most-ethical-auction-company.asp> (accessed June 9, 2011).
- “2010 World’s Most Ethical Companies,” *Ethicsphere*, <http://ethisphere.com/wme2010> (accessed June 8, 2011).
- “Barrett-Jackson Cancer Research Fund and TGen,” TGen website, <https://www.tgenfoundation.org/NetCommunity/Page.aspx?pid=828> (accessed June 9, 2011).
- “The Barrett-Jackson Legacy,” Barrett-Jackson website, <http://www.barrett-jackson.com/about> (accessed June 8, 2011).
- Barrett-Jackson News, “Barrett-Jackson Celebrates Four Decades Of Charitable Work At 40th Annual Scottsdale Auction,” Barrett-Jackson website, January 18, 2011, <http://news.barrett-jackson.com/barrett-jackson-celebrates-four-decades-of-charitable-work-at-40th-annual-scottsdale-auction> (accessed June 9, 2011).
- Paul M. Barrett, “Barrett-Jackson Auction: Dude, There’s My Car!” *Bloomberg Businessweek*, January 28, 2011, http://www.businessweek.com/magazine/content/11_06/b4214071705361.htm (accessed June 7, 2011).
- Larry Edsall, “Real Buyers. Real Sellers. Real Auctions,” Barrett-Jackson website, <http://www.barrett-jackson.com/articles/real-auctions.asp> (accessed June 9, 2011).
- “Reserve Consignments at Barrett-Jackson Palm Beach Auction,” *Sports Car Digest*, February 16, 2011, <http://www.sportscardigest.com/reserve-consignments-at-barrett-jackson-palm-beach-auction> (accessed June 9, 2011).
- Beth Schwartz, “Dream Chasers,” *Luxury Las Vegas*, November 2009, <http://luxurylv.com/2009/11/features/3495> (accessed June 9, 2011).