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A SUPPLEMENT TO Automotive News



A COLLECTION OF **BEST** PRACTICES

An ongoing series of articles designed
to help dealers improve their business

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Joffa LaRoe – Inventory Director, Gateway Buick GMC
Jennifer Friday – Senior Sales Manager, Ally SmartAuction

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Some lenders might go the extra mile. We went the extra 3.1. Joffa LaRoe was blown away by the extraordinary dedication Jennifer Friday showed helping her implement Ally SmartAuction®. So much so, she asked if Jennifer would like to continue her support by joining her in a 5K charity race. Jennifer — despite not being an avid jogger — was all in. Because at Ally, when it comes to proving our dedication to our dealers, we don't just talk the talk, or even walk the walk — we run the run.

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Andrea Riley
Chief Marketing
Officer, Ally Financial

Exceptional best practices translates into success

Much of the success of the auto dealers you will read about in this supplement can be credited to their high level of critical thinking and innovation. For small-business owners, being creative to continuously improve operations and customer service is imperative.

Over the last three years, *Automotive News* and Ally have been providing dealers opportunities to collaborate and learn from each other through events such as our co-hosted dealer roundtables that highlight some incredible ideas.

The dealers you will hear from in

the following pages have implemented exceptional best practices within their dealerships, commanding the attention of the industry. Ally is proud to be part of a program that enables dealers to share these best practices and create a stronger, more competitive industry.



J Ferron of Automotive News leads a session of senior dealership executives looking for ways to improve their stores' operations.

Helping dealerships go beyond best practices to next practices

James B. Treece

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In this publication, you'll find great ideas to help your dealership boost profits, cut costs, simplify operations and satisfy consumers' rising expectations. But they aren't enough.

Over the last three years, Ally and *Automotive News* have hosted nine sessions across the country, bringing together senior dealership executives to discuss store operations and the forces likely to trigger significant changes. The discussions were lively and enlightening.

Attendees agreed on the need for dealerships to innovate if they are to thrive. But that raised two concerns.

First, adopting other dealerships' best practices can improve efficiency and effectiveness, but doing so isn't the answer to the challenges auto retailing faces, for four reasons:

1. Dealership efficiency is just the foundation for future innovations.
2. Copying competitors' practices isn't enough to stay ahead of rapidly changing technology and consumer expectations.
3. Competition in this industry, historically local, is expanding geographically due to the acceleration of online business models.
4. Best practices that work in some areas and



with some management teams may be inappropriate elsewhere, or other managements may be unable to execute them.

Second, dealerships need to think about whom in the organization is responsible for creating and championing dealership-initiated innovation. Some executives said that's up to the dealer owner; others said all employees need to see it as their role. But neither approach seems complete.

Beyond those two issues around innovation, several topics emerged as major concerns at the sessions. Here are those that came up most often.

- The dealer body is dividing into two approaches: One initiates changes to differen-

tiate the store brand from other stores selling the same vehicle brand, while the other follows the procedures laid out by the automakers whose vehicles are sold.

- Dealerships need to know what customer and vehicle data they are responsible for and where it is being used by others with access to their information technology systems.

- Dealerships need to better differentiate their services from competitors in their markets — both physical and digital.

- One dealership process — customer relationship management — is dead. The customer now actively manages the relationships.

- Gross profits will continue under pressure from regulators, the Web and other forces. Dealerships must devise ways to offset those pressures.

- Dealerships may be able to collaborate with suppliers of technologies, analytics and connectivity services to help strengthen their brand images while protecting their customers' data security and privacy.

We hope the tested and proven best practices in the following pages will generate ideas for your dealership. Even more, we urge you to continue to think about how to prepare today for tomorrow. **AN**

J Ferron contributed to this report.

GRAND WEST HYUNDAI AND GRAND WEST KIA, GRAND JUNCTION, COLO.

Stores say thanks with local gift cards

2 Colorado dealerships reward customers, seek repeat sales

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Two dealerships in Grand Junction, Colo., hope a customer-appreciation promotion will generate nearly \$200,000 worth of business for locally owned shops and restaurants in their hometown — and sell some new cars in the process.

Grand West Hyundai and Grand West Kia are mailing letters to about 8,000 previous customers who may be in the market again, offering them a gift card worth at least \$50 to Grand Junction's central business district.

"We'd love to sell them a new car, but it is really a customer-appreciation gesture," said Ken Reeher, the dealerships' marketing and business development manager.

"Instead of these fake little fliers that people send out that have keys that don't do anything, we're sending a minimum of a \$50 gift card," Reeher said. "We wanted to find a better way, and we wanted to keep our money local."

Grand West Dealerships, which also operates a tractor store, bought about 3,600 Downtown Grand Junction gift cards totaling \$181,000 — six times as much as the merchants group had expected to sell in gift cards in a year. The cards are good at more than 100 businesses, many of which have put signs in their front window urging passersby to "shop here with your Grand West Dealerships gift card."

"To have a local, professional, automotive dealership reward their customers throughout the region with the Downtown Grand Junction gift card speaks volumes of Grand West Hyundai-Kia's commitment to their customers and their community," said Mike Bell, co-owner of two restaurants on Main Street, the Rockslide Restaurant & Brewery and Dream Cafe.

Aaron Hoffman, Downtown Grand Junction's marketing and communications manager, said the gift-card program had just start-

■ Gift cards for customers from locally owned businesses



Grand West Hyundai and Grand West Kia in Grand Junction, Colo., are mailing letters to about 8,000 previous customers offering gift cards worth at least \$50 to locally owned businesses.

"Everyone's really excited and really supportive of it. It shows a genuine interest in helping out the community and keeping money in our local economy."

Aaron Hoffman
Downtown Grand Junction's
marketing and communications manager

ed a few months before Grand West called to say it wanted to offer the promotion.

"Everyone's really excited and really supportive of it," Hoffman said. "It shows a genuine interest in helping out the community and keeping money in our local economy. I was glad that we had the vehicle — that we had the gift-card program started to help him out with this."

Reeher said the dealerships had considered alternatives such as gift cards to big-box chains, which it could get at a discount, but decided it would rather direct its money toward nearby small businesses.

"We didn't feel that saving 10 grand was worth not supporting our local economy," he

said. In response to this approach, "other businesses are wanting to work with us, which increases our profile in the community."

The dealerships, which sell about 70 to 90 new and used vehicles per month, are contacting customers by phone in addition to mail over the course of six months to encourage them to pick up a gift card. In the past, they have gone a more traditional route, spending \$5,000 to \$10,000 for "spray and pray" direct-mailer campaigns that tend to get no more than a 5 percent response rate.

For this campaign, Reeher is expecting half of the customers offered a gift card to show up. If even more than that do, he said, the stores may have to order extra gift cards.

But no matter what the costs end up being, Reeher is confident the effort will be worthwhile in terms of added sales and exposure. The dealerships are rethinking much of their marketing spending, he said, and plan to try some other new ways of getting customers' attention in the future.

"Most people are good spending \$200 to \$300 per up coming in the door. This is costing us a whole lot less than that, if it works," he said. "It's more and more important, in my mind, to separate yourself and get away from the old car-guy mentality." **AN**

MARK MILLER SUBARU, SALT LAKE CITY, UTAH

YOUTH MOVEMENT

Utah Subaru stores focus on college-educated millennials

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Three years ago, Tatiana Miller went into a Crown Burgers outlet near Salt Lake City looking for a bite to eat. That's where she ran into Stauss Paulos, a 22-year-old assistant manager of the restaurant.

The meeting was fortuitous for both. Miller, who is assistant general manager of two Mark Miller Subaru dealerships and runs an affiliated lending company with her husband, is always on the lookout for young, well-educated employees to bring in to the businesses.

■ Recruiting zeros in on young, well-educated employees

And Paulos, a University of Utah graduate, is now working for the Millers' lending company, JCO Financial. He's among the roughly 30 percent of Mark Miller Subaru and JCO Financial's 180 employees who are age 30 or younger.

"He's a portfolio manager at a subprime lending company with a prime portfolio," Miller says of Paulos, now 25, who joined JCO in 2013. Paulos has "maybe five late loans out of a \$1.65 million portfolio, and they're less than 30 days late," she says.

Turnover down

For three years, Miller says, she and her husband, Jeff, have made a concerted effort to recruit young, college-educated employees without automotive experience to staff their two Subaru dealerships and finance company. That effort includes not just making the most of chance encounters, but staying connected with local colleges to develop a pipeline of interns and prospective hires.

These millennials work in sales, marketing, service and other departments. And the Millers say the young workers' presence has changed the businesses in many ways: Turnover in entry-level jobs is down, health care costs are lower and the youthful mindset of the dealerships helps cater to Subaru's shopper base.

"Subaru customers are intelligent," Tatiana Miller says. "They tend to have a col-



Tatiana Miller leads a conga line of Mark Miller Subaru staffers.

lege degree or higher. They've already done their research. They want somebody to listen to them and not to push them in one direction or another."

For many dealerships, it's hard to attract such workers, let alone keep them motivated to stay. So the Millers, who both hold master's degrees from the University of Utah, maintain relationships within the university's business school to keep tabs on potential hires. The dealerships also offer internship programs for undergraduate students at the University of Utah and other local colleges.

Josh Goldsmith, a 20-year-old marketing student and an intern at the dealerships, works 20 to 30 hours per week for the stores while going to school full time. He runs the dealerships' social media presence, shoots photos of new and used vehicles in inventory for Mark Miller Subaru Midtown's website and organizes community-outreach events sponsored by the dealership.

"Rather than being the errand boy, I really got to do my own projects and see my projects through," he said, citing a critical touchstone of job satisfaction among millennials, who generally are ages 18 to early 30s.

Tatiana Miller says interns are hired with the intention of making them full time after graduation if positions are open.

Jeff Miller, a young general manager himself at age 34, says the focus on recruiting young workers has paid off handsomely:

About 33 percent of new-car sales go to buyers ages 34 and younger, up from about 25 percent three years ago.

'Future-oriented'

"One of the biggest benefits is they're a lot more innovative and future-oriented. They're constantly looking at changing our practices," he said. "We're looking at evolving all of our processes to sell to millennials who are becoming a really big part of our business."

For example, he said, the dealerships are overhauling their websites to enable customers to complete most of the vehicle transaction online and at their own pace to minimize the time spent in one of the stores. The project is on track to launch this year, he said.

"A millennial way of looking at it is that customers expect more these days," he said. "They expect you to have the quickest, most efficient process possible."

He's also considering taking his dealerships' entire F&I process online, too, with digital menus of finance department products that customers can browse through and F&I managers working with customers via videoconferencing platforms such as Skype.

The idea, the general manager said, is to complete as much of the transaction as possible online, without the sales pressure that repels younger buyers.

Said Jeff Miller: "A millennial just loves that." **AN**

VICTORY AUTOMOTIVE GROUP, ANN ARBOR, MICH.

Group plants seeds in the classroom

Exec teaches retail sales course and scouts for talent

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Rodger Olson is an absolute geek on retailing. And he makes no apologies for that as he lectures undergraduate students in his class on retail sales at the University of Michigan in Ann Arbor.

Whether it's comparing the franchise models of Dunkin' Donuts and McDonald's or measuring the success of 7-Eleven convenience stores' rollout in Taiwan, Olson can speak with the authority of someone deeply immersed in his chosen subject. His fascination rubs off on his students — the mark of a good professor.

Only Olson, 38, is not actually a professor. He's the COO of Victory Automotive Group, a suburban Detroit dealership group that owns 26 stores around the country and is ranked No. 40 on the *Automotive News* list of the top 125 dealership groups in the country, with 17,999 new retail vehicles sold in 2013.

"Retail has been something of a dirty word. We're trying to change that," says Olson, who spent 14 years working as an engineer for auto suppliers before he got his MBA and changed careers. "There are some fantastic opportunities on the retail side. Everybody thinks of the greasy, slimy used-car salesman who's in your face."

As guest lecturer, Olson's mission goes beyond just changing perceptions. Victory Automotive can use his class to mine talent coming out of the university's Ross School of Business. In fact, Olson got his MBA from U-M.

Sales come first

The difficulty in hiring and keeping good retail sales talent is one of the industry's worst-kept secrets.

That's one reason why Olson's boss, Victory CEO Jeffrey Cappo, donated \$3 million to the university to fund the new sales certificate program, which launched last year.

Cappo, a big booster of U-M athletics, says

■ Funding, instruction for university sales program



Victory Automotive Group COO Rodger Olson teaches retail sales at the University of Michigan.

he wanted to do something to let business students know that there are opportunities outside working on Wall Street or becoming an accountant.

U-M "asked me what they could use money for, and I said, 'Could we do something in sales?' They looked at me like I had three heads," says Cappo with a laugh.

But he likes to point out a fundamental truth about business: "When you think about it, nothing happens until somebody sells something."

Cappo, 59, never attended college. He went into business selling vacuum cleaners door to door right out of high school.

From there, he graduated to selling used cars at Varsity Ford in Ann Arbor. Cappo is Exhibit A for anyone who needs convincing that selling cars can be lucrative.

"I was making about 250 grand a year working at Varsity Ford, and my first month owning my own dealership, I made about 200 grand," he says of his early days when he bought East Tennessee Nissan in Morristown, Tenn., 18 years ago.

He expanded the group to 26 dealerships and four pre-owned stores in seven states, concentrated in the South, Midwest and California.

In 2010, Cappo moved Victory from its headquarters in Morristown, Tenn., to Canton, Mich., a Detroit suburb.

Four courses

Follett Carter, adjunct professor in the marketing department at the U-M business school who runs the sales certificate program funded by Cappo, says the program consists of four courses: marketing, fundamentals of sales management, retail sales marketing and consumer behavior. This winter term, 65 students are enrolled.

Carter and Olson hope the sales certificate program, with all those students, might incubate some new ideas for dealership sales-compensation plans that could reduce the notoriously high turnover rate.

"You can't revolve over 40, 50, 60 percent of sales reps every year," says Carter. That's unsustainable."

Olson says he tells students their experience in sales can lead to management: "I really push the fact that the auto industry has so many opportunities, and the pay and benefits can be phenomenal. The fact that some of our general managers are making more than \$500,000, that opens their eyes." **AN**

MEROLLIS CHEVROLET AND TAYLOR CHEVROLET, MICHIGAN

HELPING HAND

Suburban Detroit retailer acts as a mentor to minority dealer hopefuls

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Bill Perkins knows how hard it is to get a dealership and to succeed as a novice dealer. He lasted just one year in his first store.

But when he later acquired a dealership in suburban Detroit, other dealers helped mentor him. That made the difference.

"When I got back in, I made a vow to myself that I would do everything I could to help minorities get into this business if they had the desire and could qualify, because I needed help" getting another chance, said Perkins, who is African American. "Without that help, I never would have gotten back in."

Over his career as a dealer, Perkins has mentored and trained seven people to become dealers. All but one were African Americans.

Of the seven, four were awarded dealerships; two wound up pursuing other career paths. No. 7 is his son, Monte, general manager of Perkins' Merollis Chevrolet store. Perkins also owns Taylor Chevrolet. Both stores are in suburban Detroit.

Some dealers refuse to train others at their stores because of the time and risk involved. Trainees often hold key positions and if they make mistakes, their errors can be costly. When they leave, they create a void in the dealership's management team and may take other key employees with them.

Perkins sees it differently. While manufacturers can do more to shore up the ranks of minority dealers, Perkins believes it is imperative that minority dealers train other minorities and create a mutual support system.

"As minorities, we have to do more to train each other," Perkins said. "You have to have people to talk to. I try to make sure I'm an approachable person."

Perkins' trainees went through General Motors' dealer development program, getting classroom training plus hands-on training at Perkins' dealerships.

■ Mentoring prospective minority dealers



Monte Perkins, left, is the seventh prospective auto dealer mentored by his father, Bill.

"As minorities, we have to do more to train each other. You have to have people to talk to. I try to make sure I'm an approachable person."

Bill Perkins

Merollis Chevrolet and Taylor Chevrolet

Perkins entered the same program in 1986 after working at GM for 14½ years in sales and marketing positions. After completing the program, he was awarded his first dealership in 1988: Perkins Pontiac-Buick in Kansas City, Mo. But he had to sell the store in 1989. "The return on investment wasn't there," he admits.

In 1993, Perkins acquired Dearborn Pontiac-Nissan. Other dealers took him under their wings, schooling him on how to successfully network with influential dealers and factory representatives. He declined to name his tutors because many are deceased or retired.

"I was very, very poor at politics early in my career," Perkins said. "I thought it was all about me and how I performed. A lot of it is political."

Between 1998 and 2001, he acquired the

two Chevy stores and sold the Pontiac-Nissan dealership. Through it all, Perkins helped others.

At one time, Perkins trained two candidates at the same time at his Taylor store. One was Michael Bates, who became the finance and insurance manager after starting in sales.

Bates is now dealer principal of Westborough Buick-GMC in Westborough, Mass., and Manassas Chevrolet in Manassas, Va.

He described Perkins as "tough," "thoughtful" and a "great role model" for him and others who worked at the store.

"Bill planted the seed for me and others that you work hard, save your money, master your craft and you, too, can become a dealer," Bates said. "It wasn't a guarantee, but there was a possibility."

Monte Perkins started in the family business at age 14 when his father handed him a screwdriver and a bucket to dig weeds and pick up litter.

He earned a degree in automotive marketing management at Northwood University in 2010, and completed dealer training at the NADA Dealer Academy.

Perkins said that was all part of getting Monte ready to take over the business. He added: "What better successor than my son?" **AN**

ALOHA AUTO GROUP, HAWAII

Eat at the food court, shop for a car

Mall store helps Hawaii's only Kia dealer reach new customers

Printed in *Automotive News* March 2, 2015

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For Hawaii Kia dealer Bill van den Hurk, there is a price to living in paradise.

Real estate is limited and expensive. Consequently, van den Hurk believed he was missing out on hundreds of new- and used-vehicle sales a year from the northern part of Oahu where he lacked a store. And the cost to build a dealership, even if he could find the land there, would dwarf revenues.

So he found a way to reach those untapped customers and improve profits: Rent space in a local shopping mall.

"People are eating in the mall's food court," said van den Hurk, CEO of Aloha Auto Group and the only Kia dealer in Hawaii. "If they don't know what our product is, what a great place to put a showroom."

"We needed that exposure on that side of the island. Whether we could sell Kias out of it or not did not make a difference."

Aloha Auto Group sells about 3,500 new and used vehicles a year from its seven Kia dealerships, across the islands of Oahu, Maui, the Big Island and Kauai. His mall location sells about 200, mostly new, vehicles a year. It is profitable despite having no service department.

The 4,000-square-foot store opened in January 2012 in the Windward Mall in Kaneohe, on Oahu. The showroom, with six vehicles, is between a toy store and a Sears store, across from the food court. For the first six months, the mall did not let van den Hurk sell cars there. Hence its name: Aloha Kia Learning Center.

Kaneohe is about a 25-minute drive north of Honolulu where the Aloha Auto Group has its corporate offices and the Aloha Kia Airport dealership. The mall is also a 20-minute drive west from Aloha Kia Leeward in Waipahu.

Van den Hurk faced many hurdles getting his learning center, now popularly dubbed Aloha Kia Windward, off the ground. Kia was initially cool to the idea, he said. The mall's

■ Renting space in a shopping mall



Aloha Auto Group's store in a shopping mall on Oahu sells about 200 vehicles a year.

management was uneasy about having a car dealership, and even some of van den Hurk's leaders were skeptical.

Russell Wong, the group's CFO in 2011, said the financials for the proposed store didn't work for him. "The mall rent, the staffing — I didn't see how it could translate into additional sales," said Wong, now the group's COO.

But van den Hurk, undeterred, spent \$340,000 to bring the store up to Kia's design standards.



Van den Hurk:
Idea worth trying

A Kia spokesman said van den Hurk is the only U.S. Kia dealer with a store in a retail shopping mall. But seeing his investment and enthusiasm, Kia supports it.

"We viewed the Aloha Auto Group's Windward Mall proposal as an opportunity to continue raising consumer awareness and perception for our brand and products in a high-traffic environment," spokesman Scott McKee wrote in an email to *Automotive News*.

Van den Hurk assured the mall managers that his store would improve traffic because he would list the mall's location in his ads, he said.

To ease Wong's concerns, van den Hurk signed a one-year lease with an option so that "if it failed, we could get out," he said.

"I can understand people's thinking: a car dealership inside a mall?" van den Hurk said. "But everything's got to be tried once."

During the first six months, the store was an information center, generating sales leads for van den Hurk's other two Oahu stores. But as mall shoppers increasingly frequented the store, some wanted more than information.

One day, a female shopper said to van den Hurk, "Wow, this is such a wonderful concept and no one is pressuring me," he recalled. "She indicated that she was ready to buy a car that day, but the manager told her she can't."

The customer eventually bought a Kia from another of van den Hurk's stores. But her feedback prompted him to get a state license and permission from the mall to sell vehicles there.

Alex Kirley, the mall's senior marketing manager, said mall management needed to get familiar with the company and its products before committing to a long-term lease.

But "since its inception, the concept has proven successful and is a great experience for our shoppers, bringing added convenience," Kirley wrote in an email.

In its first year of sales, Aloha Kia Windward lost money, van den Hurk said.

But he reduced his overhead costs by trimming to one manager and four salespeople, down from two managers and six salespeople initially. He also renegotiated the monthly rent, and now pays \$10,000 to \$14,000 a month for rent, utilities and related expenses.

Aloha Kia Windward handles vehicle transactions from test drives to trade-ins and finance and insurance. Van den Hurk said most customers are agreeable to driving to the Aloha Kia Leeward or Aloha Kia Airport store for service.

The store gave Kia exposure in a new area, van den Hurk said.

"I couldn't find the property to build a dealership there," he said. And even if he could, doing so would cost \$4 million to \$5 million, he said. Mortgage, utilities and expenses would come to about \$50,000 a month, he estimated. Van den Hurk said, "We don't have the volume to hit that yet." **AN**

LAUREL BMW OF WESTMONT, WESTMONT, ILL.

BMW store hosts Pinewood Derby

Dealership's general manager shares passion for cars with Scouts

Printed in Automotive News March 9, 2015

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At 13, Patrick Womack rode his bike to the nearby Porsche dealership on a Sunday and dreamed through the darkened windows about the high-performance machines inside.

Womack is 50 now and works on the other side of the glass — running a BMW dealership in Westmont, Ill.

Yet the boy who once dreamed of fast cars is now doing what he can to fan that passion in a new generation.

Early this month, Laurel BMW of Westmont took a dozen cars out of its large showroom to make room for a huge aluminum track and hundreds of shouting, clapping, enthusiastic Boy Scouts and parents.

On March 1, the suburban Chicago dealership sponsored and hosted the Pinewood Derby for about 60 local Boy Scouts of Pack 10 to race model cars. The daylong event was paid for entirely by the dealership and included BMW hats, stickers and other gifts for each Scout participant, as well as food and appearances by celebrity racing guests.

Building relationships

All in, the day cost the dealership — owned by AutoNation — almost \$10,000, including nearly \$3,000 to purchase an official Pinewood Derby track. Yet the cost was secondary to spending a day getting kids interested in autos and racing, Womack said.

"My goal is to make an impression on these younger kids and to get their heads out of the phones and the iPads and whatever. I really think that we need to do more to get the interest of these kids into cars and racing," said Womack, Laurel BMW general manager.

Staff from the dealership volunteered to help at the event, though much of the official work was done by the Scouts. The dealership, which sells about 1,250 new and 1,100 used vehicles a year, didn't do any business, but staffers did build relation-

■ Hosting, sponsoring Pinewood Derby



Laurel BMW in suburban Chicago plans to make the Pinewood Derby an annual event.

ships with scouting families.

Laurel BMW got involved in the Pinewood Derby only about four months ago when a longtime customer asked Womack whether the dealership would like to donate to help Pack 10 raise money for a new track. A former Scout himself, Womack replied that not only would the dealership donate; it would buy the track itself and host the event.



Womack: Was a Scout himself

Womack, who races cars — full-sized ones — as a hobby a half-dozen times a year, remembers growing up with a famous racer, Parnelli Jones, living nearby in Southern California. On certain Fridays, Jones would pass out stickers for STP, a fuel additive and his sponsor, to kids who stopped by his shop in Torrance, something Womack did often.

Lasting impression

"I'm 50 years old, and I don't remember a lot from third grade, but I remember on Fridays I'd be excited to stop by and get my STP sticker. And Parnelli Jones himself would stand outside and hand these out to

"I really think that we need to do more to get the interest of these kids into cars and racing."

Patrick Womack
Laurel BMW of Westmont

the kids," Womack said. "Obviously, it left a lasting impression on me."

The dealership coordinated the event, Womack said, including arranging the purchase of an official Pinewood Derby race track, which now sports the dealership's logo.

The track features an electronic timing mechanism that automatically records the performance of each wooden racer.

Womack said he looks at the cost of hosting the Pinewood Derby, which he plans to make an annual event, as an investment, both in the dealership and the community.

"It allows some local parents to come into the dealership and maybe meet some of my people, but that's not why we're doing this," he said.

"You're giving back to the community as I think you should do. And I'm piquing the interest into a business and a sport that I'm passionate about." **AN**

FOWLER HOLDING CO., NORMAN, OKLA.

Eateries on wheels offer free lunches to stores' employees — and customers

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Later this month, food trucks will reappear in the parking lots of two Oklahoma car dealerships on Saturdays to feed employees and the public.

After a trial last August to October, Fowler Dodge in Oklahoma City — which also sells Chrysler, Jeep and Ram — and Fowler Volkswagen of Norman will offer customers and employees free food from these eateries on wheels.

■ Free meals from food trucks on Saturdays

It's a way to set the dealerships apart from the competition, get people to come to the stores and support the local food trucks, said Jonathan Fowler, vice president of Fowler Holding Co. in Norman, which owns seven dealerships.

"We do get people that show up just to eat food," he admits.

But that doesn't bother Fowler: "Car dealerships can be scary for some people. It breaks down barriers."

Fowler considers it a victory "to get somebody just to come onto the lot and relax and not be bombarded by people trying to sell them something."

Later, when consumers initially drawn by the food trucks may need service or a new car, "they can look at us in a more positive light," said Fowler.

Fowler, 32, oversees the group's marketing, digital and community outreach programs. The group was started in 1973 by Fowler's grandfather Bill Fowler, who bought a Toyota store in Norman. Today, the family also owns a Honda dealership in Norman, Toyota and Chevrolet dealerships in Tulsa, Okla., and a Chevrolet store in Denver. The seven stores sold about 1,200 new cars last year, said Jonathan Fowler.

After college, Fowler joined the family business in 2006 as a financial analyst. In 2010, he



Food trucks make lunch unique and healthier, in the stores' view.



became general manager of an open Volkswagen point the family was awarded.

The food truck program started as an alternative way to feed the dealerships' employees on Saturdays.

The Chrysler-Jeep-Dodge-Ram and Volkswagen dealerships provide lunch for salespeople and managers "because we want them to stay at the stores and sell cars," Fowler said.

Before, lunch was typically fast food — hamburgers and french fries. "The employees usually got tired of it; you would hear them complain, and we would switch to pizza," Fowler said.

Customers also were offered the fast food, "but it is not the kind of fare people want to eat at a dealership," he said.

The Chrysler-Jeep-Dodge-Ram store

opened in 2003, "before we discovered the importance of having more experience-based retail at our stores," said Fowler.

Fowler said he became involved in the food-truck scene in Oklahoma City with some friends who owned eateries. The dealership group began sponsoring block-party events downtown in 2013. Streets were closed as thousands gathered on the last Friday of every month to hear live music and eat from more than 30 food trucks, Fowler said.

Saturday lunches at \$5 per head were costing about \$500 each week for 100 employees at one store and about \$200 at the other. "We figured out for that cost we could get a food truck to show up and feed our people lunch — we could keep it unique and make it healthier," Fowler said.

And customers also could eat from the trucks that now include The Loaded Bowl, with vegetarian salads and wraps, Kaiteki Ramen, with ramen broth-based soups and Asian chicken wings, and Off the Hook, with seafood.

People came, ate and generated buzz. The dealerships promoted the food trucks through social media, but best of all, Fowler said, "it is something our competition isn't doing." **AN**



Fowler: Food trucks set stores apart.

GATES AUTOMOTIVE GROUP, SOUTH BEND, IND.

Each generation finds its own way

Family with 87 years in auto sales adapts to market demands

Printed in Automotive News March 23, 2015

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If the Gates family has learned anything in 87 years of operating dealerships, it's that each generation must forge its own business plan.

In May, when 21-year-old Mitchel Helmkamp starts selling cars during his college summer break, he'll be the first of the sixth generation in harness. And whether he sells for dad Matt Helmkamp at Gates Chevy World in Mishawaka, Ind., or for Joel Gates, another relative, at Gates Toyota in South Bend, Ind., he's got some history to absorb.

■ Family owners adapt to the market

In 1928, founder L.O. Gates jumped from Ford to Chevrolet and soon had seven stores sprawled across northern Indiana. His son, Van, consolidated, focusing on two locations. In 1982, Van's sons, Larry and Bill, diversified by adding Toyota.

Since 2011, Bill's son Joel Gates and Larry's son-in-law Matt Helmkamp have sharply boosted used volume and added used-only lots to meet growing demand for inexpensive but dependable commuters.

Gates and Helmkamp have 10 children between them, the youngest age 6. Mitchel Helmkamp is the first to work as an adult.

That makes the Gates saga a six-generation tale. Founder L.O. recruited his dad, Burr Gates, to organize weekly trips of locals to pick up new cars at the factory in Flint, Mich., and drive them to the dealership.

Two threads run through Gates history: Adapt to win new customers, but cling to what keeps customers — service, low prices and friendliness.

"We want to take such good care of our customers that we can turn them over to another generation of family," Matt Helmkamp says.

Today, Gates Downtown South Bend sells only used vehicles. Gates Toyota is close by in South Bend, Gates Chevy World is in Mishawaka to the east, and the Gates of Granger used-vehicle store that opened in 2013 is in nearby Granger.



Joel Gates, left, and Matt Helmkamp have boosted Gates Automotive Group's used-vehicle volume to meet demand. Family before them focused on consolidation and diversification.

Memories run deep in South Bend. It's not quite urbanized, just outside Chicago commuting distance. It's not quite rural, though farms surround it. The largest local employer is the University of Notre Dame.

The surrounding area is stable. Families tend to stay in St. Joseph County generation after generation, says Joel Gates, 32. The current Gates formula starts with tradition.

"Our marketing edge is 85 years in this community," says Clint Emberton, Gates' general sales manager for all four locations. "We market the Gates brand. Integrity and character runs so deep in this family. That has been the cornerstone."

Most auto sales come from repeat customers or referrals, Joel Gates says.

But to grow after weathering the recession, the Gateses needed new customers.

So when partners Joel and Matt took over from Larry and Bill in 2011, they doubled down on expanding used-vehicle sales and service.

"We aggressively price our cars," Emberton says. That has helped fuel growth in an underserved used-vehicle marketplace.

That dovetails with low-priced service to at-

tract new customers who tend to be younger and more price-conscious. Gates offers \$9.95 oil change-lube deals at all four sites.

The low-pricing strategy requires more volume to work, but the company is growing.

Gates' new- and used-vehicle sales almost doubled since 2009 to 5,000-plus last year, Emberton notes. Used volume was twice as high as new sales last year, but in 2009, it was more new than used, he adds.

The four stores generated \$13 million in service revenue on 90,000 customer-pay transactions in 2014, says Dennis Pynaert, fixed operations manager for all Gates stores.

As equal partners, Joel and Matt split duties most days but cover for each other as needed. Matt handles Chevy World and Joel the Toyota store. Joel also takes care of used-vehicle acquisitions outside trade-ins and in-store purchases, mainly through online auctions.

This year, the two are fine-tuning operations. The goals: Find better ways to share used-vehicle inventory companywide and stock variations to give each used lot more distinctiveness.

"Just staying focused on our customers," says Joel. "It's what we do." **AN**

HONDA OF SEATTLE AND TOYOTA OF SEATTLE, SEATTLE

INSPIRED BY APPLE

Seattle dealer takes his lumps in pursuit of new business model

*Printed in Automotive News March 30, 2015***Gabe Nelson**

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Brad Miller, who owns Honda and Toyota stores in booming downtown Seattle, knows the traditional way of selling cars. And he knows he doesn't like it.

So last year, the 60-year-old dealer, along with COO Babak Mohammadi, decided to do everything differently. They decoupled sales commissions from the profitability of a sale, eliminated the handoff to the F&I office, and adopted no-haggle pricing and no-haggle financing to help build trust and speed customers out the door.

The new mantra at Miller's stores is "One Buyer, One Price, One Hour."

A quick and easy makeover? Hardly.

In fact, it has been a long, painful slog. When the traditional sales commissions went away last year, so did nearly all of the salespeople. The F&I managers were quick to follow. Sales at Honda of Seattle fell from 100 vehicles a month to 70. The store was losing money in the U.S. light-vehicle market's best year since the recession.

Business has rebounded, but it's still early in Miller's retail experiment. He's betting that the effects will really begin to show once the stores settle into their new home, a state-of-the-art building near the Seattle Mariners' and Seahawks' stadiums, with rare side-by-side Toyota and Honda showrooms.

"I'm sure everyone thought that I was absolutely out of my mind," Miller said in an interview. "Maybe I was, but this is the right thing to do. Sooner or later, everybody will have to sell cars this way."

By "this way," Miller means more like the Apple way. Apple Inc. doesn't sell cars (not yet, anyway), but to Miller, the maker of the iPhone and retailing giant is as much of a rival as the dealership down the road.

"We think we compete with the Apple Store" for customers' time, Miller said.

■ Eliminating haggling, F&I managers and traditional sales commissions



Dealer Brad Miller's side-by-side Honda and Toyota showrooms near Seattle's stadium district

Miller's project has been driven by a quest to offer an Apple-like retail experience to his tech-savvy customers.

At an Apple Store, for example, customers often do an entire transaction with a single salesperson, who answers questions and rings up customers on the spot when they're ready to buy.



Miller: Retailing is changing.

Same goes for Miller's stores. When customers walk into the new showrooms at Honda of Seattle and Toyota of Seattle, they'll be greeted with a touch screen bearing the names and pictures of all the salespeople. Rather than being snared by a salesperson in pursuit of a sale, the customer will get to choose the one he or she will do business with.

What's more, the dealerships have no F&I managers. Salespeople handle the loans. Learning to do that isn't easy, so Miller and Mohammadi have hired contractors to do some paperwork and walk the salespeople through the process.

Prices are fixed, and so are interest rates. Customers who need financing can refer to a chart on the wall, tracing their finger from their credit score to the amount of the loan.

This provides transparency, Miller said, and it avoids any hint of discrimination in lending, a target of scrutiny by the U.S. Consumer Financial Protection Bureau.

With a new set of employees and better training in place, sales have nearly returned to previous levels.

Mohammadi said morale is improving. Pay for salespeople had suffered over the past few decades because of shrinking new-vehicle profit margins, creating tension with better-paid F&I managers. With their new structure, Mohammadi and Miller hope that by giving salespeople more responsibility, they can pay larger salaries, boost retention and get their people focused on customers instead of commissions.

The new location near the stadium district is both showcase and test lab for the new way of doing business. Each store is crammed with technology that Miller couldn't fit into his cramped downtown showrooms, one of which was built in 1928 as a livery stable and still has the original wood plank floors.

They are the first to use "quick tread" machines from Hunter Engineering Co. in St. Louis. As a customer drives over metal plates that emerge 3.5 inches from the ground in the service lane, sensors read the tire tread depth, allowing a service adviser to tell whether the tires need replacement. Though the machines cost more than \$40,000 per service lane, Miller expects to prosper in the long run by telling his consumers when something is right — not just when something is wrong.

"Consumers don't trust us, and I hate that," Mohammadi said. "We've got to change the industry. We've got to show there's a better way." **AN**

#1 COCHRAN AUTOMOTIVE, MONROEVILLE, PA.

Pa. group lifts customer satisfaction and cuts turnover with market-based pricing

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Eighteen months after #1 Cochran Automotive launched a customer experience initiative centered on market-based pricing and transparency, the dealership group says its market share and customer satisfaction ratings are up. Employee turnover is down, and the company is hiring more people with experience outside the auto industry.

The effort is still a work in progress, CEO Rob Cochran said, but results so far validate the hard work and years of research that went into the approach launched in late 2013. Central tenets of the Cochran initiative, dubbed Clearly Better Car Buying, include:

■ Market-based pricing, limited negotiations

■ Pricing vehicles at transaction prices for the market, as supported by third-party data.

■ Limiting negotiations to a couple of hundred dollars.

■ Paying the higher of Autotrader's or Cochran's own trade-in evaluations.

■ Offering a three-day, no-questions-asked return.

"We do feel good about it," said Cochran, whose dealership group has 16 stores in western Pennsylvania and is ranked by *Pittsburgh Business Times* as the largest Pittsburgh-area auto retailer based on 2013 new-vehicle sales and total revenue. "We think that's where the industry is going anyway. We'd rather be a leader in the evolution and the transition than get pulled kicking and screaming."

Since adopting the initiative, the dealership group's new-vehicle sales have risen 15 percent, he said, higher than the increase in the market. Market share is up around 10 percent, Cochran said. For instance, a #1 Cochran store that might have had a 20 percent share of same-brand sales in the Pittsburgh market before now has around 22 percent, he said. Used-vehicle sales also are up significantly.

Average transaction time has moved down modestly, but it's still about two hours. "That's an area where we can get better," Cochran said. "And we're going to more specifically track that."



Rob Cochran: Since adopting the initiative, new-vehicle sales have risen 15 percent.

Since the change, #1 Cochran has hired many people from outside the auto industry for sales positions. In 2014, 70 percent of sales hires had no prior auto retailing experience, vs. about 25 percent previously, Cochran said.

New hires came from a variety of backgrounds: big-box retailers such as Best Buy; shopping mall and clothing store retailers; insurance sales; restaurants; call centers and other customer-service jobs; wireless phone sales and media sales. Many are recent college graduates. The dealership group found some through job fairs, but Cochran said a number of them approached the dealerships after learning about the new initiative.

While #1 Cochran lost some employees who disliked the changes, the number wasn't significant. "We expected more," Cochran said. Some salespeople who understood the initiative were promoted into sales management.

In 2014, #1 Cochran's sales staff turnover was 39 percent, down from more than 50 percent five years earlier, the company said. That compares with 66 percent for the average dealership in the industry in 2013, according to the National Automobile Dealers Association's 2014 Dealership Workforce Study.

Keys to retaining people were training and getting buy-in before the transition.

#1 Cochran Automotive ranks No. 94 on *Automotive News*' list of the top 150 dealership groups based in the U.S., with retail sales of 10,508 new vehicles in 2014.

Customers have welcomed the new approach, Cochran said. Customer satisfaction scores are up, and feedback from internal surveys and online reviews is positive, he added.

#1 Cochran uses third-party websites such as Edmunds.com to set vehicle prices near those at which similar vehicles in the market are selling. Prices are adjusted as often as daily.

#1 Cochran will consider pricing information customers bring in, whether from another third party or a competitor down the street, and match those prices to close a deal.

The company has set up showroom kiosks for customers to check inventory, pricing and trade-in values.

As he refines the initiative, Cochran is aiming for a customer sweet spot.

"The segment of people who like this approach is growing," Cochran said. "Are there people out there who just feel like they have to get a discount [off the offered price]? Yes, but that market is declining. The market of people who want to get in and out, be treated fairly — that market is growing, and that's the market we're attacking." **AN**

HODGES SUBARU, FERNDALE, MICH.

Tight space teaches valuable lessons

Store workers learned about cross-training, teamwork and more

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Subaru has seven nameplates in its 2015 lineup. But only two vehicles fit inside the cramped showroom at Hodges Subaru in Ferndale, Mich., outside Detroit.

That will change late this summer when Hodges moves one mile down the road — Detroit's famed Woodward Avenue — into a renovated building, the former Ferndale Mazda, which closed last year.

■ Efficiency, teamwork in a confined space

But when the move is completed in August, Hodges will take with it the many lessons learned during the years confined in a small space.

For instance, Hodges will continue to train workers to perform the duties of more than one job, to boost efficiency and teamwork.

The story of Hodges Subaru — still legally known as Hodges Imports — is a window on Subaru's humble beginning in the United States. Subaru's U.S. operations were founded by Malcolm Bricklin and Harvey Lamm in 1968. The pair imported scooters and the tiny Subaru 360 car.

To get the business rolling, Bricklin and Lamm signed up unlikely dealerships — filling stations, garages, even used-car lots. Many of the brand's original stores were in gas station-sized buildings such as Hodges.

Whispering

Hodges, which operates in a 6,600-square-foot building, averages sales of between 60 and 80 new and used vehicles a month. The business long ago outgrew its facility, and its new store will more than triple available space.

The current showroom is so cramped that salesmen practically whisper to keep other customers from hearing the deals they are negotiating. Most of the new vehicles are kept outside behind a fence. And the service department, on a side street, has just one full-size sliding door.

"The biggest issue with our customers is



Hodges Subaru co-owners Felipe Mendiola, left, and Bill Garcia have been looking for a bigger store for years. With limited space, they learned to pay close attention to inventory.

they always say, 'We like you guys, but your place sucks,' which is understandable," said Felipe Mendiola, who co-owns the store with his partner and brother-in-law, Bill Garcia.

The space situation is so dire that it has lowered Hodges' customer satisfaction ratings, Mendiola said.

Mendiola and Garcia wanted to buy out neighboring businesses and expand, but the high price for real estate on Woodward Avenue, combined with city code requirements, eliminated that option. Then came the recession.

During the economic downturn, Subaru sales remained strong, and Garcia and Mendiola continued looking for a new location close by. Also, the service department couldn't cope with the store's growing customer base. So, as a temporary measure, Hodges set up a 12-bay service operation in a rented building a few miles away, Mendiola said.

Many hats

Then last year, the nearby Mazda store closed. In January, Mendiola and Garcia bought it. They will start moving in July.

The lack of space in the current building, Mendiola said, taught his store's 27 employees the value of teamwork and cross-training. "Before we rented the [satellite service]

property, we had to be here early in the morning to move cars so people could park," Mendiola said. "Then at 9 at night, we had people to move cars." Everyone pitched in and that, combined with being in a small facility, led to Hodges' staffers learning how to do more than one job at the store.

The salespeople can work the parts counter, for example. The parts department people can answer questions about new vehicles and help in the showroom.

"Everybody wears four or five hats," Mendiola said. He said the store will continue to cross-train employees after the move.

Mendiola said allowing employees to work in all departments helps them at the store.

"If it turns out that they want to work in parts or service, they ask for a transfer," he said.

With limited space, Hodges learned to pay careful attention to its inventory, keeping fast moving parts in stock and ordering only the cars customers want to buy.

"We are learning as we go along," Mendiola said. "None of us has gone to a dealership university. The only thing we know is if you take care of people, people will distribute your goodwill to everyone else. And that's what we are banking on. People are saying, 'We'll stay with you if you make us more comfortable.'" **AN**

SCHAFER CHEVROLET, PINCONNING, MICH.

USED-CAR POWERHOUSE

Savvy marketing helps retailer build business after loss of franchises

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When Russell LaFave lost three of his four new-car franchises in the bankruptcies of General Motors and Chrysler in 2009, the rural Michigan dealer vowed he would never again put his future in the hands of the factory.

So he turned to used cars in a big way with savvy digital marketing — and he has never looked back.

Today, at his lone remaining new-car store, Schafer Chevrolet, LaFave sells nine used vehicles for every new vehicle sold. The 242 used vehicles sold in the first two months of 2015 placed Schafer Chevrolet 16th in Michigan among stores selling all brands and all independents, according to the vehicle data service Cross-Sell.

That's impressive considering that Pinconning is a town of 1,200 people with little drive-by traffic.

"We don't look at ourselves as a Chevy dealer," LaFave, 57, said. "We're a used-car dealer."

LaFave is a third-generation car dealer in Pinconning. His grandfather, the late Russell Schafer, opened the Chevrolet store in 1928.

LaFave and General Manager Brad Gross, 46, attribute the store's success to an all-digital marketing strategy, disciplined use of software tools to buy and price used cars, and a dedicated staff of 40 people, including 11 salespeople.

Schafer Chevrolet had just one salesperson leave last year.

Much of how the store sells is contrarian, LaFave said proudly.

First, prices are non-negotiable on all vehicles, he said. The price online and on the window sticker is what the customer pays.

LaFave said his vehicles are priced aggressively for his market, and many shoppers dislike haggling. Consistent with that philosophy, salespeople receive a salary and volume bonus rather than being compensated on gross profit, Gross said.

Salespeople also handle all aspects of the sale, including finance and insurance, so customers aren't handed off, a widely disliked practice. The one-price, no-handoff method

■ Focus on used-vehicle sales



Dealer Russell LaFave, right, and General Manager Brad Gross say prices at Schafer Chevrolet are not negotiable and customers are not handed off.

DAVID BARKHOLZ

has been in place since 2009, he said.

LaFave said he knows his vehicles are priced competitively because he uses vAuto inventory-management software to check selling prices within a 120-mile radius.

Those same computer tools also determine what vehicles are hot in his market and what purchase price to offer at auctions, he said.

To reach beyond little Pinconning, Schafer Chevrolet spends its entire \$15,000 monthly marketing budget online, but with an interesting wrinkle. It spends only on third-party classified sites to list inventory and for extra advertising on the sites to feature Schafer vehicles, LaFave said.

That means no paid-search advertising on Google or any traditional media, such as cable, radio or direct mail.

LaFave said his prospects are looking for deals on the five sites he uses: Autotrader.com, Craigslist, Cars.com, CarGurus.com and KBB.com.

LaFave said the online classified sites work for him because he can adjust prices by watching how many people are clicking on specific car listings, known as vehicle detail pages.

He said he has boosted his spending on the third parties from about \$10,000 per month in June.

Not coincidentally, that's when Gross persuaded LaFave to go in another contrarian direction: He said Schafer Chevrolet needed more used-car inventory on the ground. So LaFave said he nearly doubled his inventory from 80 vehicles to about 150, mostly by buying at live auctions. That also doubled the cost of the inventory to about \$2.3 million.

The tactic worked. With more cars in front of online shoppers, used-car sales have been ticking up consistently. In 2014, the store ranked 66th in used-vehicle sales in Michigan. It sold 1,020 used vehicles and 217 new for the year.

Back in the dark days of 2009, it was hard to see that losing franchises would be the best thing for LaFave and his employees.

He lost a Pontiac franchise when GM terminated the brand. And he lost Chrysler and Dodge franchises when Chrysler cut a quarter of its stores.

During LaFave's 2007 heyday, the franchise sold 348 new vehicles and 273 used — about half of last year's total.

So today, he is happy to concentrate on used.

LaFave said: "I never want to be in a situation where I have to rely on new-car sales again." **AN**

J. BERTOLET VOLKSWAGEN, ORWIGSBURG, PA.

Small VW store embraces its past and delivers top customer ratings

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Change hasn't come easy at J. Bertolet Volkswagen since it opened 50 years ago at the edge of tiny Orwigsburg, Pa. And that's a big reason for its success.

It's still a single-point store, in the same small-town location, run by the same family — including three generations of men named John Bertolet.

The dealership's founder lasted three days in retirement before he grew weary of playing golf and realized he'd miss the car business too much. Now 85, he typically comes in four days a week to chat up customers, though two of his sons handle daily operations.

"I'm retired from the business part of it, but I go there to see the customers and the employees," said John Bertolet, who's known as Jack Sr. "I love to see people purchase cars from us for years and years."

Jack Jr., who's now president, and brother Blayne, the vice president, share the duties of greeting each customer who arrives for service or delivery of a new car. After a renovation project that included offices on a new second story, they suddenly felt isolated from people walking into the showroom and quickly moved back down to the sales floor.

"It means a lot for people to know the owners," said Jack Jr., 60. "We find sometimes that just going over and saying, 'Good morning' and offering a cup of coffee, it can break the tension, if there is any tension."

Staying small

That sort of personal touch helped J. Bertolet rank first nationally in Volkswagen Group of America's Customer Experience Index, a measure of sales and service satisfaction combined, in 2014. The dealership also was No. 1 in the sales category alone, a VW spokeswoman said.

VW's U.S. CEO, Michael Horn, drove the 2½ hours from the New York auto show this

■ Owners greet, thank customers in person



J. Bertolet Volkswagen Vice President Blayne Bertolet, left, and President Jack Bertolet Jr. share the duties of greeting customers who arrive for service or delivery.

month to congratulate the Bertolets on their top rating and deliver a plaque marking the half-century milestone. Horn spent a few hours touring a business that ranks among the smallest of VW's 650 U.S. retailers.

J. Bertolet sold 215 new vehicles last year, compared with an average of 565 for the brand nationwide, and about 300 used. It has just 21 employees, including John Bertolet III, the general manager, who's preparing to take over the business in the coming years (and may eventually pass it on to his own son, John Bertolet IV, now 4).

"Years ago, we had the opportunity to take on other franchises," Jack Jr. said. "My decision was I just wanted to be the best VW dealer that I could. We didn't want to be the biggest. We just wanted to be the best we could be."

Repeat business

Employees, many of whom have worked there for decades, often juggle multiple roles. Title clerk Bev Miller, for instance, answers most incoming calls as she processes paperwork. She also calls customers scheduled for service the next day herself.

"He wants people to hear voices instead of

machines," Miller said. "I've had a lot of people say, 'I'm so glad you called. I would have forgotten.' Their lives are so busy right now, so it helps."

Shortly after each new-vehicle delivery, Jack Jr. or Blayne calls to make sure the buyer is satisfied. They also go over customer survey responses at 7 each morning and respond to any negative feedback that same day.

The repeat business that follow-up helps generate has been critical in such an out-of-the-way area. The borough of Orwigsburg has grown only from about 2,200 people when J. Bertolet opened to 3,100 today, and surrounding Schuylkill County has lost population over that period. But the dealership draws more than 40 percent of its customers from the neighboring, more populous county.

Jack Sr. first opened a used-car lot in 1949, the same year VW introduced the Beetle to America. He signed with VW in 1964, impressed with the brand's early success here and that it didn't have to discount its cars to sell them.

"I never dreamed I would be around at 51 years in the same business," he said, adding: "It's pretty hard to throw me out." **AN**

DON MOORE GM CENTER, OWENSBORO, KY.

A Kentucky dealer's cup overfloweth

Gifts of time, money
help the homeless,
build goodwill

Printed in Automotive News May 4, 2015

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The air conditioning at St. Benedict's Homeless Shelter in Owensboro, Ky., doesn't run on caffeine, but it might as well.

The \$2,500 AC system was funded two years ago by proceeds from the Overflow Cafe, a coffee shop attached to Don Moore GM Center, a Chevrolet-Buick-GMC-Cadillac dealership. The shop, which sells everything from caramel macchiatos to sausage biscuits from its bustling drive-thru window, donates 50 cents from every coffee sale to local homeless shelters.

■ Proceeds from coffee shop benefit the homeless

The cafe generates about \$12,000 a year for the homeless, nearly a quarter of the roughly \$50,000 a year that Don Moore Automotive gives annually to charities, much of it serving the poor and sick. It's an outgrowth of owner Don Moore's religious faith and stewardship of his family name, which has been associated with selling cars in Owensboro since his great-grandfather opened a Chevrolet store in 1919.

"Our reputation comes not from what we think and say but what we do and what people see," says Moore, 53. "People can see that our commitment to the less fortunate is very real and important to us."

A ride to the shelter

Moore does more than write checks.

More than 20 years ago, his family began building beds for a local shelter as part of his kids' Sunday school program. He and his wife, Marla, regularly volunteer at St. Benedict's, serving meals and supervising chores, says Joe Welsh, the shelter's director. The shelter serves up to 60 people and stays open 8 p.m. to 8 a.m.

On a few occasions, Moore has dropped off shelter regulars at St. Benedict's after spotting them around town after hours, Welsh says.

"The biggest help we get from Don is outside of the dealership's financial support. He



Don Moore at the Overflow Cafe, a visible symbol of his family's support for the needy.

invests his time," says Welsh, the only full-time employee of St. Benedict's, which has an annual budget of around \$100,000. "That benefits our shelter because the community looks to him as a leader."

Like most dealers, Moore, whose family owns six dealerships and has 13 franchises, including Honda, Ford, Toyota and Hyundai, has always given to charity. But around 2008, he decided to formalize the store's charitable pursuits, separating out the Little League sponsorships and school fundraisers into the marketing budget. The focus, he decided, would be on "the less fortunate," especially the homeless.

Brisk business

The idea for the cafe popped up in 2011, when his General Motors dealership — his largest — relocated to a renovated grocery store, which had a drive-up pharmacy window.

Moore saw a chance to offer a nice perk for service customers. (They're given free tokens during visits.) His adult daughter, who is also involved in charities for the needy,

suggested diverting proceeds to shelters.

Moore assigned a dealership sales associate, Susan Anderson, to manage the shop, which employs five. Across town from Owensboro's only Starbucks, the Overflow does brisk business.

Many frequent patrons know about the cafe's mission and have become donors themselves.

Local shelters can apply for a grant from the Overflow charity proceeds to cover capital outlays or help pay the bills in a pinch. That's how Welsh replaced the bum air conditioner: Moore noticed the unit wasn't working during a volunteer shift and suggested that Welsh apply for funds.

The coffee shop loses about \$2,500 a month, Moore says. That doesn't worry him. He has a hunch that the goodwill offsets any red ink. It has become not only a local hang-out but also a visible symbol of his family's support for the needy.

"It makes me a much better dealer because it shows this is a good place to work," Moore says. "People in the community know that we care about them." **AN**

JENKINS & WYNNE, CLARKSVILLE, TENN.

Tennessee dealership group reaches out to empower female customers

Printed in Automotive News May 11, 2015

Lindsay Chappell

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A visitor to Don Jenkins' dealerships in Clarksville, Tenn., will find a fair share of brawny men. Steel-cut U.S. soldiers, some of them, along with guys quizzing salesmen about rugged towing packages.

But female shoppers are less plentiful.

So the dealer's daughter, Casey Jenkins, is doing something about that — starting with a pink website and including such accessories as complimentary fingernail files and bouquets of flowers.

■ Website, call center cater to women

"What woman doesn't need a new fingernail file?" she asks, handing over one printed with these words: "Women at the Wheel.net. For women. By women."

The younger Jenkins — the designated heir to the Jenkins & Wynne group of Ford, Lincoln and Honda dealerships in downtown Clarksville — is on a mission to broaden the family's customer base — not to diminish its loyal base of male customers, she clarifies. The goal is purely in the interest of helping women in the market feel more empowered to shop for vehicles, seek service work, buy a part or ask for customer service.

"I want to attack the problem of females not feeling knowledgeable when it comes to asking for service or sales help," says Jenkins, 34 and a repeat competitor in the grueling Ironman triathlon races. "You wouldn't believe how this has opened the door for women to call us and let their guard down and talk about cars."

Step one for the dealerships was a website, womenatthewheel.net, created by Jenkins and her sister-in-law, fellow company manager Fran Jenkins. Emblazoned in pink, the site is not so much a sales site as an information center, Casey Jenkins says.

"It's not a girl-power site, and it's not really a selling site," she says. "It's a place where females can just ask about automotive things. Our hope is that they can learn more about sales, service, parts and even body-shop issues to make them better at communicating with a



Dealer principal Don Jenkins and his daughter, Casey Jenkins, who has made it a priority to make women more comfortable in Jenkins & Wynne dealerships.

dealer, whether it's us or somebody else."

In truth, the stores have a manly kind of ambience to them. But male shoppers have been good to the dealerships since Don Jenkins' father and a partner opened for business in 1953. The Ford store is one of the brand's top retailers in Tennessee, thanks to good trade-in trucks. And a third of the group's 320 to 350 new- and used-car sales a month come from the Fort Campbell Army base on the north side of this market.

But the business needs to keep growing, says dealer principal Don Jenkins, 65. Clarksville is growing and sprawling into new areas, and just across the street from him, Austin Peay State University's 10,000-student population is forecast to grow as the university expands its campus. Jenkins wants his dealership group positioned for a bigger and more diverse community.

"With women, it's more of a trust issue," he says. "If they have a relationship with somebody they trust here at the dealership, then this is where they continue coming back."

The dealerships' website directs questions to a call center staffed by Casey and Fran Jenkins and a third female employee. They

answer all calls, ranging from car specs to finance to mechanical issues — or at least offer to track down answers.

Jenkins & Wynne also started a marketing campaign called "Going the Distance for You," with an eye toward reaching women. A customer can schedule a service appointment and arrange for a driver to pick up the car, take it in for servicing and bring it back afterward.

"For someone who has kids and has to get to work and run a household, if we can step into that part of her schedule and take care of it, then we've made her day," Casey Jenkins says.

In February, the group's service departments gave out bouquets of Valentine's flowers to female customers when they picked up their cars.

"What your sex is makes no difference in our dealership," says Don Jenkins. "But I tell all the people on my sales force, when a family comes in here, the guy might be the mouthpiece, but it's typically the woman who makes the family budget. She's the one who knows what they can spend."

"So if you're going to ignore one of them, you'd be better off to ignore the man and focus on the woman." **AN**

O'DANIEL MAZDA, FORT WAYNE, IND.

Reconditioning fund ends store's strife

Account brings a sense of discipline to decisions at auctions

Printed in Automotive News May 18, 2015

Bradford Wernle

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Julie Kimes remembers the battles between the used-car and service departments at O'Daniel Mazda in Fort Wayne, Ind.

"I'd go to the auction. We'd buy what we thought was a good car at a good price," says Kimes, general sales manager. "We'd get back and the reconditioning costs would be astronomical. The used-car manager and service manager were always fighting with each other."

■ Earmarking money to recondition used vehicles

That's because reconditioning costs often wiped out the profit the sales department hoped to make on a used car. The disparity threw Kimes' calculations out of whack, even though she was using the vAuto inventory management tool. And used vehicles are a big deal at O'Daniel Mazda, which sells about three used vehicles for every new one.

So Kimes came up with a simple remedy — the Recon Fund — that has virtually ended the strife. For every used vehicle Kimes and her buyers acquire at auction or in trade, they put \$450 — the average cost to prepare a used vehicle for resale — into the reconditioning fund. Kimes and her team closely monitor the fund and make adjustments when necessary.

The fund has brought a sense of discipline to O'Daniel's purchasing decisions at auctions, she says.

Not only does the fund cover reconditioning, it pays for repairs when something goes wrong with a used vehicle recently purchased from O'Daniel.

"I had a customer who bought a Jeep six months ago. Their transmission went out. It's completely taken care of — \$2,800" out of the fund, she says. But such big charges are rare, she says. "It's like having an in-house insurance company."

In addition to promoting better relations between the used-car and service departments, the fund keeps customers happy.

"The biggest thing is to be able to take care of the customer and not have to argue with every



Julie Kimes' idea for the Recon Fund settled the friction between the used-car and service departments.

person in the service department, because it was a battle," she says. "Let's say you bought a \$15,000 car and a month later your transmission goes out. Most dealers are not going to fix that. We're going to take care of that for you."

Kimes and her team don't mention the fund to customers.

"Customers never know we have that. They all expect something to get fixed. We don't want to leave a customer hanging."

Kimes says the fund is "not a money-making account" and there has been money left in the fund every year since it was launched in 2010. A portion of what's left over is distributed to members of the management team. Last year, there was about \$16,000 left.

"Everybody got a 3 to 5 percent bonus out of those funds," which amounted to \$600 apiece, she says.

Since the fund was created, O'Daniel Mazda's used-vehicle sales have been thriving in a tough market. Kimes describes Fort Wayne — home to General Motors' Fort Wayne assembly plant — as GM territory.

"We're a single-point Mazda dealership in a GM town. We do great business with Mazda, but it doesn't sustain the inventory I need for our used-car operation.

"We sell a whole lot more used cars than

we do Mazdas. Mazda makes a great product, but you can only get so many."

The Recon Fund is just one thing O'Daniel Mazda has done to boost used-vehicle sales. Kimes also created a promotion called Monday Markdown to boost excitement around older vehicles. Customers are notified of the vehicles on sale via email.

"We pull our traditional pricing," Kimes says. "Our oldest 10 cars go to a Monday Markdown. Monday was our slowest day. Now it's our busiest. We showcased our oldest 10 vehicles at blowout prices. I'd rather retail them than send them back to auction and take a hit."

Since launching the Recon Fund, O'Daniel has steadily increased its used-vehicle sales. Last year, O'Daniel sold 739 used vehicles for a 4.4 percent share of the Fort Wayne used-vehicle market, up from 358 used vehicles and a 2.45 percent share in 2010, according to the local dealers' association.

The used-car push has helped O'Daniel Mazda win DealerRater's Mazda dealer of the year award three years running.

It's difficult for Kimes to remember what life was like before the Recon Fund. Now every car she buys fits into an overall plan.

"It's creative balancing," she says. "That's all it is." **AN**

AUDI STUART, STUART, FLA.

LONG WAIT, QUICK WIN

After finally acquiring an Audi store, dealer gets brand's top award after 1st year

*Printed in Automotive News May 25, 2015***Ryan Beene**

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It took Mario Murgado a decade to get the Audi franchise he dreamed of — and only one year for his store to rise to the brand's highest echelon of dealerships.

After opening in December 2013, Murgado's Audi Stuart near Florida's Atlantic coast was one of just a dozen dealerships last year to win Audi's Elite Magna Society award, the highest honor bestowed upon Audi dealerships.

It was the equivalent of an NFL expansion team winning the Super Bowl. For Murgado, CEO of Miami-based Brickell Motors, it was a quick payoff on his bet that Stuart, Fla., could hold its own as a luxury market.

Murgado says he had coveted an Audi dealership since 1993, when he sat on the brand's dealer council, representing billionaire Miami dealer Norman Braman's Braman Imports.

During Murgado's final years running Braman's group as CEO, he says, he saw Stuart, on the tony Treasure Coast region of Florida's eastern shore, as a promising opportunity for Audi. Luxury brands such as BMW, Lexus and Mercedes-Benz had locations farther north and south, but not in Stuart. Yet luxury car demand had existed there for years, Murgado said, as Stuart residents often bought BMWs from Braman dealerships in Palm Beach.

Luxury auto outpost

"A lot of the dealers that were there never treated the place with the respect that I thought it deserved and never built a top-class facility," Murgado said.

After founding Brickell Motors in 2001, he wrote to Audi asking to add a store in Stuart, but to no avail. He tried again a few years later, but the brand still wasn't interested.

Murgado finally got his wish in the summer of 2011, when Audi's dealer network was growing. He hatched a plan to turn Stuart, about 100 miles north of Brickell's primary dealership cluster in and around Miami, into

■ Focus
on customer
service and
staffers with
nonauto
backgrounds



Mario Murgado invested \$14.5 million in Audi Stuart, a 31,000-square-foot store on Florida's eastern shore based on the brand's Terminal design standard.

the group's luxury auto outpost, purchasing 12 acres of land and opening flagship stores for Audi and Infiniti by the end of 2013.

Murgado invested \$14.5 million in his Audi dealership, a 31,000-square-foot store based on the brand's Terminal design standard.

Customer service scores are important in Audi's performance metrics, and General Manager Devin Carlson says he wanted to create an experience that was more luxury than just luxury auto.

"We wanted people to come into the door and feel like they were at another high end retail business," he said.

Launch marketing included radio and TV ads, a social media push and events designed to bring well-heeled customers into the dealership, such as hosting the annual leadership

dinner of the Martin County Economic Council, a local business leadership group, in the showroom.

The dealership offers a concierge service that provides loaners and picks up and delivers vehicles for servicing up to 20 miles away. Murgado says staffers drummed up fixed operations business by mining registration data for Audi owners and cold-calling customers to offer the concierge service and a free oil change.

Creating a new culture

Test drives are offered at prospective customers' homes, offices or over a weekend, Murgado says. Customers needing a car wash can pop in for a free one at any time.

Audi Stuart sold 525 new Audis last year.

One key to the early success, Murgado says, was the staff, starting with Carlson, who had been sales director for two Lexus dealerships owned by Jacksonville, Fla.-based Brumos Automotive.

Carlson oversaw the rest of the dealership's hiring and brought in many employees with nonauto backgrounds. His sales team includes a former schoolteacher, a golf pro, business owners, an insurance salesman and a retirement fund manager. No employees were brought from Brickell's other dealerships.

"We wanted to have a culture established here that was unique and created here in this environment," Carlson said, "not brought in from the outside."

Audi's Magna Society program rates dealerships on their performance against goals for sales, customer service, facilities and fixed operations. Ninety-one Audi dealerships won the brand's Magna Society award last year. But only the top 12 received the Elite designation. Carlson says Audi Stuart was one point shy of the highest possible score.

Murgado hopes his performance with Audi will translate into additional luxury stores in Stuart.

He said, "It was important to demonstrate to other manufacturers in the future that we can go anywhere we want and that with the right systems and processes in place, you can be successful." **AN**

ZEIGLER AUTO GROUP, KALAMAZOO, MICH.

Getting schooled in auto retailing

Under a former elementary principal, learning never ends

Printed in *Automotive News* June 1, 2015

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A decade ago, Aaron Zeigler decided that to grow his four-dealership company, he needed to cultivate his own employees.

So the president of Zeigler Auto Group hired Mike Van Ryn, a former elementary school principal, to recruit for the group. Van Ryn used traditional dealership hiring methods but also hit the college trail, getting to know business school professors and offering internships and jobs to their best and brightest students.

■ Ongoing training is key to the company's culture

Zeigler also set up a training program to immerse new hires in the culture and values of the Kalamazoo, Mich., group.

The training evolved into Zeigler University, a live and video training program. The group's culture is steeped in ongoing learning. For example, training videos are on the daily to-do lists of all salespeople and service advisers.

Also included is a management grooming unit that has spawned "six or seven" general managers and about the same number of other managers, Zeigler said.

There's more: The group's employee turnover dropped to 7 percent in 2014 from about 25 percent in 2004. Its management turnover last year was less than 1 percent.

Large dealership groups such as AutoNation Inc. and Hendrick Automotive Group long have had formal training programs. Zeigler's shows that a dealership group doesn't need to have a hundred stores to put a training program in place and see the benefits.

Career path

"When we first went to recruit [at colleges], we were going up against Fortune 500 companies and thinking, 'Gosh, we're a car dealer.' So we had to fight that perception a little bit," said Zeigler, 42.

"Mike and his team lay out a career path. They say, 'Here's how we are going to train and develop you. And if you perform at high levels, in three years, you could be running a \$10 mil-



Aaron Zeigler, left, hired Mike Van Ryn, a former elementary school principal, to recruit for Zeigler Auto Group. Zeigler University, a live and video training program, grew from there.

lion business unit. In five years, maybe you could be running a \$50 million business unit."

Zeigler Auto Group has nine dealerships in Michigan, nine in Illinois, two in Indiana and one in New York. "I'm still looking to grow the group," Zeigler said May 18, the same day he closed on dealership No. 21, a Mini store in Tinley Park, Ill.

The group ranks No. 66 on the *Automotive News* list of the top 150 dealership groups based in the U.S., with retail sales of 13,444 new vehicles in 2014.

It has more than 1,000 employees and recruits at 10 to 15 colleges, mostly in the Midwest. Van Ryn said the group also hires through career fairs, advertising and referrals from current employees.

Van Ryn, the group's director of talent development, recruited about 30 people in his first year. Of those, "six or seven" were college students. The number of recruits grew to 150 last year, including about 25 college students. Van Ryn, 42, is now assisted by four full-time recruiters.

He seeks candidates who have the potential to grow and become managers. "That's the only way we can grow and expand at the rate we are going," said Van Ryn.

Zeigler University, established in 2010, grew out of the recruiting effort. Sixteen Zeigler Auto dealerships have in-house training centers for their employees and employees of nearby sibling dealerships, Van Ryn said.

New-hire training starts with a six-hour orientation class focused on the company's history, customer service and teamwork.

The university has about 1,500 online training videos, some geared to sales staff and others to service advisers. Each of the five- to seven-minute videos stars Zeigler, Van Ryn or a guest trainer.

The group's 350 sales staff and 75 service advisers are required to watch three videos a day and take a quiz.

By invitation only

The most coveted part of Zeigler University is the performance groups of employees who are being groomed for management positions.

To get in, employees must have performed well in their current positions and receive an invitation from Zeigler or Van Ryn.

One performance group is for aspiring finance and insurance managers. The company is forming another group for office employees who want to become office managers and comptrollers. Another program is for high-performing salespeople and sales managers who want to become general managers.

That 10-member group meets six times a year at the group's headquarters. Members examine the dealership group's financial data, undertake accounting exercises and work stints in dealerships and departments other than their regular workplaces, Zeigler said. **AN**

FRANK KENT CADILLAC, FORT WORTH, TEXAS

Wine shop spawns bar/service lane

Upscale Texas store brings millennials, Cadillacs together

Printed in Automotive News June 15, 2015

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When Will Churchill and his twin sister, Corrie Watson, opened a small fine wine shop inside their Fort Worth, Texas, Cadillac dealership three years ago, it was a novel idea they hoped would at least break even and maybe help with customer satisfaction.

But it has done so much more than that.

Not only does the 250-square-foot Cadillac Wines generate about \$700,000 in annual revenues for Frank Kent Cadillac; it has been directly responsible for selling at least a car a month, Churchill said.



Churchill: "Such a new concept"

And it has helped the store become a GM Dealer of the Year for three years straight.

What's more, the little wine shop has spawned an offspring 20 miles away that seems to be kicking that success into a higher gear.

Kent & Co. Wines is an upscale wine bar in a trendy part of Fort Worth that draws mostly young people who sample wines while sitting amid new Cadillacs.

Millennials and mainly women

But the 3,500-square-foot wine bar, which opened in June 2014, has a second purpose: It serves as a satellite service lane for customers who live or work near downtown to drop off their vehicles for service.

So far, Churchill said, the wine bar is used by just a handful of customers each day. They drop off and pick up cars being serviced at Frank Kent Cadillac some 20 minutes away.

The cars are shuttled back and forth by the dealership's employees.

■ Wine bar acts as a satellite service lane



Kent & Co. Wines in Fort Worth, Texas, is an offspring of the wine store at Frank Kent Cadillac. The wine bar lets service customers skip the trip to and from the dealership, 20 minutes away.

"It's such a new concept that people are trying to get their mind wrapped around how it works," Churchill said. "But it gives a customer 45 minutes or an hour back to their lives from not having to go to the dealership and then catch a shuttle or another ride downtown."

"It's a very long-term approach. It's one of those deals that we hope will pay huge dividends maybe five or six years down the road."

Will Churchill
Frank Kent Cadillac

The wine bar opens at 6:45 a.m. each day and is run by a sommelier. When it opened, there were two new Cadillacs with one above the other in a corner of the seating area. Another new Cadillac was parked outside on the lawn. But as the wine bar grew busier, the Cadillac that was placed on the floor inside was removed to make space for additional tables, Churchill said.

"Those are our busiest tables, underneath the car," Churchill said. "In our industry, we take it for granted because we see the underside of cars all the time, but those seats are really coveted" by the wine bar's clientele.

Kent & Co. has attracted largely millennials and mainly women — exactly the type of

customers Cadillac covets, Churchill said.

"Our job was to get [the Cadillac] brand out in front of these younger consumers, to get them comfortable with it," he said. "They won't come to a Cadillac dealership, but they'll come to a cool, trendy wine bar. It's a very long-term approach. It's one of those deals that we hope will pay huge dividends maybe five or six years down the road."

Monthly wine tastings

While Kent & Co. expands the brand downtown, Cadillac Wines within the dealership now hosts about monthly wine tastings that have a waiting list of national winemakers eager to sell their finest vintages amid a bevy of Cadillacs.

"When was the last time that you had people pay to come to a dealership that wasn't a one-off charity event?" Churchill asked, adding that the monthly events draw about 70 people at \$50 to \$150 per person.

Cadillac Wines Manager Brad Kimura said the little dealership wine shop is the largest retailer of \$245-per-bottle Opus One wines in a 17-state region. And when Kimura doesn't have a wine customer, he hangs out in the service lounge.

He keeps the Cadillac customers happy, either with complimentary tastings or just making sure they stay satisfied with their service.

Churchill said: "This little 250-square-foot wine shop has spawned all of this." **AN**



Driven by w





Brian Bateman - Senior Account Executive, Pacific West
Lane Nichols - Dealer Principal, Gene's Chrysler Dodge Jeep Ram

What we love.

If a dealer says, "Jump," we say, "Is the Arctic Circle high enough?" The instant dealer Lane Nichols suggested turning their business meeting into a spontaneous ride through the Alaskan wilderness, Ally AE Brian Bateman jumped on board — business suit and all. There is nothing we love more than proving our dedication to our dealers, no matter how extreme.

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ally AUTO®

FISHER AUTO INC., BOULDER, COLO.

Colorado store embraces pets, pedals

Dealership's goal:
Provide outstanding
customer experience

Printed in Automotive News June 8, 2015

Jamie LaReau

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What some dealerships consider unusual, auto dealer Craig Fisher sees as the norm.

Take his fleet of loaner vehicles for service customers: The vehicles are bicycles, not cars. And his store's waiting areas are as likely to accommodate four-legged visitors as two-legged ones.

"If you told people they couldn't bring their pet in, you'd never see them again. It's going to cost you business," said Fisher, co-owner of Fisher Auto Inc. in Boulder, Colo. "Almost every store in town allows pets inside."

■ Loaner bicycles are offered and pets are welcome

The pets and loaner bicycles are part of Fisher Auto's culture, which reflects Boulder's culture.

"If you told people they couldn't bring their pet in, you'd never see them again. It's going to cost you business. Almost every store in town allows pets inside."

Craig Fisher
Fisher Auto

Boulder residents generally are outdoors enthusiasts who tend to love animals and nature. Fisher Auto, which operates Fisher Honda and Fisher Kia under one roof, has made a point to conform to the community's values since the business was founded in 1968.

As a result, the dealership has a strong reputation. It won American Honda's 2014 Customer Service Experience and Fixed First Visit awards. As of last week, it also had a 4.8-star rating on Google, from 731 reviews there.

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Top, a customer of Fisher Auto, which operates Fisher Honda and Fisher Kia under one roof, returns a loaner bicycle to the service center. Above, bicycles and helmets await customers.

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The store sells about 1,800 new and used vehicles a year.

Boulder, about 30 miles northwest of Denver, has acres of open space and a quaint downtown, all set at the foothills of the Rocky Mountains.

Bikes, not cars

People buy cars to travel the vast open spaces, Fisher said, but there are also more than 300 miles of bike paths through Boulder. So it makes sense that for 20 years, Fisher's service loaner fleet has consisted of bicycles.

The dealership has four free loaner bikes for service customers, Fisher said. Customers get a bike and a helmet, sign a waiver and off they go. If they are too tired to pedal back to the dealership, Fisher Auto has a shuttle van to retrieve them, he said.

Tim Jackson, CEO of the Colorado Automobile Dealers Association in Denver, remembers the first time he visited the store and saw the bikes.

"I asked, 'What are all the bikes for?' And they said, 'That's our courtesy loaner fleet,'" Jackson said. "They were way out of the gate early on that, but Boulder is an athletic community. It makes a lot of sense. They can put someone on a bicycle a whole lot cheaper than putting them in a loaner car."



Fisher: Bicycles are points of pride in Boulder.

Fisher couldn't estimate a cost savings because he has never had a motor-vehicle loaner fleet for comparison.

"Boulder prides itself on bicycles and pedestrians," said Fisher. "In Boulder, they plow the bike paths before they do the roads."

Going to the dogs

Along with bicycles in community importance are pets. So Fisher Auto has allowed pets in the store since 1968.

"Pets are a huge deal in Boulder, and they always have been for some reason," Fisher said.

Recently, a local businesswoman, Erika Schreck, came in with her golden retriever, Harley, and "set up house there with a bed and a blanket," Fisher said.



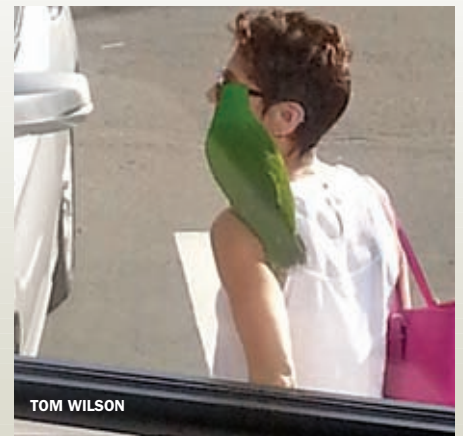
Local businesswoman Erika Schreck and her golden retriever, Harley, wait inside Fisher Auto. Below, a woman and her parrot visit the dealership's lot.

Many customers have vowed to return for service work because they can bring their pets inside while they wait for their vehicles. They also shop with their pets, he said.

"People bring their cat in the store," Fisher said. "People bring them in to buy cars. People will look at a vehicle to make sure their kennel can fit in the back or the back seat doesn't have a hump on it so the dog can lay on it."

Fisher said the goal of the amenities is to provide the customer with a great experience. He said most of the positive customer feedback centers on the bikes and pets.

"It's a fact of life in the society we're living in here in Boulder," Fisher said. "It's an evolution we've adapted to over the years." **AN**



TOM WILSON

SANDERSON FORD, GLENDALE, ARIZ.

HISTORY AT WORK

Museum, diner celebrate Ford heritage and family-owned store

Printed in Automotive News June 22, 2015

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Enormous sales volume would be enough for many dealerships to boast about. But David Kimmerle's Ford store also includes a diner and a private museum bulging with collectible cars and memorabilia.

Fifteen years ago, Kimmerle, CEO of Sanderson Ford in Glendale, Ariz., and his late wife, Sue, created a 15,000-square-foot museum in a former parts warehouse on the 65-acre site that houses the dealership. It adjoins the Ford store that sold nearly 30,000 vehicles last year — including hefty fleet sales — and a 1950s-style stainless steel diner that serves shakes, malts, burgers, fries and homemade apple pie.

■ Diner and museum connect the store to the community

The diner is open to the public for breakfast and lunch on weekdays. The museum opens for special community events.

"It's about our heritage at Sanderson Ford and our automotive history and memorabilia and things about the past that people have forgotten," says Kimmerle.

The museum celebrates Ford models and the family-owned dealership, which was opened in 1955 by Kimmerle's father-in-law, Don Sanderson. Kimmerle, 71, started working at the Ford store in 1961 and married his high school sweetheart, the boss's daughter Sue.

"The museum ... looks like an old parts commercial building," said Kimmerle. "We use it when we have car shows and also for fundraisers."

Kimmerle drew inspiration from Henry Ford Museum in Dearborn, Mich., which was founded in 1929 by Henry Ford. Kimmerle says he has visited that museum many times and has been given peeks "behind the scenes."

The Sanderson museum has antiques and other memorabilia that's not automotive-related.

"There is so much stuff," said Kimmerle. "I have traveled the world with Ford and collected things from all over the world."

And people just keep giving him things. His office "looks like 'Sanford and Son,'" Kim-



The 1950s-style diner at Sanderson Ford serves shakes, burgers, homemade apple pie and more.



David Kimmerle, left, hosts former Ford CEO Alan Mulally in his store's 15,000-square-foot museum. Kimmerle drew inspiration from Henry Ford Museum in Dearborn, Mich.

merle said, referring to the long-running TV comedy about a junkyard dealer and his son.

Kimmerle likes that homey feel. He bubbles over talking about his six children, who are all in the family business, and expresses hope that the 12 grandchildren will do the

same. Kimmerle quips about the industry's increasingly "conglomerate" character "and the guys that run them who are leveraged."

But make no mistake: Despite his humble

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Sanderson Ford CEO David Kimmerle says his dealership has “won almost every award” that Ford Motor Co. gives to dealers.

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words, Kimmerle is no small-fry dealer. Last year, he sold 6,000 new retail and 23,782 fleet Ford vehicles. He figures new-vehicle sales will be up this year because the store hit an all-time high of 438 new retail vehicles for May, making him the sixth largest Ford dealer in the United States last month, Kimmerle said.

Sanderson Ford has supplied more than 250,000 vehicles to U-Haul over the last eight years. The dealership just renewed its contract through 2020 with the Phoenix-based moving and storage company, which is also a family business, Kimmerle said.

Kimmerle said the store has “won almost every award” that Ford Motor Co. gives to dealers. Former Ford CEO Alan Mulally came to the dealership’s 60th birthday celebration earlier this year at Kimmerle’s invitation.

Sanderson Ford is the only dealership in the area that is closed on Sundays, Kimmerle said, “and that is a choice, the management philosophy.” It also closes on holidays such as Memorial Day “because we do a lot of military business — there are so many that are forgotten,” Kimmerle said, referring to armed forces members who died in service.

Sanderson Lincoln, 10 miles away in Phoenix, was acquired 20 years ago. Kimmerle said the dealership sells about 45 new vehicles a month. He says he’s hopeful sales will improve as Lincoln revamps its model lineup.

The museum is a showpiece for Kimmerle — but it’s not open to the public. The Ford dealership hosts numerous car club shows, automotive-related events and fundraisers throughout the year, he said. Invitees eat at the diner and get tours.



Sanderson Ford’s vintage fleet includes a 1941 Lincoln, top, and a 1956 Ford F100 custom street rod. The store also buys and sells old cars.

Some of the items were donated and include memorabilia from the Ford executive dining room, a small antique village and, of course, the cars. The museum, which has been expanded three times since it opened, has about 50 vehicles, Kimmerle said.

Its special vehicles include a 1932 Ford “Deuce Coupe,” 1929 Graham Paige fire truck, 1930 Model A, 1956 Ford F100 custom street rod, 1950 Mercury two-door hardtop, 2005 Ford GT and lots of Ford woody models.

Kimmerle says there’s even a Jeep-like mil-

itary vehicle that Ford produced for World War II.

Sanderson Ford also restores cars and buys and sells old cars. Last month, a 90-year-old WWII navy pilot sold Kimmerle his 1955 Ford Crown Victoria.

Kimmerle said the black-and-white two-door hardtop will be restored to its former glory.

Some of the restored cars are sold to subsidize the museum. His son-in-law Dustin is in charge of museum upkeep and maintenance, Kimmerle said. **AN**

RANDY WISE AUTOMOTIVE, FLINT, MICH.

Dealer goes the extra mile(s) for buyers

Staff will take shoppers to another store to find the right vehicle

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Can't decide? Want to see something else?

Let's say you're shopping at one of the Randy Wise Automotive stores in the Flint, Mich., area, and you decide to check out a vehicle from a different brand at another dealership owned by the group.

Well, just sit tight. The folks at Randy Wise will fetch the vehicle for you or drive you to where it is.

Five dealerships. Ten brands. New or used. Your pick.

■ Group taps all of its stores' inventory to make a sale

The family-owned dealership group calls it "Brand-Venience." It's a big part of why the Wises' vehicle sales grow year after year in a hard-luck city that's losing population.

The coined word came out of a 2012 brainstorming session. Local adman Greg Leach and Vice President Chris Wise, son of group founder Randy Wise, were trying to describe having 10 brand choices within about 20 miles of Flint.

Besides Chevrolet and Lincoln-Hyundai stores in Flint, the group has a Ford store in Ortonville, a Buick-GMC dealership in Fenton and a Chrysler-Jeep-Dodge-Ram site in Clio.

The group already sold used vehicles at each store as a single, 400-plus unit inventory. Why not new vehicles, too?

"Any salesperson can sell any brand, new or used," says Chris Wise, who doubles as general manager of the Clio store. If a customer wants to see a specific new or used vehicle not at that store, the sales staff doesn't send him or her down the road.

"We bring the car to them, or more often, the salesperson may jump in the car and take them to the other store," he says.

Randy Wise, 67, calls the practice an alternative to losing prospects who don't find what they like at that store.

"Everybody's first obligation is to sell the brand they represent," he says. But if a customer shows up at a store looking for a used vehicle he or she saw in the online Wise inventory, and it's not there, a salesperson will



Randy Wise, left, president of Randy Wise Automotive, and son Chris Wise, vice president, have seen sales grow with their "Brand-Venience" concept. Chris Wise says, "Any salesperson can sell any brand, new or used."

drive him or her to it or have a Wise driver bring it to the customer.

For new-car buyers, fetch-deliver works best when they compare two specific vehicles, Chris Wise says. "It happens multiple times a week — there are a lot of good products out there," he says.

The Wises urge salespeople to partner with colleagues at other stores, get store managers closely involved and keep a senior person with deep product knowledge handy to assist.

They won't give specifics of the sales compensation plan, "but it has become a recruiting tool for the sales team," Randy Wise says.

The "Brand-Venience" concept is boosting sales. New and used sales rose 23 percent in 2014 to 7,000 vehicles.

Volume is up 4 percent through five months this year.

And service revenue also is rising since the Wises started urging customers to bring their vehicles to the closest Wise store, regardless of brand, two years ago.

Growth's a neat trick in Flint. The city is the 1908 birthplace of General Motors, and its 1936-37 sit-down strike arguably led to the formation of the UAW. As a Buick-Chevrolet manufacturing hub, its 1960s population neared 200,000.

But with GM factories mostly closed, Flint fell below 100,000 residents in 2013. This

century alone, 20 percent of Flint residents left. Genesee County planners expect the city's population to drop to 67,000 by 2040.

The original dealership, refurbished in bright blue and gray, is an oasis on Flint's gritty north side.

Along 4 miles of Clio Road marked by shuttered auto dealerships and storefronts repurposed into churches, used-tire stores and the Liquor Cave, the tidy Chevrolet store with rows of freshly washed new vehicles stands out.

Randy Wise says locals appreciate him reinvesting at his original store.

"The neighborhood has rewarded us for staying," he says.

A second Wise competitive advantage is strong community involvement. Randy Wise is immediate past president of the Michigan Automobile Dealers Association, but he's known in the community for being chairman of United Way fundraising in Flint and for a five-year stint as head of the Buick Open.

He and Chris support 35 local and national charities including the Flint YWCA and American Junior Golf Association.

"Randy Wise Automotive is Michigan's leading automotive contributor to the United Way," says Kyle Canada, general manager of Randy Wise Lincoln-Hyundai, the other Flint store. "Virtually every employee here contributes." **AN**

TOYOTA OF PLANO, PLANO, TEXAS

Uber gives store's marketing a lift

Taxi service's drivers get Texas Toyota dealership's best deals

Printed in Automotive News July 6, 2015

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Hail a black car by smartphone in the Dallas area, and there's a decent chance you'll find "Toyota of Plano" on the license plate frame.

By offering hefty discounts and tailored online advertising, the dealership in Toyota's soon-to-be U.S. hometown has aggressively gone after customers who drive for Uber, a smartphone-powered taxi service that allows people to earn money giving rides to strangers. The dealership sells about 200 cars annually to Uber drivers — about 6 percent of the 3,200 new cars it sells in a year.

■ Targeting Uber drivers with online ads and discounts

Uber drivers get the dealership's best offers. It's a form of marketing: Future passengers may notice a Toyota of Plano license plate holder when they get picked up by a shiny new car. And when the driver and passenger start talking, a driver who got a great deal is far more likely to gush about Toyota of Plano.

"Word of mouth is still the best advertising there is," Rusty Gentry, general manager of the single-point dealership, said in an interview. "So we'll take an aggressive deal. We know what the advertising's worth."

Losing money on a sale might seem like a bad strategy, but Gentry said it makes sense considering that dealers spend an average of \$400 on advertising per car sold.

"If I lose \$1,000 to sell a car and [an Uber driver] sends me three customers," he said, "I still come out ahead."

\$750 driver discount

Toyota of Plano's strategy isn't surprising, given the size of the Uber-driver market.

At the start of the year, San Francisco-based Uber reported having 162,037 active drivers in its network nationwide, each of whom finished at least four trips in December. Thousands of drivers sign up each



Toyota of Plano targets Uber drivers in the hope that they will recommend the store to riders. General Manager Rusty Gentry says, "Word of mouth is still the best advertising there is."

month, and many of them must buy or lease a new car because Uber doesn't allow older cars into its program.

The company has lined up preferential new-car financing from Chrysler, Ford, General Motors, Hyundai, Nissan, Toyota and Volkswagen. It also inked a deal with the U.S. arm of Santander Bank to offer lease-to-own financing to drivers whose poor credit might otherwise stop them from getting a loan.

Hybrids such as the Toyota Prius are particularly popular with Uber drivers, who must pay their own fuel costs out of their fares.

Toyota has made a concerted effort to get more cars into the Uber fleet, offering a \$750 discount to drivers who buy or lease a new car. (Dealers check drivers' Uber ID numbers against an online database to verify that they're part of the network.)

Toyota of Plano has taken more steps on its own. It built a dedicated landing page on its website for Uber drivers and optimized it for Internet search engines. Customers who search Google for relevant phrases, such as "Uber discount Toyota," will find Toyota of

Plano high on the first page of results, immediately after Uber's own Web page.

'Walking billboard'

Some dealers might balk at giving Uber so much help. After all, Uber represents an alternative to personal car ownership.

Gentry doesn't see it that way. He uses Uber about twice a week. To him, it isn't a substitute for a personal car, but a way to go to a Dallas Mavericks game or grab dinner downtown without the hassle and cost of parking.

"A lot of the time [the driver] bought their car from me, which is really cool," he said.

On one recent excursion, Gentry hailed a car from his smartphone and was picked up by a four-year-old sedan with about 60,000 miles on the odometer. It wasn't a Toyota, though. It was "the second-best-selling Japanese car," Gentry said, avoiding naming names.

"I told him, 'You look like you're ready for a new Toyota,'" and gave the driver a business card, Gentry recalls. "My wife calls me a walking billboard. I'm always advertising." **AN**

TOYOTA SANTA MONICA, SANTA MONICA, CALIF.

With hydrogen fuel cell car, there's high pressure to get launch just right

Toyota, dealer handle new Mirai with an extra level of care

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For the first time in his 39-year career in the car business, Mike Sullivan has a car he isn't trying to sell.

Sullivan's Toyota Santa Monica dealership is one of just eight stores in California chosen by Toyota to sell the Mirai, a sedan that's powered by hydrogen fuel and promises a 312-mile range. But with the rare opportunity to sell such an innovative car comes the added pressure of not bungling a crucial new product for Toyota.

■ Events and videos to introduce the Mirai to potential buyers

Volume isn't the challenge. Toyota hopes to sell only about 3,000 Mirais nationally by the end of 2017. After the initial eight stores in California get the sales process up and running, additional stores in the Northeast could start selling the car as early as 2016.

But as the first hydrogen-fueled production car available for purchase, the Mirai does put an extra burden on dealers: The people who buy one need to love the experience and essentially serve as ambassadors for a zero-emissions technology that's not well understood.

"These are trailblazers, early-adopter-type customers," Ed LaRocque, Toyota's national marketing manager for the Mirai, told *Automotive News*. "They're going to come in educated, and the customer experience for this product is very important to the dealers and Toyota. We have to get it right the first time."

With a starting price of \$58,325 before incentives, including shipping, and a limited number of hydrogen fueling stations, the Mirai isn't necessarily a good fit for everyone, something Sullivan is keenly aware of.

"With everything else on my lot, I'm selling something. It's what I do," Sullivan said. "This car is the exact opposite. It's the reverse of selling. We're going to turn people down if this isn't the car for you."



Dealer Mike Sullivan takes to the live video streaming app Periscope to give dozens of viewers an introduction to the Toyota Mirai fuel cell vehicle.

Online orders for the Mirai are set to start July 20, with deliveries at the eight chosen dealerships expected to begin in October. Sullivan — whose Santa Monica store is part of his 10-store LAcarGuy network in Los Angeles — hopes to get a demo Mirai in August.

Toyota has led two full-day immersive training programs for the eight Mirai dealerships, both on the sales and service side, and ongoing training is planned.

The stores that will sell the first Mirais were chosen based on several factors: They're among Toyota's top volume sellers for hybrid and electric vehicles in the country, they're near current or planned hydrogen refueling stations, they have the financial resources to handle any necessary improvements to their sales and service departments, and they're in locations where a bulk of the Mirai's expected buyers live.

With an eye on luring in those target buyers, Sullivan is planning several public and private parties where potential customers can see and drive the car in the months leading up to its on-sale date.

Sullivan, never shy in front of a camera, took to the live video streaming app

Periscope in early June to give dozens of viewers a walkaround and demonstration of the Mirai. More of these events, and a broader social media presence, are planned.

Adapting an approach taken when Scion launched more than a decade ago, Sullivan's Santa Monica store will have a dedicated Mirai "champion," a point person who will handle nearly all of the test drives and deliveries.

Despite the importance of the Mirai experience at Toyota dealerships, minimal changes are necessary to the building in Santa Monica. The biggest improvements are on the service side, where Sullivan is repurposing a repair bay that will be used solely for the Mirai.

He's also planning on installing his own hydrogen filling station, where his Mirai customers can refuel, he said. All told, Sullivan estimates the improvements will cost him around \$150,000.

That's a small price to pay for the chance to help launch a landmark vehicle for Toyota, Sullivan said.

"This is a special car," he said, "and you have to want to be part of the change." **AN**

SILKO HONDA, RAYNHAM, MASS.

Building a brand in the service dept.

Answer to new rivals:
'SilkoCare' services
with every vehicle sold

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A few years ago, Adam Silverleib found his family's Honda store facing a problem no dealer wants to confront: Not one but two new Honda dealerships were going to open within 15 miles of his Raynham, Mass., location.

Competition in the Boston market is tough to begin with. Even after the downsizing of the Detroit 3 retail networks, the region is still heavily overdealed, making for intense pricing and margin pressure. At times, Silverleib said, stores such as his may average only about \$50 in profit on new-car sales.

With the addition of two points nearby, "the landscape was totally changed," said Silverleib, who runs Silko Honda with his father, Ira. "So we had to take a new approach and create something that gives people a reason to come to Silko."

That something turned out to be an offering called SilkoCare.

Launched in summer 2010, a year before the new stores opened, SilkoCare is a package of services included with every new and used vehicle sold at the dealership. It includes free maintenance for the first two years or 25,000 miles of ownership, discounted oil changes after two years, unlimited free car washes and a lifetime powertrain warranty.

The response was better than Silverleib expected. Service business has taken off, and the increase in service customers has opened opportunities for new-car sales, which are holding up amid the new competition. Used-car sales have increased, too, as has net profit.

'All we talk about'

Perhaps most importantly, SilkoCare has developed fans such as Michael Froio, owner of a 2014 Pilot and a 2012 Ridgeline, who chooses Silko over several other dealerships near his workplace.

■ Free and discounted services and a lifetime powertrain warranty



Adam Silverleib, right, who runs Silko Honda with his father, Ira, says they "treat people like a family" via SilkoCare, giving the store an edge.

"Free maintenance is a big deal for me," said Froio, a law enforcement officer. "I trust their service department. They know my car. And I tell everyone in my family and all of my friends to go to Silko."

It's a big deal for Silko, too. More than just a customer perk, it has become central to the 53-year-old dealership's identity.

"This is all we talk about," said Silverleib. "SilkoCare is on our name tags, on every piece of direct mail. It's the focus of all our advertising. We don't sell the deal. We don't advertise 'Lease for this price or that price.' It's SilkoCare. That's our message to customers: This is why you should come here."

Silverleib's grandfather founded the family business in 1962. In 2000, Silko Honda moved from Brockton, Mass., to a new building on Route 44 in Raynham, a town of 13,300 about 30 miles south of Boston.

By 2010, Silko was selling about 1,000 new cars a year. But the outlook was clouded by news that new Honda points would soon open in Brockton and Plymouth.

Silverleib and his father concluded the way to respond was to turn what seemed like a weakness — the fact that they are a single-point, family dealership — into a strength.

"You can go anywhere to get a big-box retail-

er experience," Silverleib explained. "We are a family dealership, so we have to treat people like a family. SilkoCare is how we do that."

Well above target

Silverleib declined to detail the cost of providing SilkoCare, but acknowledged that it adds to his expenses. He noted that he covers a number of powertrain claims each year.

But he said he has found that free maintenance, free car washes and other services also help generate additional revenue.

These days, Silko typically services more than 1,000 Honda vehicles each month, well above the expectations set by the factory, based on the units in operation in his area. Since SilkoCare is included with used cars, the dealership has also seen a significant increase in non-Honda service.

Any service visit, whether paid or free, also presents an opportunity to talk to customers about upgrading to a new vehicle.

And because his service operations have strengthened, Silverleib said he doesn't have to rely as much on pushing new-car sales volume. "We've stopped taking loser deals," Silverleib said. "We don't feel like we have to chase crazy deals because we know people are coming here for SilkoCare." **AN**

BOB TOMES FORD AND BRANDON TOMES SUBARU, MCKINNEY, TEXAS

10-foot rope measures stores' success

Dealerships' greeting rule helps boost customer satisfaction

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Texas dealer Bob Tomes wants his 175 employees, whether porter, sales rep or cashier, to be an extra set of eyes looking out for customers.

So at Bob Tomes Ford and Brandon Tomes Subaru in McKinney, Texas, all workers must comply with the 10-foot rule: If they are within 10 feet of customers, they must greet them and ask them about their experience and whether they can help them. If a customer shares a problem, workers are empowered to try to fix it. Some even have the discretion to spend dealership money, without management approval, to address the issue.

The practice, in force for about 12 years, has improved customer satisfaction and loyalty, Tomes said.

"Sometimes things go wrong, but we sure try to address it and amend it and make it better for them going forward," Tomes said. "Retention of those customers is very important to us as dealers. It's absolutely germane and critical to ongoing growth and profitable operation."

Tomes drives home the practice with a simple rope. He keeps 10-foot lengths of rope — thick, blue-and-white twisted cotton — in several departments at the dealerships. Managers pull them out often during employee meetings to reinforce the Tomes 10-foot rule and show employees what the distance looks like.

"Whether you're on the parts counter or the service drive, we want our customers to be acknowledged and to be recognized," Tomes said. "It's relationship building, relationship selling, relationship, relationship, relationship."

Helpful in service

Tomes traces the origins of the program to seeing customers visit the Ford dealership and remain unattended for a considerable period. He's also been inspired by the examples of customer service at luxury retailer Nordstrom and fast-food restaurant chain Chick-fil-A.

■ Staffers within 10 feet of customers must greet them and offer to help



Brandon Tomes, left, and Bob Tomes use a rope at Bob Tomes Ford in McKinney, Texas, to reinforce the 10-foot rule. "Whether you're on the parts counter or the service drive," Bob Tomes says, "we want our customers to be acknowledged and to be recognized."

Since the policy was enacted, customer satisfaction scores have gone up. They're above the group average for both Ford and Subaru, Tomes said, and they continue to grow.

Tomes bought the Ford store 32 years ago when McKinney, 30 miles north of Dallas, was just a small town. Now it's grown to a population of more than 150,000 and has been named one of the country's fastest-growing cities by the U.S. Census Bureau. The Ford dealership sells about 2,300 new and 1,800 used vehicles a year.

Tomes Auto Group has owned the Subaru store for five years. It sells about 1,050 new and 350 used vehicles a year.

The 10-foot policy is particularly useful in the service department, where customers pull in knowing they have a problem and that it will probably cost them some money. A little bit of Texas hospitality helps, said Tomes, who started in the auto industry working for Ford Motor Co. after coming back from service in Vietnam.

But it's more than just offering a smile and prompt attention.

Service advisers are empowered to spend up to \$75 without checking with a manager to solve a customer problem. That could cover free future oil changes, a nitrogen tire fill or a very inexpensive repair not covered by warranty.

If it would cost more than \$75 to address the

issue, the adviser can get the service manager or shop foreman involved to approve something more costly. An example of that could be a safety-related repair that is necessary even if the customer doesn't have the money. The dealership might offer to cover the labor expense if the customer buys the parts.

Evolution

That part of the program has evolved. When Tomes granted that spending discretion to employees a couple of years ago, he gave service advisers a \$200 limit. Other rank-and-file employees such as cashiers had a \$50 limit, but now they have to seek management approval. All employees had to fill out a customer action report to explain the problem and their decision to spend the money.

But Tomes and the other managers learned that involving a second person in the conversation with the customer can get to the root of the problem better and make sure the money is being spent on the right thing. There were times when employees spent the money when it wasn't necessary to solve a customer's issue.

Still, he makes sure his employees know the option to offer help is there should they need it. After all, Tomes' whole approach is about relationship building.

Said Tomes: "If a customer is not standing in front of us, he's standing in front of one of our competitors down the road." **AN**

BARRY CHRYSLER-DODGE-JEEP-RAM, EPHRATA, WASH.

Wholesale financing builds loyalty

Retailer rejects dealer reserve, forgoes F&I and used-car managers

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Denver Morford doesn't charge for arranging customers' financing. When Morford's customers receive loan approval, he gives them the lender's wholesale rate, also known as the buy rate.

Morford, dealer principal at Barry Chrysler-Dodge-Jeep-Ram in Ephrata, Wash., says he doesn't believe in dealer reserve, the percentage of interest a dealership is allowed to add to an auto loan as a fee for arranging the loan.

The rejection of dealer reserve is "a value-add to our business," Morford says.

After he tells each customer the buy rate, he explains that he has the legal right to mark up the interest rate for compensation, which most dealers practice, but he chooses not to. The average dealer reserve in his region is about 2 percentage points, or 200 basis points, he says.

Morford wants his customers to understand and be a part of what happens behind the scenes during financing.

"We show them the return stream when banks come back, and we show them the approval screens with lending options," he says. "We take the mystery out of the financing process."

So how does he make a profit on the loan? He doesn't.

Repeat customers drive his business. Morford believes his transparency has helped build his store's high level of customer retention. Business from repeat customers offsets any profit he has missed by forgoing dealer reserve, he says.

Morford says most of his customers have good credit scores, in the upper 600s or lower 700s. He thinks they should be rewarded for that, not charged extra.

Reputation has proved to be vital to Morford's success. In the last 10 years, the advertising budget for his new-vehicle dealership and two used-vehicle stores has plummeted to sev-

■ Buyers get wholesale loan rates



Barry Chrysler-Dodge-Jeep-Ram salesmen such as Ray Shearer, left, and Robert Beppele work with buyers from beginning to end of a transaction.

eral hundred dollars per month, from many thousands before, he says. Most of that funding goes toward search engine optimization.

Morford sold 160 new and 220 used vehicles at Barry Chrysler-Dodge-Jeep-Ram in 2014. At his two used dealerships, Barry Moses Lake Auto Center in Moses Lake, Wash., and Barry Motors of Wenatchee in Wenatchee, Wash., he sold about 170 each.

Morford's dealerships have no finance managers and no used-car managers. Instead, he trains his salesmen on both so that the customer works with the same employee throughout the transaction.

He works "hand in hand" with salesmen until they fully understand financing, he says.

If a salesman has a customer with a low credit score or encounters another unusual financing situation, Morford has a backup plan.

The used dealership in Wenatchee is about a 45-minute drive from the new-vehicle

store, and the Moses Lake dealership is about 25 minutes away. The general managers of those dealerships specialize — one in used cars, and one in finance and insurance.

"They are basically brought into the loop when a salesman is backed into a corner," Morford says.

On average, salesmen finish customers' paperwork in 10 to 15 minutes, Morford says.

Working with a customer through the transaction helps salesmen build a loyal following, and eliminates the risk that comes with turning the customer over to someone else, he says.

Morford also has a short list of F&I-related product offerings. He only sells guaranteed asset protection and extended service contracts, on which salesmen make commission. For other F&I-related products, he refers customers to their local insurance agents.

Morford views insurance sales as something separate from the dealership business. "We don't sell lumber. We don't sell insurance," he says.

"We sell cars. If you want insurance, go to someone who is specialized in that." **AN**



Morford: Taking the mystery out of financing

THOROUGHbred FORD, KANSAS CITY, MO.

It takes green to go green for K.C. store

\$100,000 effort to replace bulbs part of environmental focus

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It takes money to go green.

At Thoroughbred Ford in Kansas City, Mo., about 500 incandescent lights above the lot are being replaced with expensive, commercial-grade LED bulbs at a cost of more than \$100,000.

E-commerce Director George O'Sullivan cites the new bulbs as the most prominent of Thoroughbred's efforts to green up the way it does business.

Other green initiatives include:

■ Initiatives aim to make store more eco-friendly

■ Moving transactions from paper to electronic. O'Sullivan says the amount of paper generated by new-car transactions is being reduced by two-thirds. On a new-car sale, one paper copy of the buyer's order is made and handed to the customer. Then, it's scanned into the store's computer system.

"We're probably using about half the paper we were 15 months ago" overall at the dealership, said O'Sullivan.

■ Collecting old motor oil year round to fuel the service department's heating system in the winter. That part of the store is notoriously hard to keep warm because the garage doors are constantly opening.

■ Becoming the highest-volume Ford dealer in its market area in hybrids and electrics. When Ford launched its Fusion and C-Max hybrids and the Focus electric, Thoroughbred made them visible in the community by putting salespeople and their families in them.

"They are not the easiest sell in the Midwest, especially to highway drivers," O'Sullivan said. "As hybrid technology has improved, that has made it much easier. We took it very seriously and started pushing them." The store offers a free public charging station, which is used by customers and employees of local businesses, said O'Sullivan.

■ Protecting the ground from toxic chemicals. Thoroughbred stores caustic materials in double-walled containers kept in secure areas.



JOE RUTH

George O'Sullivan, e-commerce director at Thoroughbred Ford, and corporate attorney Stephanie Porter with a new LED light. The store is replacing 500 lights above the lot with LEDs and eventually will install them in every socket inside, says O'Sullivan. The dealership also is reducing paper use and reusing motor oil for heating.

"My home is here. And we're doing our part to make sure the world is a better place in the future."

George O'Sullivan
Thoroughbred Ford

The dealership sells about 250 new and used vehicles combined per month.

Saving 40 percent

Reducing the store's environmental impact makes good economic sense, O'Sullivan says.

The biggest savings will come from the switch to LED lights, which are expected to shave 40 to 45 percent off the store's monthly electric bills. However, because of the high cost of the LEDs, he says the lights won't pay for themselves right away.

LEDs can cost as much as 10 times more than incandescent bulbs. The return on investment comes in the amount of energy LEDs save and their long life span.

The U.S. Department of Energy says an LED bulb can last between 25,000 and 35,000 hours, compared with about 1,000 hours for

a regular lightbulb. That means the store will spend less on maintenance.

O'Sullivan says LEDs eventually will be installed in every socket in the store. "We've already started inside replacing lights. As [incandescent] lights burn out, we're replacing them with LED bulbs," he said.

"In the end, you will earn the money back in about two years. There's a 10-year warranty on bulbs, so that's eight years of reaping the benefit."

No boasting

Thoroughbred doesn't boast of its green initiatives, O'Sullivan said, in part because the company sells a lot of SUVs and pickups.

"Maybe that's something we'll do in the future. It's kind of hard as a car company saying we're green when we are selling the big SUVs," O'Sullivan said. "But you do the things that you can do to save money."

O'Sullivan, 51, has worked in dealerships for two decades. He said the public's growing acceptance of environmental causes surprises him.

"If you told me 20 years ago, I would have laughed at you. The thought wouldn't have concerned me.

"But my home is here. And we're doing our part to make sure the world is a better place in the future." **AN**

JEFF WYLER AUTOMOTIVE FAMILY, MILFORD, OHIO

Flying high above the competition

Drone shoots memorable videos to wow customers

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The Jeff Wyler Automotive Family near Cincinnati is going to new heights to wow vehicle buyers.

The 14-dealership group has purchased a drone — a remote-controlled, unmanned aircraft — to spice up promotions, social media campaigns and vehicle-delivery celebrations, said E-commerce Director Kevin Frye.

"In a highly competitive market, the need to differentiate yourself has never been more important," Frye said.

This summer, Jeff Wyler Automotive paid \$1,200 for the drone with a high-definition, GoPro camera mounted underneath the aircraft.

The camera is gyro-stabilized to minimize bouncing and disorientation while producing high-quality aerial photos and video, Frye said.

Frye, a former U.S. Navy aviator, said the drone is fun to fly. But Jeff Wyler Automotive has serious plans for it.

Perhaps the coolest use will be to provide customers taking delivery of vehicles with a memorable video. The camera will record salespeople handing over keys, hover shots of the driver through the passenger window and the car leaving the dealership.

That's the kind of unique video that customers will want to post to their Facebook pages and other social networks, providing Jeff Wyler with indirect publicity, Frye said.

Frye envisions a multitude of other uses for the drone.

He said the Jeff Wyler Automotive video team has started experimenting with aerial shots of inventory lots to show shoppers the wide selection that each store offers.

The drone can safely fly up to 400 feet for the wide-angle shots needed to show inventory, he said.

Additionally, the video team has started

■ Drone shoots videos for customers, promotions



Jeff Wyler group's Dan Dorsey says the drone has been flown by two-person teams: One checks what the camera is shooting and the other ensures that the drone doesn't hit any obstacles.

shooting B-roll video and shots of dealership exteriors, logos and vehicles, Frye said.

Those will come in handy because the group sends vehicle videos and photos to shoppers whenever they inquire about a vehicle either electronically or by phone.

Frye said the customary way of getting aerial dealership footage, hiring a helicopter, can easily cost \$800 or more for one go-around. Just having that ability with the drone nearly pays for the cost of it, he said.

Other uses include shooting charitable and promotional events at the stores or highlighting Jeff Wyler's contributions to the community. For example, the drone is being used to shoot the construction site of a new elementary school for the City of Milford, where Jeff Wyler headquarters are located. It also could record parades and fun runs.

Most of the videos and photos will be posted to store websites and social media channels, feeding those ever-hungry beasts for fresh content, Frye said.



Frye: Indirect publicity

The Jeff Wyler group ranks No. 39 on the *Automotive News* list of the top 150 dealership groups based in the U.S. with retail sales of 19,752 new vehicles in 2014.

Frye is no stranger to drones. In 1990, during the buildup to the Gulf War against Iraq, Frye flew on low-altitude missions that required military planes to be wary of early U.S. drones circling battlefields and waterways. That said, Frye and staff still have a learning curve on how best to fly and deploy the drone, he said.

The drone can be flown by watching a monitor on the ground, said Dan Dorsey, Jeff Wyler multimedia production manager. But the team has been using two-person teams with one watching the monitor to see what the camera is shooting and the other acting as a spotter to keep the drone from hitting trees and other obstacles, he said.

Frye said the group is in a trial stage, and there's a chance the video produced eventually will lose the wow factor that makes it desirable today.

That's a risk that the group is willing to take for a leg up on the competition.

"Sure, it could come and go," Frye said. "But when you lead, you have to be willing to bleed." **AN**

QUIRK FORD, QUINCY, MASS.

Tech-savvy teens help dealership's buyers learn how to use car features

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Teenagers' addiction to their smartphones may be annoying to parents and teachers, but it makes them perfect candidates to work for Quirk Ford.

The dealership in Quincy, Mass., employs high school students as young as 14 to teach customers how to use the increasingly complex technology in their vehicles. Members of the Technology Team work with customers at delivery or during service visits — giving tutorials, answering questions and pairing phones with Bluetooth.

"They were surprised the job would be so simple for them," said Quirk Ford's general manager, Mike Quirk. "Technology comes to them pretty easily."

Quirk Ford started the Technology Team four years ago. The program has been so successful that Quirk Auto Dealers, owned by Mike Quirk's brother Dan, has expanded it to most of its 14 other locations in Massachusetts and New Hampshire.

About 70 students have been hired since it began, with most staying a year or two before going on to college. Demand for the jobs has far exceeded the number of available positions, Mike Quirk said.

The students earn \$11 an hour working evenings and weekends during the school year and full time during the summer. For many, it's their first actual job and a welcome alternative to McDonald's, Walmart and other places their friends end up working.

"I love coming to work every day," said Thomas Pugsley, who started after turning 16 last fall and previously worked part time at a T-shirt shop. "We're dealing with customers who are buying expensive cars and want to know what they're getting for their money. We show them their vehicle basically top to bottom, from the hood to the spare tire."

The students go through Ford's sales-support certification program, just as a traditional employee would, and frequently are tested on their knowledge of Ford and competing vehicles. They recently received training for

■ Hiring high school students to teach customers about vehicle technology



Members of the Quirk Ford Technology Team: Back row, from left, Shane Paccioretti, David Phelan, Thomas Pugsley and Mike Calnan; seated, from left, James Hussey, Steve Bowe and Ryan Cox. The teens typically spend about an hour with customers.



The program at Quirk Ford, where Mike Quirk, left, is general manager, has been so successful that Quirk Auto Dealers, owned by brother Dan Quirk, has expanded it to most of the group's other stores.

Ford's newly introduced Sync 3 system.

Pugsley acknowledged that some customers seem put off at first by having teenagers help them, but "they do respect us at the end once we show what we know." The dealership's full-time staffers often come to the students with questions as well.

The Technology Team frees salespeople to work with other prospective customers with-

out trying to hurry through delivery. Team members typically spend about an hour with each customer.

The dealership takes on about 10 to 12 students each year and usually schedules four at any given time, with two in the showroom and two stationed in the service department.

Hiring students has helped burnish Quirk Auto Dealers' reputation for being civic-minded, Mike Quirk said.

The program also inherently creates a pool of candidates for more permanent jobs. Quirk Ford has hired three of the students as permanent employees already: two for its Internet sales department and one as a service adviser.

Pat Freeman, who graduated from Quincy High School in the spring and will attend Quincy College this year, is one of the Internet sales hires.

"This is a great first step to start in the business world," said Freeman, 18, who had an iPhone but knew little about in-car technology before joining the Technology Team in March 2014.

"Before that, I had a paper route," Freeman said, "so this is the real deal." **AN**

ORLANDO PREMIER COLLECTION, ORLANDO

COLOR-CODED CARS

Dealerships grade used inventory by blue, gold, silver, bronze

*Printed in Automotive News Aug. 31, 2015***Lindsay Chappell**
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The secret to selling more used vehicles for Florida luxury dealer Peter Wilson was to make them easier to buy. He has color-coded them.

Wilson, owner of the Orlando Premier Collection, has launched a used-vehicle practice at his two Infiniti stores that he calls the Market Select Program. The stores now advertise and organize their used inventory in four grades, all clearly differentiated on his sales lots with window stickers in blue, gold, silver or bronze, depending on the degree to which Wilson has reconditioned and warrantied them.

The classifications are spelled out online, in printed material handed out at the dealerships and in presentations by the sales staff.

"We have graded our inventory to make it simpler for the customer," says Wilson, who also owns Jaguar and Aston Martin-Lotus stores in the Orlando area and is preparing to open a third Infiniti point. Only the Orlando Infiniti and nearby Sanford Infiniti have adopted the new approach.

Since introducing the system this year, Wilson's used-vehicle sales are running nearly 60 percent above a year ago, he says. His used-car profits are three times what they were a year ago.

Fewer cars to auction

"The Bronze Plus cars are pre-reconditioned, or sold as-is," he says. "We don't do any reconditioning on them, which is expense."

"These are cars that used to go to auction," he says. "I'm giving a customer the chance to buy what I just took in on trade. If I sold it to the auction, another dealer would buy it, transport it to another lot, and sell it at a higher price. I'm cutting all that nonsense out."

The grading system has enabled Wilson and the group's used-vehicle director, Kent

■ Used vehicles grouped in clearly defined categories



Florida dealer Peter Wilson says since introducing the new system this year, his used-vehicle sales are running nearly 60 percent above a year ago.

Hagebusch, to cut the number of vehicles they send to auction by half.

The blue-coded window stickers highlight vehicles in the official Infiniti Certified Pre-Owned class, adhering to the factory's 150-point checklist of reconditioning and inspections and warrantied for 6 years/100,000 miles.

Just beneath those are the stores' Gold Plus used vehicles with fewer than 50,000 miles and usually part of their original warranty in place. They are identified by gold window stickers and assure shoppers of a 125-point safety inspection and a 2,000-mile powertrain guarantee.

Below that is a Silver Plus inventory of clean vehicles with 50,000-100,000 miles but with the same 125-point safety inspection and 2,000-mile guarantee.

Finally, there are the Bronze Plus vehicles with more than 100,000 miles but still offering what Wilson calls a "peace-of-mind" refund policy for up to five days or 300 miles.

Wilson decided on his approach as he considered how a luxury dealership could deepen its used-vehicle involvement.

"As I compared notes with the dealers in

my 20 group, it was clear to me that no one was really hitting it out of the park on used cars," Wilson says. "And it was clear to me that in order to get better at it, the real hurdle I needed to overcome was pricing. I first needed to be able to buy used cars on trade-in more precisely and also price them for resell with greater precision."

Market-based pricing

Wilson acquired a market-intelligence software tool from FirstLook, which lets dealers see what similar models are being bought and sold for in a given area at a given time. Armed with that information 18 months ago, Wilson converted his stores to market-based pricing.

"That was really our critical first step," Wilson says, "to be able to accurately appraise a vehicle on trade-in and to price it correctly according to the market at this moment."

He describes the approach as a way to sell a used vehicle that is more in line with what the customer expects. The dealership spells out exactly what the customer should expect in each color category.

"Think of it this way," Wilson says. "If I don't set the expectation on the purchase, the customer is going to. And if the customer sets his own expectation, there's a good chance that I will fail to meet it because I won't know what he's expecting of the car. I don't want that."

"But if I set the expectations, then I'm going to meet them. And everyone will be more satisfied."

So far, Wilson's approach has worked smoothly based on the flow of trade-ins coming in from all of the Orlando Premier Collection stores. Wilson's two Infiniti stores sell 1,100-1,200 new Infinitis a year combined.

Wilson acknowledges that retailing Bronze Plus cars with more than 100,000 miles and no reconditioning is not the luxury image that Infiniti is honing. But customers are shopping for those vehicles — and there is opportunity there for the luxury brand.

"I'm now getting exposure to customers I would have never met before," he says. "They might not be looking for a luxury car, but maybe someone they know is — a friend, a neighbor."

"So if we do a good job of endearing ourselves to them with this used vehicle, we've endeared ourselves to their family and acquaintances." **AN**

DARLING'S AUTO GROUP, BANGOR, MAINE

Group finds making friends is a snap

Photo booths at community events yield leads, goodwill

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About five years ago, the Darling's dealership group in Maine dispatched a photographer to a Toby Keith concert to coax showgoers into having their photos taken next to a company banner.

The low-key promotion was a relative success for Bangor-based Darling's, which sells vehicles from Chevrolet, Nissan, Honda, Jeep and Audi and nine other brands across six dealerships in Maine. Hundreds of people agreed to provide their email addresses in exchange for the promise of a free concert photo. That led to a contest that awarded \$100 Visa gift cards to the most "liked" photos on Darling's Facebook pages.

The next year, Darling's marketers decided to expand the idea. Staffers built two large photo booths for use at concerts and other events. A few service technicians with carpentry skills helped to build the boxes. Tech-savvy employees equipped each with a camera and other digital gadgetry. The marketing team emblazoned each with Darling's logo and sample photos.

Today, the booths are hauled to events all over southeast Maine, from marathons and Halloween parties to high school gatherings. More than 15,000 prospective customers have happily turned over their email addresses and logged on to Darling's dealership Facebook sites to see their photos.

In many cases, the photo booth has replaced Darling's traditional event marketing approach. Local event planners sometimes simply ask the group to send a photo booth, rather than asking for a couple grand in sponsorship money.

"In the past, they'd send us a list of sponsorship tiers and say 'Pick one,' and we'd end up with a logo on a website," says Matt Smith, Darling's marketing director. "Now they all want the booth. It makes the event special and memorable for everybody."

■ Photo booth and ice cream truck engage potential customers



Darling's photo booths, hauled to events all over southeast Maine, have changed the dealership group's approach to marketing.

The success has emboldened the 112-year-old dealership group to direct more of its marketing dollars to community events. Today, about half its budget goes to event marketing.

"We've seen the value of being out in the community and talking to people," Smith says.

The investment in the do-it-yourself booths is nominal — they cost about \$2,000 each to build. But there are logistical challenges to placing them at six to eight events each month. Typically, dealership employees host the booths for the day, after hauling them to the site on a large trailer. When employees aren't available, Darling's recruits temporary workers to operate the booths, mindful that they will represent the company for the day.

As with most marketing, it's tough to peg a

return on investment, Smith says. Sure, many of its stores boast thousands of Facebook "likes," for whatever that's worth. And its database is populated with many thousands more email addresses of prospective customers than it would have had otherwise.

But the best measure, Smith says, is the feedback he gets from salespeople at the dealerships. They would like to see Darling's do more photo-booth events because of the goodwill they foster.

"Customers come in and it's like they already know us," he says. "They'll say, 'Oh, I was in your photo booth at the Van Halen concert last month.'"

The approach has spawned another creative grass-roots marketing idea: a Darling's ice cream truck, built by service techs from an old Army surplus van. The truck shows up at charity events by request and gives out free ice cream, with any contributions going to the event's cause. It has raised more than \$50,000 this summer. **AN**

CAPITOL HONDA, SAN JOSE, CALIF.

Wash not, want not at Calif. store

Amid drought,
Honda dealership's
cars drive out dirty

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Service customers at Capitol Honda in San Jose, Calif., can get a free wash with every visit. They just can't get it at Capitol Honda.

Facing a heavy maintenance bill on an antiquated car wash machine and pressure to conserve water amid a statewide drought, Capitol did away with the machine and the free service two years ago. In their place, it began offering customers a voucher to a nearby car wash group that uses only recycled water.

■ Vouchers
for service
replace free
car washes

Now, with pressure to conserve intensifying under new state regulations, the dealership is offering customers an incentive to forgo the wash altogether: They can redeem the value of the car wash vouchers in the dealership's service drive.

Free car washes are among the tools that dealers use to build customer satisfaction and repeat business. But dealership general manager Charles Caruso says customers these days seem to be OK driving away with a little dust on the door panels.

"You'd think that people conditioned to have the cars washed every single time they came in the shop would push back," he said, "but they really haven't."

Many California businesses have had to make such adjustments as California's drought has worsened. California Gov. Jerry Brown issued an executive order in April imposing statewide water use restrictions.

Capitol Honda, whose massive garage serves more than 200 service customers a day, has been ahead of the curve. The dealership replaced most of the grass surrounding its 14-acre property with cobblestones, Caruso said. A new sprinkler system was installed for a small grassy area that it kept to be more efficient.

To wash new and used cars in inventory, the dealership went to a low-flow, high-pres-



Capitol Honda's Jon Hagan, left, with Charles Caruso, says the dealership's customers understand the need to conserve water and deal with California's water restrictions.

"We were already trying to streamline the process. The drought kind of just pushed us into a corner."

Charles Caruso
Capitol Honda

sure wand car wash booth, which uses far less water than its old drive-through machine.

"We were already trying to streamline the process," Caruso said. "The drought kind of just pushed us into a corner."

Getting rid of its more than 20-year-old car washer — which Caruso dubbed "the flux capacitor" — has saved Capitol Honda lots of water, cash and hassle.

Mechanics were coming out every month to repair the monstrosity, which had become so inefficient that it was chugging around 2,000 gallons a day, said service manager Jon Hagan.

"It was getting to the point where things were so clogged that the water wasn't soft and you'd have to do two passes," Hagan said.

The washer's water reclamation system

needed a \$20,000 overhaul. A modern drive-through car wash would have set the dealership back about \$250,000, Hagan said.

Eliminating the in-house car wash, on the other hand, saved about \$20,000 per month, Hagan said.

The cost of the vouchers, roughly \$10 apiece, is more than offset by lower labor, insurance, maintenance and water costs.

More recently, Hagan said the dealership has begun to redeem the car wash vouchers with service department credit if customers bring back unused vouchers to the dealership within two weeks. Customers are told that it's all part of the effort to save water and deal with the state's water restrictions.

"Our customers have really jumped in with this," Hagan said. "We're a couple of years into this drought now so they understand."

Going forward, Hagan is evaluating other options, including new waterless car washing systems. The dealership hasn't decided whether to buy one, but the days of using thousands of gallons to wash cars are likely over at Capitol Honda.

"I still think that dumping 2,000 gallons of water into the sewer every day is an irresponsible thing to do," Hagan said. "I want to continue to move toward green." **AN**

DON CHALMERS FORD, RIO RANCHO, N.M.

Quality system keeps store thriving

Detailed procedures,
not individual whim,
drives N.M. dealership

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The late Albuquerque Ford dealer Don Chalmers was one of those people who could persuade others to do things they might not normally do.

Take Lee Butler, for instance. He left a rewarding career as a quality manager on advanced aircraft systems at Honeywell to work at Don Chalmers Ford in Rio Rancho, N.M., as director of performance excellence, not a common title in the auto dealer world.

■ Store runs based on a quality system with hundreds of measurable processes

Butler says: "People thought I was nuts — they'd say: 'You've been at Honeywell 20 years and you're going to a *car dealership*?' " Butler would respond by saying: "You don't know Don Chalmers."

That's how persuasive Chalmers was. So when he died in 2014 from a rare form of lymphoma at age 65, a question loomed: How would Don Chalmers Ford move forward without its charismatic leader?

But Chalmers had long since made sure there would be no drama or succession crisis. He did that by building an elaborate internal quality system driven by a detailed set of more than 300 measurable processes. The way Chalmers figured, the dealership should be driven by a system, not by the individual whims of people. Along the way, Chalmers even borrowed a page from the Alan Mulally playbook.

"We miss his enthusiasm, but we kept moving because of processes," Butler says of Chalmers. Don Chalmers Ford sells about 3,000 vehicles a year, evenly divided between new and used.

Chalmers set a goal that Butler and his boss, Gary Housley, have committed themselves to achieving: seeing Don Chalmers Ford become the first domestic-brand car dealership to earn the Malcolm Baldrige National Quality Award, named after the man who served as secretary of commerce



Lee Butler, left, and Gary Housley are committed to seeing Don Chalmers Ford earn the Malcolm Baldrige National Quality Award.

under President Ronald Reagan.

Only one dealership has won the Baldrige award: Park Place Lexus in Plano, Texas, in 2005.

"We're very much into the Malcolm Baldrige quality business model," says Housley, a plainspoken Oklahoman who served as Chalmers' general manager and took the reins as dealer principal after Chalmers died.



Chalmers: No drama or crisis

The Baldrige judges were in the middle of site visits to Rio Rancho while Chalmers went through the final stages of his cancer battle.

"We were really close about four months before he passed away," Butler says. "We wanted that so bad for him. The site visit happened in October 2012, while he was in chemo."

"We were disappointed we didn't earn it. But we got great feedback, and we kept going."

Housley says the dealership may try again next year.

The Baldrige award, presented by the pres-

ident of the United States, honors companies that excel in seven areas: leadership, strategic planning, customer and market focus, information and analysis, human resource focus, process management and business results.

Achieving the award requires serious commitment. There's a rigorous process, including a 50-page application form.

"You have to have these milestones and benchmarks you're constantly monitoring that are important to your business," Housley says.

That's why Chalmers hired Butler, who had bought a couple of cars at the dealership but who had never worked for a dealership before, for the unusual job of director of performance excellence. Butler's task is to monitor the critical performance benchmarks.

"He's not a typical car guy," says Housley of Butler. "His background is why we hired him. His background is in the quality process type of stuff. From being a regular car guy, we don't think in those terms."

"Everything we do should be documented, and every employee should be able to access

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Quality processes inspired by former Secretary of Commerce Malcolm Baldrige and former Ford Motor Co. CEO Alan Mulally helped Don Chalmers Ford transition smoothly after the death of its owner.



continued from previous page

any process we're responsible for doing. Lee is the keeper of those. If we can repeat the same process over and over, we know we'll do much more quality whether it's service repair and sales. We'll do it better that way than if we have 35 different people each doing it their way."

There is a process in place for everything from the mundane — how the coffee is made and the trash taken out — to the major — how customers are treated and how the sales procedure works.

The processes are organized into about 30 "key works systems" that reflect the Baldrige model, says Butler, who admits the dealership has to keep an eye on the number of processes to make sure there aren't too many. But new things keep cropping up.

"Social media is a whole new process we had to add," Butler says. "We wouldn't have had that five years ago."

The dealership makes all the processes accessible to employees via a software program called InProcess.

Lest all this sound a bit rigid, Housley and Butler say the dealership welcomes employee input. Housley says: "Try our way first. If you have a better way, we'll try it."

While the Baldrige-derived methods measure the dealership's progress in achieving long-term goals, Chalmers took a cue from former Ford Motor Co. CEO Alan Mulally to gauge how well the dealership is doing in meeting its business goals, short- and medium-term.

After Mulally came to Ford in 2006, he launched a weekly leadership meeting called the "business process review" in which the company's managers would gather and review their progress on meeting shared goals.

Chalmers read about Mulally's new style and asked his team why they couldn't make a version of it work, so the BPR process, known internally as "beeper," became part

of the culture at Chalmers Ford. The only difference was that team leaders at the dealership would meet monthly, not weekly.

Between the Baldrige process and the Mulally-style process review, Don Chalmers Ford smoothly made the transition after the untimely death of its much-loved owner.

Housley had the difficult job of speaking to the sales force the day after Chalmers died. He says he employed patented Don Chalmers wisdom to boost their morale.

"Don passed away Sunday, and I addressed the sales force Monday. One of the things he often said was: 'If you have a headache, sell a car. If you're fighting with your wife, sell a car. If you have money problems, sell a car. We can solve everything by selling a car.'"

"As I related that to the sales force, they all got it. They knew he'd want everybody out selling cars and not mourning Don.

"Don's passing did not catch us off guard. We had everything in place. We didn't lose a person through the whole transition." **AN**

NISSAN OF COOKEVILLE, COOKEVILLE, TENN.

BREAKING FROM TRADITION

Dealer takes his own approach to pricing, training, advertising

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Michael Rezi will proudly tell you that they do things differently at his Nissan of Cookeville store in the central Tennessee market of 100,000 people.

But that is the way the 32-year-old dealer wants it. Rezi has crafted his own approach to vehicle pricing, a different method of training employees, different compensation practices and a gutsy advertising strategy that canceled almost all traditional media spending to focus almost exclusively on digital and social media.

"I worked at other dealerships, with other people in the car business," says the dealer in the clear Italian accent he brought from his hometown of Florence. "It didn't seem to be working well, the way everyone was doing things in all the usual ways."

"I decided that if I ever got my own dealership, I was going to do everything different from the normal practices. If tradition isn't working, why keep doing it?"

The chance to freely put his ideas into action came in 2011, after he had turned around a struggling Nissan store as a general manager in Gallatin, Tenn., just north of Nashville, and was invited to come into the Cookeville store as an owner.

Languishing store

The store had been languishing in the shadow of nearby Toyota and Honda dealerships. It was selling 60 to 65 new and used vehicles a month; it was losing money; and its customer satisfaction scores were terrible, Rezi says frankly.

Today, four years later, the store is selling more than 200 new and used a month. Rezi says he's outselling both Honda and Toyota in Cookeville. He has been the top retailer of Nissan Frontier pickups in Tennessee, and his store ranks in the top 10 percent of pre-owned

■ Base salary plus bonuses, continual instruction, "collaborative pricing" and a focus on digital marketing



"If tradition isn't working, why keep doing it?" says Nissan of Cookeville's Michael Rezi.

sales volume in the Southeast for Nissan. The store's customer satisfaction scores are running far ahead of his Middle Tennessee Nissan sales region and are in the top 5 percent in the nation. On measurements of conquest sales, customer loyalty and repeat business, the store is outperforming the region and the nation.

Rezi is surrounded by other young people at the store, most of them in their 20s. He intentionally hires people who have no experience in the field, on the premise that they are not bringing traditional auto sales practices and attitudes with them.

Training time

But to compensate, he devotes more time to training them. Each new employee spends a week driving the cars in Nissan's portfolio and getting to know them all. The hire spends another week doing in-depth walkarounds of each vehicle, learning the trim packages and understanding the technologies it contains.

The new hire then spends two weeks working as a sales support apprentice, shadowing a more experienced salesperson, observing and helping on interactions and sales.

The training then continues indefinitely, as

it does for everyone on the 80-person staff. Every Wednesday and Friday, the store conducts classes to dive deeper into various topics and skills.

The employees receive a guaranteed salary of \$30,000 a year. Additional commissions and bonuses are tied to things other than moving metal — such as shoutouts on the online review site Yelp.

Community involvement can earn employees a bonus. Helping out a service customer can earn them a reward. So can helping another salesperson with a sale, or assisting a customer in a department other than their own.

Boosted by the stream of bonuses and customer satisfaction targets, the median income for the staff is \$6,850 a month, according to Rezi. More than a fourth of the employees earn \$70,000 a year. He also allows for flexible work schedules and provides everyone a free gym membership.

Walking away happy

A customer who wants to negotiate down the asking price likely will have an experience Rezi calls "collaborative pricing."

The Nissan salesperson will sit with the customer and open a laptop. The two will explore together all competitive products, vehicles in inventory at other brand stores and also the same model being offered by other Nissan dealers in the region.

When the research is completed, Rezi's sales associate will ask the customer: "Do you think we're offering a fair price?"

If the answer is still "No," the associate will ask: "What do you think would be a fair price?"

If the customer's counterproposal is reasonable, the associate will accept the offer. If the customer shows the salesperson that Rezi's asking price is too high, based on their competitive search, the associate will say, "You're right. We're not competitive," and then meet the competition's lower price, if it's reasonable.

If after all that, the customer is still prepared to walk away, the Rezi associate is trained to let him or her leave with a positive feeling toward the store, confident that the dealership has communicated an effort to be transparent, honest and fair.

"I know that might sound a little unusual to some people," Rezi says, "But we're very serious about it. I want our customers to understand our prices and the value of the car they're buying. I want them to be comfortable with it and realize that it's a good price." **AN**

VOLKSWAGEN OF OAKLAND, OAKLAND, CALIF.

Urban-living trend offers a chance for dealership to branch out and up

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Few dealers would get far offering a \$2,500-a-month lease.

Not on a car, anyway. But outside San Francisco, where the booming technology sector has sent real-estate prices into the stratosphere, one Volkswagen dealer is betting that apartments are a different story.

Mike Murphy, owner of Volkswagen of Oakland, is working with Volkswagen of America to tear down his dealership and build a 500-unit apartment complex called the Villas at Auto Row, with VW and Hyundai stores on the ground level.

■ Ground-floor VW, Hyundai stores to have apartments above

When the apartments open, around 2018, Murphy expects to charge \$3.50 per square foot, or about \$2,500 per month for a 700-square-foot apartment, to capitalize on a Bay Area real-estate boom that has spilled over into Oakland.

His strategy is unusual. Over the past few decades, U.S. dealerships have largely left city centers and clustered in suburban auto malls. Outside of ultradense areas such as Manhattan, few dealerships have residential units on top.

Murphy's site is well-suited for an urban retail experiment, given VW's popularity in the progressive havens of Oakland and Berkeley, but it also illustrates how dealerships are taking advantage of the trend toward urban living.

Brian Maas, president of the California New Car Dealers Association, said he has heard from urban dealers in the Bay Area that repair shops make the economics work.

"They do incredible service business," Maas said, "because everybody wants to drive into town, drop their car off when they go to work and pick it up when they go home."

Volkswagen of Oakland's three-story art deco building has been tied to VW since the 1950s, and its history has tracked with Oakland's decline and resurgence.



Volkswagen of Oakland owner Mike Murphy, left, and General Manager Samir Rohayem plan to begin construction on their project in mid- to late 2016 and finish in 2018. The experiment illustrates how dealerships are taking advantage of the trend toward urban living.

The building sits along a section of Broadway Avenue dubbed Auto Row after the dealerships that clustered there during Oakland's post-World War II heyday.

Auto Row's luster faded between the 1960s and 1980s as blight and crime caused residents and businesses to flee Oakland. A dozen or so dealerships remain, but many have weathered facades, a telltale sign of the economic challenges they have faced.

Now they sit on prime real estate again. Murphy's store is eight blocks from a train station that can get a commuter to San Francisco's financial district in 15 minutes. Trendy bars and shops open every week. A block away is Cat Town Cafe, a U.S. outpost of a Japanese trend in which patrons can play with kittens as they drink lattes.

Oakland rezoned the area in July as the Broadway Valdez District, allowing Auto Row's faded showrooms and parking lots to be turned into apartments and retail stores

that would boost the city's housing stock and tax base.

Murphy and his partner on the development, Volkswagen of Oakland General Manager Samir Rohayem, devised a plan to build three apartment buildings on five parcels of land, four of which Murphy owns outright. The fifth is jointly owned by Murphy and Volkswagen of America.

They plan to begin construction in mid- to late 2016 and finish in 2018.

During construction, the VW and Hyundai stores will need to move into temporary homes. Murphy owns a vacant lot across the street and a showroom across the street with a lease ending next year, but the project will mean upheaval for multiple dealerships, some of which are his tenants.

"There's going to be some hassle, no doubt about it," Murphy said. "But at the end of the day it's going to be a very profitable deal." **AN**

SELLERS AUTO GROUP, CLARKSTON, MICH.

CREATIVE PAIRING

2 Michigan dealers pool their resources to grow while retaining control

*Printed in Automotive News Dec. 8, 2014***Jesse Snyder**

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After toiling to revitalize separate single-point dealerships in the Detroit area, two childhood friends merged and expanded operations to compete with larger groups.

Sam Slaughter and Katie Bowman Coleman created Sellers Auto Group by pooling their resources — his Sellers Buick-GMC store in Farmington Hills, Mich., and her Bowman Chevrolet in Clarkston.

"It's not an acquisition, but a partnership," said Slaughter, 52.

The distinction is key. Without making a big payout to a seller, the two partners have invested their combined assets in growth and to develop proprietary technology called YourOnlineDealer that allows online customers to choose, buy, finance and even take delivery of a vehicle without visiting a dealership.

The partnership contract wasn't final until this year, but the two have worked toward the arrangement since 2010, well before the 2013 opening of Sellers Subaru in Macomb Township, a northeastern suburb of Detroit.

"We wanted to grow and be part of something bigger, but we both also wanted to remain in control as dealers," said Coleman, 50.

They met as children living in a close-knit community in Bloomfield Township in Detroit's northern suburbs.

Value of diversification

The partners just opened a fourth location up the road from the Chevy store, the site of the closed Randy Hosler Buick-GMC. Coleman moved the collision shop there to create more service space at Bowman Chevy.

Inside is the large shared office where they jointly run their operation.

Both desks face the door, Slaughter on the left, Coleman on the right, with a conference table for impromptu meetings with managers.

"We depend on our general managers to run the stores day to day," Slaughter said. The partners also have five senior managers who handle used cars, business development center, marketing and advertising, finance and accounting and information technology.

■ Single-point retailers form a partnership



Partners Sam Slaughter and Katie Bowman Coleman of Sellers Auto Group say sharing an office helps them communicate.

Slaughter says the partnership makes several things possible.

The partners have more diversification to smooth the ups and downs of individual brands. Slaughter recalls losing 65 percent of his volume at his then-Pontiac-GMC store in 2009 before adding Buick.

As a group, "we can offer customers a choice," he said. "We can refer a customer to another store or even bring a vehicle from another store to the customer."

The partners' combined marketing power helps to develop a brand with a unified message and to compete with other groups.

The partnership also allows for major projects. Last week the group launched YourOnlineDealer, virtual showroom proprietary software that expands the capabilities of each dealership's website.

With YourOnlineDealer, online shoppers can continue to surf through inventory and store personnel, check hours and addresses and schedule service appointments. But the new software invites visitors to click to "Buy your new car online" and engage in a video chat with an auto guide, a salaried Sellers employee who answers questions and helps customers research vehicles.

The primary setup is a two-way live video chat, but customers can opt to not be seen by the employee. As an auto guide conducts re-

search, he or she can display results on screen for the customer to see during the explanation.

Online shoppers can select a vehicle in stock, arrange financing, get a trade-in quote and agree to buy a vehicle. As yet, the process doesn't have capability for an electronic signature. The credit application and purchase contract require a physical signature, but the Sellers Auto Group will mail or messenger any necessary paperwork to the customer.

"We encourage buyers to at least come to the dealership to take delivery, but if they really don't want to, we'll deliver the car to their home or office," Slaughter said.

'Divide and concur'

The partners split most functions and share others. Coleman handles finance, accounting and IT. Slaughter has new and used sales, business development and tactical advertising. They share marketing and strategic advertising. "It's divide and concur," Coleman quipped.

The partners see a rapid return on their efforts. Monthly group sales are 600 to 650, about 275 of those used.

"Our same-store sales are up 20 percent this year, with used and certified used growing about the same rate," Slaughter said. "And our same-store, year-over-year service revenue is up 30 percent." **AN**

SAM SWOPE AUTO GROUP, LOUISVILLE, KY.

Always on the hunt for used vehicles

Group's buyers are on the lookout for private-party sellers

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Sam Swope Auto Group of Louisville, Ky., aims to buy virtually every private-party used car and truck it can find for sale in its market.

Buyers stationed at its used-vehicle Buy Center appraise and make cash offers for vehicles from walk-in sellers and those brought in by appointments made on its website, selltosamswope.com. The

■ Buy Center focuses on used-vehicle acquisitions

buyers also comb Craigslist and other online listings in search of for-sale-by-owner vehicles. They make house calls to sellers' homes or offices in SUVs wrapped with graphics touting: "Sell to Sam Swope.com" and "We pay cash for your car."

And when Buy Center staffers happen upon for-sale vehicles parked in public places?

They whip out their smartphones, scan the vehicle identification number, run a vehicle history report and leave a written cash offer — subject to a mechanical inspection — on the windshield.

Cary Donovan, Sam Swope Auto vice president of operations, declined to say how many vehicles the group buys from private sellers. But he noted purchases have grown 25 to 30 percent over the last two and a half years.

To be sure, half of the vehicles are wholesaled because they don't meet the company's retail standards. But that's just fine, Donovan said.

The laser-focused effort to become the go-to destination for consumers who want to sell their vehicles supplements the group's used-car acquisition strategy and has evolved into a tidy profit center, he said.

'On steroids'

"We're a little different," said Donovan. "We actually go to people's homes and offices if they don't want to come to us, or if they have a car that's not running. We've got this whole program on steroids."



Sam Swope Auto Group has stepped up efforts to buy vehicles from private sellers. From left, Seth Jones, digital solutions; Burnell King, purchasing manager; Cary Donovan, vice president of operations; Robert Fowler, buyer; and Jon Burkeen, buyer.

The Buy Center's written cash offers are redeemable for a check or a voucher that can be applied to a vehicle purchase at any of Sam Swope Auto's 14 dealerships.

Swope Automotive Group, of which Sam Swope Auto is part, retailed 10,853 new and 14,308 used vehicles at 30 dealerships in 2014, placing it at No. 89 on the *Automotive News* list of the top 150 dealership groups based in the U.S.

The annual list ranks groups based on new-vehicle sales. But used-vehicle data reveal Swope Automotive is one of 13 groups on the list whose used-vehicle sales outpaced new-vehicle sales last year.

Swope Automotive's used-vehicle wholesale sales rose 4.9 percent in 2014 to 6,419 units in part because of Sam Swope Auto's uptick in private-party vehicle purchases.

Burnell King, the Buy Center's purchasing manager, said the Sam Swope group started buying vehicles independent of its new- and used-vehicle sales more than a decade ago and used TV commercials for marketing.

But last year, it embraced digital marketing in earnest, interacting with consumers on Craigslist and Facebook, which is less expen-

sive and just as effective, though the effort still is backed by some TV commercials, King said.

Also last year, Sam Swope Auto began making purchase offers via text messages. It learned that as long as a consumer is advertising a vehicle for sale, the group legally can text him or her.

Donovan said Sam Swope Auto has no preference for a specific age, mileage or vehicle segment. The goal "first and foremost" is to buy cars and trucks that the dealership group can retail.

Anything

"We'll buy anything," said Donovan. "If you've been using it for a flowerpot in the backyard, we'll pay you a minimum of \$200."

Although a few of the vehicles sell at auction for less than what the dealership group paid, Donovan said that collectively, the prices at auction exceed the prices paid, so the effort yields a solid return for the group.

"We play the averages," he said. "If you get ten \$200 cars, you'll get a few winners out of the bunch, and some will flat surprise you. Somebody will see value in that vehicle and pay premium money to get it." **AN**

Pete Kerpinolis - Used Car Director/COO, X Motorsport, Inc.
Dick McKinlay - Account Executive, Central Region, Ally
Branko Zecovic - President, X Motorsport, Inc.

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