

# Be careful what you ask for!

By Warren Brown

The trouble with conventional wisdom is that it's usually wrong.

Take the matter of African Americans and auto dealerships. Blacks own 1.5 percent of the nation's 22,700 new-car stores. Many black business and civil rights leaders, the Rev. Jesse Jackson among them, are demanding more.

That seems reasonable. Blacks constitute 13 percent of the nation's population and accounted for \$33 billion, or 11 percent of the \$300 billion spent last year on new cars and trucks in the United States. More black dealerships, please!

But this might not be so smart. Look at it this way: You finally can buy your dream house—the one you couldn't get before—because you were black. But the house is in a neighborhood that is now falling apart. Do you still want to buy it—at an inflated price, to boot?

Now, consider the auto retail industry. It is a lucrative industry. But it is also one that is literally coming apart at the seams—the unhappy by-product of its efforts to become more cost-efficient, profitable and, presumably, more consumer friendly.

Who are the victims of this shakeout? Primarily single-point dealerships—the traditional “Mom and Pop” types selling one manufacturer's cars and trucks from one store. These dealerships, which often are the kind blacks get, are going out of business.

Many small dealerships simply can't cut it in an era of growing capital needs for everything from computers to better trained auto technicians. Nowadays, even the big dealerships are being swallowed up by huge, publicly financed superstores, such as AutoNation USA of Fort Lauderdale, Fla. and CarMax, a subsidiary of Circuit City Stores Inc., based in Richmond, Va.

The superstore auto retail chains are to traditional dealerships—even the big ones—what supermarkets and shopping malls are to the corner grocery and the local discount store.

So, it simply isn't enough for black leaders to demand more black dealerships without first asking what kind. Put another way, it is down-

right silly to ask a company like Mitsubishi Motor Corp., which has a skimpy 1.48 percent share of the U.S. auto market, to expand its dealership ranks when ALL of its major competitors are thinning their dealer lines. Many are looking towards AutoNation and similar operations to help cut costs and increase efficiencies in their product distribution.

Is this a call for blacks to abandon their quest for a greater and more lucrative presence in auto retail? No. It is, instead, a call for a more rational analysis of the auto retail market than many of our leaders have offered to date.

The shortest road to disaster is one that lacks clear direction. So, let's be clear about this: We do not need more single-point, small volume, black-owned dealerships operating in marginal markets.

This is what we need:

**A new way of thinking about the auto sales business.** Existing, successful black dealerships might consider pooling their resources and forming several national dealer chains.

**Audacity and vision.** Black bankers and other business people might consider working with a group of black dealers to create a publicly traded company, one that would be able to raise money via Wall Street.

**A refocused business/civil rights campaign.** Instead of using economic and political pressure to gain more traditional dealerships, our civil rights leaders should be studying the formation of companies such as Circuit City's CarMax.

**A rededication to consumer service.** One of the everlasting tragedies of black auto dealers is that too many treat their black customers the same way high-sales-pressure white dealers treat them. Consumers of all colors are rebelling against this kind of treatment in a revolution that is the driving force behind many of the changes taking place in the auto retail industry today.



Sheila Vaden-Williams

Nonetheless, NAMAD must find ways to tap into an Information Highway phenomenon responsible for moving 15 percent of the 15.1 million light trucks and cars sold last year, according to automotive consultants J.D. Power and Associates. Some analysts estimate the percentage could grow to 40 percent within five years. Meanwhile, superstores are aggressively gobbling up dealerships while offering consumers a hassle-free way to purchase automobiles.

And, against the odds, many NAMAD members are doing well. In 1995, the top 100 African-American dealers employed 8,671 people and generated \$5.7 billion in revenue, according to NAMAD.

But that's not enough. “The time has come to turn our attention from just mere survival,” Vaden-Williams says. “The automobile industry -- one we heavily support. It's not us against them; it's an issue of sharing wealth and generating opportunities.”

The organization will pursue its activist objectives in conjunction with the Rev. Jesse Jackson, an acknowledged master at holding corporations accountable for biased behavior.

“We have to keep the pressure on for the (minority) auto dealers because many of them are in financial trouble,” Jackson notes. “Either they can't get the facility they need, or the financing they need. And now, the superstore thing is coming in -- they're shifting dynamics in the whole dealership world.” Jackson, who has met with automotive executives in Japan, says the “foreign dealerships are the most blatant when it comes to discrimination.”

Toyota Motor Corp.'s Lexus, its luxury division with near cult status among some

# Flying High With Mel Farr

By Tedra Butler-Dudley

Mel Farr, Sr. has made the word “Superstar” his brand image, pitching it in television ads: “Mel Farr Superstar.” And he personifies it. From former Detroit Lion's running back to mega dealership franchisee --- Farr represents a true Superstar.

“I have always been a dreamer,” says Farr. “You just need to set goals when you dream. My goal is to become the largest merchandiser of automobiles both new and used for urban dwellers.”

With current annual sales of over \$400 million and a 1997 projection of \$700 million, this caped crusader is flying high as one of the nation's top African-American dealers. Farr oversees the Mel Farr Automotive Group, a family of eight franchises in Michigan and Ohio. In his television ads, Farr becomes a caped crusader championing reasonably priced cars.

“You have to have a good campaign for selling cars,” Farr explains. “A black guy flying in a cape is sure to get attention.”

His formula for success? “Be not only a good businessman, but a good merchant, which means knowing how to sell goods and services for a profit,” Farr explains. He is a product of Ford's dealer training program, but rates General Motors and Chrysler's program as among the best. For those who want to become auto dealers, Farr says some retail or automotive experience and a large bank account are a must.

As for the future? “Well, dealerships on Wall Street are good for the industry,” says Farr. “I've been approached by investment bankers on going public and I'm seriously considering it.”

