

Steering an independent motor group: Part 2. From Regional to National

In this recession many independent family groups have fared better than their larger PLC neighbours. While some have been survivors, no mean feat in itself, others have been successes. They have grown their businesses during these troubled times. But a small group have progressed even further. They have progressed on the road from regional groups to national ones. How did they do that?

Part 1 of this post argued that independent family owned dealer groups pass through three significant stages of development.

Step 1 is the formation of the business and its emergence as a stable operation, often a single-site franchised dealership. For example, The Harratts Group was started in 1966 as a premium used car trader and achieved its first franchise 19 years later in 1975. Vospers was established in 1946 and took on its first Ford franchise in 1957, eleven years later.

Step 2 is the growth stage. In recent years the 2001 Block Exemption reforms provided the best opportunity for expansion for well placed groups. Many brands reduced their number of network partners and established 'market areas'. The stronger players had the chance to expand as regional dealer groups. Examples include Lomond Motor Group, CEM Day, Swansway, Halliwell Jones and many others.

On the back of their cash flow some dealers move to a third stage - regional dominance. Some groups, such as Helston Garage Group, added 'bolt on' franchises and took over an entire region. Others, such as Ridgeway, added on an entirely new franchise in a different region.

For many family businesses this is a natural place to stop. The business is small enough for the family to handle using their own resources but large enough to generate constant income. Given the acquisitive nature of large groups in recent years, the family can choose to remain active or sell out whenever it suits them.

But a few independents or family groups do go further. What's their secret?

Three worth looking at are Stoneacre, Johnsons Cars and Laindon Holdings, trading as Toomeys.

Stoneacre

Stoneacre

Stoneacre was a single bankrupt Suzuki dealership in Wakefield when managing director Richard Teatum bought it in 1994.

Today the group has 23 dealerships nationwide selling 11 brands of car including Citroen, Chevrolet, Hyundai, Kia, Ford, SEAT, Fiat, Vauxhall, Peugeot, Renault, and Suzuki. The company's sales rose to £163.6m in 2008 thanks to new additions including a Peugeot franchise in Harrogate and a Ford dealership in Goole. While turnover remained flat at £166m in 2009, that was a good result given the market.

The rate of growth has been exceptional since 1995:

October 1996 Stoneacre Car Supermarket Lincoln (Kia added May 2002, Fiat added July 2006)

February 1998 Stoneacre Suzuki Ackworth, Pontefract

February 1999 Stoneacre Suzuki and SEAT Peterborough Boon-gate

March 1999 Stoneacre Suzuki and Kia Durham

October 1999 Newark Motor Auctions Newark

January 2000 Stoneacre Fiat and Citroen Hyde

June 2000 Stoneacre Fiat and Citroen Worksop

July 2000 Stoneacre Suzuki and Kia Wallasey

July 2000 Stoneacre Kia, Daihatsu and Fiat Grimsby

January 2001 Stoneacre Fiat, Chevrolet, Suzuki and SEAT Don-caster

February 2001 Stoneacre Fiat Scunthorpe

March 2002 Stoneacre Suzuki and Kia Hull

May 2003 Stoneacre Fiat Peterborough Newark Road

July 2003 Stoneacre Kia and Suzuki Middlesbrough

February 2004 Stoneacre Fiat Rotherham

October 2004 Stoneacre Fiat Liverpool

September 2005 Stoneacre Citroen, Renault and Fiat Wrexham

June 2007 Stoneacre Fiat and Hyundai Rochdale

September 2007 Stoneacre Peugeot Dewsbury

August 2008 Stoneacre Peugeot Harrogate

April 2009 Stoneacre Ford Goole

August 2009 Stoneacre Ford Scarborough from Polar Ford

August 2009 Stoneacre Ford Thirsk from Polar Ford

August 2009 Stoneacre Ford York from Polar Ford

March 2010 Stoneacre Vauxhall Grantham

May 2010 Stoneacre Peugeot Wigan formerly Richard Rhodes Peugeot

Stoneacre is not Richard and Christine Teatum's first motor trade venture.

Yorkshire miner's son and ex-mechanic Teatum netted an estimated £4MN in 1993 when he sold his TK Group of 7 dealerships to Evans Halshaw. Ironically, it was Geoff Dale, currently the founder and chairman of Johnson Cars who is rumoured to have handed him the cheque. Now both are competing for the crown of who can become a national group quickest.

Since 1995 Stoneacre has expanded to budget and volume cars 25 sites.

While It operates predominantly along the M62 corridor, its footprint is the Durham, Wrexham, Peterborough 'triangle' .

Aggressive growth does not define Stoneacre. First it is substantially more profitable than its rivals. In 2008 it reported profits of £5.1M or 3.5%., way ahead of the industry average.

Second, Richard Teatum has a different concept of the auto retail 'value chain'.

Instead of concentrating on after-sales alone,

Stoneacre's parent company, Decidebloom Ltd

is heavily engaged in specialist internet websites,

e.g.. 'Cars4Women',

'AccessoryPlus' - multi

brand parts, finance

products, insurance products – including motor insurance – and auctions.

What Stoneacre has produced is their own value chain. They push prospects via local advertising and the internet to their showrooms using extremely attractive initial finance and insurance offers. Their alignment to franchises with limited appeal – Suzuki, Fiat – and budget brand Kia, gives them extra leverage, particularly bonuses and access to used cars. Constant reinvestment makes them an attractive partner for brands that need distribution quickly. Finally, while the number of brand 'sites' is now 40, the average is only £4.15MN per franchise – much simpler to run than large scale prestige sites with individual turnovers of £15 – £20MN!

In the period from 2005 to 2009, Stoneacre have grown volumes by 6% a year while PBT has remained stable. A remarkable result.

Johnson Cars

Johnson Cars

1999: Founded in 1999, following the acquisition of 'Johnsons Brothers', within its 1st year Johnsons Cars expanded to hold Volvo Dealerships in Gloucester and Hereford along with a Honda Dealership in Milton Keynes.

Over the next few years, Johnsons acquired Toyota Dealerships in Wirral and Liverpool, a Lexus Dealership in Liverpool, a Honda Dealership in Beaconsfield and moved the Honda Dealership in Milton Keynes to a purpose built site in Kingston.

2003: Johnsons Cars expanded its Honda Franchise by opening a Honda Dealership in Oxford and also moved its Lexus Liverpool Dealership to a purpose built site in Liverpool.

2004: Added to its Franchise portfolio by purchasing its first Volkswagen Dealership located in Birmingham.

2005: Acquires an additional Volkswagen Dealership in Solihull. This year also saw the expansion of the Volvo Franchise by the acquisition of two new Volvo Dealerships in Solihull and Stourbridge. Towards the end of 2005 Johnsons Cars built upon its Honda Franchise through acquiring the Honda Dealership in Slough.

2007: Opens a Toyota Dealership in Southport and with this gained momentum acquired the Lexus Oxford Dealership..

2008/2009: Throughout 2008, Johnsons Cars embarked on the acquisition of the Volkswagen Tamworth Dealership with the Dealership officially joining the Johnsons Cars Group in Early 2009.

2010: Acquires two new franchises Mazda and Mitsubishi with the addition of two further Volvo dealerships in new locations in Oxford and Swindon.

Having been the architect of the rapid expansion at Evans Halshaw in the early 1990's it was only medical advice that required Geoff Dale to step down from its top job in 1996. Four years later Evans Halshaw was bought by Pendragon. Events may have been reversed if Dale had been able to remain in charge. However, it's no surprise to see him behind the wheel at Johnson Cars. It is possibly the fastest growing independent motor group in the UK at the moment. He led a consortium to

buy Johnson Brothers Volvo dealerships in Redditch, Bromsgrove and Worcester from the receiver in 1999. It now has 20 sites in Merseyside, Oxfordshire and the West Midlands. Representing Honda (4) Mazda (2) Lexus (2) Toyota (3) Mitsubishi (1) Volvo (5) VW (3). In a decade Dale has established significant businesses in 3 regions. It takes many family businesses a lifetime to establish itself in one! Dale has leveraged a lifetime of relationships with banks and franchises to achieve relationships with Honda, Toyota, Volvo and VW.

Clearly Geoff Dale's deal-making skills remain as sharp as ever. The 2010 acquisition of the 'Motorworld' businesses involved coordinating a three way deal: buying the group of ten franchises and then selling on the assets that didn't fit almost overnight to two separate parties. Johnson ended up with the 5 that fitted their portfolio.

But it's the group's marketing that is most interesting. It remains stubbornly 'family' and regional. By keeping the unremarkable 'Johnson' trading name many buyers think they're dealing with a local company. Very few customers realize the size and scope of the total business. It's as if Geoff Dale has recognised that traditional 'branding' has little merit for a motor retail business. Establishing a recognizable retail name has little impact compared to the voice of the manufacturer's brand. However, a solid local reputation does make a difference.

Laindon Holdings trading as Toomeys

Started as a motor business in the mid 1930's and appointed as a Vauxhall dealer in 1947. These facts underline the traditional start of this Essex business. It remains an Essex based motor retail group but is equally important in contract hire, leasing, rental and construction. This is not an accident. Toomeys have two guiding principles: "be prepared to diversify in response to market forces and reinforce management structures with the appropriate expertise before embarking on new ventures." So, why is it remarkable? Because it is creating the one of the most developed vertical as well as horizontal integrations in the business. It makes

money or spends less on every aspect of the retail business. It has put in place an extremely

Laindon Holdings trading as Toomeys

Established in 1932 by Joseph Toomey

1936 expands into consumer finance, petrol retailing and transport

1938 establish first motor trade operation and become Vauxhall dealers for Basildon

1964 Michael Toomey, Joseph's son, moves into construction.

1968 Michael Toomey becomes main shareholder of Laindon Holdings Group (LHG)

1973 LHG expand into Leasing and rental in Essex

1975 LHG start Intacab franchise and expand into cab and courier fleet

1977 LHG start third world vehicle and equipment exporting business, Unit Export Ltd

1981 establish Toomey Insurance Brokers Ltd.

1982 move into fast fit

1993 take on Nissan for Basildon

1997 take on Renault for Basildon

1998 Establish Accident Repair Centre

1999 Purchase Skyway Leasing, Chester

2000 Awarded Nissan for Southend-on-Sea and acquire Warwick Wright at Brentford for Peugeot

2001 Acquire New Crown Vehicle Leasing in Nottingham and Eurolease in Derby

2002 acquire Fleetsave Vehicle Management Services from Bristol Street Motors, are awarded Peugeot for Basildon and set-up stand alone Vehicle Rental operation

2004 Acquire Saab for Basildon

2005 Acquire Opticar leasing in Luton and are awarded Vauxhall for Southend

2006 Purchased Renault Southend and awarded Mitsubishi for Basildon.

2008 complete Basildon Motor Village at Rochford

robust value chain which makes it extremely attractive to every franchise. It can deliver registrations in the most severe economic conditions. It has a remarkable capacity to innovate.

If you ask most dealers to name the most expensive part of their business, most would say property, construction, re-fits and so on. Toomeys is a construction business. Big enough to build all of the group's dealerships since the mid 1960's. Skilled enough to handle their 28-acre multi-brand site at Southend on Sea. Traditionally 25% or more of a build cost is gross profit.. A £6MN build hands almost £2MN to the developer. In Toomey's this cash flow stays within the group. The construction business is stand alone, but it's in-house.

Toomey began in hire and leasing in 1973. This spawned a series of linked businesses: self drive hire, cab and courier fleet, insurance services and fleet management. Not just in south Essex. Toomey bought businesses in Birmingham and Derby.

A significant strength is that the group controls a very wide range of channels for distributing cars. Their Hire & Leasing operation is in Fleet News' Top 25. So, while the retail market may be impaired, they can ensure the highest return to the group through bonuses, etc. As you would expect, the vehicle distribution is also in house. So too is vehicle exporting.. Oh and it owns its own auction site.

The core of the group remains its motor activities based in Essex. Eight franchises centred of two motor park locations at Basildon and Southend, as well as a multi-franchise site at Orsett. Clearly, Laindon Holdings has achieved much, but has more opportunities ahead. It is not yet aligned with a growing franchise, so its franchise portfolio looks weak. Most dealers would consider Chevrolet, Saab and Mitsubishi as long term bets at most. It suggests that Toomeys may have missed a trick since 2000 when franchises such as Kia and Hyundai were available and they might have wooed Honda, Toyota or VW group.

Apart from Saab they have kept away from prestige cars. Its hard to see the logic. With all that said, their continued growth in leasing and contract hire and their property portfolio are extremely valuable prizes in their own right. Michael Toomey has been at the helm since the late 1960's and steered the group to where it is now. Perhaps he'll consider passing the baton so that a new growth era can start built on his legacy.

Lessons learnt ...

If there is one common thread among all of these businesses it is the restless energy of their senior management. Literally, they do not stop. While managements in traditional independents achieve their objective and stop, these managements simply do not. It's as if the notion of consolidation has no place. Instead, they find management, pass the responsibility for the latest acquisition, and move on to the next opportunity. In this way at least, they match the business school stereotype of an entrepreneur.