

## PERSONAL HISTORY

Since my birth, my father was employed by Pontiac Motor Division as a District Manager in the Portland and San Francisco Zones. In 1965, he bought a Dodge-AMC dealership in Corvallis, Oregon, with the anticipation of eventually buying the Buick-Cadillac-GMC dealership in that town. He purchased that dealership in 1970, and suddenly passed away three weeks later.

At the time of my father's death I was 19 years old, and had worked in the dealership washing cars, doing service and parts work, and sold a few cars. Although my mother had absolutely no experience, she and I retained the GM dealership and liquidated the Dodge-AMC operation. I continued to work at the dealership between college classes and summer of 1971, until my graduation in June, 1972. I became Sales Manager the following week at age 21.

In July, 1974, I took a "sabbatical leave" for six months to work as a salesman for Balestra Pontiac-GMC in Redwood City, California, a successful multiple-point dealer in my Father's former Pontiac district. As planned, I returned to Corvallis in 1975 and reassumed my position as Sales Manager. Over the years I stayed in contact with one of the salespeople at Balestra Pontiac, planning to some day go into business with him in the Bay Area, which is where I preferred to live.

In 1979, I decided it was time to leave Corvallis, and set a target date of my 30th birthday, January 31, 1981. I contacted the San Francisco Buick Zone, and by October, 1979, obtained with my partner a franchise letter of intent for the Fremont point. We had pre-arranged a facility investor, and had the building built. My partner and I were each 50% owners using our own capital. We purchased all fixed assets one at a time, and moved in to the facility in November, 1980. I was President and Dealer-Operator, and at age 29, was by far the youngest in the Bay Area, and one of the youngest in the country. "Irreconcilable differences" forced me to buy out my partner in February, 1982. Since that time, I have been 100% owner.

I am currently in my eleventh year of business, and my Mother continues to operate the Corvallis dealership.

## CAREER GOALS

My goals are, and always have been, to continue to advance myself in the automobile business, and do it in an honest, professional manner. This advancement must come through good performance in new car sales, profitability, and customer satisfaction.

The personal history that follows will show that I began at a much younger age than most. After purchasing my partner's stock, my first goal was to pay off all debt, and accumulate capital so I could own real estate, then eventually invest in other dealerships. Adding Cadillac to my existing dealership was my first priority.

My career growth path was well on its way when I paid off two years early my GMAC capital loan in December, 1986, leaving me debt-free other than floored new cars. Unfortunately, my career path was interrupted by the decline of Buick sales, development of the Fremont Auto Mall, and addition of Subaru and Saab.

My career goal path was resumed in July, 1990, with the acquisition of Cadillac. As promised, my dealership's Buick sales, profitability, and NVI/D scores resumed their traditional good performance immediately. Due to the lag in CSI scores, the resumption wasn't apparent until first quarter 1991. Although I have not yet received a Cadillac sales evaluation, I believe they are considered good for a new point.

## DEALERSHIP HISTORY

### PROFITABILITY

The history of Don Signer Buick, Inc. can be divided into three distinct periods:

1. Pre-Subaru-Saab (November, 1980 to February, 1988)

- a. Start-up and growth (November, 1980 to December, 1984)
- b. Buick sales decline (January, 1985 to December, 1986)
- c. Buick sales further decline (January, 1987 to February, 1988)

2. Subaru-Saab (March, 1988 to June, 1990)

- a. Acquisition
- b. Subaru and Saab sales decline (March, 1988 to December, 1988)
- c. Subaru and Saab sales collapse and further Buick sales decline (January, 1989 to June, 1990)

3. Post-Subaru-Saab (July, 1990 to present)

- a. Acquisition of Cadillac and termination of Subaru and Saab
- b. Buick sales recovery begins

Following is the history of each period:

1. Pre-Subaru-Saab (November, 1980 to February, 1988)

a. Start-up and growth (November, 1980 to December, 1984)

My partner, Joe Cram, and I opened Signer-Cram Buick on November 17, 1980. I was President and Dealer Operator. My responsibilities were business operations and fixed operations. My partner's duties consisted of all Sales Department operations. In 1981, the dealership made a net profit of \$102,562. Increasing disagreements forced a separation, with the corporation redeeming his stock on February 10, 1982, and the name changed to Don Signer Buick, Inc.

1982, a recession year, developed into a dismal year for my business. Looking for a way to improve our sales and profit performance, in August, 1982, I installed the Automotive Profit Builders (APB) sales program. The "old pros" in the Sales Department would not adapt to a dealership controlled program, so by October, I had replaced virtually the entire sales and management staff with new people who

believed in the program. In November and December, 1982, the dealership made a profit of \$50,361, reversing the year-to-date loss, and resulting in a year end profit of \$3,227.

In 1983, we continued to develop our sales staff and fixed operations, resulting in a net profit of \$334,496. In 1984, development continued, resulting in a net profit of \$474,607. It should be noted that the profits made in 1982-84 were after an annual consulting agreement expense of \$42,000, paid to my former partner.

b. Buick sales decline (January, 1985 to December, 1986)

In 1985 and 1986, as Buick sales began to decline in the Bay Area (see graph,) in an effort to reduce expenses accordingly, I cut the Sales Management staff by one, and reduced our expenditures to APB for sales training. At the same time I increased advertising expenditures to attempt to reverse the decline in floor traffic. With the Buick sales decline and internal adjustments, our dealership profits fell to \$148,810 and \$165,025 respectively in 1985 and 86.

c. Buick sales further decline (January, 1987 to February, 1988)

In 1987, Buick retail sales in the Bay Area fell another 37% (44% from 1984.) During this year of sales decline, we lost key salespeople to Ford and import dealers, who sales were rising. At the same time, it was extremely difficult to attract and retain quality replacements due to Buick's weakness in the marketplace. A New Car Department loss was offset by fixed operations profits to produce a small dealership profit of \$4,462 in 1987.

Since 1984, I had been discussing my desire for the Fremont Cadillac point with Zone Manager Bill Kindley, and throughout the discussions it appeared favorable that I would be the dealer when the time came. Although the plan was to appoint a dealer in Fremont when the Hayward dealer moved to Dublin, this was delayed indefinitely when the dealer encountered financial difficulties shortly after their move in 1986. I maintained regular contact with Mr. Kindley, and intensified these efforts when the Fremont Auto Mall development began in 1987.

In late 1987, I was approached by the Subaru-Saab dealer in San Leandro about purchasing his franchise assets and moving them into my facility. Before proceeding, I discussed the availability of these lines with Mr. Kindley, who advised me that Cadillac's appointment of a dealer in Fremont was still quite some time away, and that if I needed additional lines to supplement Buick that I should proceed.

Given the trend of Buick sales, it appeared that I could not survive with Buick alone, let alone afford to move to the Auto Mall. Dualling became an obvious necessity. Since Cadillac would not be available for some time, the best alternative would be to deal with another General Motors dealer. The other three GM dealers in Fremont are long-established operations in second and third generations, with the Pontiac-GMC and Oldsmobile dealers participating in the developing Auto Mall. Consequently, I could not buy any of the three, and chose to proceed with the Subaru-Saab acquisition. With the Auto Mall move imminent, my plan was to obtain Cadillac when moving to the Mall, and retaining Subaru and Saab in separate showrooms.

Pre-Subaru-Saab profit summary:

|       |                                     |
|-------|-------------------------------------|
| 1981  | \$102,562                           |
| 1982  | \$ 3,227                            |
| 1983  | \$334,496                           |
| 1984  | \$474,607                           |
| 1985  | \$148,810                           |
| 1986  | \$165,025                           |
| 1987  | \$ 4,462                            |
| 1988  | <u>\$ 26,114</u> (through February) |
| Total | \$1,259,303                         |

2. Subaru-Saab (March, 1988 to June, 1990)

a. Acquisition

Although Subaru and Saab are both low volume lines, especially in California, there was no other line available in Fremont so I decided to acquire the franchises to supplement Buick sales. I did so with the agreement of several knowledgeable people I consulted about the wisdom of doing so, including GMAC who loaned me \$500,000 to finance the project.

In 1986 and 87 the previous dealer had averaged sales of 34 Subarus and 16 Saabs per month. Furthermore, the sales trend through 1986 appeared to follow that of other imports and opposite of Buicks (see graph.) Since only mid-1987 registration figures were available when the acquisition was made, the sales decline that was to follow was not yet apparent. Although the gross profits were lower than Buick, I felt that the combined gross of the added units would return us to where we had been before Buick's sales decline. The

service and parts business would also be a boost for our fixed operations.

b. Subaru and Saab sales decline (March, 1988 to December, 1988)

Many factors contributed to a disastrous 1988 for the dealership. Among these are the following:

1. Sales decline of Subaru and Saab: In 1988 we averaged 12 Subaru retail sales per month and 7 Saab retail sales. This decline was due in part to the move from San Leandro to Fremont, causing us to lose part of the owner base, as well as being farther away from the Subaru and Saab-type buyers living in Berkeley. Furthermore, 1988 Bay Area retail sales of these lines were off 25% from 1986, the all-time high. Although unknown to me before the purchase, I learned that, although reflected as retail on the financial statement, approximately 25% of the previous owner's sales had been fleet and broker sales in times of product shortage. When overall sales dropped and inventories skyrocketed in 1988, nearly all dealers got aggressively into this business. The high inventories resulted in high inventory carrying costs with no factory flooring assistance, and low grosses generated by intense competition and the "shopper" nature of the buyers.

2. Loss of half of owner base due to move: Our service and parts business began at nearly exactly 50% of the previous owner's, in spite of direct mail to all car owners. The other half of the owners moved their business to the dealer in Oakland, who, after the move to Fremont, became their closest dealer. The level of service business remained virtually unchanged throughout the time we had the franchises.

3. Increased advertising expenditure to publicize Subaru and Saab: When we first acquired the imports, we sent several direct mail pieces and ran radio ads to advertise it. The resulting traffic did not justify the expenditure.

4. Transitional costs: There were costs associated with the move of parts, special tools, signs and installation, computer, etc. We took the dealer's ADP computer system to replace our Reynolds & Reynolds system. The changeover was a painful, slow-moving ordeal. There was considerable time and expense involved in learning the new products and computer system. It was necessary to send several of our people away to schools outside the area.

5. Personnel changes: In anticipation of much greater volume of business, I granted my Service Director's request to become General Manager. To replace him, we brought back our former Parts Manager to become Service Director (he had left us for a Service Director job elsewhere.) We added one Service Advisor and one Parts Counterman, the Parts Manager

from the previous store. We also added a Customer Satisfaction Specialist to participate in Buick's Zone program. Unfortunately, the contribution of Subaru and Saab to the dealership's sales and service business fell far short of that which we had anticipated.

6. Difficulty of sales enthusiasm for product: After having the imports long enough to learn the product, unique type of buyer, and associated low grosses and commissions, enthusiasm for the products became almost non-existent on the part of the salespeople and sales managers. This low opinion of the product grew even worse as sales in the market continued to drop (see graph.) It became glaringly obvious that these most off-beat of import lines could not be successfully combined with the most conservative of domestic lines.

7. Body Shop losses: When we acquired the imports, we converted our Body Shop to mechanical service stalls, and moved our Body Shop off-site. With this move and mounting regulations, we suffered a loss of \$75,000 through November, and closed our Body Shop business December 1.

1988 Summary: After only a short time with the imports, it became obvious that they were not the answer to the Buick sales decline. Our 1988 loss was \$135,734, which had dropped from a profit of \$26,114 through February prior to Subaru and Saab's arrival. My discussions with new Cadillac Zone Manager Frank Liebgott continued throughout 1988, and on November 2, I told him I would give up the imports to get Cadillac at that time. Frank responded that nothing could be done with Fremont as yet.

c. Subaru and Saab sales collapse and further Buick sales decline (January, 1989 to June, 1990)

Subaru and Saab sales continued to decline through 1989 to where in the first half of 1990, Subaru and Saab were off 57% and 63% respectively from their 1986 peaks. Bay Area Buick retail sales declined further to where they were off 58% from their 1984 peak. The combined total of all three lines was only 64% of Buick's 1984 sales.

Subaru and Saab's national declines were so severe that each company was forced to be bailed out by others. Subaru of America sold out to Fuji Heavy Industries of Japan, the parent company. Saab sold 50% to General Motors in late 1989. Even with these cash infusions, both companies continue to this day to suffer further sales declines and massive losses. Saab lost \$852,000,000 in 1990, and was forced to close an 18-month old plant. Consequently, in General Motors' first year with Saab, the cash from its \$600,000,000 investment was more than wiped out.

With the severe losses endured in 1988, I made many changes in early 1989 to reduce expenses. The following positions were eliminated: General Manager, Customer Satisfaction Specialist, Service Cashier (absorbed by Business Office,) one Service Advisor, weekday Showroom Greeters, and one Parts Counterman. Other expenses were eliminated: Automotive Profit Builders, Sales Follow-Up direct mail, directory listings in three newspapers, Twenty Group Membership, Oakland A's tickets, and several lesser expenses.

With the above cuts, severe dealership losses known to the managers, and fading belief in my assurances to them that Cadillac would be coming soon, a domino effect of personnel losses began due to their concern for the future of the dealership. In March, four key employees resigned to accept other employment: my General Sales Manager of six years, the Service Director, the Dispatcher of six years, and Warranty Administrator of seven years.

Throughout 1988 and 1989, on six different occasions I borrowed additional money against my home and considerable sums of money from my Mother to keep the business going until I received Cadillac. Combined with my ongoing losses, this took a huge toll on my emotional well-being, as well as my Mother's.

In April, Frank Liebgott informed me that my long-awaited appointment as Cadillac dealer had been approved, but that it would not be effective until we moved to the Auto Mall. This news was a morale boost for myself and temporarily for the organization. However, losses accelerated with the replacements for the above named terminated employees, and remaining employees increasingly lost all confidence that we could survive until the Auto Mall. In August, my Business Manager of eight years resigned. In the following five months, six more employees of six or more years resigned. Needless to say, morale dropped to an all-time low, and the problems fed on themselves.

In all, over a ten-month period, eleven employees of six or more years left, essentially destroying the nucleus of the company. Through the entire time, I continued to pump money into the Auto Mall project, while continuing to lose money at the dealership. With the "no future" gloom around the dealership, I was unable to attract quality people to replace those who had left, having to go through a second replacement cycle, and a third in some cases. We could barely get an applicant for a sales position, let alone a qualified one.

With the dealership coming completely apart as it had, our unit sales, profitability, and CSI hit an all-time low. Everything I had built since 1980 had been nearly destroyed. In 1989, the dealership lost \$124,609.

Subaru-Saab loss summary:

|       |                    |                          |
|-------|--------------------|--------------------------|
| 1988  | (\$161,848)        | (March through December) |
| 1989  | (\$124,609)        |                          |
| 1990  | <u>(\$ 50,354)</u> | (January through June)   |
| Total | (\$316,811)        |                          |

These losses do not include downward statement adjustments posted in December, 1990, for items accumulated in the 27 months with Subaru and Saab. Included in these adjustments were owner's salary, unaccrued interest payment to dealer, miscellaneous write-offs, and the balance of a consulting agreement with the former Subaru-Saab dealer. In total, this agreement and excess parts inventory originally purchased amounted to more than \$225,000 in write-off, compounding the operating losses. The parts loss was created by the fact that the imports had no termination parts return policy that would have cleaned excess inventory when I purchased the parts.

Subaru-Saab summary: Although never thought to be ideal, the acquisition appeared to be the only alternative for me at the time. Unforeseen were the severity of the incompatibility with Buick, and the huge sales declines that followed for all car lines. The resulting exodus of long-term employees, combined with the ongoing financial burden of the Auto Mall, made for a nearly impossible set of circumstances. Outsiders increasingly recommended that I "pull the plug." But since I knew that Cadillac would return my dealership to what it had been before, I refused to give up. I take great pride in my determination to survive this ordeal, something that few dealers would have done. The experience I gained was invaluable.

3. Post-Subaru-Saab (July, 1990 to present)

a. Acquisition of Cadillac and termination of Subaru and Saab

In mid-June, 1990, we were awarded the Cadillac franchise in our current facility, with inventory arriving near the end of the month. At the same time we terminated Subaru and Saab. The 27-months of misery ended abruptly. In our first month with Cadillac, July, we made a profit of \$57,000, changing our year-to-date loss to a profit.

What happened? My credibility with my employees about Cadillac coming was restored. Morale went from the bottom to the top. Employees saw a future. The Subaru and Saab burden was removed. The old (and real) Signer Buick was back. All of these positive changes happened in June, 1990, and the

positive morale hasn't changed to this date.

In May, we had reinstalled APB. As in 1982, shortly thereafter I replaced most of the managers and salespeople, as they wouldn't adapt. When Cadillac replaced Subaru and Saab, we suddenly were approached by good applicants for these positions. Over the months we have stabilized the Sales Department with generally good people. While we still have a ways to go, in the entire dealership we have not lost any employee that was not our choice.

In September we rehired a Service Advisor who had left a year earlier after six years at the dealership. In October, the Service Director returned. In January, 1991, the Dispatcher returned. Also in January, we terminated our Parts Manager, with the Service Director to oversee this department until the DiGiulio acquisition. Consistent profitability has been restored, except for January, 1991, an extremely difficult month for the industry.

#### b. Buick sales recovery begins

Coincidentally, the outstanding new '91 Regal Sedan and Park Avenue were introduced at the same time, starting Buick's sales recovery. Our Buick monthly retail sales increased 52% in the second half of 1990 versus the first half. With zone retail sales up 15% in the second half versus the first half, our dealership net increase was approximately 37%. Dealership profit was \$155,042 in the second half versus a loss of \$50,354 in the first half. Without the Mideast crisis and recession, the results could have been even better.

#### Post-Subaru-Saab profit summary:

|       |   |
|-------|---|
| 1990  | \$155,042 (July through December)       |
| 1991  | <u>\$ 8,560</u> (January through March) |
| Total | \$163,602 (9 months)                    |

It should be noted that the 1991 profit is after some additional expenses unique to my dealership:

1. Interest is being paid or accrued monthly to myself and my Mother on qualified long-term debt of \$763,000. My portion of \$503,000 represents primarily cash that was paid to me as salary and bonus during our profitable years, and loaned back to the corporation. At the current rate of interest, this is a monthly expense of approximately \$6400. This debt will be converted to stock with the DiGiulio acquisition, eliminating the monthly expense.

2. Interest is being paid monthly on capital loan from GMAC, currently with a balance of \$250,000. At the current

rate of interest, the monthly expense is approximately \$2100.

3. GMAC has placed a 1/2% surcharge on my flooring rate, despite a perfect wholesale performance, loan repayments 100% as agreed, and my Mother's personal guarantee. This additional expense is approximately \$800 per month. My efforts to have this unfair surcharge removed have been unsuccessful.

4. My building lease expired at the end of November, 1990. Knowing my tenuous situation with the Auto Mall, my landlord raised my rent \$5100 per month beginning in December, 1990. This problem with the lease will be eliminated with the DiGiulio acquisition and relocation. My efforts to have the rent increase limited to a reasonable cost of living increase were unsuccessful.

The above items total \$14,400 per month, or \$43,200 for the first three months. If these expenses were factored out for an accurate comparison to other dealers, the dealership's net profit would be considerably higher than the averages shown on the March GEM report.

## CONCLUSION

During our pre-Subaru-Saab era, the dealership was consistently profitable, even during the collapse of Buick sales. During the 27 months with Subaru and Saab, it consistently lost money. In the first nine months after Subaru and Saab it made \$163,602, even after the additional expenses as noted. If the 27 months of import experience are removed, Signer Buick has been profitable 100% of the time.

I feel it should be quite apparent that given viable product lines, I can operate a dealership with the best of them. While I will agree I could always do better, I doubt there are many dealers who has endured what I have, and remain in business. While in retrospect, the Subaru and Saab additions were a mistake, nearly everybody I discussed it with prior to adding them agreed it appeared to be the right thing to do.

With all that I have learned over the years, my best years are ahead of me.

## DEALERSHIP PERFORMANCE HISTORY

Since our opening in 1980, our annual Evaluation of Buick Sales Performance has shown an "Effective" rating every year. This has been done primarily with retail sales. More than half the years we have been the number three volume retail dealer in the Bay Area, placing second one year. In 1991, we are number three.

CSI scores have normally been at, or within a point of, zone average. In May, 1988, we added a full-time Customer Satisfaction Specialist to improve on this. We were forced by market conditions to eliminate this position, along with some others, in January, 1989. The scores resulting from the time this person was with the dealership were two points above zone average, and climbing. Personnel turnover during our time with Subaru and Saab caused our scores to drop considerably. Since the addition of Cadillac in June, 1990, and the restabilization of personnel, our scores are again trending above average. We hired a new full-time Customer Satisfaction Specialist in March, 1991. Our NVI/D scores, Buick's delivery system, have been a perfect 100 for 1991, indicating good CSI scores for the future.

The dealership has been profitable every year since opening in 1980, with the exception of 1988 and 1989, the two years that we carried the Subaru and Saab lines. Additionally, Buick sales were at their low point during those years. The combination caused the loss of many long-term employees as mentioned above, and consequently our losses to be substantial. After replacing Subaru and Saab with Cadillac in June, 1990, the second half of 1990 was highly profitable for a difficult period. We are profitable year-to-date in 1991.