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NEW YORK

AUTO SHOW PREVIEW

You can't gloss over all the crossovers in the Big Apple this week. But one sedan could steal the spotlight. | PAGE 16 |



MILES TO GO

MOBILITY REPORT

A fatal crash involving a self-driving Uber in Arizona last week exposes all of the hurdles autonomous cars face in becoming ready for consumers. | PAGE 34 |



Retailers are pushing back on splashy store updates

Sonic, Penske see better returns for used-car side

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Sonic Automotive Inc. says it will resist automakers' demands for grandiose upgrades of its new-car dealerships.

The pushback comes as Sonic and other public auto retailers shift their focus to used-car operations, which offer better returns.

"We're just not going to get caught up in the game of building these facilities like we've been asked to build in the past," said Jeff Dyke, Sonic's executive vice president of operations. "We're

not going to be bullied into that situation, either." Sonic, of Charlotte, N.C., can build a new EchoPark store, its stand-alone used-only outlet, for about a third of the cost of building a new franchised dealership, Dyke told *Automotive News*.

Sonic is the nation's fifth-largest dealership group. It has six EchoPark stores in Colorado and two in the San Antonio market. It will open a third San Antonio store, two stores in Charlotte and one in Houston this year.

The majority of Sonic's capital outlays this year will go toward expanding EchoPark's presence rather than franchised dealership construction — unless a franchised store offers a high return on investment, Dyke said. Because it often costs \$30 million to \$50 million to build a dealership, he said, the return would have to

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Sonic can open a used-only EchoPark store for a third of the cost of a franchised dealership.

TERRY TAYLOR'S SECRET SAUCE

This man of mystery owns more U.S. dealerships than anyone. How did he do it?

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In the late 1970s, a 20-something Terry Taylor worked seven days a week peddling used cars at a modest store he owned in Daytona Beach, Fla. It was a humble beginning for Taylor, one of the biggest success stories in auto retailing, who would one day drive a Rolls-Royce and travel by private jet. He's now a regular on the South Florida yachting scene. He owns more car dealerships than any other individual in the country, and possibly the world, a seemingly scattershot collection of showrooms from Florida to Colorado that is believed to sell some 300,000 new and used vehicles a year. And to those who've known him from the start, none of it is a surprise. "His life goal was to be the biggest and the best," said a longtime acquaintance. Mission accomplished. Taylor, who turns 67 in April, owns about 120 U.S. dealerships. As a person, Taylor is largely a mystery. Some call him a visionary, as one of the first dealers to offer his general managers equity ownership in their stores. Others say he has a mercurial temperament,

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Florida dealer Terry Taylor has built an empire through a strategy of offering his general managers equity ownership in their stores.

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Nissan: Taylor's business model works well for us

'He's a top operator' with 'top-notch' partners

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NASHVILLE — One of the most mysterious auto dealers in America has a fondness for Nissan — and Nissan is good with that.

Terry Taylor, the media-averse owner of Automotive Management Services Inc. in West Palm Beach, Fla., is the largest single owner of Nissan stores, according to the automaker. Taylor owns the dealerships in various states through partnerships with local executive managers, who own minority stakes.

Taylor sets the expectations for the performance of his group stores, while the local opera-

tor is responsible for hitting the targets.

Nissan declines to say how many of its stores Taylor owns. But his business model is working well for Nissan, says Dan Mohnke, senior vice president of sales & marketing and operations at Nissan Division U.S.

And the reason it's working well, Mohnke adds, is the way Taylor does things. "He's a top operator, and he goes into business locations with other top operators," he says.

"The way he has it structured, where his individual local operators are also investors and owners in the store, is a good model



Mohnke: No ownership caps

that's working extremely well for him — and for us."

The automaker typically begs off discussing its individual franchisees, but Mohnke said Nissan is content with Taylor's organization controlling a hefty number of its approximately 1,100 U.S. dealerships.

Could Taylor acquire even more Nissan stores? Mohnke doesn't envision a problem with that.

"We haven't created any policies on ceilings for ownership," Mohnke said. "We take one deal at a time. So if somebody says they want to do something with us, whether it's Terry Taylor or somebody else, we look at it individually and ask whether it's the right deal and

the right structure for that location. But we don't have any policy on caps."

One of Taylor's stores is Nissan of Cool Springs in Franklin, Tenn. That dealership is just down the street from the automaker's North American headquarters, where about 1,800 Nissan employees work. The store's website shows Jason Stacy as the "executive manager/owner," and it makes no mention of AMSI or Taylor.

To any customer or outside observer, the business looks and operates as a locally owned auto dealership.

"For us," Mohnke says, "it's all about working well with your dealer network. You want your dealer network to be top-notch. And Terry Taylor's people are top-notch." **AN**

TAYLOR

No names on stores, no performance info

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sometimes coming down hard on employees and partners who fall short of his stringent standards.

Taylor grew his empire by reinvesting capital in his dealerships, aligning with savvy partners and buying stores from aging dealers at low prices in hard times. He prefers to own multiple stores in a single market, and many bankers love him, sources said.

"He is a very astute, shrewd, dignified businessman who values his privacy, keeps a low profile, takes care of his people," said Mike Jackson, CEO of the largest U.S. public dealership group, AutoNation Inc. "I respect him. If there is a factory meeting, he will be in the back of the room, last row. He's very low-profile."

Neither Taylor nor his attorney responded to multiple requests to be interviewed. When asked to comment on a lawsuit filed against him last year, Taylor wrote in an email: "I am a private person running a private company with the best partners in the auto industry, who would also like to remain private."

But some of Taylor's current and former partners agreed to speak to *Automotive News*. This article is based on interviews with 16 people familiar with Taylor's sprawling yet

largely hidden empire, in addition to reports by newspapers in the markets where he operates. Most of those interviewed asked for anonymity because of Taylor's demand for privacy.

To safeguard that privacy, Taylor's name is not on any of his dealerships, and each store is registered as its own limited liability company.

Even longtime partners said they never get any information about the performance of Taylor's dealerships as a whole.

"We're not privy to any of that," said one partner of more than a decade. "If you ask a lot of questions, they don't like it."

Taylor's headquarters operation, Automotive Management Services Inc. in West Palm Beach, Fla., comprises legal, human resources and accounting teams, as well as a TV studio to shoot commercials. AMSI screens dealership vendors and requires some to sign a confidentiality agreement; among the information they're barred from discussing is the number and names of Taylor's stores.

Associates say Taylor considers his chief rivals to be publicly owned Sonic Automotive Inc., which sold 257,217 new and used vehicles last year at 112 dealerships, and privately held Hendrick Automotive Group, which

sold 205,106 new and used vehicles at 98 dealerships.

'An enigma'

Taylor owned 97 dealerships in January 2016, according to a list obtained by *Automotive News*, including 43 in Florida and 23 in Tennessee. The stores represented 34 brands — the most common being Nissan, Ford and those in the FCA US portfolio.

He has since added — through purchase or manufacturer-awarded points — at least a dozen stores, according to news reports and company insiders. In December, for example, Taylor bought three dealerships in Florida — Toyota, Mazda and Nissan — from Penske Automotive Group Inc. for \$44.7 million, the *South Florida Business Journal* reported. This year, Taylor has added four Nissan and Infiniti stores in South Florida, a dealer in that market said.

People familiar with Taylor's business said he has roughly 112 partners, each of whom typically owns a 20 to 25 percent stake in one or several stores. The dealerships are mostly in the Southeast, but in recent years, he has made acquisitions in Texas, Colorado and New York. At one time, he also held several Harley-Davidson motorcycle franchises.

"He's an automotive savant. He can pick out things on a financial statement like nobody I've ever met."

Rick Rundle, a former business partner of Terry Taylor

Taylor owns the majority stake in about 120 U.S. dealerships, with several sources estimating that the number tops 150.

Those who know Taylor, friend or foe, use the words "brilliant" and "wizard" to describe his business acumen.

"He's an automotive savant," said Rick Rundle, a former partner in what was then called Main Street Chevrolet in Gainesville, Fla. "He can pick out things on a financial statement like nobody I've ever met."

But despite 17 years as Taylor's partner, Rundle admits, "He's an enigma."

Those who know Taylor describe him as thin and fit, exuding a dominant presence; he can be personable but is more often all-business. He prefers expensive suits and jewelry. The china coffee cups and linen napkins used on his Gulfstream G550 private jet are emblazoned with "TT" in gold, said a former partner who has flown on it.

About a year ago, Taylor paid \$25 million for a four-level penthouse in the newly completed Porsche Design Tower, a 60-story cylinder on one of the narrow barrier islands near Miami, according to *Real Deal*, a South Florida real estate publication. The unit includes space for up to 11 cars, two private pools and two outdoor kitchens high above the Atlantic Ocean. A specially built glass-walled elevator whisks residents up while in their cars.

Like many dealers, Taylor is charitable. In

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November, he and his wife, Cindy, attended a star-studded gala in Miami for the Boys & Girls Clubs of Broward County; they were inducted into the Dream Makers Society, which honors longtime supporters who have donated more than \$1 million.

Daytona Beach roots

Born in California in April 1951, Taylor moved with his parents and brother to Daytona Beach, where his father started Warren Taylor Ford in the 1960s.

During or shortly after college, Taylor went to work for Chevrolet dealer Roger Dean. Dean, who died in 1999, became a mentor to Taylor, said Dave Large, general manager of Roger Dean Chevrolet in Cape Coral, Fla.

Florida business records from 1975 list Taylor as vice president of Warren Taylor Ford. But if he had hopes of eventually taking over the business, they were dashed when his father sold the store at the end of that year. Instead, Taylor opened a used-car lot he called Terry Taylor Motors — directly across the street.

Along with ambition, Taylor possessed an indefatigable work ethic, often clocking in long hours, seven days a week, at his store, which was along the busy thoroughfare running from the Daytona International Speedway to the beach. Newspaper ads from 1976, showing Taylor seated at his desk in a suit, boasted that the store was the county's "#1 used car dealer" with "the nicest & cleanest cars in the area," such as an orange Malibu "Heavy Chevy" and a one-owner green AMC Gremlin.

"Terry was brilliant with used cars," said a dealer who worked with Taylor. "He could turn inventory and knew what to buy, how to buy it and



when to get rid of it. It's a gift."

At age 30, Taylor bought his father's former store and renamed it Terry Taylor Ford. Modeling himself after Dean, Taylor is said to have "dressed to the nines" and required a staff dress code, too — long-sleeved white or blue shirts — that lingered at his stores for many years.

Soon, Taylor started amassing more franchised dealerships, but how he got the money to do it baffles even those closest to him.

"There was a time when he was about to go tilt," Rundle said. "I don't know how he did it. What you're trying to find out, you're not going to find out because the people who know Terry, they don't even know."

Taylor leaned on Dean in the mid-1980s for guidance on strategically borrowing money and growing the business, sources said.

Eventually, Taylor dropped his name from the Ford store, which is now called Gary Yeomans Ford-Lincoln, though he still owns the majority stake, with Yeomans as a partner. The Better Business Bureau lists Taylor as the president and Yeomans as



Terry Taylor owns most of the Daytona Auto Mall stores, above. His company AMSI, left, requires some vendors to sign confidentiality agreements.

vice president. It gives the dealership — and many of Taylor's other outlets — an A-plus rating.

Bargain hunting

Taylor had the foresight in the 1980s to buy affordable Asian brand stores that became lucrative. Forty-one of the dealerships on the 2016 list of Taylor's rooftops sold Asian brands.

People who worked with Taylor said he forged strong ties with banks and always paid back his loans. He also was disciplined about reinvesting in his stores, making capital improvements to grow profits. Today, he owns most of the stores in the Daytona Auto Mall, and associates said the mile-long row of modern showrooms and sprawling service centers is representative of how Taylor builds all his stores.

The industry's downturn a decade ago was a boon for Taylor, who took the opportunity to buy dealerships at bargain prices.

He also won settlements with some automakers. In 1992, he was part of a lawsuit against Mercedes-Benz of North America Inc. for blocking a buy-sell deal, according to a report that year in the *Orlando Sentinel*. A jury ruled against Mercedes, and Taylor won more than \$2.8 million.

All in all, Taylor's success is the result of doing everything "so, so smart," said the longtime acquaintance. "It's not like he had a sack full of money that his father left him. Not at all."

A 1996 *Automotive News* article noted that Taylor had 10 new-car dealerships in Florida, Tennessee and the Carolinas. Ten years later, he operated "about 40 dealerships" in Florida, Tennessee, North Carolina, Georgia, South Carolina, Mississippi and Colorado, according to a buy-sell listing submitted to *Automotive News*.

He has continued to find opportunities for growth in recent years.

In 2011, Taylor bought 15 stores from Alexander Automotive in Franklin, Tenn., according to published reports. In 2015, he bought 11 stores from Sam Swope Auto Group of Louisville, Ky., one of the nation's best-known family-owned dealership companies.

After the Swope deal, Taylor told friends that he was aiming to have 200 stores within a year, putting him third behind AutoNation and Penske based on the number of rooftops. He appears to be short of that goal but is steadily drawing closer.

Equity stakes

One of the keys to Taylor's success has been his management style. When he buys stores, he typically offers the general managers, whom he nicknames "chief," an equity stake. Then he leaves the daily operation to them and collects the profits.

"When I asked him how he came up with the business model of partners, he said he wanted to have good, solid people with equity stakes who make good, solid decisions for the company," said one of Taylor's current partners in multiple stores.

Such a structure was innovative at one time and facilitated explosive growth for Taylor's operation.

"He believed in finding really good people and giving them some ownership," said an industry executive who knows Taylor and his operations. "He bought really good stores in good markets, and day to day, he was not all over every store."

Taylor isn't known to frequently show up at the stores or hobnob with customers.

"Terry's not really a people person. He can do big deals better than little deals," said one former partner.

But he does pay close attention to all the dealerships' operations, questioning partners about particular sales figures and pushing them to improve performance.

"Terry talks really fast. He's five steps ahead of everything he's fixing to ask you," said a former partner who spoke to Taylor about twice a month by phone. "He has a way of taking pretty successful guys and breaking you off at the knees."

That approach has rubbed some the wrong way.

Several former partners say almost

all big operational decisions must have his approval and that, even if a store is performing well, Taylor isn't satisfied. Some say Taylor underappreciated them and charged his own stores too much rent and other costs, cutting into their equity share.

Mike Petrello, whom Taylor fired as general manager of a Ford-Lincoln dealership in Tennessee last summer, sued, alleging that AMSI inflated costs for the services it provides and withheld revenue that he should have received as owner of 20 percent of the store. Taylor then accused Petrello, 36, of violating a noncompete agreement by taking a job at another dealership 200 miles away.

Partnership disputes

Taylor has had public disputes with several of his partners over the years.

In 2012, Cory Shea, a minority owner in Downtown Nashville Nissan, accused Taylor in a lawsuit of poaching talent from Shea's store to run two rival Nissan stores that Taylor had recently purchased. They eventually reached an undisclosed settlement.

Shea is still a partner with Taylor at Central Florida Chrysler-Jeep-Dodge-Ram in Orlando, said Greg Brown, a partner in Taylor's Ford-Lincoln of Franklin dealership in Tennessee.

But there are many happy partners who say that as long as the store they run is making money, life with Taylor is generally good.

"I think he's awesome," said a current partner who has multiple stores with Taylor. "He's honest and upfront. He's my mentor, and his company, AMSI, is there 24/7 for us."

This partner said he consults Taylor on business matters from time to time. Taylor offers his opinion, but "if you disagree with his views, he's OK with that. He is always supportive of what I want to do."

Another current partner struggles with his feelings after Petrello's termination in July. Taylor's lawyer told *Automotive News* in December that Petrello's firing was a result of spending too little time at the store, a characterization that Petrello has disputed.

"Without [Taylor], I would never have gotten what I have, so it's very hard to have ill feelings toward him," the partner said. "When you have a partnership, you feel like you own something. But when Mike got terminated, you feel like we're just employees."

Undaunted, Taylor continues to buy dealerships. He has the support of many automakers and eager general managers willing to work hard to earn equity in a store.

"Was he a good leader? I suppose you could say he was because he is successful. He was just sharp," said a former partner who credits his time as a general manager for Taylor with helping him become the principal of his own dealership today.

Associates say the magnitude of Taylor's wealth and dealership empire is a testament to his many years of hard work, a business model that shares the spoils of success with his day-to-day operators and unapologetic ambition.

"When you get to be so successful, you step on a lot of toes along the way. He's done that with a lot of people," his longtime acquaintance said. "We all knew Terry was climbing the escalator up to keep going. But he gave us all the opportunity to do it, too." **AN**

Hannah Lutz contributed to this report.



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