Growing the minority dealer base

Insights from dealers and industry executives
INTRODUCTION

The Chrysler Minority Dealers Association (CMDA) was established in 1986 to give voice to current minority dealers — and to aid those aspiring to become dealers.

Supporting diversity also is a passion at Bank of America. The Bank’s longstanding belief is that diversity and inclusion is not just the right thing to do, but also a smart investment. Part of the Bank’s commitment includes supporting and partnering with entities that foster diversity, like CMDA.

This report is a joint project of our two organizations, reflecting our shared goal: bringing more awareness to the importance of minority management and ownership within the dealership industry.

Associations like CMDA are the lifeblood of the minority dealer body. They offer valuable networking opportunities, helping dealers or would-be dealers develop the relationships needed to acquire and sustain franchises. They provide educational experiences to assist business owners in developing and honing their professional acumen. Lastly and most importantly, CMDA and other minority dealer associations advocate for opportunities — with the various OEMs, as well as with capital resource partners and legislative groups at all levels.

With the demographics of our country changing rapidly, there never has been a more important time to talk about the role of minority ownership in the industry. It’s imperative that dealer networks reflect those changing demographics in order to optimize sales and business opportunities within those communities.

This report is designed to continue the discussion, and to celebrate the stories and the strength of the current minority dealers in our industry.
Ken Thomas grew up in Detroit and started his career as an auto mechanic; his first job was at the dealership he now owns.

Trained as an optician in his native Argentina, Gus Rodriguez immigrated to the U.S. and took a job selling cars in Texas after positions in the optical field dried up.

Shannon Inukai-Cuffee is a second-generation dealer; her father was born in a Japanese-American internment camp in California.

Jay Rivchin came to Miami and the industry straight from South Korea—while Jay Gill moved into the business after a career in Silicon Valley.

These five entrepreneurs represent the broad diversity of the minority dealer body in the U.S. auto retailing industry.

Although in the 1970s auto manufacturers implemented programs to increase the number of minority dealers in the country—at that time, largely in African-American communities—those efforts have dwindled. The industry increasingly has welcomed different ethnicities, especially dealers of LatinX and Asian descent, but the number of minority-owned stores overall has decreased dramatically since its peak in 2005. Today, of the approximately 18,000 dealerships in the U.S., only about 1,100, or 6%, are minority-owned, reports the National Association of Minority Automobile Dealers.

But many current dealers and industry executives say there has never been a more important time to embrace diversity at dealerships.

According to the U.S. Census Bureau’s latest data, four in 10 Americans identify their ethnic background as something other than white—and the numbers are even more dramatic among younger people. The Census Bureau says just under half of those 16 years and younger identify themselves as white.

Trends show the U.S. is headed toward a future as a majority-minority country by mid-century.

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— Jay Gill
President
Gill Automotive Group
Fresno, California
“Manufacturers recognize the importance of having these dealers within their network because they recognize the importance of serving the communities those dealers come from. These dealers serve as optimal representatives in those communities.”

Mitch Mitchell
Executive Director
Chrysler Minority Dealers Association

“This country is a melting pot; 30% of our consumer base are minorities. Yet less than 10% of our dealer body is minority,” says Jay Gill, a dealer of Indian descent and president of Gill Automotive Group in Fresno, California. “That equilibrium needs to be adjusted. I’m a big believer in putting the right ethnicity in the right market. There are plenty of people who connect with me and buy from me because I’m Indian. I think the manufacturers are realizing that also.”

Rodriguez, dealer principal of Dodge City of McKinney, says his store has a big database and loyal customers in his Texas market. “Your name is on the dealership, they see what you do and how you are involved in the community. Whether they speak Spanish, or are African-American, they want to come to a minority dealership.”

Mitch Mitchell, executive director of the Chrysler Minority Dealers Association, says, “Manufacturers recognize the importance of having these dealers within their network because they recognize the importance of serving the communities those dealers come from. These dealers serve as optimal representatives in those communities. The OEM, of course, doesn’t sell a single car; they benefit from the perspective of dealers who are familiar with these diverse communities, in designing vehicles and programs for these customers.” But Mitchell says any OEM efforts on behalf of minority dealers should not be viewed as a charitable or feel-good effort. “Overall, minority-owned businesses fare just as well if not better than a majority-owned dealership, and especially in those ethnic communities,” he says. “It benefits the OEM and the dealer to be in the community, from a business standpoint.”

Derek Comestro, Bank of America Dealer Financial Services Market Executive, says representation of ethnic minorities — and women as well — in dealership ownership, management and public-facing roles is especially important as the industry’s consumer base changes. “It feels obvious: As a business, you want your franchises and your team to match your client base. There will be a 50% minority population in this country soon, and business needs to reflect that,” he says.

Gill joined the dealership industry 25 years ago when he opened a used-car lot in Fresno, California. “I don’t know if it’s easier or harder to be a minority dealer today, but it’s different,” he says. “There are different challenges in the market today.” Thirty years ago, when OEMs were more actively pursuing minority owners, he says, “If you had a little money, you could get a point. Manufacturers were doing it for that check mark. But now it’s changed.”

On the positive side, Gill says, “There are more dealers out there who have paved the path — more minorities, even than there were 25 years ago.”

From Ken Thomas’s perspective, being a dealer in general is simply more difficult today, whether that dealer is a minority or not. “It’s a challenging market no matter how we look at it,” he says. “Now especially there is a lot of uncertainty.”

Some of the responsibility for maintaining and growing the minority dealer base lies with current dealers, he says. “I think there may be more opportunities for minority dealers opening up, but we have to be ready for those new stores, and that means having the right people in order to handle an expansion,” Thomas says. “I’m trying to focus on keeping costs down and sales up and trying to build the people I have to be good managers — and create more opportunities for them.”
Issues and concerns for women

“It has been hard at times. As a woman, you have to work twice as hard, always feeling that you have to prove yourself. There can be a lot of dry spells as a woman when you aren’t getting feedback from others that you know what you’re doing.”

Shannon Inukai-Cuffee
President
Dick’s Auto Sales
Hillsboro, Oregon

Although technically a majority — nearly 51% — of the U.S. population, women are dramatically underrepresented in the dealership industry. Less than 20% of all dealership employees overall are women, NADA reports — and less than 2% of technicians. Although many meet the same sorts of obstacles confronted by ethnic minorities, women also face unique challenges in the industry. Looking back over her career, Shannon Inukai-Cuffee says, “It has been hard at times. As a woman, you have to work twice as hard, always feeling that you have to prove yourself. There can be a lot of dry spells as a woman when you aren’t getting feedback from others that you know what you’re doing.”

It doesn’t necessarily get easier being the boss, either, she says. A second-generation dealer who still is in partnership with her brother, Inukai-Cuffee says, “Being the boss’ daughter, a female, and a minority, you always feel you have to work harder. There were always lots of education opportunities available — 20 groups, NADA Dealer Academy, OEM training — and I gobbled that up.”

Has she seen it get easier over the course of her career? “I don’t know that I’d say yes. I don’t think it’s getting any easier but maybe it’s not getting harder,” she says. “It’s status quo. We haven’t moved the needle enough.” She says at industry conferences like NADA, there are more meetings and topics centered around opportunities for women. “But we have to participate. As women we have to engage and lean into that,” she says.

The industry’s reputation as a male-dominated business and its historically long hours and weekend work deter many women from even considering a job at a dealership. Dealer Ken Thomas says, “My biggest struggle is finding women. Finding female managers, even female salespeople, is a challenge.” He has recruited at local automotive programs, and says, “Out of 30 kids, maybe you’d see one woman in the class. We have to do a better job of presenting the career opportunities to them — how much they could earn and grow if they get into this business.”

His dealership’s top salesperson, he says, is a veteran woman, and he continues to look for more women to hire. “It’s just good business,” he says. “Women who do business with us want to do business with women as well. Even if they choose to deal with a male salesperson, they want to see there are women here.”

But Thomas acknowledges the challenges. “My facility is 60 years old. If I do hire a female technician, I don’t even have a place for them to change clothes. The infrastructure is not even there to bring a female tech into the business in most places. So in order to create those opportunities, I have to prepare, too.”
Tips for success

Acquiring and operating an auto dealership is an exciting but demanding proposition for anyone. But women, blacks, immigrants and other ethnic minorities often face additional challenges: cultural biases, a smaller network of partner and financing options and a lack of access to capital.

How can an ambitious person plan ahead for a future as an auto dealer? Successful minority dealers and industry experts offer suggestions for industry executives interested in preparing for a future as a dealer/principal.

Learn from the best: Derek Comestro of Bank of America says, “The best thing an ambitious person can do is start with a dealership or group that, first, believes in the values of diversity and inclusion. Find a business that also already has a very well-run process and learn from the best. If it doesn’t fit those criteria, find one that does.”

Build a strong foundation: Dealer and entrepreneur Jay Gill mentors many employees and young people interested in a dealership career. He says, “The first thing I tell them is: Don’t be a jumper. The car business is feast or famine — and a lot of young people may make good money, then have a bad month or year, and jump to another dealership. The advice I give them is to build a strong foundation. Find a place, a home, and stick there. Over the long haul, you’ll come out better and stronger, rather than going from place to place.” He does say it’s important to find someone you feel comfortable with, but once that relationship is established, “stick with that person and build that foundation before you do anything else.”

Develop a broad skill set: Oregon dealer Shannon Inukai-Cuffee says it’s important for younger executives to take advantage of every opportunity to grow and to learn new skills and departments. “We don’t have enough good people who want to take advantage of opportunities,” she says. “We have great opportunities in our own auto group. We’re more than happy to support younger people. But it’s about raising your hand.” Comestro echoes that thought: “Don’t skip steps. If you want to rise in management, spend time learning about all the dealership profit centers — service and parts, F&I, accounting — and not just the front end.”

Start saving now: Ken Thomas climbed through the management ranks and then finally had the opportunity to acquire a dealership with a partner three years ago. Thomas says, “I think the most important thing might be to make sure you’re putting your money away. Obviously you want to gain as much knowledge as you can and take every challenge that’s put in front of you. But you have to have money. For me to get

“Don’t put the money before the feeling. If someone comes to me talking about how much money they want to make in this business — I know it’s not the right person. If you’re here for the money, it’s too hard. You have to have the desire and the passion for the business in order to succeed.”

Gus Rodriguez
Dealer Principal
Dodge City of McKinney
McKinney, Texas
Minority dealers face unique challenges

Cultural biases
Fewer financing options
Insufficient capital access
Smaller partner network

into this, I had to leverage my 401k. There’s opportunities out there, but if you don’t have enough money, it’s not going to happen for you.” Comestro says, “Save as much money as possible so that when the time comes, you’ll have skin in the game.

Get an understanding of capital and how it works: It’s not only important to have the funds to invest in a dealership opportunity, it’s critical to have a basic understanding of business and finance. Dealer Jay Rivchin says, “In today’s world, you have to learn how the money works. You have to learn how you control expenses, where money goes and comes on a daily basis. And how to keep growing your cash capital. Utilize every technology or software, and surround yourself with people who can keep up with the information — so at any given moment, your general manager can tell you where the dealership is at.”

Seek out a partner: Comestro says the right partner can help a prospective dealer realize their dreams. “If you do have ownership aspirations, try to create a transition buyout plan with your existing owner. If that is not available, try to partner with a silent investor, or another individual who can help with the capital but let you run your business,” he says. OEMs, lenders and buy-sell brokers can often help identify potential partners who have a desire to grow their current dealer business, or an outside party looking to enter or deploy capital in the industry.

Solicit legal advice: “If you do enter into any deal, including a transition buyout plan, make sure you get good sound legal advice,” Comestro says. Don’t rely on the other party’s attorney. He suggests that industry associations might be a starting point to help find resources.

Learn from each other: Rivchin recommends becoming a student of the business, as deeply and broadly as possible. “When you go back to the store, check each department, and learn what you’re doing on all fronts,” he says. “Open the books and look at the daily report. Then go to the store your friend manages or owns as a minority dealer, and spend three days or a week there. Learn what they do. Learn from each other.”

Become an active member of industry associations: CMDA, other OEM-specific dealer associations, the National Association of Minority Automobile Dealers and other industry groups provide opportunities to network, to meet established dealers, or executives aspiring to become dealers, as well as contacts at OEMs, lending organizations and other vendors. These contacts can open doors to mentorships, partnerships and other learning opportunities. “Associations are super important and always have been,” Comestro says. “In terms of providing advice, being a champion, and helping build networks among members, associations can play a huge role in helping a dealer achieve success.”

Follow your passion: Finally, dealer Gus Rodriguez says, “Don’t put the money before the feeling. If someone comes to me talking about how much money they want to make in this business — I know it’s not the right person. If you’re here for the money, it’s too hard. You have to have the desire and the passion for the business in order to succeed.”
Future of the minority dealer base

Today’s group of successful minority auto dealers have worked hard and created a path for others to follow in their wake. These dealers say it’s important to keep women and ethnic minorities represented in the auto retailing industry, but express concerns about the future.

Jay Gill
Jay Gill calls himself an “unconventional guy.” After graduating with an engineering degree from Fresno State University, Gill went to work in Silicon Valley — where, he says, “I felt all we did was have meetings. I wanted to do my own thing.” A Californian whose family is from India, he wrote a business plan and received a $200,000 loan from the Small Business Administration, using that to purchase property for a used-car lot in Fresno. He opened on New Year’s Day of 1996 and the rest is history. Recognized in the media as a leading entrepreneur and “blue-collar millionaire,” today Gill operates 10 new-car dealerships, representing 13 brands, in California and Hawaii, as well as a hotel and an almond farm.

“Economically, it’s going to be challenging. It takes a lot of capital to operate a dealership, and that’s one of the things most affecting minority dealers. When we have an economic downturn, most of us don’t have that backstop, like some of the dealers out there who are part of second- or third-generation dealership families.”

Shannon Inukai-Cuffee
Shannon Inukai-Cuffee’s great-grandparents immigrated from Japan. Her father, born in a World War II Japanese-American internment camp, grew up working around the family’s gas station, and opened his first dealership when he was 30. Even after working at her father’s dealership when she was young, Inukai-Cuffee says, “I wasn’t sure if the car business was for me.” But finding herself a single mom with a daughter to support, she decided to jump back into the dealership business; she attended NADA Academy, becoming service manager at Dick’s, then general manager. When their father passed away 10 years ago, she and her brother took over the business, and as co-presidents share management duties at their four dealerships.

“We try to give other minorities opportunities in our businesses. But it feels a bit like we might be a dying breed... If we don’t do more as an industry, we certainly aren’t going to have more diversity. We are going to continue with the trend of these bigger groups getting bigger, as we have seen over the past 20 years. In order to stay competitive and profitable, because the landscape has shifted, you have to have this scale and volume; dealer groups have to get bigger and bigger. That trend can be detrimental to growing the minority dealer body; it takes a lot of cash to run just one dealership... If there are not specific programs where manufacturers are supporting the minority dealer community, for instance by bringing buyers to dealers who might want to sell... I think it’s going to be challenging.”

Jay Rivchin
When Jay Rivchin immigrated from Seoul, South Korea, to the Miami area, he says, “It was eye-opening. There were beautiful giant muscle cars, fast cars. And I found that if you worked for a car dealership, they gave you a car to drive.” He started as a salesperson at Dadeland in 1979, rising to general sales manager. After a brief stint at another dealership, he came back to Dadeland as GM and part-owner, and took full ownership in 2002. Today he has two
dealerships on Florida’s fabled highway U.S. 1 and a third store in the Homestead area. “Only in America,” the gregarious Rivchin says, “can this happen to someone like me.”

“I’m worried about it — because we are not working together as senior leaders of minority dealers to set the path for the next 10, 15 or 20 years. A lot of us are getting old fast. I’m concerned that we need to come together. Just like any successful car dealership, we need to sit down, come out with our business plan — and stick with the plan.”

Gus Rodriguez
Gus Rodriguez studied to be an optician in his native Argentina. After moving to the U.S. in the 1970s, he found himself without a job in the rapidly changing retail eye-care industry. Someone suggested a job selling cars; in his first month, Rodriguez was salesman of the month. He moved to Texas in 1989 and served as dealership general manager for 16 years. In 2005, with the help of the Chrysler Market Investment Program — and after selling his cars and mortgaging his house for the capital — he purchased a dealership that was losing money, and turned it around in the first year. His daughter, Augie, today serves as his general manager. “We have been together, as a family, for more than 25 years,” he says of his dealership staff.

“There is an opportunity out there. There is a new generation of people in the minority dealer community, who know others who have been involved in the car business. That new generation can take the torch from us and run with it and make it better. One of the mistakes a lot of minority dealers make is they don’t give the opportunity to their own kids. I used to hear, ‘I don’t want my kids in the business, it’s too hard. Let them be a doctor or lawyer.’ I say, let your kids do whatever they want to do. And I think we’re going to see in the next 10 years, different minorities come to the car business and add to the dealer body.”

Ken Thomas
Growing up in Detroit, Ken Thomas thought working on cars would be his dream job. At 18, he started at a local dealership as a mechanic — but found he didn’t love being an auto tech. “I knew I liked cars, but didn’t know what part of the business I wanted to be in,” he says. After also being a service advisor, he moved into a sales position. Finally, he says, “I enjoyed and excelled at it.” He left for another Detroit-area Chrysler dealership, where he spent 25 years, eventually being elevated to general manager. Three years ago, after looking for a store, he and two partners finally had the opportunity to purchase Northland CDJR — the dealership where he started his career. After taking over and revamping the approach at what had become a neglected store, Thomas and his staff tripled the business in their first full year.

“I don’t think [the minority dealer body] is going to stay stable. Right now there are too many corporate-owned stores coming in and offering crazy money to buy out dealers. Just in the Detroit market, in the past year or so I’ve watched six different fire sales happen. Big name groups are able to gobble up stores, and pay brain-damaging prices to get them. It’s often not even a realistic number that we’re seeing. Recently a dealership went for $100 million. Who can pay that? What minority owner can pay that? And on the other hand, who can say no?”
Next steps: Keeping and strengthening the dealer base

So what’s next? As current minority dealers, industry executives, OEMs and partner organizations like Bank of America assess the landscape and the future of the minority dealer base, they believe each group of stakeholders—current dealers, OEMs and younger executives—has a role to play in strengthening and expanding the minority dealer base.

What dealers can do: “The U.S. population is changing. About 38% of the population are minorities, buying vehicles from us. But only 6% of dealerships are minority-owned. The math doesn’t work,” says Jay Rivchin. “But if we complain about it as minority dealers, then we have to be willing to put some time in to grow the next generation of minority dealers.”

Current dealers can help expand the talent pool, so that as opportunities become available, there are trained, experienced minority executives ready to step in. Ken Thomas remembers being at industry conferences where he was the only black executive in the room. He says, “If I was the only minority in the room, of all the sales managers and general managers at a conference, that means there would only be an opportunity thrown out for one person. Our first priority is making sure we have capable, competent management in those rooms, to build a case for why there should be more minority dealers. There have to be people ready to and capable of stepping into those ownership positions. That’s our first responsibility.”

What OEMs can do:
- Recruit minority employees
- Support minority dealers
- Encourage candidate mentoring

What executives and future dealers can do:
- Save money
- Identify capital sources
- Seek out mentors
- Participate in industry groups
- Learn business fundamentals
Mitch Mitchell says developing the future talent pool means more than just providing jobs at the dealership. “Dealers need to cultivate the next group that’s coming up—as businesspeople,” he says. “They need to make certain they have minority members in the management team, in important meetings, so they gain an understanding of what it takes to run a business. A lot of our candidates understand how to sell cars, and run a retail auto operation, but don’t understand how to run a business.”

Developing the talent pool also supports current dealers who want to expand their businesses. “My problem is talent,” Jay Gill says. “We need to build that bench, develop that bench, train that bench. As a senior dealer, if I’m going to grow my enterprise, and scale it, I need those guys. What I want to do with these guys is to partner with them, put them through the development process, find a deal, become their partner, mentor them and then let them buy me out at some point. We want to develop these young kids, hold their hands in the process, then eventually let them fly on their own.”

Mitchell also says not enough dealers are working to transition their businesses to the next generation—whether that’s their children or other trusted employees. “A lot of it is about succession planning and staying around long enough to see that through,” he says. “That’s the strongest way we continue, through succession planning. It’s so expensive to get a franchise these days; it’s easier to inherit or buy into a family dealership.”

Some successful dealers, like Gus Rodriguez, are preparing their children to take over their dealerships. Shannon Inukai-Cuffee and her brother took over the family dealership from their father. But other dealers say they want their children to make their own decisions. Jay Rivchin, who has four children, says, “If they want it, they have to come to me. I’ve learned that if I push too hard, I push them away.”

Some dealers also believe current minority dealers ready to sell bear a responsibility to at least try to keep their stores minority-owned. “As a minority dealer, if you’re going to sell, you should approach another minority dealer to sell,” Rivchin says. “A lot believe that if they sell to a majority dealer they’re going to get more money. I’m not sure that’s true anymore. But we lose some of these stores because we don’t stick together as minority to minority. For a lot of kids, if none of their kids want to get into business, they end up selling to big groups rather than looking for a successful minority dealer.” Rivchin thinks the situation could be helped by bringing the minority dealer community together with more seminars and discussions with financial experts (buy-sell brokers, financial advisors) to “open their minds.”

Mitchell agrees, and takes it one step further. “We have to do a better job in terms of finding or creating the capital vehicles that will invest in us and with us. It takes a lot of money to do this. One option would be dealers getting together, perhaps to create a venture capital fund, or having banking partners that have a pot of funds for specific investments in minority dealerships or startups. Some of the burden is on us to create those vehicles for potential candidates.”

What OEMs can do: OEMs’ commitment to their minority dealers, and especially proactive programs to recruit and support new minority and women dealers, have waxed and waned over the years, current dealers say. For the greatest impact, Rivchin says, the efforts have to start at the top. “If the OEMs don’t make a commitment from the chairman or board level, if they don’t believe in the minority dealer...
body, and filter that down to the presidents, VPs, and regional managers, it’s not going to work. There has to be a commitment from the very top, and accountability down.”

Mitchell says, “This is a relationship business, and the OEMs can do a better job from the standpoint of creating and maintaining relationships with their minority dealers, and potential minority dealers.” That includes field staff taking the time, on a regular basis, to get to know current dealers, he says.

Thomas says some OEM programs can feel more like publicity efforts than robust recruitment and development. “Do they have an honest outreach program with a true minority development program? That’s got to fall on the manufacturers,” he says. “Yes, the dealer has to have someone in place that is capable of stepping into those positions, but the manufacturers have to take that next step with them—to get them through NADA Academy, or training programs like the one that Chrysler put us through. Right now that’s not necessarily there for most of the manufacturers.”

Comestro says OEMs and their partners typically have sound minority training and development programs for GMs and owners; however, there seems to be significant opportunity in identifying up-and-coming talent and matching them with minority dealers who can serve as mentors earlier on in the process.

What interested executives—future dealer candidates—can do: Finally, younger executives interested in a future as an auto dealer “have to get ready for the opportunities,” Mitchell says. “If you have the opportunity but if you’re not prepared, it doesn’t mean anything. You have to be intentional about wanting that opportunity, from an early point in your career.” That includes saving money, identifying capital sources and seeking out mentors, he says — plus “getting involved in organizations such as ours, to talk to people to understand what’s involved in being a dealer.”

It also means seeking out learning opportunities. “Most dealers come from the front of the store. But to be a successful dealer you need to understand financial statements, cash flow, leadership, personnel development, real estate, leases and contracts,” he says. “Those are owner characteristics you don’t get from being a sales manager.”

“...If I was the only minority in the room, of all the sales managers and general managers at a conference, that means there would only be an opportunity thrown out for one person. Our first priority is making sure we have capable, competent management in those rooms, to build a case for why there should be more minority dealers.”

Ken Thomas
Operating Partner
Northland Chrysler Dodge Jeep Ram
Oak Park, Michigan
Making business easier for auto dealers.
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Running a dealership comes with its share of uncertain terrain. But one thing is certain. Our Dealer Financial Services team is dedicated to being by your side with the resources, solutions and vision to see you through.

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