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Say It Ain't So Akio! Is This Any Way To Treat Your Friends?

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Woke up this morning, just another day, reading my email over coffee and I see a press release whose headline reads, "Toyota Sues Group 1 Automotive."

What the...Say it ain't so Akio!

It seems Toyota filed suit in the U.S. District Court in Charleston, South Carolina to prevent the sale of Gene Reed Toyota and Gene Reed Lexus (Charleston) to Group 1.

It's all about the balance of power. On the surface one might be inclined to say, "So what?"

But, when you start pulling a few threads and looking deeper, all of a sudden the whole sweater unravels.

The question is, "Why?" What reasoning could Toyota possibly have in opposing one of their strongest supporters, trying to prevent Group1 Automotive from acquiring still another Toyota and Lexus point?

First of all, Group 1 is the fourth largest public company in retail automotive, and, in my opinion the best of them. With more than \$120 million fluid cash, and more equity in hard assets with significantly diminished debt, they are more solid than some of the larger companies whose financials reflect they're operating on high-dollar razor-thin ice.

And Group 1 has always been one of Toyota's best friends and supporters even to the point where they actively assisted and supported Toyota throughout the recent Congressional Hearings.

ALL of Group 1's Toyota and Lexus Stores are high-volume quality operations with award winning customer service.

SO... what's the problem?

Instead of coming to the table to discuss the acquisition, Toyota slaps Group 1 with a lawsuit, which they are vigorously challenging. Seems to me that most deals start with a buy-sell and then you bring the manufacturer in and inform them you've made a deal.

Notice that Toyota really hasn't given a concrete reason for turning the sale down, nor an explanation for the overtly aggressive action taking it to the courts. Well, being smarter than a fifth-grader, I am waving my hand in the air 'cause I know the answer.

Remember way back in the late 90's when CarMax bought the first franchised dealership less than a mile from my home just outside of Atlanta? CarMax Chrysler-Plymouth-Jeep. Well, the argument at the time was the manufacturers felt threatened by the ultra-large public companies owning too many stores and wielding too much power. The shadowy threat looming large in the background was that the "Publics" would get so big they would start to leverage their volume and hold the manufacturers hostage, much like the volume buying power of a Wal-Mart. At that time they were particularly afraid of AutoNation and Wayne Huizenga.

Those of you who have owned a Toyota franchise know that they are a great company to work with, but don't cross them. Does the concept "Control Freaks" ring-a-bell? I can readily speculate they would be nervous about anybody having that degree of leverage.

Do you imagine that Mike Jackson at AutoNation and Roger Penske might be watching to see what happens here? So, if Group1 isn't really a threat because of superb (previously superb anyway) relationships with Toyota, could it be Toyota feels they must draw a line in the sand because two aforementioned executives could be a more formidable threat to the status quo if acquisitions aren't regulated and controlled by Toyota to achieve diversity of ownership with no one entity having excessive leverage?

Well, at least that's the way I see it, of course... I might be wrong.