



Luxury for sale at Porsche dealership

Shiny new facility reflects health of area's high-end auto market

By **TERRY BOX** / Wednesday, November 15, 2006

PLANO – Boardwalk Porsche's curvaceous new home practically glistens in the afternoon sun.



Boardwalk Porsche officially opens today in Plano. At 36,000 square feet, it is one of the largest Porsche dealerships in the United States.

As well it should, some might say. The 36,000-square-foot facility, which officially opens today, is one of the largest Porsche dealerships in the United States.

Moreover, the Porsche store and Boardwalk's other high-end dealerships in the Dallas area operate in the lofty luxury-specialty segment, one of the most stable and lucrative niches in the auto industry.

The segment includes vehicles ranging from \$60,000 Lexuses to \$300,000 Ferraris – with a lot of profitable Porsches, BMWs, Land Rovers and Mercedes-Benzes in between.

It's a nice place for a car dealer to be parked these days as the mainstream part of the industry becomes more tumultuous, more competitive and less profitable.

"When you look at penetration, Dallas has one of the strongest luxury car markets anywhere," said Kirk Frederick, Boardwalk Porsche's general manager. "This town likes flash."

In fact, almost everything in the auto business is better at the top, from margins on cars to dealership prestige and customer loyalty.

As a result, when a luxury or specialty car dealership is put on the market, it typically gets snatched up quickly – at prices up to 50 percent higher than a bigger mainstream dealership, which in this market can cost \$10 million or more.

For the record, company officials say that Plano-based Boardwalk Auto Group – which has won several national awards for customer service – is not for sale.

"No one ever sells them," said dealership broker Ben Hicks, chairman of Hicks Management and Consulting Inc. of Dallas. "You're investing a lot of money because they cost more, and it costs more to provide the level of services you need at those dealerships. But the returns are much higher."

Scott Ginsburg, who owns Boardwalk Auto Group, said the prospect for growth is the main reason he and group president Bobby Rodriguez decided to build a new Porsche dealership next door to their 7-year-old Porsche store. Few Ford and Chevy dealers are spending millions on new facilities these days.

In the next few years, Porsche is preparing for 25 percent growth.

"As baby boomers come of age, they are spending money on cars they always wanted and houses they always wanted," Mr. Ginsburg said. "Luxury brands, without question, are doing incredible business. You can go all over the world, and that's the case."

Sales are up

Last year, Park Place Dealerships completed a 75,000-square-foot facility on Lemmon Avenue that houses Park Place Motorcars (Mercedes-Benz) and Park Place Porsche. Though the stunning new dealership cost at least \$30 million, Park Place founder Ken Schnitzer says his Mercedes sales are up 50 percent and Porsche up 25 percent since it opened.

Boardwalk, which also owns Audi, Volkswagen, Ferrari, Maserati and Lamborghini franchises in the area, started its auto group with a tiny Porsche dealership in Richardson in the late 1990s.

It built its first new Porsche dealership in 1999 – a 42,000-square-foot facility near the corner of Plano Parkway and the North Dallas Tollway.

That building now houses Boardwalk Audi. The Audi and Porsche dealerships sit side by side on a 9.5-acre parcel of land.

'Stars are the cars'

The new Porsche dealership is slightly smaller than the old one, but it's more contemporary, designed to feel like an art gallery where "the stars are the cars," Mr. Rodriguez said.

When customers enter, they step onto a dark tile floor and into an open showroom with subdued lighting. The seven or eight Carreras, Caymans and Boxsters that usually occupy the showroom get slightly brighter lighting so they stand out.

"We want you to relax, but I never want you to forget you're in a specialty car store," Mr. Rodriguez said.

A neat series of peaked white roofs sprout along the west side of the dealership – "hail tents" to protect the dealership's 100-vehicle inventory. New Porsches cost from \$42,200 to \$122,900.

The dealership's sales have risen 5 percent to 10 percent annually in recent years, Mr. Rodriguez said. But with the arrival this summer of a new 911 Turbo, an all-new Cayenne SUV in '08 and a four-door sedan, the Panamera, in '08, sales should climb substantially, he said.

"We're projecting a 25 percent increase in overall business from the Panamera alone," Mr. Rodriguez said.

Overall luxury vehicle sales have slid a little in the last two years as the stock market has sputtered, noted Paul Taylor, chief economist of the National Automobile Dealers Association.

"Luxury car sales have been drifting downward 1 or 2 percent a year for the last couple of years," he said. "But the stock market has hit new highs of late, and I would expect an uptick."

Through October, for example, seven of the 12 models that generally make up the high-end segment had gains, some of them substantial – including Mercedes-Benz with a 13.1 percent increase in sales; Land Rover, an 8.2 percent increase; Lexus, a 6.8 percent increase; Porsche, up 8.9 percent; and Bentley, up 17.3 percent. The auto industry as a whole was down 2.9 percent through October.

In addition, Mr. Taylor said, the luxury segment is actually two niches: cars below \$100,000 that are purchased by wealthy consumers and those above \$100,000 bought by the super-wealthy.

"The wealthy will be hit year to year by changes in the stock market," Mr. Taylor said. "The super-wealthy won't. It's a form of diversification to have Audis and Ferraris."

The mpg of ROI

High-end dealerships that sell low-volume vehicles such as Porsches, Ferraris and Lamborghinis don't generate large cash flows like mainstream dealerships, so they often work hard to build substantial profits.

But over time, the luxury dealerships are more stable and provide better returns on investment, said Sheldon Sandler, founder of Bel Air Partners in Skillman, N.J., a national adviser to dealers that also offers financial services.

Gross profit margins on mainstream cars average about 8 percent. For luxury cars, it can be twice as high. But many luxury dealers sell fewer than 500 cars a year and just don't have the volume to generate large income.

"A Lexus store can make a \$5 million profit, bottom line, year after year," Mr. Sandler said. "There's not a Ferrari store in the world that can do that. But with the niche dealers, it's return on investment. If you don't pay too much, you will get a good return on investment."

Mr. Ginsburg, whose dealerships are privately held, did not dispute that general assessment.

"We know that it's a challenge to deal with manufacturers that have limited output," he said. "We have the opportunity to take a bite of the apple every time it's offered. Other people, other dealers get to eat the entire apple."

Back for more

Even a bite is still sweet in Dallas. Most high-end buyers bring their prized cars back to the dealerships for work rather than take them to independents, and that creates steady income, said Jerry Reynolds, who works regularly with dealers as the host of the *Jerry Reynolds Advice Show* on WBAP-AM (820).

"I think people here put more emphasis on what they drive," he said. "If you look at personal wealth, there's probably no more here than in any other city. But what you drive is a big part of the culture here. In Dallas, a person would rather have a used luxury car than a new domestic car – even if they cost the same."