

Automotive News

Difficult times yield big rewards for dealer group

How RLJ McLarty Landers beat the odds



From left, Mack McLarty, Robert Johnson and Steve Landers, who built and expanded their dealership group during the recession.

Arlena Sawyers

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Forging a dealership group during a deep recession is fraught with risk, but three bold entrepreneurs -- Robert Johnson, Mack McLarty and Steve Landers -- not only created a profitable venture, they more than doubled the group's original size to 25 stores.

Since the inception of RLJ McLarty Landers Automotive Holdings in 2007, the group has thrived, generating \$1.1 billion in revenues last year and climbing into the top 20 of the largest U.S. dealership groups.

There were plenty of doubts along the way.

"Mack and Bob and me -- did we second-guess ourselves some? Yes, a lot," says Landers, the company's straight-talking president and point man for identifying dealerships that fit the group's business strategy.

"But you make your money when you make your buys. And we were buying dealerships in a tough time. People wanted out, and we just took a big chance.

"We actually had great months during the recession. We're very profitable."

The group, of Little Rock, Ark., increased its new-vehicle retail sales 29 percent to 18,885 in 2011, placing it No. 19 on the *Automotive News* list of the top 125 dealership groups in the United States, which ranks groups based on new-vehicle retail unit sales.

Those figures do not include McLarty's or Landers' separate automotive holdings. McLarty's McLarty Automotive Partners, with other partners including Landers, owns dealerships in China and Brazil and holds the distributorship for Jaguar and Land Rover in Mexico. Landers and his sons own a Toyota-Scion and a Chrysler-Dodge-Jeep-Ram dealership in Little Rock.

The partners also have nonautomotive holdings. That's particularly true of the group's chairman and majority partner, Johnson, 66, who founded Black Entertainment Television, which he sold to Viacom in 2001 for \$3 billion. His 60 percent stake makes RLJ McLarty Landers the nation's largest black-owned dealership group, according to *Black Enterprise* magazine.

RLJ McLarty Landers still wants to buy dealerships, but its "growth won't be as fast or as strong as you've seen in the past," says 65-year-old McLarty, the group's vice chairman and a former White House chief of staff.

As new-car sales pick up, fewer people are looking to sell their dealerships and acquisition prices are climbing, says Landers, 58, a longtime Arkansas dealer.

"They're a little harder to buy right now than they were, but there are still people looking to get out," Landers says.

He says that as the U.S. seasonally adjusted annual sales rate goes up, with many analysts predicting sales of more than 14 million units this year, acquisitions become difficult: "When it was 9.8 million or 10 million they were a little easier to buy."

From 2008 through mid-2010, when doubt swirled about whether Chrysler Group and General Motors would survive the recession, RLJ McLarty Landers added a dozen dealerships. Among those additions: one Chevrolet, one GMC, two Ford and two Chrysler-Dodge-Jeep stores. It also added Chrysler and Dodge to an existing Jeep store.

The partners say there is no ideal number of dealerships for their group. Landers says the group mainly looks for dealerships within its geographic footprint, mostly in the South, that are underperformers with turnaround potential or whose owners are looking for an exit strategy.

With assistance from McLarty's son, Franklin McLarty, the company's senior vice president, and CFO Paul Hart, Landers determines stores' potential for success by dissecting their financial histories department by department and analyzing their markets.

The group's nonluxury brand mix is good, the partners say. But RLJ McLarty Landers lacks luxury marques such as Audi, Acura, BMW, Infiniti and Lexus.

McLarty says the group would like to add luxury brands "but we're not going to pay prices that we don't think are reasonable for those stores." He said the group would expand its geographic boundaries if the right opportunity presented itself.

McLarty and Landers, who once owned competing dealerships in metropolitan Little Rock, have known each other for most of their lives. They are part of multigenerational dealership families that grew their businesses, then sold them to publicly held dealership groups.

McLarty, grade school pals with President Clinton, worked in the Clinton administration from 1993 to 1998. He was introduced to Johnson almost 20 years ago by a mutual friend, Ron Brown, a commerce secretary under President Clinton. McLarty later introduced Johnson to Landers.

In 1999, McLarty's family sold its nine-dealership group to [Asbury Automotive](#) Group. McLarty was vice chairman of Asbury's board of directors from 1999 until 2004.

Landers sold his two stores to UnitedAuto Group Inc. in 1995. He was president of UnitedAuto's south central region from 1998 until 2003, overseeing the public retailer's acquisition of 21 dealerships.

McLarty and Landers formed McLarty-Landers Automotive Group in 2005 and started acquiring dealerships.

When RLJ McLarty Landers formed, McLarty and Landers contributed their 10-dealership group to the partnership. For his majority stake, Johnson, then a newcomer to auto retailing, put up an undisclosed amount of cash.

The men say their partnership works because each brings different strengths -- and the same business savvy and entrepreneurial spirit -- to the group.

It doesn't hurt that they trust and like each other, too, they agree.

"Any partnership starts with a foundation of shared values," Johnson says.

"Then you layer on people who genuinely like each other. I don't need to go down and visit the store we own; I don't need to second guess the financial reports."

RLJ McLarty Landers Automotive Holdings

Chairman: Robert Johnson, 66

Vice chairman: Mack McLarty, 65

President: Steve Landers, 58

Headquarters: Little Rock, Ark.

No. of dealerships: 25

Brands: Buick, Chevrolet, Chrysler, Dodge, Ford, Fiat, GMC, Honda, Jeep, Mercedes-Benz, Nissan, Ram, Scion, Subaru, Toyota

2011 new-unit retail sales: 18,885

2011 revenues: \$1.1 billion

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Johnson: Power in partnerships

Arlena Sawyers

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Robert Johnson:
"No matter what
business I'm in,
the core
principles are the
same."

Robert Johnson knows the power of good partnerships.

In 1980 he launched Black Entertainment Television, the nation's first TV network aimed at black viewers. Johnson credits his then-partner, cable TV magnate John Malone, with providing financial and professional backing that helped the venture succeed.

And as the majority owner of RLJ McLarty Landers Automotive Holdings, he credits partners Steve Landers and Mack McLarty -- and his own prudent risk-taking -- with guiding the company through the recession while doubling its number of dealerships in the process.

"I've been in business for a very long time and I've seen the ups and downs of the economy and the impact it has on business, jobs and overall consumer confidence," Johnson says.

Johnson, although an automotive retail novice compared with longtime dealers Landers and McLarty, is a business magnate in his own right.

He founded the RLJ Lodging Trust, a hotel real estate investment trust that began trading publicly in May 2011 and owns 140 hotels.

He is the founder and chairman of RLJ Cos. of Bethesda, Md., which owns or holds interest in several businesses. Among them:

-- Bobcats Sports & Entertainment, including the Charlotte Bobcats NBA team and arena operations. Johnson was the majority owner before selling all but 15 percent in 2010 to former basketball superstar Michael Jordan.

-- Caribbean CAGE gaming company. It holds licenses in Caribbean island nations to operate video lottery terminals.

-- RLJ Equity Partners private equity fund. It buys and invests in small and mid-sized businesses.

Johnson's RLJ Cos. has other holdings in financial services, insurance services and asset management. It also owns a film production studio, Our Stories Films.

Johnson was born in the small town of Hickory, Miss., the ninth of 10 children.

He was just a toddler when his parents moved to the family to Freeport, Ill., where he grew up. He received a master's degree in international affairs from Princeton University's Woodrow Wilson School of Public and International Affairs.

Johnson moved to Washington, D.C., where he worked as a press secretary before landing a job as a lobbyist for the cable television industry.

Exposure to that industry planted the seed for Black Entertainment Television, he says. But he lacked the money to make it a reality.

Johnson got a break when Malone, then CEO of Tele-Communications Inc., liked the idea and invested with Johnson.

"He asked me how much I needed; I told him \$500,000 -- this was in 1980," Johnson recalls. "He said we would invest and buy equity in it and provide debt financing.

"That \$500,000 became the foundation on which [Black Entertainment Television] grew into the successful business it is today."

Of all his companies, Johnson is best known for the one he no longer owns. He took Black Entertainment Television public in 1991 and sold his stake in it to Viacom in 2001 for \$3 billion.

Johnson says that although he invests in a variety of businesses, all of the ventures are based on trust and are committed to building value for stakeholders.

He adds: "That's why I feel that no matter what business I'm in, the core principles are the same."

Robert Johnson

Founder and chairman, RLJ Cos.

Headquarters: Bethesda, Md.

Owns or holds interests in several companies. Among them

- **RLJ Equity Partners:** Private equity fund associated with the Carlyle Group
- **Bobcats Sports & Entertainment:** Charlotte Bobcats NBA team and arena operations
- **Caribbean CAGE:** Gaming company focused on the installation, operation and management of video lottery terminals in Caribbean island nations

Automotive News

McLarty wants to merge into emerging markets

Arlena Sawyers

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Mack McLarty:
"We'll be growing
in a purposeful,
thoughtful
manner in each
market."

Business leader. State legislator. Former White House chief of staff.

Mack McLarty has been all of those. Now, in an increasingly important role in the auto industry, he's a pioneer in retailing and distributing vehicles abroad.

McLarty is chairman of McLarty Automotive Partners, which operates three growing international units with local partners. They are:

-- Yanjun Auto Group, a 16-dealership group in China whose 2011 new-vehicle sales rose 9 percent from a year earlier to 16,681 units.

-- Caltabiano McLarty Group, a 20-dealership group in Brazil whose new-vehicle sales in 2011 increased almost 6 percent from 2010 to 12,590.

-- GDV Imports Mexico, a Jaguar and Land Rover vehicle distributor in Mexico that handled 668 units last year, up 12 percent from 2010.

McLarty's group established its presence in Brazil in 2000, in China in 2006 and in Mexico in 2010.

McLarty says retail automotive in China and Brazil makes good business sense because those countries' economies are expanding and their automotive markets are developing.

"Brazil's economy is growing, and its middle class is building," McLarty says. "Their car market is well over 3 million. So they've moved into a pretty substantial place.

"The China market is really extraordinary. About 10 years ago, there were about a million vehicles sold in China and about 16 million in the United States. Today there are 18 million sold in China and about 12 to 13 to 14 million sold in the United States."

McLarty's international holdings are separate from RLJ McLarty Landers Automotive Holdings, which he owns with partners Robert Johnson, the founder of Black Entertainment Television, and longtime Arkansas dealer Steve Landers.

Landers is an investor in McLarty Automotive Partners, which is pushing for more international growth.

Last year, it hired Jim Press, a former executive with Toyota and Chrysler, as president of international operations. His focus is on overseeing and increasing McLarty Automotive Partners' dealership business abroad, says Paul Hart, CFO of RLJ McLarty Landers.

McLarty's oldest son, Mark, was instrumental in setting up the company's international operations and is chairman of the company's China unit.

"We'll be growing in a purposeful, thoughtful manner in each market," Mack McLarty says of his company's international strategy.

"In terms of these emerging markets, we take the practices in the U.S. -- used cars, fixed operations, customer service, finance and insurance -- and use those same processes and practices, with sensitivity and respect to local culture, in Brazil and China."

McLarty, a third-generation dealer, has held several prominent positions, any one of which would fulfill a lifetime career goal for most people.

In 1969 at age 23, he was elected to the Arkansas Legislature and in 1983 was named CEO of Arkla Inc., a natural gas distributor. He held that position until 1992, when his lifelong friend, Bill Clinton, asked him to be White House chief of staff.

He also was a presidential counselor and special envoy for the Americas.

McLarty left the White House in 1998. A year later he became vice chairman of [Asbury Automotive](#) Group when his family sold controlling interest in its group of nine dealerships in Arkansas and Texas to the publicly traded group. He left Asbury in 2004 and in 2005 formed McLarty-Landers Automotive Group with his friend and former competitor, Landers.

The pair became a trio when they joined with Johnson in 2007.

McLarty says he gained experience with markets outside the United States during his work in the Clinton administration. He says those markets represent great business opportunities.

He adds: "We like the geographic balance of the United States and the emerging markets."

Mack McLarty

Chairman, McLarty Automotive Partners

Headquarters: Little Rock, Ark.

• Yanjun Auto Group, China

No. of dealerships: 16

2011 new-unit sales: 16,681

Brands: BMW, Jaguar, Land Rover, Mini, Porsche, Volvo

• Caltabiano McLarty Group, Brazil

No. of dealerships: 20

2011 new-unit sales: 12,590

Brands: BMW, Chrysler, Dodge, Jaguar, Jeep, Land Rover, Mercedes-Benz, Mini, Toyota, Volkswagen, Volvo

• GDV Imports Mexico, Mexico

Distributor: Jaguar and Land Rover

2011 total of vehicles: 668

Other businesses:

President, McLarty Associates: Counsels corporations and nonprofits on strategic planning, government issues, market access and political and economic risk issues around the world

Chairman, McLarty Cos.: Manages the McLarty family's nonautomotive holdings

Automotive News

For Landers, auto dealing is a family affair

Arlena Sawyers

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Steve Landers: "I always had a horror of raising sons who would not be capable of running a business if something happened to me."

Steve Landers is as comfortable buying used cars in an auction lane as he is buying diamond-in-the-rough dealerships.

That ability to spot a deal -- whether learned or innate -- has helped him become one-third of RLJ McLarty Landers Automotive Holdings, one of the fastest growing privately held dealership groups in the country.

But in addition to his high-profile partnership with Robert Johnson and Mack McLarty, Landers has a business venture with two other partners: his sons, Steve Jr., 36, and Scott, 28.

"I always had a horror of raising sons who would not be capable of running a business if something happened to me," Landers says.

"So I really bore down on them when they were young so they are very competent to run them."

Landers and sons own Landers Toyota-Scion and Steve Landers Chrysler-Dodge-Jeep-Ram, both in Little Rock, Ark.

'Wow factor'

While the elder Landers oversees RLJ McLarty Landers as president, Scott Landers is president of the family stores and in charge of their day-to-day operation.

Steve Landers Jr., although not involved in managing the family stores, owns a commercial aviation business and two buy-here, pay-here used-vehicle lots separately from his holdings with his father and brother.

Steve Landers Sr. says the family's Chrysler-Dodge-Jeep-Ram store sold 685 new and 936 used vehicles last year and the Toyota-Scion dealership sold 3,116 new and 3,491 used vehicles last year.

The Toyota-Scion store has many amenities that provide a "wow factor," Steve Landers Sr. says.

Built in 2003, the 100,000-square-foot dealership sits on 20 acres and has a gymnasium, a barbershop and computer game stations. It also has a restaurant that keeps freshly baked cinnamon rolls on hand in the morning and cookies in the afternoon.

Steve Landers Sr. says he is particularly proud of Scott. "I've got a 28-year-old son who is running one of the largest Toyota deals in the country," he says.

Although the family's Chrysler-Dodge-Jeep-Ram store does not have the bells and whistles of the Toyota-Scion

dealership, it will when a replacement store opens. Construction is scheduled for completion in the fourth quarter.

First job: Washing cars

Steve Landers Sr. began his route to becoming a dealer at age 14 when he landed a job washing cars at an Oldsmobile store in suburban Little Rock.

At 17, he graduated high school, got married and started selling new vehicles at a Ford dealership in Little Rock.

"I sold one the first morning I went to work; I made more money than I'd made all week washing them," Landers recalls. "I said, 'This is a pretty good deal; I'm going to stay with it.'"

He sold new vehicles at dealerships in and around Little Rock for the next three years. Then he and his father, Bob Landers, a dealership sales manager, started their own used-car lot, a business they operated for 20 years.

They entered the new-car business in 1989 when they bought what was then Newbills Oldsmobile-GMC, the store where Steve had washed cars as teenager.

By 1995, the family owned a Dodge-Chrysler-Jeep-Eagle store and a Buick-Pontiac-GMC store. That's the year that Bob Landers retired and Steve Landers Sr. sold the family's stores to UnitedAuto Group, now Penske Automotive Group.

Steve Landers Sr. managed the public dealership group's south central region, overseeing the acquisition of 21 dealerships, until he left the company in 2003.

Two years later, he and McLarty became partners. In October 2007, they formed the partnership with Johnson.

Whether Landers' family business will grow "is up to my boys; they do that," Steve Landers Sr. says.

"I work with Bob and Mack, and I have a ton to say grace over."