

2007 EXCELLENCE IN ENTREPRENEURSHIP

Deal or No Deal

Oil Change Mistake Led Wilson to Auto Sales in Phoenix, Later Toyota of Orange Buy

By SHERRI CRUZ

David Wilson is a rarity in the auto dealer business—he isn't the son of a dealer.

Wilson moved up the dealership ranks to owner with sweat and, strangely enough, a degree in religion and philosophy.

Wilson, owner of Orange-based David Wilson Automotive Group, was one of five people honored at the annual Excellence in Entrepreneurship luncheon put on by the Business Journal on March 8.

His group of 15 dealerships includes Toyota of Orange and the new Newport Lexus. Toyota of Orange alone sells the most new cars of any auto dealer in the county.

The company is headed toward \$2 billion in sales this year.

Wilson's set to open his 16th dealership soon in Puerto Vallarta, Mexico. Building in Mexico is like starting all over again, he said.

Early Mistake

The son of a farmer and a mother who sold home products, Wilson made a mistake early in his career that set him on the path to be a dealer, not a preacher.

Then a 20-year-old college student, Wilson was washing cars and changing oil for a Ford dealer in Waterloo, Iowa.

"I was making \$100 a week," he said.

During an oil change, he left the plug off and ruined the engine of a phone company's van. His boss asked him to pay for it, about \$400.

In 1968, employees paid for their mistakes, Wilson said. Today the dealership would pick

up the tab.

Wilson couldn't afford to pay for it out of his car wash salary so he asked to sell cars, which is based on commission.

"I liked sales," he said. "You get paid exactly what you're worth."

By 1970, he was the sales manager.

Wilson paid for that van's engine, graduated from college and was making about \$29,000 a year, decent for the 1970s. He owned a house by the time he was a junior in college.

Wilson was inspired to open his own dealership.

Wilson and a fraternity brother, who also sold cars, agreed to start a business together. They used their home equity to put a down payment on a dealership in Iowa. But the deal fell through.

One snowy, Sunday Iowa eve, Wilson was yearning for the sun. He was watching a football game on TV that was taking place in Los Angeles. The sun was shining and everyone was wearing short sleeves, he said. Wilson then saw an ad in a newspaper: "Phoenix, where the sun goes for winter."

"I'd never been to Phoenix," he said.

But he'd heard business was in the air there. He didn't want to move to California.

"The California car business is where the big boys play," he said. "I wasn't ready."



Wilson: "I never intended to spend that much money," he says about Newport Lexus

Phoenix it was. He worked at a Lincoln Mercury dealership for 11 years, first in sales and then as general manager. He was working toward ownership but the dealer had a son who took over. Wilson sold back his stake.

The folks at Lincoln Mercury wanted Wilson to buy a Ford dealership in Anaheim, then owned by Toyota of Orange owners. The Anaheim Ford dealership was run-down and Wilson wasn't interested. But he liked the Toyota of Orange dealership.

"How about coming to us to work as general manager," they asked.

Wilson, bent on having his own dealership, said no. They offered him a 25% stake and the "right of first refusal," which meant he didn't have to worry about a son.

He agreed. Wilson bought the other 75% of Toyota of Orange in 1985. Next came Tustin Lexus in 1989. He was one of the few dealers to receive an invite from Lexus to open one of its charter U.S. dealerships.

Wilson funded his next few dealership buys through profits from the others and a \$7.5 million loan from Detroit's Comerica Bank.

"I was their first credit outside the state," he said.

It was the start of Wilson's long-standing relationship with the bank. The president of the bank came out personally and told Wilson that his loan was one of its "most aggressive." Wilson had to take out a life insurance policy because the loan depended on his ability to run the dealership.

Wilson made double payments because he hated hanging over his head. That paid off in another way—reduced interest.

"By 1989, I had to borrow a lot more money," he said.

He was opening Tustin Lexus.

Bold Move

Last year, Wilson made a bold move and opened the swanky Newport Lexus, within walking distance to Fletcher Jones Motorcars, which sells rival luxury brand, Mercedes-Benz. Wilson did that for a few reasons, among them, self-preservation. If he didn't open one, someone else would, he said.

There are four Mercedes-Benz dealers in OC, four BMW and now four Lexus dealers, including Newport Lexus.

Lexus outsells BMW and Mercedes nationally.

"I saw a business opportunity," he said.

He figured Newport Beach was the best spot for a luxury dealership, which cost about \$65 million including 8.5 acres of land.

"I never intended to spend that much money," he said.

At every Wilson dealership, the general manager also is a junior partner, he said.

"Every (general manager) can earn up to 25% of their dealership through sweat equity," he said.

They don't pay anything. That has helped reduce turnover, he said.

"I treat them like they own 75%," he said.

Wilson said his degree in religion wasn't wasted.

"Because of my religion and philosophy education, we've always done business on ethics," he said.

Rule No. 1: "We care more about our employees than our customers."

Wilson said he can't take care of his thousands of customers but he can make sure his workers have a "safe, secure, happy place to work."

"I don't want people looking for a job on their day off," he said. ■

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