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2017

Cox says it is a ‘patient investor’

Family ownership allows business units time and space for management to achieve their goals

By JOHN MELLOR

■ **LISTED** company competitors of Cox Automotive are on notice that the US auto services giant has the luxury of patience to implement its plans in Australia and is not subject to restless analysts and carping activist investors interfering or disrupting the development of Cox’s long-term business plans.

In briefings surrounding

the recent launch of Cox Automotive Australia, and in an exclusive interview with *GoAutoNews Premium*, senior executives and directors of the company made it clear that the values of the Cox family, and the lack of pressure to make short-term decisions to drive up share prices, was a significant competitive advantage.

The clear message was that Cox Automotive Australia

will not be rushed into rash decisions and that the process of determining what the company would eventually look like Down Under would be deliberate.

In a wide-ranging discussion with *GoAutoNews Premium*, the president of Cox Automotive, Sandy Schwartz, agreed that Cox Enterprises (the parent of Cox Automotive), as a private business, was less pressured

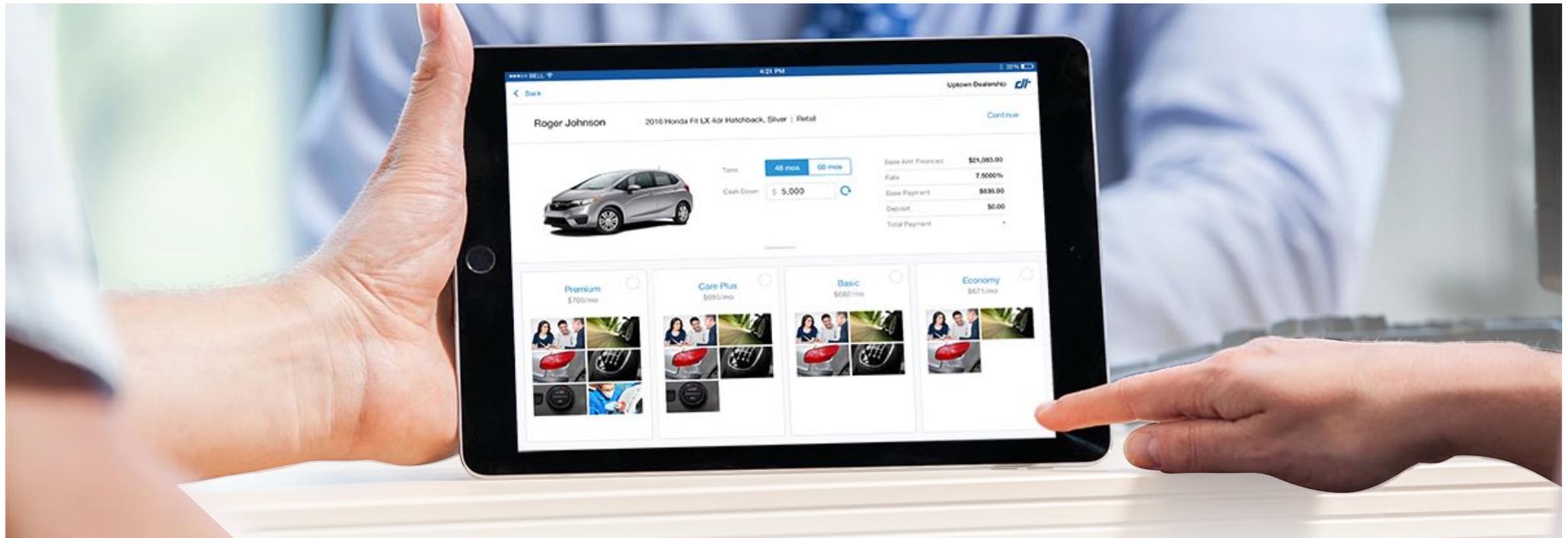
by the investment community, possessed more patience and allowed itself to take a longer view of the companies in which it invested than listed companies.

“We are a for-profit business so profit is not unimportant,” he said. “But if there is an investment to make or we need to veer off onto something for a different reason ... you know our management team is looking five, 10 and 20

years down the road.”

Mr Schwartz said that Alex Taylor, the COO of Cox Enterprises, the fourth generation in the Cox family business, when discussing succession in senior management ranks “shows us a picture of his four-year old son. So when he is thinking about the future of the Cox business he is planning for his son who is four.

Continued next page



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– Sandy Schwartz

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“So he is looking at where the company is going to be in 20 years. I think that gives us a real big advantage over, not just Carsales, but others,” he said.

“We invest because we want this company to last for another 119 years like it has for the past 119 years. That does not mean we are not focussed on budgets or on

earnings, because we are, but, if we see something that is an investment, we will invest and we do have more patience.”

Mr Schwartz said that Cox Automotive’s biggest ever purchase was made with a minimum of internal red tape.

DealerTrack, which Cox Automotive purchased in 2015 for \$US4.6 billion, is web-based platform that automates and accelerates the

entire automotive financing process. It has more than 24,000 dealers and more than 90 finance houses connected to it.

Mr Schwartz said: “We bought DealerTrack, not because we thought in one or two years it would reshape our company. We thought that in five, 10 and 15 years it would reshape our company. We still feel that way.”

Mr Schwartz said that as an indication of the style of management within Cox Automotive, the team of three, Alex Taylor, John Dyer (the CEO of Cox Enterprises) and Mr Schwartz met with the chairman Jim Kennedy about the purchase of DealerTrack only three times.

“We did a lot of work on it but that (three meetings with the chairman) was the extent

of being able to make that transaction.

“We also don’t cry over spilt milk. If something is not going the way we thought, that’s okay.

“There are some parts of the (DealerTrack) acquisition that aren’t going the way we thought. But that’s okay because other things are happening that are going great.

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“So we really are futuristic in our thinking on our investments and we are patient. It is in our DNA.”

Mr Schwartz said that Xtime, Cox Automotive’s service department productivity and customer relationship tool, was not the biggest of Cox’s acquisition but was really important to

Cox Automotive’s future plans globally.

“Someone else who bought that company would say they have to get much, much more profit out of it. But one of the things we have done with Xtime is to continue to invest.

The recently appointed CEO of Cox Automotive Australia, Gary Martin, told

GoAutoNews Premium that he was running Xtime when it was purchased by Cox Automotive in November 2014.

“It was an interesting (demonstration) of the DNA of Cox Automotive when you are sitting on the other side of the fence not being part of the family.

“When (we looked) at

their go-forward numbers they were showing negative EBITDA (earnings before interest, tax, depreciation and amortisation) because they wanted to invest. They were not buying it to do something else. So the forward numbers were still negative EBITDA. So that was a sign that they trusted us to invest in what (they

wanted) to be a strategic piece.

“And that is another part of what Cox Automotive thinks. They think in strategic pieces. If you look at their individual pursuits then you might take a different view of the future with a particular product but, when you put them all together, you can afford to have patience.”

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Mr Martin said that Cox Automotive has invested in a “coaching” program for helping dealers maximise their results from Cox products and has appointed a head of performance management for dealers with a plan to roll it out across its client base.

“Sandy and the family greenlighted the program in the US. I participated in that and I would like to bring it back to Australia.

“This is an investment, an out-of-pocket expense for Cox Automotive. We can see today that it is an expense but, into the future, we think we will get that back. I was able to implement this inside Xtime and see the results that

we got back very quickly.

“That has become a big investment by the family and is a good piece of their DNA.”

Mr Schwartz said the performance management concept was in place at the Cox company, vAuto, which is a new and used-car live market inventory control system for dealers which has a low dealer churn rate of three tenths of one per cent.

“Almost all the people who dropped the product were dealers that were sold and the group that bought them used a different product.”

He said that vAuto operated a performance management support service for dealer clients “and the reason dealers were sticking with us was that

it worked.”

“And it worked because they had someone standing beside them saying: ‘Let’s take a look at how you are using this. Let’s look at how you are training people on this. You have this high turnover; you need someone using this (feature).’ And they really coach up in these dealerships and the dealerships that are using vAuto are really thriving.

“This is a company that had 1000 customers when we bought them and six years later there are something like 9000 and it continues to grow,” Mr Schwartz said.

Disclosure: Cox Automotive has a minority interest in GoAutoMedia Pty Ltd.



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