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The Eden Project

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INTERVIEW

After a period of organic growth at Eden, CEO Graeme Potts has accelerated expansion through dealership acquisitions **P28**

QUICKREAD

- ▶ Graeme Potts created Eden Motor Group in 2008 with the backing of GM UK
- ▶ He has run large dealer groups, including Inchcape Retail and Reg Vardy
- ▶ Eden's growth has been rapid in recent months with a number of acquisitions
- ▶ Further growth is likely to come from existing, volume brands
- ▶ The group turned in a Return on Sales of 2.4% last year

CUSTOMER DRIVEN:
Graeme Potts, Eden Motor Group CEO, Hyundai Reading, February 2016.
Pictures by David Berman



Going fo

Eden Motor Group has recently bought five new dealerships in less than two months. But chief executive and owner Graeme Potts has no wish to create another retail giant like those he used to run

Andrew Charman

Negotiating the busy road junction that leads to the premises of Eden Motor Group's Reading Hyundai site, competing for attention with other dealerships on a prime site alongside the main route into Reading, Motor Trader finds Eden chief executive Graeme Potts in a role he enjoys: meeting his customers on the floor of the dealership.

Such personal contact is something Potts has probably experienced more since setting up Eden in 2008 than in his previous roles. His CV includes time heading up motor industry big hitters Reg Vardy, Inchcape Retail and the RAC.

But does he have aspirations to turn Eden into an automotive giant? The company's steady organic growth through acquisition appears in recent times to have accelerated with five sites and a new franchise announced in the space of just two months.

The acquisition of Wokingham Motors in December introduced Peugeot to the group and was rapidly followed by three Vauxhall outlets with Skurrays in Oxford and Bridge Motors in both Stratford-upon-Avon and Banbury. With Taunton-based Shires Mazda completing the expanded portfolio.

Potts insists, however, that the acquisitions have been opportunities too good to miss, businesses that fitted into Eden's market area and footprint. In the case of the Bridge Vauxhall outlets it further strengthens the group's representation with its longest held franchise as Eden was launched with GM UK as its funding partner.

Eden is currently rated 75 in the Motor Trader Top 200 with



ORGANIC GROWTH: Eden expects growth will come from existing rather than new brands. Taking on prestige brands is not a priority because of the high costs and goodwill involved



UNIFORM APPROACH: Eden issues new staff with branded workwear to emphasise the group's family values

annual turnover of £171.6m. The group's dealerships now spread out on all points of the compass from the centre of Reading: east to nearby Bracknell, as far north as Banbury on the M40 corridor and a presence in the south west stretching down to Devon. While Vauxhall is the most widely represented franchise, the group also has Fiat, Hyundai, Mazda and Peugeot, as well as holding authorised repairer status for Alfa Romeo, Chevrolet, Renault and Saab.

Potts will not rule out further expansion for Eden, though he acknowledges the assimilation of five new sites will be the main focus in 2016. Should there be future growth it is likely to come from existing franchises.

Additions would only be considered, however, if they allow Potts to continue to exercise the retail and people principles he has pursued during his time in the industry. He's insistent that the scale of the business has to ensure that such principles are not compromised, and reveals to Motor Trader that he has turned down offers of funding that would turn Eden into a much larger operation. He insists that while he is in charge he will not become what he describes as an "automotive retail mega corporation".

You established Eden in 2008 in partnership with GMUK.

What made you go out on your own?

I had decided that at around the age of 50, I would do something different, having been in senior management roles with large companies for a long period as well as charitable and non-executive directorships. I wondered if I'd regret hanging my boots up without having run my own business.

Does GMUK still have a stake?

We now have three subsidiaries, the biggest of which is Eden GM in which Vauxhall has a minimal stake. The parent company is my own. ➔

r growth

GOOD RETURN: Potts aims for 2.5% return on sales, which is the upper end for a volume franchise



◆ **What prompted such an intense period of acquisitions since December?**

Growth in outlets is not a primary objective of Eden, despite how it may appear. Our primary objective is great customer experiences, great returns for the manufacturers and ourselves and a strong stable team. But with those conditions opportunities tend to come our way.

We were negotiating the acquisition of Wokingham Motors and Shires when an opportunity arose, through Vauxhall, to take over Oxford, Banbury and Stratford-upon-Avon – a great market area that complements what we already do, and something we couldn't say no to.

How did each deal happen and what made them work for you?

We first looked at Wokingham Motors a couple of years ago and the owner was looking to dispose of the business as part of a move into retirement. We've always had an eye on Wokingham, a market close to our existing operation. We weren't particularly hunting for a Peugeot franchise but early signs are very encouraging.

Eden Motor Group outlets

SALES AND SERVICING

- **Fiat:** Basingstoke
- **Hyundai:** Basingstoke, Reading
- **Mazda:** Basingstoke, Taunton
- **Peugeot:** Wokingham
- **Vauxhall:** Banbury, Christchurch, Exeter, Fareham, Honiton, Newbury, Newton Abbott, Oxford, Poole, Reading, Stratford-upon-Avon, Torbay

SERVICING ONLY

- **Alfa Romeo:** Basingstoke
- **Chevrolet:** Bracknell, Newton Abbott, Poole, Reading
- **Ford:** Bracknell
- **Renault:** Wokingham
- **Saab:** Bracknell
- **Vauxhall:** Bracknell, Camberley, Wokingham

The Banbury and Stratford-upon-Avon Vauxhall dealerships were acquired on the same day from the administrator, just two days after Wokingham – it was a frantic week. A week later we agreed the acquisition of Oxford, completion being deferred until 18 January. They fit in well with our existing businesses; through previous business activities I knew all of the markets concerned and was very attracted to them.

The Shires Mazda purchase was deferred until 1 February because we were so busy with the other businesses. Mazda had introduced us to a retirement sale and the owner was incredibly helpful and supportive. Like Wokingham, the rationale was market and brand. We are strong in Devon with Vauxhall, we've had a Mazda business for almost three years in Basingstoke and like the brand.

What do you look for when running the rule over a business?

Principally the market. I like to be the only player in town for the manufacturer we represent, there's enough inter-brand competition without intra-brand competition. We look for a location with a reasonable intrinsic market of its own and if it has a hinterland of smaller villages that allow you to be the 'shopping centre' for the area, so much the better.

How do you manage such rapid expansion? Did each site have different dealer management systems?

We can't produce a properly performing Eden business without the right infrastructure so we change the DMS to ours on day one. We introduce our own telephone system interconnected across the business, customer communication and follow-up methods through our contact centre, and we put in our own sales and aftersales management system.

Secondly, we manage through people and have a very clear process. We prepare ahead of time so our new people get their Eden workwear and business cards. A transition team are temporarily integrated into the business, always led by an Eden senior manager – we have people that are very good at going into new businesses to 'Eden-ise' the people.

We've been able to manage this so well because we have a very stable senior management team, a simple

CURRICULUM VITAE

Personal

Name: Graeme Potts
Born: Easington, Sunderland

Education

1976-1979: DeMonfort University, BA Hons Economics

Career

First Job: Paraffin delivery round (Hetton-le-Hole)
1979-1983: Marks & Spencer, starting as a graduate manager
1983-1999: CEO, Reg Vardy plc
1999-2002: Group managing director, RAC
2002-2006: Managing director, Inchcape Retail
2007-2011: Chairman, BLD Group
2008 to present: CEO, Eden Motor Group

Favourites

Music: "Most but particularly choral and brass"

Film: The Great Escape ("The first film I watched with my dad")

Website: BBC

Newspaper: The Times

First car: Mini Van

Current car: Mazda6



two-level structure – our senior team of eight people has expanded as the company has, but remains very strong. Under them are our leadership group, the rest of the company's management team that now numbers 62 people and is also highly stable.

Is 'Eden-ising' one of the hardest parts of acquisition?

Not really. The day after acquisition we get everyone together in a hotel and try to answer their concerns and questions pro-actively. This is particularly true of acquiring companies in administration where the staff will be worrying about their jobs, whether they might be blamed for the business not performing. I'm assiduous in convincing them that a failed company wasn't their fault. Often lack of staff is a factor, we tell them not to worry about their jobs because more people will be coming in to join them.

We try to put ourselves in the shoes of the acquired colleagues. They haven't chosen to join Eden but we hope to make them feel they would have chosen to join us – the confidence build is virtually instantaneous. ◆

★ **What target are you setting for return on sales across the expanded group?**

The first objective is to do the job brilliantly well, consistently, to offer great value through good people, and the output will be excellent financial returns. We aspire to achieve over 2.5% on sales, which is at the upper end for a southern-based volume franchise business. In 2014 we achieved 2.42%, and we believe we've maintained that in 2015.

Where do you see further growth coming from, existing brands or adding new ones?

From existing brands. Our partnership with Vauxhall is massive and mutually successful, but we are not a single-brand company and our other brand partners are keen to grow with us. However I wouldn't exclude similar opportunities to the Peugeot acquisition, which brought the brand to us as it was a business in a great market.

Would you consider adding a premium brand for balance?

I've worked extensively with specialist brands and I love the products, but with the asset and goodwill cost often associated, I can grow the company for less investment in volume franchises, so it's unlikely in the short term.

You have said you have no aspirations to become a mega corporation – why is that, particularly coming from running large dealer groups?

I loved my time as a senior executive in large corporations. Eden is by no means a plaything, but but I set the company up emphasising the retail and people principles I believed in. The scale of the business has to allow those policies and that ethos, to be maintained. Despite growing from 200 to 600 people in eight years we've managed to maintain the culture of the company.

How is the group's order book looking for new car sales for the March-plate change and Q1?

Since the identifier changed to twice a year there's been slightly less emphasis of the importance of the plate-change, for both customers and more progressive businesses. Manufacturer targets are stretching but Q1 has started very well for us in all areas.

FLYING SOLO: Graeme Potts likes to be the only player in town for any given brand. He believes there's enough inter-brand competition without added intra-brand pressure

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I set the company up emphasising the retail and people principles I believed in

Do you expect to see an increase in sales for PCPs on used cars?

Yes. An increasing minority of customers are recognising that paying for access to a vehicle rather than outright ownership is the right way for them.

It's not right for everybody, and with used vehicles the unit-by-unit guaranteed future value has to be taken into account.

I think, however, the vast majority of private motorists still like an element if not outright ownership of the product so I don't see it becoming universal. A customer changing brands and unsure about residual values might like a PCP for reassurance, as might a customer going from a full-expense company car.

I do not believe that PCP or PCH is a panacea for the retailer, the manufacturer and most certainly the retail customer. This kind of product is excellent when the monthly price reflects the correct cost of operation. A bad PCP has a substantial deposit to make the monthly payment artificially competitive, so the customer is highly unlikely to end up with any equity retention out of their deposit or the future value at the end of the contract. I believe PCPs should be commercial and sensible in relation to the true cost of operating the vehicle.

What's your view on pre-registrations and selling them without impacting nearly-new and used stock?

Used car retailing is all about segmented products and pricing and age of vehicles to appeal to the maximum breadth of customer. Too much emphasis on pre-registered or early defleeted vehicles compromises that customer choice and the retailer suffers in volume and margins on their used vehicles. We have to have a mix of size and type and age and price of vehicle.

Leading from the front for the long term



Mike Macaulay National Sales and Development Manager, AutoProtect

Being good at being a stakeholder (customer, employee, investor, local community) is central to success in any environment. Too often, such an approach is given lip service in the pursuit of immediate short-term gains. Clearly, this is not the case at Eden Motor Group, with CEO Graeme Potts leading from the front and driving the 'Edenising' of the business culture and operating processes. It is one I fully support. Being part of a team, one where you see a clear vision for the future and feel secure in your role is one in which people perform at their best and where the care given to them is often reflected in the care they give to the end customer.

As businesses, we all have a duty of care to our stakeholders. It is why at AutoProtect, we are so committed to the highest integrity in the way we work as a business and in the way we encourage all of our dealer partners to promote our range of support services. Certainly, each service provides a profit and lifetime value opportunity, but they also provide an opportunity to meet a customer need; one they may not be aware of and should be given the chance to consider. The best approach to success is to treat that customer, each and every time, as a trusted friend.

Adopt a customer-led ethos, overlaid with sound commercial values and you will create a sound business, long-term customers and a great reputation for genuine care. Certainly this is what Graeme and his team at Eden Motor Group are focused upon and it seems to be working very well for them.

We major on achieving the manufacturer target by being ultra competitive and selling cars to retail customers. Some of our transactions are extremely slim but we get the customers and avoid the whole issue of pre-registration. In the last seven years we've never had to pre-register vehicles. We occasionally do for a tactical campaign but we don't have to.

What's next for Eden in 2016?

Our company mission is straightforward, selling cars, parts and hours to happy customers and 2016 will be more of the same. Assimilating, equipping and progressing our new businesses will clearly be a very big issue for us this year.

We are business people, and if opportunities of the right scale and location came along I'm not saying we wouldn't consider them, but if our customer and stakeholder performance was to suffer, we'd stop growing tomorrow. 