

# Business

Marilyn Fitchett editor/591-2300

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## Other services touted when auto sales drop

By Doug Funke  
staff writer

Automobile dealers who succeeded in the 1980s will increase output of their back-end operations — service, body shop and parts. And successful dealers will become even more adept at getting customers to return from one car buy to another.

That's the analysis of Jeremy Anwyl, a California-based researcher and consultant to the industry. He pegs the profit margin on gross sales from all operations for most dealers today at one percent or less.

"If you could find 10 percent of the dealers in the U.S. making money on the sales of new cars, I'd be surprised," Anwyl said. "The key is you've got to build up a strong back-end. The service department has to be very busy."

"This is a relationship business," Anwyl added. "Going after the repeat sale is a two- or three-year process. The factor I find with the dealer making money is percentage of business coming in for repeat and referral."

Car sales here are down, way down in some instances, dealers report. Consumers lack confidence to commit to major purchases given the economy and uncertainty about how long the war will last in the Middle East.

No dealers are trying different approaches to pick up the slack.

"IN TIMES like this we tend to hunker down, to cut back on some additional expenses," said Carl Fischer, president of Buick, Mazda, Subaru dealerships in Troy and owner of the Detroit Auto Dealers Association.

"We've held off doing some redecorating of the store. We try to emphasize service a little more, do a little more direct mail advertising. We go after used car business a little stronger."

In January, new car sales at his Buick dealership were up slightly, Mazda sales flat and Subaru down slightly, Fischer said.

Bob Moran, an executive at Pontiac, GMC and Mitsubishi dealerships in Southfield, said tough times are affecting all of his operations.

"People can keep their cars longer than you or I could believe," he said.

"Industry-wide, body shops are down. Every day there are no fewer accidents. If you were laid off and your fender was banged in and you got a check for \$100-500, you wouldn't give the money to me, you'd buy groceries," Moran said.

Service and body shop repair orders indicate that people are neglecting their cars, he said. "We have oil specials, brake specials. We have a free shuttle and reasonable rental rates," Moran said. "You're forced to advertise differently, advertise less. What we do in many cases is eliminate the shotgun approach all over the city."

Ten to 15 percent of the staff, mostly in sales and office personnel, has been laid off since Dec. 1, Moran said. He recently included a letter to employees with their paychecks emphasizing the importance of quality service in all operations.

**BUT IT'S DIFFICULT** to sell consumers who clam up, he said. "When people aren't spending money, they don't come in."

So what's a dealer to do? Birmingham Chrysler Plymouth in Troy is promoting itself on a couple of cable TV systems.

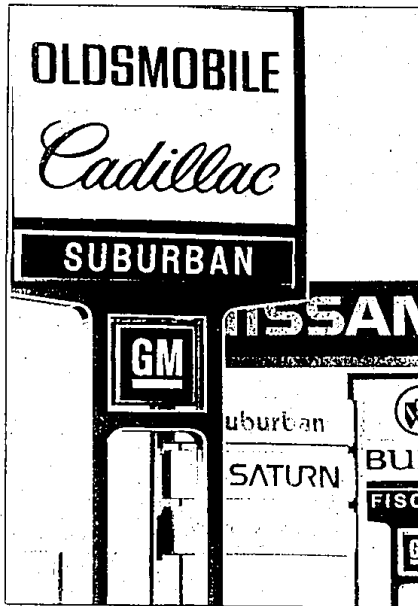
"Rather than focus on the price of the car... it is basically a half hour program explaining who we are from the service department to the parts department," said Bill Kolath, general manager. "Sales -- how we can go about financing a car, used cars. It's really total."

"It [campaign] is something we've had on the burner," Kolath said. "We've been setting up a while. Economic conditions didn't stall or force it."

Listen to Gary Marl, general manager and part owner of Livonia Chrysler Plymouth.

"The key becomes did you take care of them [customers] when they were under warranty. Actually, when you get in a slowdown, you can't instantly get competitive. You begin to tighten a little bit. If you need drastic action, you're in trouble."

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Most auto dealerships buy and sell used cars and maintain service, collision and parts departments in addition to retailing new vehicles.

## Investor measures the options in game theory, actual market

By Doug Funke  
staff writer

It should come as no surprise that Steve Wingert, a research associate who intends to pursue a graduate degree in business administration, aspires one day to manage investment portfolios.

And if his performance in a recent mock investment competition sponsored by Wall Street Games of Massachusetts is indicative of success, the 23-year-old Southfield resident has a promising future.

Wingert placed ninth nationally among 8,000 players and second in the staff in the options division by turning an initial stake of \$500,000 in play money plus the ability to borrow another \$500,000 on margin into \$3.8 million — all in the three-month period October through December.

Wingert won \$1,250 in real money for his efforts.

Option investors buy and sell rights to buy or unload the actual stock of companies at a strike price within a specific period of time.

A call option is the right to buy at the strike price, a put option is the right to sell at the strike price. The money received by the option seller from the buyer is the premium.

**OPTIONS GENERALLY** move at a price considerably lower than the stock itself. So even small movements in price on option markets present opportunities for big profits and losses.

"I made a lot of money on take-over stocks, specifically MCA and

Square D, all on premiums," Wingert said of the contest.

Wingert sold call options on MCA, an entertainment company taken over by a Japanese firm, and on Square D, an electronics firm subject to takeover rumors. He figured the stock prices wouldn't rise any higher to the strike price and they didn't. The options expired and he kept the premiums.

Wingert sold put options on NCR, figuring the stock wouldn't go lower to the strike price. It didn't and he kept the premiums there, too.

Wingert prefers to sell rather than buy options in game theory and real life. He developed that strategy after losing big in an early foray into the real options market.

"THE POTENTIAL is for big gains, but if the stock goes in the other direction, stays the same or only moves a little bit, potential is for losing," Wingert said.

"If option buyers are losing 70-80 percent of the time, sellers are coming out ahead 70-80 percent of the time." And sellers always get the premiums.

A conservative approach to options actually can be a safe way to invest, Wingert said.

"If someone owned GM stock for 20 years, they could have sold call options (to buy) on shares 15-20 percent higher than the current price and receive premium income for a couple of months," he said. "The only risk is willing to part with the stock at a higher price."

That is, if the market price rises to



Steve Wingert examining his options

high that someone called the stock and you had to sell at market to cover.

**CONVERSELY**, if you like a stock at 20 and that the strike price and the current market price of the stock is 25, selling puts will enable you to collect premium income immediately.

If the market price falls to around 19 in an expiration, you get the stock at 20 when it's put to you (granted that's not as good as 19, but you

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## Abuse often begets abuse

By R.J. King  
special writer

Child abuse, long considered a domestic nightmare, is costing American corporations \$3.45 billion annually as a result of managers who, once abused as children, abuse their own employees.

According to a report by the Bureau of National Affairs, an independent publishing company, managers who were subject to abusive treatment as children, tend to run their businesses by incorporating the values taught to them by their parents. The report, which focuses on relationships between the workplace and family history, reveals one of every four supervisors often yells at subordinates, unfairly criticizes them or engages in other forms of abusive behavior that serves to undermine morale.

"It's really a Dr. Jekyll and Mr. Hyde syndrome where a boss acts like a good guy one day and a bad guy the next," said David Mills, executive director of the Children's Trust Fund in Lansing, the state's largest child abuse prevention agency.

and there. Some kids who were abused as children turn out to be Mother Teresa, but the majority of cases are people who make mean neighbors, mean drivers and exhibit sharp swings in their personality."

**EMPLOYEES** ON the receiving end of managerial abuse tend to be "less creative, take less risks, have more health problems and hunker down to stay out of harm's way," Mills said.

Dorothy Marduszak Chodzeniecki, associate executive director of the Jackson Center, a family treatment center in Royal Oak, which runs group homes in Beverly Hills, Lathrup Village, Southfield and Troy, said the problem of abuse at the workplace can be corrected.

"In almost all cases of child abuse, the victim suffers from a self-esteem that is being dismantled," she said. "At the office, this type of person may become obsessed with having absolute control over everything."

"When that person comes here, we assess what happened to the individual, what skeletons or ghosts are there, and then we work toward finding solutions, which includes rebuilding self-esteem."

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