

CarMax's arrival gets a reaction
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By Kathy Showalter

South of Columbus, Ricart Automotive Group is preparing to make what its CEO calls a "pre-emptive" strike. To the north of town, dealers are readying for the inevitable price comparisons that buyers will bring up when they shop for used cars.

Dealerships are making preparations for the Central Ohio debut of CarMax Inc., which bills itself as a used-car super seller. Once owned by Circuit City Stores, the auto retailer will stock hundreds late-model used vehicles at showrooms on Morse Road near Easton and off Sawmill Road near Dublin.

It is scheduled to start selling next month.

The expectation of increased competition for used-car buyers' attention and dollars has dealers reacting. Most notable is Ricart Automotive's plans to make a \$1 million addition to its used-car operation near the entrance to the company's auto mall in Groveport.

The 5,500-square-foot addition, to open this summer, will bring the used-car operation's building to 13,800 square feet and increase its showroom capacity to about 30 vehicles. The expansion, said John Oney, president of Architectural Alliance Ltd. in Columbus, should make a visual mark as well. A turret atop the building will tower above the expanded showroom.

"You'll see it from all four directions," Oney said.

That's what Ricart executives hope for given CarMax's arrival.

"(The CarMax stores) are not in my end of town," CEO Rhett Ricart said, "but they are in areas where half our customers live."

CarMax's history

CarMax was founded to shake up the way cars are sold. CarMax executives argued consumers wanted car buying to be more akin to shopping for kitchen appliances - and that was right up Circuit City's alley. The electronics retailer spun off the business in 2002, nine year after it opened its first showroom in Richmond, Va.

"Thousand of consumers told us they like low, fair prices up front, no hassles, no haggles and no negotiations," said spokeswoman Trina Lee. "They want a broad selection of vehicles on one lot so they don't have to go from place to place."

In 2005, CarMax sold 289,888 used cars at an average price of \$16,298. A year earlier it moved 253,168 used vehicles at an average of \$15,663.

Used-car sales at its showrooms open a year or more climbed 4 percent last year.

CarMax executives hope to mirror those gains in Columbus. The company in 2004 paid \$3.8 million for nearly 15 acres at the Sawmill Road Office Park and several months later bought 13 acres at Morse and Sunbury roads for \$7.8 million. It is building a 58,900-square-foot regional showroom at the Sawmill site and a 28,700-square-foot satellite showroom near Easton.

Both are in pockets of new-car dealerships. The Dublin-area dealership faces Interstate 270, opposite Krieger Sawmill Lincoln-Mercury, Dan Tobin Pontiac GMC Buick, Dennis Hyundai and Byers Mazda Subaru.

The east side showroom is across Morse Road from where Germain Motor Co. is building Mercedes-Benz and Cadillac showrooms.

But that may be where the similarities stop. Though the two CarMax showrooms will be managed by company veterans, most of sales crew likely will have little, if any car-selling experience, Lee said.

"(Employees) tend to come from Target stores, Lowe's, Home Depot, Wal-Mart and Limited because we consider ourselves a retailer, not a dealership," she said.

CarMax will also provide service.

When they open, CarMax showrooms will provide vehicles the company is betting Central Ohioans want to drive.

"We have a baseline of vehicles that we have at all our stores and then we customize that based on research," Lee said. "Maybe a Honda Accord is more popular in Columbus and a Ford Explorer is more popular in Texas. We match up (the inventory) based on the local market."

Changing market

Most dealers see CarMax as yet another competitor, albeit one that generates traffic for neighboring car lots.

That's what happened at Sam Swope Auto Group in Louisville, Ky., when a CarMax opened next door, said Patti Swope, executive vice president. Swope Auto Group is Louisville's largest car seller with 15 dealerships.

"They've brought a lot of prospective car buyers to our area. We've not changed our mix," she said. "We've just re-emphasized all the benefits we offer. We feel we're as competitive or more competitive."

Ricart is hoping his used-car showroom will catch some business from those traveling I-270 or Route 33 on their way to CarMax. Others are hoping for the same.

"We'll see increased activity for late-model used cars," said Keith Dennis, president of Dennis AutoPoint on Morse and Dennis Hyundai off Sawmill. "People will look at CarMax and then they'll compare that (to) what a traditional dealer has to offer."

Jeff Krieger, who heads Krieger Sawmill Lincoln-Mercury, calls CarMax just another rival but one that won't carry one-owner trade-ins like his dealership sells.

"Which would you rather buy - a one-owner (used) car or a rental car?" he said. "They'll be more competition for someone trying to liquidate rental cars like Hertz."

Krieger recalls his former Sawmill-area competitors, such as Dick Ruhl Ford, Daryl Sanders Cadillac and Patrick Mazda. Those showrooms are now Germain Ford, Crestview Cadillac and Byers Mazda Subaru.

"The landscape changes all the time," Krieger said. "You just move forward."