



Finding the profit in tight margins

As I see it **Darryl Budd**

*Co-owner, Budds' Group of Companies
Oakville, Ontario*

Fifteen years ago, Oakville-based automotive retailer and service company, Budds' Group of Companies, had two major competitors in its Southern Ontario market. "Today there are nine," says Darryl Budd, who co-owns the company with his brothers Chris and Terry. "And where there used to be five or six products in total, today there are probably 50. Quite honestly, the market hasn't grown that much. So what's happened is that it has taken a piece of everybody's pie. And it's not just in my industry. I talk to other business leaders and everybody is feeling the same thing. Whereas in the past you could make a relatively good margin on something, today that margin is so tight. Today, if you don't have everything in line, you're going to lose money."

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A powerful factor in this has been the increasing entry of foreign competitors influencing not only margins, but also transforming consumer attitudes. For example, says Budd, the days when an automotive retailer could count on customer brand loyalty are long gone. "A perfect example of that is South Korean companies that have come into the marketplace with televisions and now people are buying their cars. It's a very open marketplace today."

In many ways, says Budd, the recession came as a mixed blessing because improving internal efficiencies is absolutely critical to survive and thrive in this new reality. "As much as people hate downturns, it actually gives you a good opportunity to take a very close look at the things you're doing and improve them. Just through that alone, you increase business," says Budd.

Budds' Group of Companies, which owns seven dealerships selling primarily high-end brands such as BMW, Land Rover and Jaguar, as well as a collision centre, paid detailed attention to improving efficiencies and especially to do so by finding synergies within the company. "As an example, we run all our locations from one accounting and technology base so we have one CFO, one accounting group that looks after all the stores, one comptroller," he says. Budds' also upgraded its technology to integrate all its internal communications and added a leading-edge quality management system.

Those efficiencies, says Budd, have made the company stronger and more agile in reacting to blows and opportunities as they come. Although Budds' went into the recession in growth mode—and remained so through most of it—the company was clearly affected by the struggles of car manufacturers. In June 2009, Budds' lost two of its stores when Saturn Canada officially closed its doors. "We went from an organization of six dealerships to an organization of four. In order to ensure long-term survival, we needed to go out and invest to bring the organization back to a level that would dictate long-term growth," says Budd. What the company needed to do is exactly what it did.

In April 2010, Budds' officially announced it had become the exclusive GM dealer in the Oakville area. "We try to have a horizontal business plan, where you have a component of almost everything the marketplace needs, so when Saturn went down, we jumped at the opportunity to put in a GM store, which has a whole lot of product coming that will answer all those opportunities in the marketplace we were maybe missing," says Budd, who stays keenly informed on news not just on his industry and market but also on national and international economic issues affecting business. "You're constantly looking at what bullet you can dodge and what opportunities you can jump at."