

Tarrant Business

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*Savvy owner
of salvage yard
built success*

PART BY PART

BY DAN PILLER

FORT WORTH — On a few occasions in recent years, Ron Sturgeon has gotten with a few of his fellow automobile salvage yard owners from around the country and tried to put together a corporation that might consolidate the industry.

Each time, the effort has come to naught, primarily because of the typically primitive accounting, inventory control and data processing practices used in the salvage business.

But Sturgeon, who owns and operates three yards and parts shops and grosses about \$10 million a year buying and selling nationwide, doesn't run a typical operation; his is highly technical and computerized, and he has opened his doors to accountants and commercial and investment bankers.

Sturgeon deals in cars much the way a currency trader deals in money.

When an agent calls from an auction in Pennsylvania and says he can buy a wrecked BMW 325, Sturgeon

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Fort Worth Star-Telegram/GLEN E. ELLMAN

Ron Sturgeon owns three salvage yards in the Fort Worth area.

Fort Worth entrepreneur Ron Sturgeon built his salvage yard operation up from a VW repair shop to a company that grosses \$10 million a year by learning that

PARTS AIN'T PARTS

■ Story by Dan Piller ■ Photography by Glen E. Ellman

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can turn to a 486 personal computer and within seconds tell the agent which parts from the car can be resold (primarily the engine, transmission and front-end sections) and for how much, what price to bid and how the bid should be adjusted if certain parts are not available.

If Sturgeon buys too many Honda Prelude engine parts, they'll sit unsold on his lots and decline in value. If he doesn't have enough Infiniti G20 parts, repair garages around the state and nation won't be able to get their orders filled when they call his sales lines.

If a bid is accepted on a salvaged car, the vehicle is shipped to one of Sturgeon's three lots in the Fort Worth area (two on the east side and one in Kennedale), where technicians disassemble it.

The parts are cleaned, repaired and stored in giant racks at the yards. Meanwhile, salespeople staffing the 60 incoming lines take calls from car repair shops that are responding to more than a million pieces of direct mail that Sturgeon sends out, extolling the quality of his parts.

The salvaged parts go on to new lives in vehicles that their owners, who have paid prices for fancy imports that would have been considered unthinkable a decade ago, need to keep [the vehicles] on the road for the requisite 150,000-200,000 miles of service. The unsalvageable parts of the vehicle are sold to steel companies, to emerge later in new vehicles.

That process happens to each of the approximately 4,500 salvaged import cars that Sturgeon buys each year. It is a computerized, fast-paced business that bears little resemblance to the stereotyped image of the automobile junkyard, with its dog in the shop.

Sturgeon sits at the center of it all, talking into a speaker phone squawk box while munching on chocolate candies. His style could be called aggressive, fast-paced or hyperactive, depending on who is doing the analyzing.

But however described, Sturgeon is not one to sit still for long.

His banker, Charles Lasater of Overton Bank and Trust's Continental Plaza office, says: "Frankly, we had never lent to a salvage yard before. And I'll tell you that we spent an extra amount of time checking out the

business and Ron. But we learned that Ron is running a very high-tech operation. He's organized, and he has high energy.

"I guess you would say that Ron is just not quite what you imagine when you think of the salvage industry."

Sturgeon can be accurately called a child of the import car age. As a student at Richland High School in

were dominating the market, that the Mercedes and BMWs were going to be big," Sturgeon says.

As business grew, Sturgeon confronted a reality of the import car repair business: the shortage of parts. By 1979, he had purchased 32 salvaged cars for their parts, and he was in the salvage business.

With a growing inventory of salvaged cars, Sturgeon expanded in

Sturgeon and are linked to his computer and telephones.

The additional lots were needed because Sturgeon was expanding not only his network of buyers — about 350,000 import car repair and renovation shops nationwide — but also his presence at salvage auctions. Sturgeon or his representatives attend an average of 15 auctions a week.

Sturgeon also realized that to take



A flooded BMW 700 series is moved to the stripping area.

the late 1960s, he raced Volkswagens at the old Green Valley drag strip. After graduation in 1972, he moved on to Tarrant County Junior College to study food marketing with a goal of becoming a Safeway store manager.

But Sturgeon continued to tinker with VWs. Gradually, the dream of success at Safeway gave way to a Volkswagen repair shop on Northeast 28th Street, called AAA Bug Service. By 1976, he was relocated to Beach Street on the east side, where he continued to repair Volkswagens but also expanded to other imports.

"You could see that while the Bugs

1980 to what is now his corporate headquarters at 1500 Carson St. He operates on 8 acres there under the AAA Small Car World name.

In 1984, he added a second lot, 17 acres on Elliott Reeder Road south of the Carson Street location, that operates under the name All Foreign & Late Model Import and Domestic Parts. In 1992, he bought a lot in Kennedale from Urcarco, the old used car corporation. The Kennedale lot calls itself Budget American & Import Auto Parts.

But regardless of the name or location, all lots are totally owned by

the salvage business to its next level (the industry now refers to itself as "automobile recycling"), he would need computer power. Beginning in the mid-1980s, Sturgeon turned into a computer nerd, constantly in search of new software programs that would better help track inventory.

"The biggest trouble guys have in this business is that they don't know what they have on their lots," he says. "That becomes a problem when a customer calls and needs a certain part. You may not have time to run out onto a 6-acre lot and scramble around to see what you have."

Rack 'em & Stack 'em

The profit margin on salvaged import parts can be as high as 60 percent. That sounds good, but like most good deals, there is a downside. In Sturgeon's case, it is in the reality that there is no such thing as buyer financing for salvage dealers.

"Some used-car dealers can floor plan their inventory, but a salvage dealer has to pay cash," he says. "And I've had good credit with banks for more than a decade."

At the same time, many of Sturgeon's repair shop buyers want credit, and he has to grant it to stay competitive. It's a situation that has led Sturgeon to many a banker's door in the past decade.

"I've learned all the financial stuff," he says. "Assets, liabilities, acid tests, quick ratios, you name it. I can put them together. But I have bank credit, and it makes a difference."

Another reason that Sturgeon's business is increasingly credit-driven is the rising price of automobiles. Where \$20,000 was considered a huge price for even a luxury car a decade ago, buyers today will shell out triple that price for a Mercedes, Lexus or BMW. If and when that car turns up at the salvage auction — and it will often be there in a condition far better than "totaled" — the auction price will be steep.

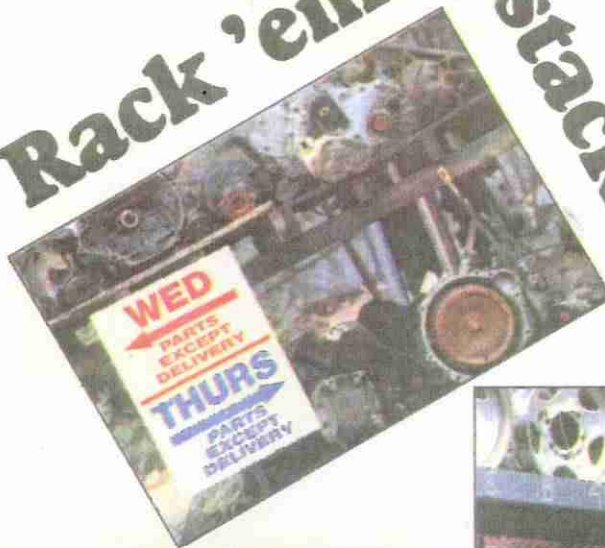
"People think we buy salvage cars for \$100," Sturgeon says. "I wish. A used Mercedes or Lexus, even if it isn't driveable, can be worth a lot of money and we have to pay it if we want the parts. A salvage auction frequently will bring 25 percent of the appraised value of a car. With the higher-end imports, that can be a lot of money."

Sturgeon has two goals. One is to double his sales to \$20 million. At that point, a second goal — a public offering — would become possible.

Sturgeon is laying the groundwork by bringing in accounting firms to do big-time audits, the kind investment bankers want to see.

"A salvage yard is a hard thing to sell," Sturgeon says. "We would be better advised to sell shares to the public."

The idea of a public offering for a salvage yard may sound whimsical until you realize that Service Corp. International in Houston took the funeral home industry public and Cash America International of Fort Worth did the same thing with the pawnshop.



Clockwise from top: auto parts waiting to be shipped; wheels; Trankie Renderia straps an engine to a pallet to be shipped. Scott Ledesma stocks the front end rack.