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Subaru's new route

Expansion plan includes solo dealerships and sporty vehicles

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By **TERRY BOX** / The Dallas Morning News

The sign at the lot on Lemmon Avenue says "Subaru," but the sinister sedan parked beneath it – in electric blue with gold wheels – seems wildly out of place.

You know Subarus: sturdy, reliable vehicles, often refrigerator-white in color and usually purchased, *Car and Driver* magazine says, by people "who live in cabins."

But the lot on Lemmon offers a new view. It belongs to Subaru of Dallas, the area's first stand-alone Subaru dealership, and the hot compact out front is a 2004 Impreza WRX-STI, a 300-horsepower, four-cylinder, all-wheel-drive rocket capable of Corvette-like performance. Both could figure prominently in Subaru's push to expand beyond its traditional markets in the Northeast and Western mountain states.

"We're still going to have our core strengths – durability, reliability, safety," said Joe Nunnery, marketing manager of Subaru's Central Region, which includes Texas. "But part of our strategy now and for the last couple of years has been to really strengthen our driving experience."

With sales last year of about 180,000 vehicles, Subaru is one of the industry's smaller automakers. But it has shelter as a subsidiary of Fuji Heavy Industries, a large Japanese corporation. General Motors Corp. also holds a 20 percent stake in Subaru.

By the late 1990s, though, Subaru could see that its low-key lineup of all-wheel-drive cars, station wagons and sport-utility wagons would soon face lots of new competition.

"We were in an environment for a while where we were alone as a manufacturer of affordable, all-wheel-drive vehicles," Mr. Nunnery said. "We're not alone anymore."

For example, German automaker Audi has offered all-wheel-drive cars for years. But now its competition includes everything from the Ford Escape and Lexus RX 330 to the new Chrysler Pacifica.

Overhaul

So Subaru decided to add high-performance spice to its mix – first building

the Impreza WRX, a turbocharged, 227-horsepower sport compact that gives Subaru immediate standing with enthusiasts and is attracting younger buyers.

The hot rod may have surprised some consumers, but it was a natural for Subaru, which has competed for years in rally racing. This year came the blistering WRX-STI, a WRX on steroids. Subaru is also offering a turbocharged 210-horsepower model of the Forester sport-utility wagon that should be one of the industry's quickest sport-utilities.

Next year, Subaru dealers will get the 2005 midsize Legacy sedan, which will feature pleasant – maybe even striking – new styling and an optional turbocharged 250-horsepower engine.

"With the new Legacy, we're halfway into this [evolution]," said Mr. Nunnery of Subaru, hinting of more new products to come.

The company set a sales goal of 250,000 vehicles by 2006, a 38.8 percent increase over last year.

To move the metal, Subaru is overhauling its dealership network in the U.S. – particularly in the Southwest, where it has little presence.

Subaru has 587 U.S. dealerships, about a third of them exclusively Subaru. It hopes to convert 76 percent of them to stand-alone stores by 2006. The work has already begun in Texas.

When Steakley Chevrolet in Dallas was sold to AutoNation Inc. several years ago and Westway Ford was purchased by V.T. Inc., the new owners let Subaru know then that they didn't particularly want the Subaru franchises, said Mr. Nunnery, the regional Subaru marketing manager. Those franchises became Subaru of Dallas.

All four of the Subaru dealerships in Houston are stand-alone facilities, and the automaker is working to get exclusive dealerships in Austin and Lubbock. Subaru still has dealerships paired with other makes in this market, including Central Subaru in Plano, Huffines Subaru in Lewisville and the Arlington Automall.

But in Dallas, the sole Subaru franchise was awarded to David Thomas, a former top salesman at Sewell Lexus who is backed by a small group of investors. In the late '90s, Mr. Thomas sold 400 of the luxury vehicles in one year – more than any other Lexus salesperson in the country.

On Friday, he and some of his 18 employees moved into a new 12,000-square-foot dealership in the 5400 block of Lemmon Avenue.

"I started doing my homework on Subaru," said Mr. Thomas, 45. "I wondered if it was like Lexus 14 years ago. Probably not. But their cars are underpriced and overperform, which is what Lexus did."

An uphill climb?

Subaru wants to position itself as a premium Japanese import. To that end, Mr. Thomas said, he will offer customers loaner cars for a \$9 fee when they bring their cars in for service and will wash the customers' vehicles before returning them.

"They want more stand-alone stores, more exciting product and different dealers with a luxury car mentality," said Mr. Thomas, who previously was managing partner of a Nissan store in Odessa that he and his investment group sold several months ago.

Even with those changes, Subaru may struggle to achieve its sales goal of 250,000 vehicles by 2006, said Todd Turner, president of Car Concepts in Thousand Oaks, Calif.

"We're not talking about a mainstream company," Mr. Turner said. "They're flat this year, and they would need a lot of growth in the next couple of years to do it."

But Mr. Turner and other industry observers do think Subaru is making the right moves. The high-performance vehicles should enhance the company's image, they said.

"They are doing more of a market extension than a market revision," said Mary S. Butler, senior editor at cars.com. "I think they are picking up on this great interest in Japanese-market sports compacts."

George Peterson, president of AutoPacific Inc. in Tustin, Calif., said he thinks Subaru can use performance to help sell its vehicles in markets that have been indifferent to them – such as Texas and California.

"Subaru has always been known as a snow-belt car, so it may be a challenge for them," Mr. Peterson said. "But I think there's still a place in this business for people who do things a little differently."


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