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D&M hands consumers the keys to auto leasing

BY ROBERT FRANCIS
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Nearly everyone has heard or seen the commercials. Plenty of area drivers are customers. But despite its ubiquitous advertising and its \$265.1 million in sales in 2006, D&M Leasing maintains a relatively low profile.

"We don't go out of our way to

draw attention to ourselves except as far as customers are concerned," said Mike Hernandez, owner and president of the Grand Prairie-based automobile leasing firm. "That's who we're interested in and we've worked hard to find those customers."

The privately-held firm has about 200 area employees and makes about 600 leases a month, according to Hernandez. D&M is ranked No. 1 on the most recent list of Largest Minority-Owned Businesses compiled by the *Fort Worth Business Press*.

The firm began, sans Hernandez, in the early 1980s, started by two local automotive stalwarts, Don Davis and Davis Moritz.

At that time, very few consumers thought about leasing their automobiles.

"In the early days, a lot of what we did was simply educating the public to the advantages of leasing because it

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PHOTO BY GLEN E. ELLMAN

Mike Hernandez

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was a new concept," said Hernandez.

D&M leases primarily to consumers, with only about 30 percent of the company's business coming from commercial leases.

"We do primarily consumer leases, but we just recently signed a big 1,000-truck fleet lease with an oil patch firm," Hernandez said. "That's a big deal for anyone."

D&M primarily leases in the North Texas area, but the company purchased a Houston leasing firm, Prolease, two years ago to build up the leasing market there.

Consumer automobile leasing became popular in the 1980s and 1990s due to high interest rates as consumers sought to avoid big monthly payments. At the same time, cars have become more expensive and many people take on car loans for longer periods of time than they will own the car, according to Hernandez.

Though the number varies from month to month, most experts agree that between 20 to 30 percent of all new cars are now leased rather than sold.

"We obviously believe that leasing makes sense," Hernandez said. "Your payment depends on the purchase price minus the car's estimated value at the end of the lease term, so it can be less than a car you're purchasing."

Hernandez, 47, joined D&M in 1988.

Born in Brownsville, Hernandez moved to Arlington as a teenager, attending Lamar High School. He received a degree in engineering in the mid-1980s from Texas A&M, then headed to Houston to work in the energy industry. As that industry floundered, his college roommate, John David Moritz, son of Davis Moritz, suggested he get into the automobile industry until the energy industry returned to health.

In 1988, he became a partner at D&M, buying out Moritz and Davis in 1990. Along the way, Hernandez and his team, which includes Joe Graber, vice president of the firm, have built what is considered one of the largest consumer automobile leasing companies in the nation.

Hernandez is particularly proud of the company's return customer and referral rate – 78 percent.

"I'm very happy with that," he said. "That is what has helped us grow. We do plenty of advertising, but that's the best advertising really."

Most of the company's sales are made over the phone or through the Internet, he said.

"Our sales people really work with the customers to get the best lease for them," he said. "Most people call and immediately want the lowest price lease, but we work with them to find out how much they drive and how they use their vehicles. That's a key to making sure we meet their needs, and I think our return

customer rate reflects that."

While D&M has become well-known, Hernandez said it was no overnight success – particularly regarding its commercials.

"There was a lot of trial and error," said Hernandez. "But once we got it right, it has paid dividends for us."

For instance, Hernandez said the company learned to advertise primarily on talk radio stations, such as KTCK and WBAP.

"That's when people are actively listening to the radio," he said. "If we advertise on a music station, we're just interrupting their music."

D&M's success in advertising has led the company to spin off its marketing group into D.R. Marketing, a direct response marketing firm, headed by Roger Lee, formerly head of marketing for D&M.

The firm still does D&M's marketing, but it also handles other clients looking for direct responses to their ads.

"I won't say we can guarantee exactly what they'll get, but it's pretty close," said Lee.

Because of the success with D&M, Hernandez has branched out into other areas, opening Mortgages USA in 2006. It is advertised in much the same way as D&M.

"It's a similar business model to D&M," said Hernandez. "We get the calls and then shop different programs for the best loans for the customers."

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Mortgages USA is averaging about 70 mortgages a month, he said.

In October, D&M will begin offering insurance, through Mustang Insurance Group, aiming the products primarily at its automobile and mortgage customers.

Hernandez lives in Arlington, with his wife, Kelly. They have four children.

Hernandez has been on the board of several organizations in the area, including the Juvenile Diabetes Research Foundation in Tarrant County and the Women's Shelter of Arlington.

"The thing I'm most proud of is that we have a formula that works," he said. "We worked hard at getting it right and now we can apply it to different things like mortgages and insurance and know that it works and will serve our customers."

Hernandez's office is full of photos and other memorabilia from Africa, where he goes as often as possible. It's a break from the fast-moving world of car leasing, mortgages and insurance.

"I like it because it's like going back in time," he said. "You go out there and sleep in a tent and you're in a different place. When I was a kid, I loved those films where people would go back in time or something like *Hatari* and that's what it's like going to Africa. It's a place to get out of this safe cocoon we've all built for ourselves."

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