

When it Mattered

Episode 41: Cliff Banks

Chitra :

When Philadelphia native Cliff Banks was 19 years old, he traveled to New York City to take a connecting train to Detroit in order to start a new job and a new life. But a scary thing happened as he hailed a cab to transfer from Penn Station to Grand Central Station. Although broke and in shock over what happened to him, Banks somehow found a way to make it to Detroit.

Chitra :

Hello everyone. I'm Chitra Ragavan and this is When it Mattered. This episode is brought to you by Goodstory, an advisory firm helping technology startups find their narrative.

Chitra :

That same resourcefulness that allowed Banks to recover from the armed robbery got him into the Detroit area automotive industry where he fulfilled his passion for journalism. Joining me now is Cliff Banks, Founder and President of The Banks Report, the most influential newsletter covering the automotive retail space.

Chitra :

Cliff, welcome to the podcast.

Cliff:

Thanks, Chitra. It's great to be here.

Chitra :

So tell us what happened and how you got mugged in New York. I mean, this was back in the 1990s when the big Apple wasn't quite so sanitized, was it?

Cliff:

No. No, not at all. In fact, it did look a lot different back then. It was 1990, early as mid-March I guess, and at the time there wasn't a train that went directly from Philadelphia to Dearborn, Michigan. So I had to go to New York and get off at one stage, Penn Station, and then take a cab to Grand Central to grab the train to Dearborn. Coming out of Penn station and getting into the cab, before I got into the cab, two guys came up and asked if they could help and I said, "No, thanks. I've got it." And next thing I know, I was up against the cab with a knife to my throat and they demanded my wallet and anything else valuable that I had and took off running.

Cliff:

I actually chased the guy that took the wallet. I caught up to him and he turned around with the knife and slashed at me and I just, I backed off and told him to keep it. I went back to the cab thinking for sure he would be gone with all my luggage. Actually he wasn't. He was standing there with a few cops around him, but there wasn't anything to do that that they could do. So the cab driver very graciously offered to take me to Grand Central.

Cliff:

I had my tickets in my bag so I was able to get on the train. But honestly, for a while there I thought I was going to be homeless in New York. It was before cell phones. I had absolutely no money on me and had no idea how I would contact anyone other than probably calling collect. But it was a momentary panic, I guess you could say.

Chitra :

So how did you end up getting to Michigan?

Cliff:

Well, I was able to get on the train. It was a overnight ride. I showed up at the Dearborn station and my friend who had secured the job for me was there picking me up. And I told him, "Listen. Just go ahead and buy me a ticket. I'll go back to Philadelphia. I'll get my old jobs back and I'll just send you the money for the ticket." And he said, "No, Cliff. Just stay. You can stay in my basement and we'll figure it out."

Cliff:

So the job, we started where I started working, I think, a couple of days later it was loading cars on the trains. I had to beg for rides and hitchhike some to get to the job and get home. Worked double shifts. Worked as hard as I could. Worked seven days a week and was able to, after a couple months, have enough money saved to buy a car and finally move out of the basement.

Chitra :

So what was your next job?

Cliff:

The house that I was renting with some other guys, the landlord was a CFO at a sales training company agency in Dearborn, Michigan. They did new product launches for automakers and dealers. Name of it was Jackson Dawson Communications. And through knowing this gentleman, I was able to get a job there in September of 1990 as a courier and was able to work my way up. It was a small enough firm, so you had to get your hands dirty doing everything. It was a great experience. A lot of hours, hard work, but every day was different. There was a lot of travel involved. I was able to work in logistics. I was able to help write proposals and training materials, planning meetings. I worked as the executive assistant to the owner, the founder. So it was a college education on steroids.

Chitra :

But you didn't really have a college degree at the time, right? You were trying-

Cliff:

Yeah, I did not. No. I tried a couple times. Never... Just the timing didn't work out. When I had left Philadelphia, I was taking care of my grandparents who were both pretty sick. So, college wasn't really in the cards there. But it was such a great experience with Jackson Dawson I didn't really... Even though I tried college a couple of times, and it wasn't until 1995, summer of 1995, that I decided to leave Jackson Dawson. One, I was dating my wife at the time. It wasn't a job conducive at that age for a relationship, dating relationship, let alone a marriage relationship.

Cliff:

So I left, I thought it was going to teach history. That's what I really wanted to do. I was coaching high school sports. I was able to get a job managing a warehouse, a distribution center, midnight shift and it was pretty good. I mean, 25 years old, I was managing 20 some people, truck drivers, warehouse workers, and going to school during the day. And it just... The school thing, again, wasn't a top priority. So I never really finished. But over time I knew I had to figure out what I wanted to do for my rest of my life, and it wasn't working in a warehouse. Decided it wasn't going to be teaching history. And I thought I could write, so I decided to go for journalism.

Chitra :

So how did you end up in journalism? What was your first big break?

Cliff:

After the warehouse, I was working in a small ad agency, just doing some copywriting and proofreading of ads and that. That was just kind of a short term thing to get something on the resume. But WardsAuto, which is a publishing automotive news type publishing company here in Detroit, it's probably a hundred years old or close to it now, they had a researching position open. I sent my resume in for that. They interviewed me three times. I thought it was a way to get my foot in the door. They had some magazines and newsletters. This was before the era of websites, so that wasn't really a focus for them at the time, digital publications. But they told me after the third interview they weren't going to hire anyone for that researching position, but they liked me. It seemed like we had hit it off well, so they offered me a position as a sales assistant and as an assistant office manager.

Cliff:

So last interview, everything set, it's a done deal. Everything's good and the publisher... I'm sitting at a conference room table. The publisher, the president of the company, the sales director and the HR director, like I said, everything was good. We were winding down and the publisher decided to ask me the throwaway question, where do you see yourself in five years? And without thinking, I said, well, I plan on being on the editorial side. And he, they, literally laughed at me. I mean there's some 30 year old kid without

any writing classes, no journalism background, nothing. And they basically said, "Listen Cliff. We've got a crack news organization here, college grads from some of the top schools, journalism schools in the country. We're hiring you for the sales track. That's where you're going to be." And I said, "Sure. Sure thing. I'll do my time."

Chitra :

So then, what happened you? You did get a break eventually.

Cliff:

I did. Yeah, I did. Three months later I took the editorial director for the Wards AutoWorld, Drew Winter, I took him to lunch and explained to him what I wanted to do and I fully expected him to say, "Look, Cliff. Go back, get some classes, get some journalism classes. The company will pay for it and come back and talk to us in a couple of years." But he didn't. He said, "Hey, we've got some small... We've got a couple of stories we need help on. And if your boss says okay and it doesn't interfere with your current work, yeah, we'll see if you can string a few words together."

Cliff:

My first story that they sent me on was about the Ford Think Mobile, which was one of Ford's earlier electric vehicle initiatives. They published the story and I'll never forget that feeling of seeing that story in both the magazine and the newsletter. And then from then on I started helping out on the dealer publication that they had. And within the six years I was editorial director.

Chitra :

So how did the publisher who had laughed at you react when he learned that one of his editors had given you a writing job?

Cliff:

He was pretty upset, somewhat. It was kind of an interesting conversation. "You went around, he went behind my back. He went around me. I don't appreciate that." But later on he would tell people I was one of the best hires he'd ever made.

Chitra :

And was it hard transitioning to journalism and getting edited and all that?

Cliff:

Chitra, it was interesting because the team there was so good, and I don't know if humble is the right word, but they weren't prima donnas. I mean, they were competitive, but they were willing to help. And we had a great editor who also served as a copy editor. And I remember the first time she came in to my office to talk to me about a feature I had written and it was marked up in red.

Chitra :

I remember that feeling.

Cliff:

It was worse than any English teacher I've ever had in my life. And she was a little bit nervous, but she said, "Listen. I don't want to slam you or discourage you, but if you want my help, this is the way it's going to be." But she said, "If you don't want it, I'm out." And I told her, "Barbara, hit me hard. I want you looking at everything I do." Because I understood. She was a pro and I learned a ton.

Cliff:

I'll tell you, every, I think, for the first three years, they rewrote every single lead for every story I ever wrote. It took me awhile. I think I was a slow learner, but I was a good reporter, I guess. I mean, I was able to get people to talk to me and I could see a good story and I could write fairly well. I took a while to learn how to write journalistically. But like I said, I remember that first story they didn't rewrite the lead, and it was one of those moments. Aha. Maybe I'm getting this. Maybe I can actually do this job.

Chitra :

Was there ever a crisis moment through these years where you were wondering how you could possibly think you were going to pull this off and this trajectory in your life?

Cliff:

Prior to getting the job, or landing at Wards, I was laid off eight weeks before our first son was born. And that was one of those moments where you're just thinking, "Wow. How am I going to do this?" Once I got into Wards and started doing the job... I joke, but I'm really not joking. I say I was cocky enough to think I could get a job in journalism without getting the college degree or the journalism degree or the writing degree. But like Jackson Dawson was a college degree. I can tell you working at Wards was an absolute masters degree in journalism.

Chitra :

So how did you wind up starting The Banks Report?

Cliff:

That also was a process. Well, it wasn't any one moment. Wards had a newsletter called Wards Automotive Reports, automaker focused, that published every week. Friday afternoon was a print newsletter. It was deadline focused and I thought as I was working on the dealer publications, and I could see the other publications from a competitive perspective within the industry, automotive news and there were several others, and no one was covering that part of the industry from an investor perspective. And I thought there was a place for that.

Cliff:

Now, I thought about doing it with Wards and I was changing a lot of the editorial coverage towards that. But we were, at the time, owned by a private equity firm. And 2008, 2009 we had the huge recession and just the huge crash with the automotive industry. And at the same time Chitra, you lived through that whole life of a journalist in which at the time, the layoffs were just crazy. The carnage from a media perspective was pretty intense at the time.

Cliff:

I had a pretty good salary by 2009. I had three or four promotions and was in a pretty good place there. But again, we were owned by a private equity firm out of New York. We're part of a bigger publishing company, and I could see where the hand writing on the wall that with my salary I probably would be targeted for a layoff at some point. And being aged 39, I didn't want to leave my career in the hands of somebody in New York who had no clue what I was doing.

Cliff:

So I took a job with a smaller, with a competitor, solely owned, thinking we could kind of launch this thing together. That didn't work. And from there I did a little bit of consulting for a couple of years. Started at a conference with someone out of Miami, Florida. And then I had a friend of mine, Joe Herman, who was a longtime executive in the automotive retail space. He was this guy, one of the brains behind the first public dealer group launch IPO back in the mid-nineties, was active in the investment community in New York and on Wall Street, and just a really good guy. And in early 2013 he called me, I was in Vegas at a conference, and he said, "Cliff, I'm coming into Vegas. Don't leave before I get there. I want to talk to you." We had dinner two years earlier in San Francisco at Fisherman's Wharf and I had shared with him this vision I had for The Banks Report.

Cliff:

He got to Vegas. We sat down and he said, "Cliff, you have a business plan?" I told him I did and he said, email it to me from the plane. I was actually leaving on the red eye that night. I did. He called me the next morning after I landed and said, "Hey, I want to participate. I want to finance this thing and be your partner." He was looking at his retirement, planning for his retirement.

Cliff:

So that was early 2013. We got this thing launched August of 2013. In fact, it's on the beach in the North Carolina when I hit launch. We were on vacation and I hit the launch button on my phone and went live. December... Yeah, it was December. Joe was diagnosed with pancreatic cancer and for the next 10 months that was the focus and he ended up passing away in October.

Chitra :

And you had other crises too with your website and-

Cliff:

Yeah, we did. Yes. Yes we did. At July 4th early in the morning I got an email from our web host, company that was hosting our website and managing the website informing me that they were out of business and bankrupt. And so the next month I spent in my office. My wife says she never saw me. I think I slept eight... I don't know. I mean literally, I don't know how often I came back to my office. It was round the clock writing, re-posting, building a brand new website from scratch with a person out of Miami who I had never met when we were doing this over the phone. And it was a pretty intense month. Re-posting content, writing, informing subscribers what had happened.

Chitra :

So through sheer grit and perseverance, you survived even though your mentor passed away and The Banks Report survived. And today you're one of the most influential, if not the most influential newsletter covering the retail auto space and you're covering an unprecedented story. Covid-19 and how it has impacted the world and the auto industry. Have you ever seen through your decades of reporting on the industry a comparable time like this?

Cliff:

No. No. And I don't think anyone has. The last pandemic was the Spanish flu in 1918. That was a hundred years ago. We've seen challenges certainly through World War II. There've been recessions, oil embargoes of the 70s, and then the great recession in '08, '09, but nothing like this. Listen, the last five years, the industry has sold over 17 million new cars a year for the last five years. Another 40 million used cars on top of that per year. So, we're looking at 55, 57 million vehicle sales a year for the last five years.

Cliff:

And we were probably going to do 16.8 million new this year. Still very healthy. So, look. The industry's zooming down the highway 80 miles an hour and then bam, we hit a brick wall. Everything stopped in March, everything. Car sales plummeted, all travel plummeted. So it's impacted the entire industry, the entire transportation industry. But automotive certainly is feeling the pain.

Chitra :

And the automotive industry has long been kind of the bellwether industry of the nation, the pulse of the economy. Right? So when that kind of falls apart, what happens? There's probably this cascading effect.

Cliff:

Yeah, there has been. I think in March, the last week of March was the first time since World War II that a new vehicle had not been built in the US. The effects of that just start spiraling down. With the states shut down, more than half of the states, shelter in place or stay at home orders. There were several states, Pennsylvania, Michigan areas in California, Kentucky that were not allowed to even sell cars online. What's going on

right now is the dealers have shifted from showroom sales to online sales and have ramped up their operations pretty quickly to manage that.

Cliff:

So the little bit of good news there, if there is good news out of this, is that April sales are not down as much as we had projected. We were projecting them to be down 80, 90%. It's actually probably between 40 and 50% right now. Partially because the dealers have ramped up on their ability to sell over the internet. The challenge, like you said, automotive is really one of the main engines that drive the US economy because you have the big factories, you have suppliers, five or six suppliers per factory, and you have all of the other businesses within that area that a factory is located. You have dealerships, the 18,000 dealerships employ close to 1.1 million people in the US. I would say probably half of those are laid off now, if not more. And then you have the rental agencies, you have all of the other industries that surround the automotive space from gasoline... So all the taxes, gas taxes, none of that's flowing going into the states. So, there's going to be a lot of pain out of this.

Chitra :

What about the used car over supply?

Cliff:

Yeah. Yeah, absolutely. We're watching it very closely. The used cars, the way it works when the cars come back from lease initiators, over 4 million vehicles that are going to come off lease and come back into the system. And so the banks that actually own the paper or own those vehicles are going to have to somehow get rid of, sell those vehicles. Problem is people aren't buying right now. The auctions are piling up with vehicles. The rental companies have been trying to sell their vehicles.

Cliff:

So, we have a situation now where everyone's trying to offload their used vehicle inventory, but the typical buyers, which are the dealers aren't buying the cars because they don't want to get into a situation where in two to three weeks they're sitting on \$10 million worth of used vehicle inventory that all of a sudden is now \$6 million. So, everyone's trying to protect their interest, which they need to be. We've got a lot of things to work through over the next several months.

Chitra :

The used car over supply sort of reminds me of the recent collapse in the oil industry where they didn't know where to put all the oil. Right? They've got so much oil, they're trying to find places to store it. And it seems like that's what's happening with the used car dealers.

Cliff:

Yeah. Yeah. There's plenty of parking, but I will tell you though, even in Dearborn there, one of the car rental agencies has been parking cars in school parking lots. If you

happen to drive best an area where there's a bunch of cars parked, that's probably what it is. Dealers or auto makers or banks that are trying to find places to store their vehicles.

Chitra :

And with fewer people commuting, does that impact the industry as well?

Cliff:

Yeah. Well in the absolutely. I don't know what the longterm impact will be if people are going to be commuting back to work at some point, going back to offices or working more from home. It certainly sounds to me from all of the CEOs and business people owners that I talk to, that they are looking for ways to get out of their leases or reduce their office space and have more people working from home. So, that absolutely will because the less miles that you're putting on your vehicle, it impacts service revenue.

Cliff:

In fact, I did a story a couple of weeks ago, a report on collision, accidents, and New York, the month of March, number of accidents plummeted by 7,000 from March, 2019. So, there's a great impact there. People aren't getting injured. You were seeing less people die, less fatalities from motor vehicle accidents. But the subsequent impact on businesses such as collision and repair shops, body shops, paint, glass repair, insurance, there's a cascading negative effect from that.

Chitra :

And what about the oil crisis? How does that have a role to play?

Cliff:

Well certainly some of the larger markets I think in Texas that are dependent on oil are going to be impacted because of the layoffs and people aren't working. The other thing, with gas prices so cheap and in some states it's below a dollar. I'm seeing reports of 69 cents a gallon in places like Alabama, Arkansas, and others. I think here in Detroit it's has been as low as \$1.30. I think the longterm impact on automaker strategies will be interesting to watch because over the last couple of years, companies like General Motors, Ford, Volkswagen, and others have been putting a lot of money, we're talking billions of dollars of investment, into developing their electric vehicle strategies. The problem is that Tesla, if you take Tesla out of the equation, the American consumer is not showing much interest at all in buying electric vehicles. Nevertheless, the auto makers have been pushing and working hard at developing vehicles that customers will want to buy.

Cliff:

However, now with oil prices so low, and I think with huge cash issues that all of the auto makers will be facing in the next few months, at some point they're going to have to make decisions on where they're going to put their money. And they're going to have to put that investment money into developing products that the consumer has historically

bought. SUVs, trucks. I mean, the F-150 from Ford is the best selling vehicle and has been the best selling vehicle in the US for years, decades, and has show no sign of relinquishing their crown. Certainly the Dodge Ram, the Chevy Silverado, and then we have just SUVs that customers have been buying the last several years.

Cliff:

So we'll see what the impact... The longer this continues, the longer we are sheltered in place, or the longer that we're dealing with the impact from the virus, I think it's going to delay some of those electric vehicle initiatives and even some of the more futuristic technologies such as autonomous vehicle, or your connected vehicle investment. They're all saying otherwise. Yeah, auto makers are. But really, when push comes to shove, Chitra, the fact is they're going to have to make some hard calls in the next several months.

Chitra :

So overall, looking at this huge impact on the industry, how would you kind of sum it up? I mean, how would you describe it? Seeing what you're seeing every day, the news pouring into your newsletter?

Cliff:

Yeah. Yeah. Wow. It's hard because I think it really is a matter of survival. Everyone's trying to figure out how to survive from a business perspective. And then you have that dynamic of trying to protect yourself physically also from getting the virus. And I, you know, so many different opinions out there as to how bad it is. But the fact is, our family, and we've known several people who have either lost family members or who have died from this virus and we're one of the areas that's been hard hit.

Cliff:

So, there is that mentality. It's not just a surviving business-wise, but when you throw everything together, on top of the uncertainty of how long this is going to progress, makes business planning hard. But I will tell you on the automotive side, the dealers and the automakers are absolutely resilient. They adapt. They've met every challenge, and I don't want to get corny here, but the fact is they have met every challenge for a hundred years and are meeting this challenge, too. Some better than others. But, it's going to be one for the history books.

Chitra :

Well it seems like you are in a really unique place to cover this from all the experience you've gained from the moment you started loading cars onto trains in rail yards and then talking to dealers and CEOs and financiers and investors. All the work you've done has probably put you in a unique place to cover this unprecedented challenge to the auto industry.

Cliff:

Well, I guess now we're going on 30 years, so I guess there's a perspective of history also. But yeah, it is a unique spot and it's a great spot to be in because I feel like I am getting a front seat to history and while living it.

Chitra :

Looking back at that young man who was hitchhiking to the rail yards, because he was too broke to buy a car and making money loading those cars onto trains, or that young man who stood outside Penn Station getting robbed at knife point, what would you say to that young man about the lessons you have learned about adversity?

Cliff:

I guess stick with it. I probably would tell him to go to school. Okay. Get the college degree, to be honest with you. Don't be afraid to take risks. Stick with it, in the end things tend to work out.

Chitra :

Cliff, thank you so much for joining me. It's been so great having you on the podcast and for sharing your story and all the insights into how Covid 19-is affecting the auto industry.

Cliff:

Chitra, it has been a real pleasure. Thank you so much.

Chitra :

Cliff Banks is Founder and President of The Banks Report, the most influential newsletter covering the auto retail space. This is When it Mattered. I'm Chitra Ragavan.

Chitra :

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