

CRAIN'S DETROIT BUSINESS

http://www.craindetroit.com Vol. 23, No. 31

JULY 30 - AUGUST 5, 2007

\$2 a copy; \$59 a year

©Entire contents copyright 2007 by Crain Communications Inc. All rights reserved

THIS JUST IN

Pardus Capital increases stake in Visteon

Pardus Capital Management L.P. has purchased about 3 million additional shares in Van Buren Township-based **Visteon Corp.** (NYSE: VC) since June 6, raising its total holding in the automotive supplier to 20.8 percent, according to a document filed Friday with the **U.S. Securities and Exchange Commission.**

The New York City-based hedge fund disclosed that it has spent \$177.3 million since June 6 to buy the shares and now owns about 27 million of Visteon's 129.6 million shares.

In its last public disclosure, Pardus disclosed that it owned 23.5 million shares, or 18.1 percent of Visteon. Pardus is Visteon's largest shareholder.

Activist shareholder **Karim Samii**, general partner of **Pardus Capital**, is also the largest shareholder of Paris-based auto supplier **Valeo SA.**

Samii has a history of pushing for change at the companies he invests in. At Valeo, he sought to elect board members but was defeated. At **Bally Total Fitness Holding Corp.** he succeeded in electing a slate of board members and forced out the CEO.

Officials at Pardus declined to comment on Friday.

— Brent Snavelly

Livonia OKs Davenport plan

The **Livonia City Council** on July 19 granted final approval to the site plan for a new satellite campus for Grand Rapids-based **Davenport University** at the northeast corner of Seven Mile Road and I-275.

Grand Rapids-based **Rockford Development Group L.L.C.** is serving as developer on the project. The plan calls for construction of a 40,000-square-foot building to begin this summer, with completion scheduled for the beginning of the 2008-09 academic year.

— Sherri Begin

See This Just In, Page 2



A six-lane bridge (right) is planned to replace the four-lane Ambassador Bridge, which would be renovated for occasional use.

Span spin

Two competing plans may give region three bridges to Canada

BY ROBERT ANKENY
CRAIN'S DETROIT BUSINESS

Detroit may end up with two bridges to Canada — plus one to spare.

Both the **Ambassador Bridge Co.** and an international team studying border crossings say they plan to push forward with separate plans for new bridges regardless of what the other party does.

"The bridge has been operating for 80 years, and we've planned this enhancement since 1992 or '93," said Dan Stamper, president of the bridge company, which is

SITE FIGHT

Crown Enterprises to get only \$770,000 more for riverfront land, Page 19.

owned by Grosse Pointe trucking magnate **Manuel Moroun.**

The bridge company plans a six-lane bridge to replace the existing four-lane Ambassador Bridge, which would be renovated and available for use, for example, when maintenance is done on the new bridge, Stamper said.

See Bridges, Page 19

Wal-Mart's plans set up grocery fight

Aims to open 17 metro area supercenters

BY SHEENA HARRISON
CRAIN'S DETROIT BUSINESS

Wal-Mart Stores Inc. is forging into the Southeast Michigan grocery market with 17 supercenters it is building or plans to build by the end of 2009 — a move that could mean trouble for competitors both large and small.

The Bentonville, Ark.-based discount retailer plans to convert up to six existing retail-only stores, while the rest are new developments throughout metro Detroit. Wal-Mart Supercenters are combination full-service grocery and general merchandise stores.

See Wal-Mart, Page 21



NEWS.COM

WAL-MART SUPERCENTERS

Wal-Mart Stores Inc. is expanding in metro Detroit with up to 17 supercenters, some of which will be conversions of existing Wal-Mart stores to include groceries.

Conversions: Commerce Township, New Hudson, Shelby Township, Taylor, Van Buren Township.

New stores: Livonia, Rochester Hills, Sterling Heights, Dearborn, Fowlerville, Pittsfield Township, Canton Township.

Stores in the planning stages: Hartland Township, Chesterfield Township, Clinton Township, White Lake Township (conversion), Lincoln Park.

Advertisers pay more and get less

TV news ad rates up despite viewer losses

BY BILL SHEA
CRAIN'S DETROIT BUSINESS

A 24 percent audience decline for Detroit's evening and late local television news broadcasts over the past decade hasn't translated into discounted rates for advertisers.

In fact, they're paying more to reach fewer viewers during the sought-after newscasts' ad slots.

Nearly 400,000 fewer households



HOW MANY ARE WATCHING?

See how ratings stack up for the newscasts. Page 20.

tuned into the 5, 6 and 11 p.m. newscasts in metro Detroit during the May "sweeps" period than did in 1997, according to research provided by New York-based audience-tracking service **Nielsen Media Research.**

The laws of supply and demand have kept advertising rates on a gradual rise even as a change in the way Nielsen measures audiences and a proliferation of cable

and Internet news alternatives have eviscerated the local stations' numbers compared to 10 years ago.

"Regardless of what the audience level is, if the demand is there, the cost is going to remain the same," said Chris McCourtney, general manager of radio group **Salem Detroit** and former ad salesman for ABC affiliate **WXYZ-Channel 7.** "That translates, for the advertiser, into a higher cost per 1,000 (viewers). It's costing more in terms of efficiency."

See Ratings, Page 20



NEWSPAPER



These companies thrive in lackluster economy, Page 11
Publicly traded list, Page 14

OntheGrow
Solid Signal finds niche, Page 3

Ad firms stew over lost car biz

Diversifying business is uphill battle

BY JEAN HALLIDAY
CRAIN NEWS SERVICE

Detroit's ad community is very, very nervous.

Much of the swagger of Motown's once-mighty auto-ad-agency population, fed by clients with big egos and even bigger budgets, is gone — replaced by fear as struggling Detroit automakers break their tradition of decades-old agency loyalty.

In the past year alone, creative accounts on brands that spent \$880 million in measured media last year have fled the metro area as **DaimlerChrysler Corp.** moved its Jeep brand to San Francisco-

based **Cutwater** and **General Motors Corp.** shifted its massive corporate account to Los Angeles-based **Deutsch** from the Birmingham office of **McCann-Erickson**; and national Cadillac creative to Boston-based **Modernista**.

The consolidated Buick-Pontiac-GMC decamps for **Leo Burnett** on Oct. 1, leading to worries it will be serviced primarily by that agency's Chicago outpost. And it's becoming uncomfortably clear that the other member of the Detroit 3, **Ford Motor Co.**, could land the launch of its Focus about 600 miles east at Boston-based **Arnold**. That agency is pitching against incumbent **JWT Team Detroit** and a

third, undisclosed shop.

Advertising employment in Michigan — which is concentrated in Detroit, traditionally the No. 4 ad market — has fallen off despite a rebound in U.S. advertising jobs nationwide from the downturn earlier in the decade. The state's share of U.S. ad-spending employment is now 3.2 percent, down from 4.3 percent in the mid-1990s.

"There's a lot of nervousness about what will happen with Ford, GM and Chrysler," said Arthur "Bud" Liebler, **Chrysler Group's** former senior vice presi-

See Agencies, Page 21

WHO LEFT? WHO MIGHT LEAVE?

Detroit agencies have lost the following accounts in the past year to out-of-town agencies:

■ **Jeep** from **BDDO Detroit** to San Francisco-based **Cutwater**.

■ **General Motors Corp.** corporate from Birmingham-based **McCann-Erickson** to Los Angeles-based **Deutsch**.

■ **Cadillac** from **Leo Burnett Detroit** to Boston-based **Modernista**.

On the bubble:

■ When **Leo Burnett** adds **Buick** and **GMC** to its **Pontiac** account Oct. 1, the consolidated account may be serviced primarily from Chicago.

■ The **Ford Focus** launch may go to Boston-based **Arnold**, rather than Ford agency **JWT Team Detroit**.

CRAIN'S INDEX



More smoke: Opponents of smoking ban plan to fight back. **Page 7.**

Game fight: Big Ten Network tiff continues. **Page 6.**

Sacked: Dealers drop advertising program. **Page 18.**

Acquired: Strength Capital Partners adds two companies to portfolio. **Page 19.**

These organizations appear in this week's *Crain's Detroit Business*:

Ambassador Bridge Co.	1
American Axle & Mfg. Holdings Inc. .	4
Amerigon Inc.	11, 12
BDDO Detroit.	21
BorgWarner Inc.	4
Brogan & Partners Convergence .	20
Campbell-Ewald.	21
Caraco Pharmaceutical.	11, 12
Champion Enterprises Inc.	11, 13
Comerica Inc.	11, 13
Crown Enterprises Inc.	19
Detroit Water and Sewerage.	19
EBuy Media Inc.	20
Fry Inc.	20
Gateway Communities Development Collaborative.	19
General Motors Corp.	18
Inland L.L.C.	19
JWT Team Detroit.	3
Kaydon Corp.	11, 13
Lieber!MacDonald Communication Strategists.	21
McCann-Erickson.	3
Media ... Period Inc.	20
Michigan Association of CPAs.	7
Michigan Restaurant Association .	7
Michigan State University.	6
Noble International Ltd.	11, 12
Oakland Comm. College Foundation .	7
Original Equipment Suppliers Assn. .	20
Pullman Industries Inc.	12
Pulte Homes.	11
Ramco-Gershenson.	11, 12
Rofin-Sinar Technologies.	11, 13
Salem Detroit.	1
Solid Signal Inc.	20
Somanetics Corp.	11, 12
Strength Capital Partners L.L.C.	19
Sun Communities.	11
Syntel Inc.	11
Taubman Centers Inc.	11
University of Michigan.	6
WDIV-Channel 4.	20
Williams Acosta P.L.L.C.	19
WJBK-Channel 2.	20
WWJ-Channel 62.	20
WXYZ-Channel 7.	1, 6

BANKRUPTCIES.	7
BUSINESS DIARY.	10
CAPITOL BRIEFINGS.	7
CLASSIFIED ADS.	16
KEITH CRAIN.	8
LETTERS.	8
OPINION.	8
OTHER VOICES.	9
PEOPLE.	18
RUMBLINGS.	22
WEEK IN REVIEW.	22

CALENDAR

For a list of current events, visit www.craindetroit.com.



WILLIAM PUGLIANO

Jerry Chapman started his business because he couldn't easily order a switch for expanding satellite reception in his home.

Career 'switch'

Solid Signal fills niche for companies that want to make stuff, not market it

BY BILL SHEA
CRAIN'S DETROIT BUSINESS

What started as Jerry Chapman's desire to watch **DirecTV** in different rooms of his house has evolved into an electronics business that's looking at \$8 million in revenue this year and expansion into turnkey marketing.

Chapman discovered he couldn't easily order the switch he needed to have satellite reception in several rooms of his West Bloomfield Township home. Most companies sold them directly to installers only.

Eventually, he found a distributor, **Metron North America** in Knoxville, Tenn., willing to sell him the device.

On the Grow

On the Grow is a new feature that will appear in most issues highlighting growing companies, large and small. Know of a company you think *Crain's* should write about? Contact **Managing Editor Andrew Chapelle** at achapelle@crain.com.

He then had the idea of selling the switches online to the general public. **Metron**, which has since gone out of business, agreed to sell him the switches, and Chapman advertised them on online technical sites and blogs.

His idea took off. A lot of people have several satellite receivers in their

home and want reception in mul-

See Signal, Page 20

No cuts slated as Continental buys Siemens VDO

BY BRENT SNAVELY
CRAIN'S DETROIT BUSINESS

William Kozyra, president and CEO of **Continental Automotive Systems North America**, said last week **Continental AG's** planned acquisition of **Siemens VDO Automotive AG** will not likely result in job cuts for the companies' Michigan employees.

"Right now we don't anticipate any job cuts. None are identified. But it's way too early in the process," Kozyra said. "We have a history of



Kozyra

doing that in a very professional manner, and we would expect that successful process to continue with this acquisition as well."

The acquisition will affect about 1,600 Michigan employees, the majority of whom work in the two companies' North American head-

quarters in Auburn Hills.

Last Wednesday, Hanover-based **Continental** announced plans to acquire **Siemens VDO Automotive** from Munich-based **Siemens AG** for \$15.66 billion, or 11.4 billion euros.

Continental employs more than 800 in Michigan. **Siemens** employs about 830 in Southeast Michigan with 500 in Auburn Hills, 230 in Troy and a total of 100 at two locations in Dearborn.

And both companies are at or near capacity in Auburn Hills. Last fall,

before **Siemens** announced it was considering an initial public offering or a sale of its automotive division, **Siemens VDO** was exploring real estate options for a combined office.

And throughout July, **Continental** has been moving the last 130 employees from **Motorola Inc.'s** former Farmington Hills offices to **Continental's** office in Auburn Hills. **Continental** acquired **Motorola's** automotive division in 2006 for about \$1 billion.

See Continental, Page 20

Ratings: Advertisers paying more for fewer television viewers

■ From Page 1



NEWS RATINGS

How ratings stack up for the broadcast stations' newscasts in the same time slots in 2007. (A rating point counts for 19,353 households.)

Time slot	Rating	Households
Fox affiliate WJBK-Channel 2		
5 p.m.	3.0 rating	58,059
6 p.m.	2.8 rating	54,188
10 p.m.	8.1 rating	156,759
NBC affiliate WDIV-Channel 4		
5 p.m.	6.4 rating	123,859
6 p.m.	7.4 rating	143,212
11 p.m.	11.4 rating	220,624
ABC affiliate WXYZ-Channel 7		
5 p.m.	7.8 rating	150,953
6 p.m.	8.0 rating	154,824
11 p.m.	10.2 rating	197,400

Note: Fox's 10 p.m. newscast included because it is station's late newscast; 4 p.m. and 7 p.m. newscasts not included because not all stations have them.

Source: Nielsen Media Research

Local news, especially the late news, is sought after by advertisers because it draws large audiences in the demographics they seek. Hence, ads during 11 p.m. broadcasts cost more than the evening or morning news.

In this market, a 30-second spot during the late news averages \$2,000 to \$3,500, local media buyers said, and those prices have risen with inflation since 1997. Typically 20 spots are available on each channel during a half-hour newscast.

Local news is dominated in the ratings by WXYZ and NBC affiliate **WDIV-Channel 4**. Fox affiliate **WJBK-Channel 2**, which has Detroit's lone 10 p.m. newscast, is a distant third, while CBS affiliate **WWJ-Channel 62** does not produce local news.

There is some expectation that pricing at 11 p.m. will become more competitive in September when WJBK is expected to launch a newscast, because additional spots will be available. It's unclear whether the station will continue its 10 p.m. newscast. WJBK general manager Jeff Murri did not return repeated calls.

"Given that (the new Fox newscast) will generate some kind of rating number, it's going to limit channels 7 and 4's ability to sell as many spots as they do at the rate they do

(at 11 p.m.)," McCourtney said.

WDIV's late news sustained the biggest audience loss since 1997, losing more than 94,000 households (17.8 to 11.4 rating), and 208,741 for all three newscasts.

Ratings are the percentage of potential viewers in the market — whether watching or not — tuned in to a show. Each ratings point represents 19,353 households in the Detroit market. That breaks down into 1.9 million households and 5 million people. In 1997, a rating point was 17,720 households.

"There are more TV stations, the expansion of cable and (Internet) technology has impacted our viewership to some extent," said Steve Wasserman, WDIV general manager and vice president.



Wasserman

He also said Nielsen's move to more accurate electronic audience-reporting methods two years ago dropped ratings across the board nationally for many newscasts, meaning some of the lost households were never watching to begin with.

The overall decline, however, is

as much fueled by the expansion of news channels and the Internet, he said.

Advertisers are aware of the changes in measurements and adjusted their spending expectations accordingly, Wasserman said. Other data, more specific to audience makeup and habits, are available to advertisers as well, and they know they need local TV to reach local audiences, Wasserman said.

"Fundamentally, even as the audience levels have changed over the years, local television, especially on the news side, continues to be the best place for advertisers to get their message out to the community," he said. "We'll continue to have the greatest audience reach. Local television has been able to maintain its value to advertisers despite the change in ratings."

Local ad buyers agree.

"I look at the ratings as a guide against what everyone else is doing. They mean a lot in a sense of who should be higher-priced than someone else," said Andy Winnie, founder of **eBuy Media Inc.** in Plymouth, which buys ads during all local newscasts. "You use (ratings) with a grain of salt. It's not about the ratings; it's what kind of results you get for your client."

Micci Lasser, senior media buy-

er at **Brogan & Partners Convergence Marketing** in Birmingham, said the costs to buy during local news have gone up with inflation and are in line with the new ratings dynamic. But because of the expansion of news options, 10 percent of her media buys for local clients, such as **St. John Health System**, are on cable stations rather than broadcast stations. "Not everyone is watching broadcast television," she said.

To reach the number of viewers they did a decade ago, advertisers have had to spend more money, Lasser said. They have to buy more commercials, advertise on different newscasts and expand into cable, as well.

Harvey Rabinowitz, partner at Bloomfield Hills-based **Media ... Period Inc.**, which buys newscast ads for Allen Park-based **Belle Tire** and **Wallside Windows** in Taylor, expects prices to increase in 2008 because political advertising will eat up available spots. "Last year's political races drove up prices," he said.

Grace Gilchrist, general manager and vice president at WXYZ, agreed. "We're going into a political year that's expected to be such a boomer," she said. "Politicians all buy, and they want newscasts."

Bill Shea: (313) 446-1626, bshea@crain.com

Signal: Develops service

■ From Page 3

tipple rooms.

"There are a lot of geeks like me who wanted to do this," he said.

So, in October 2002, he set up a company online, West Bloomfield Township-based **Solid Signal Inc.**, to sell the switches. A little more than a year later, he was selling a multitude of satellite and broadcast accessories. Revenue for that year reached \$412,000.

By then, Chapman realized it was time to run Solid Signal full time, so he quit his business-consulting work to concentrate on expansion.

"At that point I was exhausted doing something I loved doing," he said.

Expansion brought him into competition with major retailers such as **Best Buy** and **Circuit City**. He was selling mainly satellite products, over-the-air **Cobra** antennas, cell phone repeaters, consumer electronics and accessories for **Sirius** and **XM** radio.

To carve out his niche, Chapman decided first-rate customer service would win him a repeat clientele. Offering hard-to-find products and competitive prices would keep him in business. He said about 60 percent of his clients are general consumers and the remainder are dealers and installers.

"Our customer base is pretty savvy, pretty smart, so sometimes they're looking for the best price," he said. "If you want to buy a **Panasonic** 40-inch flat screen, you're not going to buy it from me. If it's a high-def that meets certain specifications, I might be the only guy in town. We certainly can compete on the niche products."

His strategy has worked thus far. By 2004, his revenue jumped to \$2.1 million. Last year, it was \$5.1 million and he's up to 13 full-time employees.

To fuel additional growth, Solid Signal developed a turnkey marketing and distribution service for elec-

tronics manufacturers that don't want to do much more than make their equipment.

The service involves everything from setting up a Web site, answering calls, tech support, packaging and shipping to customer service, marketing and advertising, he said. Customers of companies using this service never know they're going through Solid Signal.

"The consumer feels more confident buying directly from the manufacturer in some cases," Chapman said.

Two companies have signed up for the service, Chapman said, but confidentiality agreements prevent him from naming them. He expects the new service to account for up to 40 percent of his total revenue.

"What we're doing is a full-service business-to-customer model," he said.

Using such a turnkey marketing and distribution service is a good idea for small or startup companies, said David Fry, CEO of Ann Arbor-based **Fry Inc.**, which provides e-commerce services. "They're not sure how it's going to go, so they form partnerships like this," he said. "People sort of get their feet wet by this model."

Companies selling low-demand products online often use this sort of service, he said. "You definitely see this kind of thing happening. The vast majority of products are not that exciting. For some products, the market may never be big enough to warrant doing it themselves," Fry said.

Anticipating growth, Solid Signal will move into a new 20,000-square-foot office and warehouse facility in Livonia later this year. Chapman said he plans to hire four or five people this year and up to a half-dozen next year.

Bill Shea: (313) 446-1626, bshea@crain.com

Continental: No job cuts planned

■ From Page 3

Kozyra said it's too early to know how the offices and employees would be combined.

But he did say organizational decisions will be made quickly after the acquisition is complete. Both companies expect the transaction to close by the end of the year.

"What we will do is identify a global organization structure that will really allow us to be a product-focused and technology-focused organization," Kozyra said.

Last year when Continental acquired Motorola it took just 100 days to put a new organizational structure in place, Kozyra said.

But the Siemens VDO deal is more than 15 times the size of the Motorola acquisition, and is believed to be the largest acquisition ever of an automotive supplier.

"We see this as taking a little bit longer than prior acquisitions," Kozyra said. "With prior acquisitions, like the Motorola acquisition one year ago, it was 95 percent complete after one year."

Motorola's Farmington Hills location, at 3701 Corporate Drive, is a 120,000-square-foot building constructed by Southfield-based **Kojaian Cos.** in 2001 and sold to **Lexington Farmington Hills L.L.C.** in April 2003, according to real estate database **CoStar Group**. In June, Kozyra said Continental planned to sublease the Farmington Hills building.

Brad Warner, Siemens project leader for corporate communications and media relations, said it's too early to comment on the merger process.

Kozyra said employees should be excited about the potential of the two companies, especially as they combine powertrain and electronics products expertise, such as hybrid and electric-drive technologies, as well as the integration of telematics, navigation products and entertainment technology.

"Continental is a leader in telematics as a result of the Motorola acquisition and Siemens is a

CONTINENTAL ACQUISITIONS

■ 1998: The brake and chassis business of **ITT Industries** for about \$1.9 billion.

■ 2001: **DaimlerChrysler AG's Temic Telefunken GmbH**, an electronics division.

■ 2004: Acquired a controlling stake in **Phoenix AG**, a rubber technology and acoustic systems supplier.

■ 2006: **Motorola's** automotive electronics business for about \$1 billion.

■ 2007 (pending): **Siemens VDO Automotive AG** for about \$15.7 billion.

leader in navigation systems," Kozyra said. "When you combine that together, you can imagine the potential, and it's a potential that no one else has."

David Alexander, senior automotive systems analyst for **ABI Research**, a New York-based technology market research firm, also said the combination of Continental and Siemens VDO may be good for U.S. employees and the combined companies' book of business.

"A lot of the common systems that they're working on are in new and growing fields, so that looks positive for em-

ployees," Alexander said. "They're not going to combine and get rid of half of the staff. There's a lot of work going on right now in safety and powertrain, not just hybrids, but diesel and direct injection. These are all areas that are growing very rapidly, especially in the U.S."

Continental's acquisition of Siemens VDO would also vault the combined company to the fourth- or fifth-largest automotive supplier in the world, and would better position it to compete with Stuttgart, Germany-based **Robert Bosch GmbH**, Southfield-based **Denso International America Inc.**, Troy-based **Delphi Corp.** and Livonia-based **TRW Automotive Holdings Corp.**

Based on 2006 sales, the combined company could post annual sales of \$34 billion, or 25 billion euro, and have a global workforce of 140,000. Siemens VDO accounts for \$13.6 billion, or 10 billion euro, while Continental accounts for about \$20.4 billion, or 14.89 billion euro.

"This looks like an excellent opportunity for Continental," said Neil De Koker, president of the Troy-based **Original Equipment Suppliers Association**. "They've been expanding into the electronic and control side of the business rapidly."

Brent Snavely: (313) 446-0405, bsnavely@crain.com

Automotive News contributed to this story.