

ENTREPRENEURS

HIGH ON SPEED

BOB LUTZ puts you in the driver's seat—at 180mph. He hasn't lost a customer yet.



RAY - THE FORBES

BY JAMES M. CLASH

NDY CARS ARE SCREAMING PAST Robert Lutz at California Speedway in Fontana. Some of his students are hitting 180mph on the back-straight.

This is fast track in every sense. Lutz (no relation to the former vice chairman of Chrysler) has hitched himself to a fast-growing spectator sport and a companionate boom in racing instruction. His school, CART Driving 101, caters not to pros but to the hobbyist who wants the rush of pure speed yet isn't obsessed with winning. "I'm more interested in the looks on the faces of my students as they climb out of the car," says Lutz, 31.

Lutz's father, Glenn, owns five dirt tracks in the Northeast. By age 8 Lutz was helping out summers stocking concession stands. At 12 he was racing go-carts and in 1987 became the Northeast champion of International Kart Federation. But he knew the road to glory as a driver was iffy.

While studying marketing at Central Piedmont Community College in Charlotte, N.C., Lutz found his path. He took a job at Fast Track Driving (a school to improve the skills of pro racers) and thought: Why not offer something similar but for the fan? De-emphasize the technology and driving physics, and play up the thrills. Besides, he reasoned, "there are a lot more race fans than race car drivers."

As at any racing school, safety was

key—especially since students would be traveling at the rate of nearly a football field per second. Lutz knew that a fatality could cost him his business, so he devised a novel lead-follow program. Unlike most schools, where students find their own way around the track, his instructors would lead by a few car lengths, thus controlling speed and the all-critical racing line. To avoid distractions all dashboard gauges were taken out.

Now to gain credibility—and customers. Lutz approached a handful of Nascar drivers who could give him pull and the seed capital to lease time at a large superspeedway oval, acquire liability insurance and pick up a few used stock cars. "At first people looked at me like I was crazy," Lutz recalls. He finally convinced Richard Petty, winner of a record 200 Winston Cup races, and two partners to chip in a total of \$200,000 in cash and equipment. Each took a 25% stake in what became the Richard Petty Driving Experience.

After three years Lutz was netting \$3 million on revenues of \$7 million. He'd sent 35,000 racing fans speeding through without serious mishap (mostly bruises and shattered egos). One of his students was Leo Hindery, then president of TCI (now part of AT&T) and later chief executive of Global Crossing, who liked the sport so much he decided to buy Lutz's shares in 1997 for undisclosed millions.

Retirement lasted less than two years. "I thought, 'What will I do with the rest of my life?'" Lutz recalls. Easy: Start another driving school. Only this time make it the fastest one in the world, relying on modified open-wheel cars (maximum speed: 180mph) instead of stock cars (165mph). Based on his record at Petty, Lutz persuaded Championship Auto Racing Teams (CART), the sanctioning body for top open-wheel drivers, to lend its name. To launch CART Driving 101 Lutz put in \$5 million—\$3 million of his Hindery payout and a \$2 million bank loan at 9.25%. Why so much capital? Formula cars are much more expensive than stock cars and must be modified for safety.

In June 1999 Lutz opened for business at Las Vegas Motor Speedway and promptly lost \$1.2 million on revenues of \$500,000. Reason: Classes were only one-third full, not enough to pay overhead and marketing expenses. But last year, as the concept caught on through word-of-mouth and a \$300,000 advertising campaign—two-thirds in print, the rest on TV—Lutz earned a respectable \$200,000 on \$3.3 million.

Clients come from corporations like GlaxoSmithKline and Nortel Networks, which use the courses to reward employees. Celebrities occasionally pass through as well. Country singer LeAnn Rimes and Adam Firestone, who heads Firestone Vineyards, have run laps; so have actors Sylvester Stallone and *Party of Five's* Andrew Keegan.

A more typical customer is Lawrence Vail, owner of a Racine, Wis. garage door business, whose wife, Angela, gave him the course for his 40th birthday. "It was this or a party," she says, trackside at Las Vegas. "I'm glad it was this," beams Vail, who got his car up to 164mph in the advanced course. Lutz limits those classes (cost: \$3,000) to only 10% of business, even though they are more profitable than introductory classes (\$375 to \$1,500). "In advanced programs we significantly increase our risk of crashes," he says.

Because of safety controls, Driving 101's insurance is not as expensive as you might think—around \$100,000 per year for \$10 million worth of liability coverage. Of the 6,000 students who've gone through the school, only ten have spun cars, with five hitting the outside concrete wall. All but two were in advanced programs. (Average damage to car upon impact: \$10,000. Most significant injury: a broken leg.)

This year Lutz hopes to pull in \$750,000 on sales of \$4 million. To widen distribution he has added classes in Illinois and Texas and has kept his ad budget steady. Where does he go from here? "My ultimate goal," he says, "is to run classes at the Indianapolis Motor Speedway." **F**