

# Automotive News

## Chrysler plan: Advice — but no help on price

### 1,700 metro stores are targets of new consolidation push

**Bradford Wernle**

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Chrysler LLC's aggressive new strategy for shrinking its retail network won't give dealers the thing they would most like to see: money to lubricate consolidation deals that have been stalled.

"We have to be clear that we don't have a big checkbook," said Chrysler co-President Jim Press.

In many metro areas, Chrysler's network has grown into a crazy-quilt of single-brand stores packed too close together. The company's new owners are eager to do something about that.

Under Project Genesis, the new consolidation strategy, Chrysler wants a smaller and more profitable dealer network. Part of the plan is to reshape the product lineup dramatically to end duplication among the three Chrysler brands. That would allow more retailers to sell all three brands under one roof.

Chrysler has 3,600 dealers, and the plan targets about 1,700 stores in metro markets, says Michael Yatsko, director of dealer operations for Chrysler.

Teams of advisers have begun fanning out to help dealers arrange to buy or sell stores.

Dealers will be offered help with all aspects of business planning, including tax consequences, real estate, finance and estate planning. Some advisers will come from Chrysler's majority owner, Cerberus Capital Management.

In an interview last week, Press said Chrysler hasn't ruled out offering money. But he said: "We're not in the financial position to make this a big bunch of checks and paydays. We need to do it with a process of working together looking at alternatives."

Press said he expects the revamping of the dealership network and product lineup to be completed in four or five years.

#### Where's the money?

For some dealers, the lack of money could be a big problem, said Sheldon Sandler, founder of Bel Air

Partners, a Princeton, N.J., firm that brokers dealership transactions and offers dealers financial guidance.

"I think that they're looking at a very, very difficult proposition, one they don't fully appreciate," Sandler said. "Another way of saying it is: Show me the money."

Sandler said the biggest obstacle to getting buyers and sellers to agree on a transaction price is real estate.

"Dealers quite often have an inflated idea of what their property is worth," he said. "Once you eliminate that operating entity, it becomes a piece of property without that operating asset on it. That really complicates the deal."

Without making a pot of money available, Chrysler will have trouble getting dealers to consolidate, says an executive at a large public dealership group with Chrysler stores.

"These things would have happened by now if they had put money in it," said the executive, who asked not to be identified. "The problem is you have sellers who don't want to sell and buyers who don't want to pay.

"There are not a lot of buyers of Chrysler deals out there because nobody's sure how long Cerberus is going to stay."

## **Blue-chip teams**

Chrysler says the new framework will speed the process along. To make deals happen, the company is forming "business solutions teams" to go into each metro area to help dealers overcome obstacles.

"We've done a couple of market meetings already," said Steven Landry, executive vice president of North American sales. "Each of the business centers will hold metro market meetings" and review the volumes in those markets.

## **Room to breathe**

Landry said Chrysler then will hold "individual meetings with dealers and review whether they want to be a willing buyer or willing seller."

Chrysler wants dealers to have more room so they're not poaching sales from one another. Chrysler built its network in the 1970s and 1980s, when the Big 3 ruled. The network in metro areas grew into a patchwork of single-brand stores or odd combinations.

In meetings with dealers last week, Press and Landry used the Boston metro area as an example — and the cuts envisioned apparently are deep.

Boston now has about 22 dealers with Chrysler franchises; the company would like to see that number cut to eight, each selling all three brands.

"Competition has put us in the position where dealerships are seven, eight miles apart," Landry said. "We want them to be 25 miles apart." Landry and Press said the mileage figures would differ from one market to the next.

Among the ideas Chrysler is exploring are satellite dealerships and service-only outlets, Press said.

He said Chrysler's rural dealers will remain largely untouched. Press said about 81 percent of those already have three brands under one roof.

Since Chrysler launched its Project Alpha consolidation in 2004, Chrysler completed about 250 Alpha combinations and has trimmed its dealer body from about 4,000 to 3,600.



**ENLARGE**

Jim Press on Friday at the NADA convention: Why have 11 SUVs when three or four might do the job?

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