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NEWS ANALYSIS

Family-owned stores could be tough sell for consolidation

Bradford Wernle

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SAN FRANCISCO — Mark Hodos' family has been selling cars for more than 50 years, but he's not sure the family business will last another half-century.

Hodos' Monarch Dodge is a stand-alone store in Lauderdale Lakes, Fla., that sells about 600 new cars a year. There's a similar-sized Chrysler-Jeep store a little more than half a mile away, with a family tradition nearly as long.

If Chrysler's Project Genesis consolidation plan is to succeed, stores such as Monarch Dodge and its neighbor probably will have to reach a deal so they can combine all three brands under a single roof. That means one will have to buy, and one will have to sell.

Although dealers reacted positively to the plan Chrysler presented here last week at the National Automobile Dealers Association convention, the plan faces a series of hurdles if it is to succeed where its predecessor, Project Alpha, only partially worked.

It's going to be particularly tricky to get small, family-owned stores such as Monarch Dodge to merge — a challenge that slowed Project Alpha.

Chrysler is urging dealers to merge so most stores can sell all three brands. Under Genesis, the product lineup will be tailored to dealerships that carry all three. Potentially, that leaves single-line stores with sharply reduced offerings.

John Wolkonowicz, an analyst for Global Insight in Boston, says Chrysler faces a challenge in persuading dealers to go along.

"It's all well and fine to plan this kind of stuff," he says. "But they don't have a lot of clout with dealers because they don't have a lot of hot products."

Chrysler's plan

Project Genesis

- Increases pressure to merge into three-brand stores
- Sends teams to dealers to advise on mergers
- Will kill overlapping vehicles

The human element

Hodos sees the logic in Chrysler's grand plan, which was the major subject of the three-brand make meeting here during the convention. But he thinks the road ahead will be tough.

"It's just not that simple," he said in an interview outside the make meeting. "It's not like one company just buying another.

"These businesses have been in families for generations. You're talking about good dealers, close to each other. They don't talk about the human part too much."

And it's not just the families of dealers who are affected. Hodos employs more than one member of several families.

Says Hodos: "I have husbands and wives, mothers and daughters, fathers and sons. In individual stores, you get treated more like family."

Chrysler co-President Jim Press says the company is not turning its back on family-operated stores. Those dealerships, particularly in rural areas, routinely register the highest customer satisfaction scores, he says.

Salesman extraordinaire

So far, Chrysler has succeeded in convincing some dealers that the Project Genesis plan will be good for them.

Credit Press, one of the industry's most convincing speakers and salesmen.

"There was no anger in the room," says Michael Rouen, owner of Rouen Chrysler-Dodge-Jeep in Woodville, Ohio, referring to the make meeting, which some thought might be rancorous.

Count Hayden Elder, owner of Elder Chrysler-Dodge-Jeep in Athens, Tex-as, and Dodge national dealer council chairman, as a firm believer.

"Let me tell you, it's going to work," Elder said. "There is no doubt in my mind."

Whether it works depends on how well Chrysler executes the plan, says Sheldon Sandler, founder of Bel Air Partners. His Princeton, N.J., firm offers dealers financial advice and brokers dealership sales.

Chrysler will find facilitating deals costly and filled with tough issues, Sandler says.

Nowhere is that more true than dealership real estate.

Says Sandler: "We have found out the hard way that if you look at the real estate, you'll find out where these deals get stuck."



Hayden Elder of Dodge's national dealer council says of the consolidation plan: "Let me tell you, it's going to work."

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