

It's a no-brainer

Forced to choose, Jersey dealer picks Toyota, sends Ford packing

By Amy Wilson

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One of the East Coast's biggest auto dealers is giving up his Ford franchise to make room for his burgeoning Toyota business.

Donald Toresco, who sold Fords for 23 years, was wrapping up a Ford clearance sale last week at his enormous Autoland store in Springfield, N.J., near New York City. Toresco turned the franchise back over to Ford Motor Co. because Toyota wanted a bigger piece of his highly trafficked suburban real estate.

"In a face-off with Toyota, Toyota crunches Ford," said Sheldon Sandler of Bel Air Partners, a Princeton, N.J., investment firm specializing in dealership acquisitions. "No surprise to anybody, but here's real living proof."

The clearance sale made for a public ouster of the Ford name. Radio and newspaper advertisements say: "Autoland is giving back its Ford franchise."

That language didn't go down well at Ford Motor headquarters.

"Frankly, the wording here in this ad is not what you'd like to see," said Ford spokesman Dan Bedore.

The demise of Autoland Ford underscores the challenge Ford faces from foreign brands in the Northeast and West Coast. Ford's falloff has been especially steep in those markets, already rife with domestic dealers.

Autoland, about 20 miles west of Manhattan via the Lincoln Tunnel, is on Route 22 - a busy commercial corridor bulging with stores, restaurants and more than a dozen car dealerships. Autoland's Ford real estate was too valuable to devote to a brand with declining sales and market share, Sandler said.

About nine months ago, Toresco scaled back his Ford business after Toyota pressed for more space, according to a source. Ford representatives objected to the reduced presence and told dealership officials they had to restore the space, find a buyer for the point or resign the franchise, the source said.

With the dealership's expansion possibilities on Route 22 limited by surrounding development, Toresco chose Toyota over Ford.

Toresco did not respond to numerous requests for an interview last week. But a customer service representative at his dealership confirmed that Autoland was dumping Ford to expand the Toyota franchise.

Ford seeks new dealer

Ford says it intends to reassign the franchise to another dealer. But the new Ford store may not be on desirable Route 22 real estate, Ford spokesman Bedore said. A deal is in the works.

"This was a store that was a fairly substantial Ford store over the years, so there are a lot of customers in that area," Bedore said. "We're pretty adamant that we'll put something else there."

Dealer dilemma

Here are 4 reasons Autoland gave up its Ford franchise.

1. Toyota wanted more room.
2. Ford wouldn't accept reduced space for its brand.
3. Autoland lacked real estate to expand.
4. Autoland's Ford sales have dropped sharply in the past decade.

The new dealer will have stiff competition. At least seven other Ford franchises are within 15 miles of Autoland, says Jim Appleton, president of the New Jersey Coalition of Automotive Retailers.



Toyota's on the Autoland lot, on prime real estate along New Jersey's Route 22.

PHOTO: DAVIE GRUOL

New Jersey is home to 80 Ford dealerships, compared with 31 Toyota stores, according to the state dealer association.

Those numbers, combined with Toyota's growth and Ford's falloff, may have simplified Toresco's decision. With limited space and a high price for expansion, it was easier to go with Toyota. Autoland has been a Toyota dealership since 1984.

"Right now, Toyota, compared to Ford, is an easier row to hoe," said a New Jersey dealer with several brands, including Ford.

In addition to Ford and Toyota, Autoland sells Chrysler, Dodge and Jeep vehicles. Toresco Enterprises, Autoland's holding company, is No. 59 on the Automotive News list of the top 100 U.S. dealership groups in the United States with retail sales of 12,094 new vehicles in 2004.

But Autoland's Ford business had been underperforming for many years, some sources said. Autoland sold 989 new Ford vehicles in 2004, down from 2,755 in 1995.

Franchise value

Autoland's Ford clearance sale has been aimed at selling a few dozen demo models. A handful of vehicles remained available late last week, a dealership employee said.

Ford already has repurchased most of Autoland's new-vehicle and parts inventories. Toresco received no additional compensation for the franchise itself, Bedore said. He said Toresco did not ask Ford to help him sell the franchise rights.

Industry watchers say it is difficult to place a value on the franchise rights Toresco forfeited. Some say that without buildings and real estate to offer, it is too hard to sell a franchise in northern New Jersey, where there already are so many dealerships.

Toyota franchises are worth more than Ford franchises, according to Asbury Automotive, the New York public dealership group.

The average Toyota dealership sells for a multiple of four to six times the store's earnings before interest, taxes, depreciation and amortization, or EBITDA, according to Asbury. By contrast, a typical Ford dealership sells for three to four times EBITDA.

The average Toyota store has a blue sky value of three to five times pretax earnings compared with two to three times pretax earnings for Ford stores, according to Sandler. Blue sky is the value of a dealership's intangible assets.

Toyota says it encourages dealers to upgrade stores, though a spokesman wouldn't confirm that the company asked Autoland for more space. But spokesman Xavier Dominicus said Toyota dealers who invested in new stores in 2003 saw a 40 percent uptick in profits in 2004.

"The business case is there," Dominicus said. "So it doesn't surprise me that this fellow decided to do that."

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