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Dealers snap up Chrysler group franchises Purchasers have invested \$150 million in stores so far

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DETROIT -- The Chrysler group's 10-month-old campaign to woo high-volume dealers has generated \$150 million in dealer investment, Chrysler says.

In December, Chrysler executives pitched the company's future products and corporate strategy to 164 auto dealers who collectively represent about 10 percent of U.S. sales volume.

So far, 25 dealers have acquired 55 Chrysler group franchises and 29 others are negotiating deals. An additional 63 are in discussions with the company, says Chrysler spokesman Kevin McCormick.

Turnover of 55 franchises is "very high," says Sheldon Sandler, senior partner at Bel Air Partners, a dealership financial consulting firm in Skillman, N.J.

The movement reflects dealers buying into Chrysler's strategy, but it also indicates that dealers are willing to leave Chrysler behind, he says.

"There are a lot of Chrysler dealers who are very happy to exit," Sandler says. "They are not making enough money to make it worthwhile. Other dealers have exhausted their patience with the turnaround."

On Oct. 4 and 5, Chrysler will host another round of meetings with large dealers.

Target: Successful dealers

"We are targeting the dealers who are most successful in profitability and vehicles sold," McCormick says. "We're going after people who did not have us on their shopping list."

Chrysler has said it will not add franchises and will not pressure existing dealers to sell out. But Gary Dilts, senior vice president of sales, said last spring that the goal is to replace "substandard facilities" with "superstores."

As of Jan. 1, Chrysler had 3,997 dealerships.

The 164 dealers who attended the December event represented 1,900 dealerships and 30 franchises. They sell 1.3 million retail units annually, Chrysler said in December. Two-thirds of the 164 dealers did not own Chrysler group stores.

Chrysler's pitch to dealers is simple: Chrysler, Dodge and Jeep franchises are bargains compared with top-of-the-line import franchises such as Toyota.

Chrysler also is pushing three-brand stores, saying that sales volume increases when Chrysler, Dodge and Jeep vehicles are sold in the same store.

Increased sales

Harold Zeigler, chairman of the Harold Zeigler Auto Group in Kalamazoo, Mich., says combining the three brands boosted sales at his store in Plainwell, Mich.

"We bought a store that was a Chrysler-Dodge that was doing probably 50 to 60 units a month new and used," says Zeigler, who attended last year's meeting. "We moved Jeep into the location. Now we are doing 120 to 150 new and used a month. We did that pretty much overnight."

Zeigler's group acquired the Plainwell dealership after the December meeting. That success convinced Zeigler to do it again at a second location. This time, he is building a dealership in Grandville, Mich. Zeigler did not disclose spending.

Zeigler's group has 21 franchises in nine locations. The franchises include Lincoln, Mercury, Mitsubishi, Suzuki and BMW.

Adding a Chrysler group store is not a priority for Dennis Boyle, president of AutoFocus Inc. in Pleasanton, Calif.

"I am in northern California, which is very heavily dominated by the import brands," Boyle says. "You can't fight the market."

Boyle is invited to Chrysler's October meeting but says he will not attend.

AutoFocus operates six stores in California selling Toyota, Honda, Volkswagen and Hyundai vehicles. The dealership group also owns Frontier Honda in Longmont, Colo.

The chain has owned a Chrysler-Dodge-Jeep store in Tracy, Calif., since 1998. Tracy is a growing community and a strong truck market, Boyle says.

"Tracy has done fine," Boyle says. "Trucks are our bread and butter -- any of the Ram pickup line, the Dakota, the Durango, minivans."

Dealer Herb Chambers has acquired two Jeep franchises since attending the December meeting. He is considering two more Chrysler group franchises, he says, declining to specify the make.

Herb Chambers Cos. of Somerville, Mass., ranks No. 14 on the *Automotive News* list of the top 100 dealership groups in the United States with retail sales of 37,985 new vehicles in 2004. Chambers' franchises include Ford, Saturn, Cadillac, Honda, Toyota, BMW, Lexus, Mercedes, Infiniti and Porsche.

Dealer consultant Sandler says he is telling clients that buying a Chrysler group franchise is a smart move under the right conditions: "It is very smart, particularly if you don't own any domestics and you are heavy with the good import brands."