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Group 1, Asbury simplify operations

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Group 1 CEO Earl Hesterberg: "Our significant growth requires a simplified operating and reporting structure."

Group 1 Automotive Inc. is dumping the decentralized operating model it has used since it went public in 1997.

By Jan. 1, Group 1 plans to revise its field operations. It will replace its 13 platforms, or local markets, with five geographic regions.

Asbury Automotive Group similarly streamlined its field operations this year.

Asbury and Group 1 started as collections of autonomous dealership groups with lean corporate headquarters. When the companies acquired dealership groups, they would require the selling dealers to continue to run the stores. They also would expect the dealers to keep a substantial ownership stake in the business.

Group 1 has outgrown that model, CEO Earl Hesterberg told *Automotive News*.

"We are a \$6 billion company now," Hesterberg says. "Our significant growth requires a simplified operating and reporting structure with fewer decision makers, more accountability and more efficiency."

Each of Group 1's five new regions will be headed by a regional vice president who reports to Hesterberg. The new structure eliminates a layer of management between the CEO and the company's top field executives.

Four of the regional vice presidents are top field executives. Joseph Herman, who will become vice president of the Southeast region, is Group 1's senior vice president of operations.

Meanwhile, Asbury is preparing to sell its six Oregon dealerships this year. That deal would leave the company with 88 dealerships.

Asbury also has consolidated six other field operations into four regions. The company left intact its field operations in Mississippi and Missouri.

Asbury CFO J. Gordon Smith estimates the changes will save the company \$4 million to \$5 million a year.

The decentralized model worked in the companies' early years, says Sheldon Sandler, founder of Bel Air Partners. The Skillman, N.J., investment firm specializes in auto retailing.

"It made a lot of sense initially to emphasize local management," Sandler says. "But they are starting to see the advantages of becoming more centralized. This was inevitable."

Group 1, of Houston, ranks No. 5 on the *Automotive News* list of the top 100 dealership groups in the United States with retail unit sales of 117,971 in 2004. Asbury, of New York, ranks No. 6 on the list, selling 106,298 new vehicles last year.