

Automotive News

2009 U.S. dealership closings worst on record, tally shows

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DETROIT -- U.S. dealership closures this year will be the worst on record going back to at least the 1950s, spurred by the shutdowns at General Motors Co. and Chrysler Group, consulting firm Urban Science said Wednesday.

Through October, 1,467 U.S. dealerships have closed, according to the firm, which advises auto manufacturers about their retail networks. That leaves 18,617 stores remaining, but another 200 or so are likely to shut down before the year is over, John Frith, vice president of retail channel solutions, said today.

The numbers reflect a 7.3 percent decline in the nation's dealership count through October. The decline is the worst both by percentage and number of dealerships, Urban Science says. In past years, the typical annual attrition rate for dealerships has been 1 percent.

"Almost 90 percent of the closures were General Motors and Chrysler closures," Frith said.

The shutdowns spiked in June when Chrysler stripped 789 stores of their franchises as part of its bankruptcy restructuring. GM, as it prepared its bankruptcy restructuring, told 1,300 dealerships that they would have to surrender their franchises by Oct. 31, 2010. The automaker has since announced the shutdown of Saturn, which had about 350 stores as of October.

Automotive News data supports the contention by Urban Science.

In no year, going back to the 1957 Automotive News dealership count, did the decline in store numbers exceed Urban Science's forecast for 2009. In its early decades, the Automotive News count did not include light truck franchises such as Jeep and GMC.

Prior to 1957, Automotive News counted only domestic-brand stores. In 1956, the number of domestic-brand stores dropped by just over 3,000 outlets, a 7.4 percent decline.

Urban Science also noted that dealership throughput in 2009 is falling. Even as the number of stores dropped, sales per outlet dipped as industry volume fell to its lowest level in 27 years.

From year-end 2007 to the projected year-end mark for 2009, U.S. vehicle sales will have plunged by 37 percent, Urban Science said. That's the sharpest two-year drop since the 1950s, the firm said.

Average sales per dealership are estimated at 551 in 2009, down from 660 in 2008 and 771 in 2007.

U.S. sales will recover -- and they may even again hit the 17 million unit mark experienced in 2000 and 2001 -- but it won't be in the next few years, Frith said. In the meantime, it's more critical than ever for manufacturers and dealers to work together to reach a bigger territory with fewer resources to achieve mutual profitable growth.

"Just reducing the dealer network doesn't help," Frith said.

That said, dealership reductions are likely to continue even after the GM and Chrysler closings are complete. Urban Science expects annual store reduction will eventually return to that more typical decline of 1 percent a year.



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