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Number of New-Car Dealerships Shrinks

By Jeff Bennett
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DETROIT—The consolidation of new-car dealerships in the U.S. continued in the first half of the year, although there are signs the trend is easing.

The dealership count fell to 18,223 after 258 showrooms shut their doors between Jan. 1 and July 1, according to Detroit-based Urban Science. The consulting firm tracks foreign and domestic dealerships and considers locations closed when they stop selling new vehicles.

The decrease comes after a record 1,603 dealerships closed last year in the aftermath of the General Motors Co. and Chrysler Group LLC bankruptcies.

“We’re not through it all yet, however, the worst of the resizing is behind us,” said John Frith, vice president of retail channel solutions for Urban Science. “The winddown of the economy has also bottomed out.”

Manufacturers and their dealerships—especially GM, Chrysler and Ford Motor Co.—are finding an underlying stability since they have lowered their costs, said Randy Berlin, Urban Science’s global practice director. A combined total of 40 dealerships were actually opened during the same period by car makers including Audi, BMW, Kia and Hyundai.

The total number of dealerships will continue to shrink but at a more normal rate of 1% to 2% a year, Urban Science said. Last year, the reduction hit 8% and is on pace to total between 2% to 3% this year, Messrs. Berlin and Frith said.

Currently, the dealership count continues to churn as Chrysler and GM work to complete their respective network downsizings. The auto makers announced last year would stop shipping new cars to a targeted number of dealerships as part of their bankruptcies.

GM has 5,114 dealers, down from 6,049 at the start of its bankruptcy. The reduction includes steps GM took to shrink its network during bankruptcy and closings caused by other factors such as the economy. GM intends to have about 4,500 dealers by Nov. 1.

Chrysler will shed about 700 dealerships when all the changes are completed this year. The company has 2,315 dealerships and plans to reduce the number to 2,300 by the end of 2011.

Ford has announced that it will dissolve its Mercury brand, which may affect some dealers who operate Lincoln-Mercury locations.

