



## U.S. loses 258 auto dealerships in first half of year

By Alisa Priddle  
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There were 258 fewer dealers in the United States in the first half of the year after a record year of closings, many of them terminated by General Motors Co. and Chrysler Group LLC as part of their bankruptcy restructuring.

Those are the findings of Urban Science, an automotive retail consulting firm that helps automakers determine the optimum number and location of its dealerships across the country.

Congress in December ordered arbitration be made available to terminated dealers. Urban Science provided data used by automakers in deciding which dealers to terminate and some of that data was used in arbitrations to determine reinstatement.

As of July 1, there were 18,223 dealers in the United States after losing 258 dealers in the first half of the year, said John Frith, Urban Science vice president of retail channel solutions, today.

That is on top of last year's record closures when 1,603 retailers shut down, a drop of 8 percent.

But in the same period, about 40 dealers, mainly selling Volkswagen, BMW, Hyundai and Kia brands, opened, said Randy Berlin, Urban Science global practice director.

The industry could see a further three percent drop this year compared with an annual decline of 1 to 2 percent annually since 1991, Frith said.

"We're not through it all yet; there will continue to be flux in the network for the remainder of 2010 as GM and Chrysler work through the aftermath of arbitration, Mercury closes down and foreign brands like Fiat and Mahindra plan to enter the U.S. market," Frith said.

The fallout also will continue as states adjust franchise statutes and automakers apply more strict performance standards on their dealers.

The consolidation occurs as the auto industry continues to readjust to lower sales volumes, which dropped dramatically and are rebounding slowly. Some analysts wonder if the heady days of 17 million U.S. sales will return. The industry is currently pacing at a 12 million annual sales level.

GM and Chrysler, which terminated thousands of dealers, have said the remaining franchises should be more profitable. GM aims to have 4,500 dealers by Nov. 1, down from more than 6,000 before bankruptcy. Chrysler had 3,200 dealers before bankruptcy and wants 2,300 by the end of the year.

In a call with investors on Monday, Chrysler CEO Sergio Marchionne said about 80 percent of dealers are now profitable, a level not seen since 2002-03.

GM and Ford have cut, or are in the process of reducing, the number of brands Frith said allows them to better focus on the remaining nameplates.

GM reduced its number of brands from eight to four. Ford is phasing out the Mercury brand. There are about 1,700 Lincoln Mercury dealers -- about 270 are standalone Mercury outlets, which will be lost.

"The worst of the resizing is behind us. The goal now is to maximize the existing network and give dealers the competitive tools they need to succeed," Frith said.

Going forward, increasing sales is crucial, said Katherine Kress, vice president of customer marketing solutions for Urban Science.

"In the aftermath of arbitration, reinstated dealers will focus first on recapturing customers that may have been redirected to other dealerships," Kress said.

