

GM Speeds Its Makeover Of Car-Dealership Network

Dealers Urged to Relocate, Combine, Close Down Or Switch Vehicle Lines

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DETROIT — General Motors Corp. is speeding up its long-running, multibillion-dollar drive to overhaul and consolidate its vast auto-dealership network, according to GM marketing executives.

GM hasn't been talking much about the program lately, partly because doing so makes dealers feel threatened and stiffens their resistance. But the No. 1 auto maker has been quietly accelerating its efforts to get GM dealers to relocate to busier neighborhoods, combine with other GM dealers, change their vehicle offerings or sell out and close altogether.

Last year, GM officials say, the company completed 307 dealer changes, including dealer closings, and this year it expects to complete about 500 of them.

Through May, this year's total already is up to 220 moves. GM won't disclose how many dealers have been closed so far this year, but its dealership ranks thinned by 175 to 8,300 in 1996.

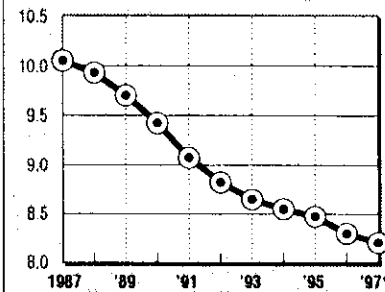
Marketing executives say that next year they expect to complete 700 to 800 dealer actions or changes, and the total number of moves is expected to hit 2,500 by the year 2000. The net effect is eventually expected to eliminate about 1,000 of GM's current 8,206 U.S. dealers, not counting those of its Saturn division.

The plan to rationalize GM's vehicle distribution and retailing has been around since the early 1990s, but lately the competitive pressures have been rising. Various new entrants to the vehicle-retailing industry, including the CarMax unit of Circuit City Stores Inc. and Republic Industries Inc.'s AutoNation, have been pushing the pace of consolidation, forcing the Big Three auto makers to move more quickly.

"The challenge we have now is to go faster, because the competitive situation is heating up," a GM spokesman says.

Fewer Dealers

GM car dealerships in the U.S., in thousands



*Current

Note: Figures do not include GM's Saturn division

Source: GM

Separately, the United Auto Workers gave GM notice that it was setting a strike deadline of next Thursday at a key parts plant in Milwaukee. The plant makes catalytic converters for many GM models, and a strike there could quickly close many of the company's assembly plants, much as a strike at two brake plants in Dayton, Ohio, did last year.

Outmoded elements of the dealer-distribution systems used by GM, as well as Ford Motor Co. and Chrysler Corp., add

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thousands of dollars to the cost of a car and put the Big Three at a competitive disadvantage. These elements include the costs of carrying big inventories at each dealership, of transferring specific cars between dealerships, and of transportation from the factory. Japanese auto makers' U.S. dealer networks are newer and more efficient. For this reason, Ford and GM — and to a lesser extent, Chrysler — have decided to cooperate as Republic and others try to accumulate a large number of dealerships.

But Japan's Honda Motor Co. and Toyota Motor Corp. are fighting such acquisitions. Yesterday, Toyota restated its concerns about "the rapid, uncontrolled acquisition of dealerships by a single entity" and observed that it already has filed suit opposing one Republic transaction. Earlier this week, Honda said it sued Republic in federal court in California over similar concerns.

The acceleration of GM's distribution overhaul is being directed by GM Marketing Chief Ronald Zarrella. His approach generally involves persuading dealers to realign their operations in accordance with a broader GM plan while continuing as independent businesses.

But individuals close to the situation say that GM may explore "partnership" options similar to those being studied by Ford. In Indianapolis, Ford has proposed a linkup involving itself and its 18 area dealerships that would result in the creation of four or five giant Ford stores for

the whole region. Ford needs to get agreements from the dealers to proceed with the move, because auto makers' ability to dictate terms to dealers or close outlets often is tightly limited by state franchising laws.

"We would like to move even faster," says Peter Gerosa, general sales and service manager for GM's Cadillac division. Currently, Cadillac has about 1,600 dealers, only 100 of which are exclusively Cadillac stores. Its chief rivals, Germany's Mercedes-Benz unit of Daimler-Benz AG and Bayerische Motoren Werke AG, have 300 to 400 each, helping them to emphasize their brand image.

"We have too many dealers creating too much variation," says John Smith, the Cadillac general manager. By the year 2000, Cadillac officials say, Cadillac's network is expected to be consolidated into fewer than 1,000 dealerships, including 800 that would be doubled up with other GM brands and 150 that would be stand-alone Cadillac stores.

A major GM aim is to simplify the confusing array of combinations among its six divisions. Also, it wants to eliminate odd situations in which, for example, two dealers offering the same brands might be competing on the same street, and it is pushing other dealers to move next to high-traffic expressways and out of moribund old downtowns. In some areas like Hawthorne, Calif., GM is competing with retailers like Wal-Mart Stores Inc. to buy land to make room for its own GM auto superstores.