Automotive News

GM EYES LOS ANGELES STORES: FIVE DEALERSHIPS ON STRIP WOULD REPLACE 12 LOCATIONS

KATHY JACKSON Staff Reporter
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Seeking a comeback in import-happy Los Angeles, General Motors is planning to buy about 12 dealerships and consolidate them under one owner.

GM wants to acquire the 12 stores in the San Fernando Valley, north of downtown Los Angeles, where GM's market share is a paltry 13 percent.

Here is GM's plan:

Within 18 months, the company plans to shrink the 12 or so stores to about five.

One or maybe two dealers will operate the surviving stores.

The stores will use low-pressure selling and stock large inventories.

Saturn is excluded from the plan. All other GM makes are included.

It is GM's first attempt to have one operator manage all GM makes in a particular area. Ford Motor Co. last week announced similar consolidation deals in Tulsa, Okla., and San Diego.

GM already has acquired many of the San Fernando dealerships.

Edd Roggenkamp, general manager of dealer network investment and development at GM, says the San Fernando Valley is probably GM's weakest market in the country.

IMPORT COUNTRY

Imports have at least 60 percent of the market in the valley, dealers say, and that is why Ford Motor Co. is working to consolidate its dealers in the valley as well.

Roggenkamp says GM is plagued by a combination of older stores and poor locations in the valley. GM's goal, he says, is to consolidate the dealerships in a desirable retail area.

'Instead of having 11 or 12 dealerships run by 11 or 12 operators, we will have four or five stores run by one or two operators,'

Roggenkamp says.

The company will either renovate existing stores or build new ones. The new dealer will lease the dealership facilities from GM.

The new stores likely will be located near each other on a major auto mall strip in the valley.

'We don't want to run traditional dealerships' in the valley, Roggenkamp says. 'We're looking for an individual with lots of experience and substantial capital' to operate all of the stores.

He says the company is talking with GM dealers and non-GM dealers to run the Van Nuys operation.

In other areas of the country, GM is buying land and building new all-GM malls, but each store within the malls is run by separate dealers.

About six such malls have already opened; Roggenkamp says 20 malls are scheduled to open next year.

THE TIMETABLE

Roggenkamp expects to have control of most or all of the dealerships in the valley by about Feb. 1, 1998.

He would not name the dealerships, but dealers in the area identified some that have already been bought or whose owners are negotiating with GM:

Sterkel GMC in Canoga Park.

Century Oldsmobile-Buick-Chevrolet in Van Nuys.

Competition Chevrolet and Northridge Cadillac in Northridge.

Valencia Pontiac-Buick in Valencia.

Livingston Pontiac-Buick in Woodland Hills.

Casa de Cadillac in Sherman Oaks.

'I think GM is doing the right thing,' said one dealer who sold his store.

The dealer, who did not want to be identified, said there are 2 million people in the San Fernando Valley, but sales of GM vehicles are poor.

'We dealers have not been able to do a very good job here,' he said. 'GM believes it can double its sales under the new ownership.'

Roggenkamp says the company hopes the upgraded consolidated stores can sell from 8,000 to 12,000 units annually.

DESIRED LOCATION

Roggenkamp says details have not been worked out, but it is likely the stores will be located near each other so they can share resources, such as service and parts.

He says Van Nuys Boulevard, a strong automotive retailing strip in Van Nuys, is where he would like to locate the GM stores. He says some dealerships in the group already are on the boulevard.

The new stores will feature low-pressure sales tactics, one-price selling, large selections, extended hours and computer kiosks.

'This will give us an opportunity to restructure from scratch' in the San Fernando Valley, Roggenkamp says.

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news

November sales called strong

NEW YORK — November may have been one of the strongest sales months of the year, says an industry analyst.

David Healy, of Burnham Securities Inc., estimates that light vehicles sold at an annual rate of 16 million units. He expects the industry will report a 7 percent sales gain over November 1996. Ford Motor Co. and Chrysler Corp. were about flat, he said, while import makes rose 6 percent. (Percentages are on a daily-selling-rate basis.)

He expects General Motors to rise 14 percent from a year ago, when the company was hurt by strikes and model changeovers.

Automakers will release November sales the first three days of this week.

CarMax shuts repair plant

CarMax has closed its central used-car reconditioning plant in Orlando, Fla. The used-car superstore company will wind down operations at the plant within 60 days, said Val Brown, CarMax spokesman. CarMax will handle all reconditioning in its stores.

The 100 employees will be offered relocation to CarMax

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Dealerships in flux

Consolidation gathers momentum

General Motors and Ford Motor Co. are not just watching as H. Wayne Huizenga builds dealership clusters in key markets. Their answer? Dealer consolidation in Tulsa, Okla.; Los Angeles; and San Diego.

Here is what's happening:

Ford: Consolidating all of its dealerships in Tulsa and four Lincoln-Mercury stores in San Diego. See stories on **Page 68.**

GM: Consolidating 12 Los Angeles dealerships. See **story below.**

HOWARD ROBSON PHOTO

The third time's the charm

Why Ford's consolidation deal worked in Tulsa after failing elsewhere:

1. Only six dealers were involved, vs. 21 in Indianapolis and 17 in Salt Lake City
2. Some Tulsa dealers liked the concept and approached Ford
3. A major dealer, Fred Jones Automotive, wanted to invest in the plan

"If we can take $200 to $300 out of a vehicle, that gives us an advantage."

DON THORNTON
TULSA DEALER

GM eyes Los Angeles stores

Five dealerships on strip would replace 12 locations

KATHY JACKSON
Staff Reporter

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Roggenkamp: Wants one operator

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IMPORT COUNTRY

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see VALLEY, 68

Major cutbacks due in Korea rescue task

What it means

Here is how Korea's crisis will affect its automakers:

- Weak economy will cut

Japanese rise $186; Big 3 up $247 in year

Ford pact with 6 dealers alters auto retail landscape in Tulsa

MARY CONNELLY
Staff Reporter

Just a month ago, the Nelson family opened a new dealership in a suburb of Tulsa, Okla. In a few months, they won't own it anymore. And they couldn't be happier.

Persuaded that Ford Motor Co. has a better way, the Nelsons threw in their lot with the company's bold retailing experiment in the country's 40th-largest city.

Retailing crossroads

The Nelsons and five other dealers agreed to sell their eight dealerships to a new company. The new venture will own and operate all Ford Motor Co. retail outlets in the Tulsa area. It will be co-owned by the dealers and Ford.

"Our name just went up on the front of the building," said Jim Nelson Jr., who knows the sign will be replaced when the new entity begins operating in 1998. The dealership, in the family for 38 years, is run by Jim Nelson Sr., Bob Nelson and Jim Jr.

"It wasn't easy," Jim Jr. said. "It is a different outlook. But we viewed it as a good opportunity."

Thus, Ford succeeded in Tulsa after failing with similar programs in Indianapolis and Salt Lake City.

The Nelsons' decision was prompted by the sweeping changes in automotive retailing. H. Wayne Huizenga's Republic Industries Inc. is building a national retail empire. Many consumers dislike auto shopping. Dealership costs are high.

The six dealers and Ford have agreed in principle to replace six Ford and two Lincoln-Mercury dealerships in the Tulsa market with:

- About three multibrand new-vehicle superstores.
- Three or four quick-service shops.
- Possibly one or two used-car superstores.

Ford's Tulsa plan

What: Eight dealerships consolidated into a network of superstores and quick-service outlets
Owners: Ford, 49 percent; dealers, 51 percent
Name: Ford Retail Network
Timetable: Corporate structure in place by March 1, 1998; store changes phased in over two years
Brands: Ford, Lincoln, Mercury, Jaguar in superstores; Mazda may be added
New twist: Possible used-car superstores
Why: Efficient distribution, economies of scale, prime locations, customer-friendly practices such as salaried salespeople and one-price selling

Ford and the dealers say their goal is twofold: First, they want to cut costs. Second, they want to please customers by offering one-price selling, salaried salespeople, large inventories and more convenient locations.

"We will ultimately drive down the cost of selling a car," said a dealer who declined to be identified. "It won't cost me $350 per unit for advertising, $125 per unit to floorplan and $70 a unit to insure a vehicle.

"My worker's compensation will go down because the pool (of employees) is bigger. We won't need 11 different computer systems. We can borrow more cheaply than I can by myself. I wouldn't do it if I didn't see savings."

BIG DEALER JOINS

The Fred Jones Automotive Group owns three of the eight dealerships required for the Tulsa consolidation. The company also holds the Jaguar franchise in Tulsa.

The three stores, which will become part of the new retail network, represent nearly half of the group's annual revenue, said Boots Hall, chairman of the Fred Jones Automotive Group.

"We could have sold (and left Tulsa), but we chose to take a large partnership interest because of our confidence in the Ford Retail Network," Hall said. "We believe this is the future. The concept is very consumer-oriented."

The Fred Jones Group was 86th on the 1996 *Automotive News* list of the top 100 U.S. dealer groups, with revenue of $376.5 million. The company, which operates five Ford, Lincoln-Mercury and Mazda dealerships in Oklahoma City, was an early leader in one-price selling in 1993.

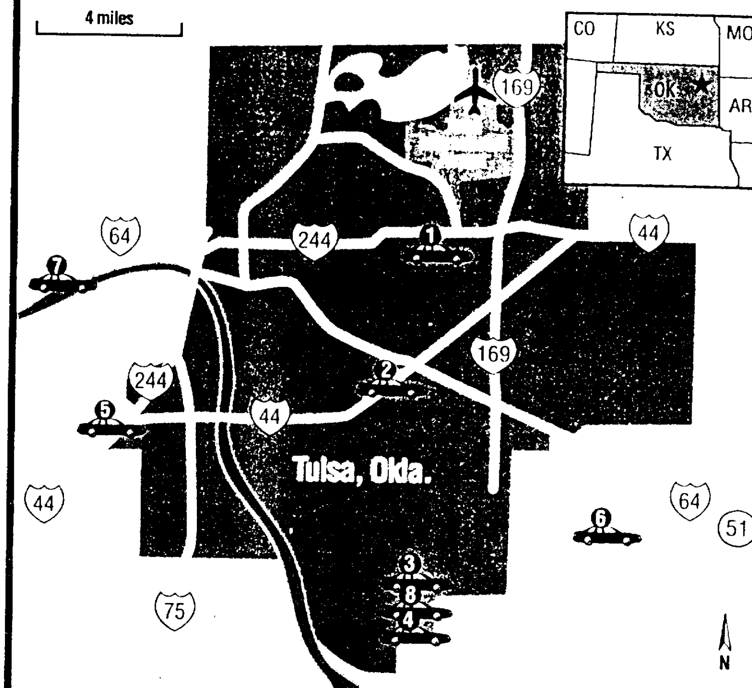
The Fred Jones Group will likely have a large voice in the new corporation that oversees the Tulsa market.

The board of directors will include the investing dealers and Ford Motor Co. representatives, Thornton said. Voting power will be based on the percentage of stock held in the venture, he said.

The dealers will own 51 percent of the new entity. Ford will own 49 percent, Thornton said.

Dealership sales are not expected to be completed until February. The dealers participating in the new company will receive stock in the venture and also may choose cash and stock in Ford Motor Co.

Because five of the six dealers expect to invest in and work for the venture, Thornton anticipates sizable investment in the Ford Retail Network. The exception is the sixth dealer: Laird Noller, owner of Cour-



Ford to consolidate 8 dealerships

1. Don Thornton Ford, Tulsa
2. Doenges Bros. Ford, Tulsa
3. Fred Jones Ford, Tulsa
4. Fred Jones Lincoln-Mercury, Tulsa
5. Turnpike Ford, Tulsa
6. Jim Nelson Ford, Broken Arrow
7. Courtesy Ford, Sand Spring
8. South Park Lincoln-Mercury, Tulsa

4 L-M stores join in San Diego

Ford Motor Co. will consolidate four Lincoln-Mercury dealerships into one superstore in the South County area of San Diego.

Ford has bought four dealerships in the market and will test retailing concepts in the superstore. Ford did not give a timetable.

Ford will use one-price selling, salaried salespeople and large inventories to attract customers. Auto Care quick-service outlets also will be established.

Unlike the consolidation plan in Tulsa, Okla., there is no dealer investment in the San Diego venture.

The four stores are: El Cahon Lincoln-Mercury, Mission Valley Lincoln-Mercury, National City Lincoln-Mercury and Miramar Lincoln-Mercury.

Ford has not named a dealer to run the enterprise. But in August Ford hired Milwaukee dealer Ed Witt to operate Mission Valley Lincoln-Mercury, and he is expected to head the venture.

— Mary Connelly

servicing vehicles," he said. "I

payments equal to about 10 times

■ Three or four quick-service shops.
■ Possibly one or two used-car superstores.

Jaguar cars will be sold in the new-vehicle superstores. Mazda may be included.

FACING THE FUTURE

Five of the six affected Ford and Lincoln-Mercury dealers are selling their dealerships to the new venture. They will work for the newly created corporation owned jointly by Ford and the dealers. The new entity, called the Ford Retail Network, will oversee sales and service in the Tulsa market.

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Don Thornton, owner of Don Thornton Ford in Tulsa, is president of the new venture.

"We want to sell more vehicles," Thornton said. "If we can take $200 to $300 out of a vehicle, that gives us an advantage. But this is not just profit-driven. We can perform better and provide more services for the customer."

Ford Division holds about 13 to 14 percent of the car market and 31 to 32 percent of the truck market in Tulsa, Thornton said.

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"I am not joining the venture because I am not a resident of Tulsa," Noller said. "You need local people who can be active. I also think it is a conflict of interest because I sell other makes."

But Noller says he would not hesitate to invest in a Ford Retail Network if one were formed near his local market in Lawrence, Kan.

"It's a better way of buying and servicing vehicles," he said. "I believe in the concept."

NO HUIZENGA BUCKS

Tulsa dealers would not disclose the dealership buyout offers. "It was fair and reasonable. When we came to the table we weren't that far apart," Thornton said.

Thornton said his buyout was less than the average multiple offered by Huizenga's Republic Industries in its dealership-buying spree. Huizenga has been buying dealerships this year with stock payments equal to about 10 times their annual net income.

In Indianapolis, the deal collapsed largely because Ford's offers were too low to satisfy dealers who were not strongly motivated to sell.

At a December meeting, the new corporation will decide how many stores it needs and where they should be located, Thornton said.

"One of the concepts we have under consideration is a centralized used-car operation," said Ross Roberts, Ford Division general manager. AN

VALLEY

GM targets stores in San Fernando Valley

continued from PAGE 1

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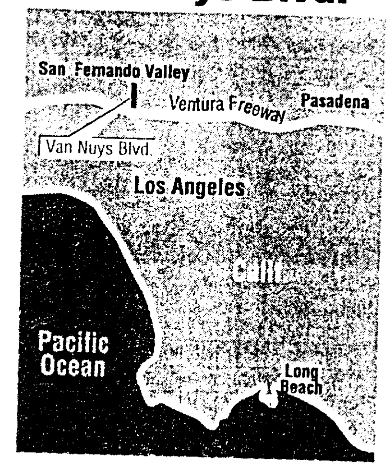
GM target: Van Nuys Blvd.



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