

Automotive News

Exec says GM retailing experiment was 'wrong'

Donna Harris

Automotive News | February 7, 2005 - 12:01 am EST

The General Motors executive who led the automaker's controversial effort to form its own chain of dealerships in 1999 concedes the venture was a mistake.

"It was the wrong thing to do," says Frank Dunne, who retired Tuesday, Feb. 1, as a marketing attorney for the automaker. "And the way we did it compounded" the difficulties.

As GM's executive director of retail relationships and in other roles, Dunne often clashed with GM dealers over franchise issues. But Dunne says he grew to admire dealers during his 34 years with the automaker. And lobbyists for both sides say he helped improve GM's relations with dealers.

The automaker established GM Retail Holdings in 1999 to test new concepts of selling vehicles through its own chain of dealerships. The venture was designed in part to respond to the rapid growth of public dealership groups. But GM dropped the effort within months, after dealers complained it amounted to unfair competition.

Dunne acknowledges that GM ignored dealer input in pursuing the retail initiative. The automaker should not have tried to compete with its own dealers, he says.

Dunne, 62, began his GM career in 1971, representing the company in product liability and antitrust cases. He first worked on dealer issues in 1977.

Dunne helped create GM's floorplan assistance program in 1981, when interest rates were in double digits. The program offers dealers low-cost

insurance against interest-rates increases on vehicle inventory financing. It became a model for the industry.

Dunne also helped set up GM regional advertising groups that were supported by dealer fees.

He worked with state dealer associations to represent GM's interests in the development of state franchise legislation.

Dan Goldberg, a Boston lawyer who has represented GM and other automakers in dealer litigation, says Dunne "opened up and maintained the dialog between the factory and the dealer interests.

Jim Appleton, president of the New Jersey Coalition of Automotive Retailers, says Dunne sometimes "played the bad cop" for GM.

"I didn't get along very well with him when I first met him," he says. "He was an extremely bright, stubborn advocate for the manufacturer. But I

remember thinking how much I respected him. He was just doing his job."

Now Appleton says he is cordial with Dunne. They worked on several dealer issues, he adds.

In the early 1980s, a large dealership chain in suburban Philadelphia offered Dunne a position as a general manager. The job would have prepared him to become a dealer. But Dunne turned it down.

"I realized that I am not the entrepreneurial type," he says. "I don't have that kind of courage. You can invest everything you have and lose it."

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