

Automotive News

GM wanted a retail network, but dealers' lobbying killed the plan

Donna Harris

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In 1999, General Motors said it planned to buy dealerships and form its own retail operation, GM Retail Holdings.

The proposal didn't get far. Dealers successfully lobbied state lawmakers for greater protection against perceived factory competition.

GM wanted to experiment with new retail concepts and share its findings with its dealers, said Frank Dunne, a former GM executive director of retail relationships.

But dealers felt betrayed.

Frank Ursomarso, a multifranchise dealer in Wilmington, Del., headed GM's Dealer Policy Board when company executives introduced the venture at a dealer meeting in Detroit.

Ursomarso recalled: "I said, 'If I am going to be your competitor, the dynamics of the relationship change. I am going to fight you.' "

The year after GM announced the Retail Holdings plan, 22 states amended their auto franchise laws. Forty-eight states now restrict factory ownership of retail operations, said Jim Moors, a lawyer representing the National Automobile Dealers Association.

Dunne opposed the legislative blitz. But, he said, GM's attempt at retailing was a mistake.

"It was the wrong idea, and the way we executed the idea was wrong," Dunne said. "We didn't consult the dealers. The day we disclosed it, the dealers were just jolted. It really wasn't our intention to blow up the franchise system and take all the good dealerships."

At NADA's annual convention in 2000, GM CEO Jack Smith paid an unusual visit to dealers to announce that GM would scrap its retail project.

"It was a good day for the dealers," said Harold Wells, a former GM dealer in Whiteville, N.C., who was NADA chairman in 2000. "It was a good day for GM, too."

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