

## Ward's Dealer Business

June 1998

Getting stronger: this year's cut-off amount is \$58 million in revenues, up 20

COPYRIGHT 1998 Intertec Publishing Corp., a PRIMEDIA company

The 12th annual Ward's Dealer Business 500 features a new look, a new reporting process, new information, more charts and a new No. 1 dealer.

Galpin Ford of North Hills, CA, which was No. 2 last year, grabs the top spot this year from nearly 1,000 entries, the most in recent memory. Galpin switches places with Ricart Ford of Columbus, OH. Ricart was No. 1 last year. It's now No. 2.

With an increase in the number of participants came a boost in the revenues needed to make the "cut." Last year a store needed \$49.2 million to make the 500. This year it's nearly \$58 million.

"That shows there is a lot of consolidation going on," says analyst Jim Mateyka, vice president of A.T. Kearney's automotive consulting practice. "The dealers are recognizing that there are some economies of scale, especially in the metro areas."

Mr. Mateyka says the increase in revenue required to make the Top 500 clearly shows "a sorting out of the business going on. We're in a time of transition."

The Ward's Dealer 500 collectively sold 1,241,848 new vehicles. That's 8% of all new trails sold in the U.S.

A number of dealerships are making a first appearance on the Ward's 500. Others have reappeared after temporary, drop-offs. This year, 123 out of the 500 dealerships listed did not appear on last year's list.

Two years ago 28 dealerships moved up 100 or more places. Last year it was 44. This year it's eight. Yet this year several dealerships show major improvements in their performance, increasing revenues by 25% or more.

For the first time, we asked participants to break out new car and new truck sales. A few didn't comply, but those who did sold 636,969 trucks and 552,958 cars.

Dealers in California, Florida and Texas dominate the 500. With 235 (47% of the total) dealerships making the grade, contingents from those three states check in with strong gross-dollar and unit-sales numbers. Those reflect a relatively small number of dealers serving growing populations and market economies.

It's the reverse in many northern regions where a relatively large number of dealers serve a shrinking or static population.

For example, this year's Dealer 500 has only eight dealers from Illinois, six from New York, 19 from Michigan, 15 from Ohio and 11 from Pennsylvania, all states with large metropolitan markets.

The combined sum of 59 from these five states falls far short of Texas alone.

A full analysis of regional trends is on page 48.

With smaller profit margins on new-vehicle sales, dealers must compensate in other areas. Those in the Ward's 500 are creative in F&I, becoming more efficient in service, and marketing their

parts and body shop operations more effectively.

"In the last year and a half, the prices of cars have been declining in relation to the consumer price index," says Mr. Mateyka. "So the margins are getting smaller in economically real terms. Dealers have to improve F&I, body shop and parts and service. The guys who have been doing that are the survivors."

Two Midwest Ford dealers who offer customers their own financing companies rank one-two in the F&I column on the Ward's Dealer 500.

They are Ricart Ford, the perennial F&I champion, with \$31.7 million in F&I sales, and a new runner-up, Mel Farr Ford, of Oak Park, MI, with \$28.8 million.

Both Ricart and Farr dealerships have ventured deeply into the subprime market.

"No customer is more satisfied than one who qualifies for a loan to get a new or used car he or she needs to go to work or school," says Mr. Farr. "And nothing generates more revenue or profit for F&I than an in-house financing operation."

A profile of Ricart and Farr's F&I operations - and a list of the top 25 F&I leaders - is on page 68.

There are some interesting numbers in fixed operations' trident of body shop, service department and parts department operations.

The body shop championship goes to Al Serra Chevrolet of Grand Blanc, MI. That operation broke all revenue records in the survey's 12 years with a \$7.51 million gross.

A feature story on page 71 looks at Serra's muscular body shop operation.

For the first time in Ward's Dealer 500 history, we asked dealers to separate their parts and service numbers.

Nine dealerships with strong wholesale parts and accessories businesses each exceeded \$25 million in revenues. That skews the averages by going well beyond the performance of most dealers whose parts volumes are largely "retail" in nature.

The average for all dealers in the parts column reached about 7.5%, or double the service department average of 4%. That left about 1% for the body shops of those dealers who had them.

Dealers without significant wholesale volume, of course, show service revenues slightly above parts.

Parts and accessories sales by all the 500 leading dealers totaled \$3.42 billion in 1997 and service sales, \$1.9 billion.

The combined total of slightly more than \$5.32 billion exceeded the 1996 sum of \$4.77 billion by 11.5%.

Full charts on the Top 500's various segments are on our website for those who want to see it all. Call up [www.wardsdealer.com](http://www.wardsdealer.com)