

Ward's Dealer Business  
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By Tim Keenan  
The big keep getting bigger  
The Top 500: 13th Annual

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There really is strength in numbers

Anyone who thinks size doesn't matter hasn't been paying attention to the Ward's Dealer Business Top 500 for the last few years.

Like last year, the 13th annual Top 500, shows that upper echelon dealers continue to increase revenue in every aspect of the automotive retail operation.

This year's No. 1, Ricart Ford of Columbus, OH, brought in a total of \$382.1 mill in 1998. That tops last year's leader, Galpin Ford of North Hills, CA, which had 1997 revenue of \$380.5 million.

The stakes rise at the other end of the Top 500, as well. This year's #500, Papa's Dodge in New Britain, CT, had \$62.83 million in total sales. Last year's #500, Cherner Lincoln Mercury in Vienna, VA, had 1997 receipts of \$57.95 million.

"The big just keep getting bigger and the trend is unstoppable," says Jim Mateyka, vice president of A.T. Kearney's automotive consulting practice. "And the big are more positive about the future than the little."

David Andrea, chief economist at CSM Corp. in Northville, MI, says, "Everybody was pushing more units and accessories."

Ricart Ford's return to the top of the 500 is evidence of the importance of the used-vehicle department, F&I and the back shop. Although Galpin Ford led in new-vehicle sales with 11,555 units and \$289.5 million (compared to Ricart's 9,549 and \$217.3 million), Ricart dominated in used-vehicle sales and F&I.

Ricart passed Galpin because of its 10,618 used-vehicle sales (versus Galpin's 3,174) and its \$33.8 million in F&I income (compared to Galpin's \$8.9 million).

The average Top 500 dealership generates 63.4% of its total revenue from new retail vehicle sales; 21.2% from retail used vehicle sales; 7.1% from the parts department; 4.2% from service; 2.5% from F&I; and 1.6% from the body shop.

But that doesn't show where the profits are coming from.

"Almost everybody needs the back shop, even the biggest of the big," says Mr. Mateyka.

"The majority of the profits come from the back shop, if not the revenue."

Collectively, the Top 500 sold 1,334,159 new vehicles (more than 8% of all new vehicles sold) valued at \$31.8 billion, compared to 1.2 million new vehicles last year. Used-vehicle sales totaled 783,846 units worth \$10.6 billion.

Total revenue of the Top 500 exceeded the \$50 billion mark, for an average of \$100.3 million per dealership.

Acknowledging that many dealerships carry more than one franchise, this year's 500 survey asked stores to report all of their sales, rather than just their highest-volume franchise.

That brought in Autoland of New Jersey in Springfield at the #4 spot with \$277.4 million; and Dave Smith Motors of Kellogg, ID at #11 with \$217.8 million.

"All the dealers are looking to broaden their product offering and reduce their dependence on a particular manufacturer," says Mr. Andrea of the number of multi-franchise operations.

Says Mr. Mateyka, "Nobody expects the single-line dealer to disappear, but the multi-liners will be the most profitable. When one goes down, the other tends to be up. These are entrepreneurial dealers looking for a hedge. That trend is continuing."

#### WARD'S DEALER 500

No. of Dealerships by Lead Franchise Category

Dealerships	Franchise Category
156	Ford
86	Chevrolet
58	Toyota
53	Multi-Franchise
23	Honda
19	Dodge
18	Mercedes-Benz
17	Lincoln-Mercury
11	Cadillac
10	Lexus
9	Pontiac-GMC
8	Nissan
7	BMW
6	Chrysler-Plymouth-Jeep
5	Dodge-Chrysler-Plymouth-Jeep
5	Pontiac-Buick-GMC
4	Buick

1	Chrysler-Plymouth
1	Oldsmobile
1	Jaguar
1	Infiniti
1	Mitsubishi

There are 53 dealerships in the new multi-franchise category as these dealers try to increase volume and profits via economies of scale.

Dealerships in California, Texas and Florida continue to dominate the list, representing nearly half (237) of the Top 500. California gained 10 more dealerships bringing that state's total to 89, the most of any state.

"California's improved economy has helped," says Mr. Andrea.

Adds Mr. Mateyka, "It's just a matter of population and concentration of population. LA is so huge that dealers are competing for just parts of that market."

Due to California's strength, the Western region has 144 representatives in the Top 500. It is tied with the growing Southeast region.

Based on the strength of Texas' 74 Top 500 dealers, the Central region has 110 total entries. The Midwest is represented with 62, the Northeast with 40.

The truck market continues to boom for the Top 500 dealers. Trucks outsold cars (52% to 48%) in the retail new vehicle department. More noteworthy is that at domestic dealerships, trucks outsold cars at a 4-1 clip. Honda and Toyota dealers dominated car sales.

"It's an unbelievable trend," says Mr. Mateyka.

"Certainly the overall market has swung to the light-truck side and the Big 3's strength is their truck lineup," says Mr. Andrea. "There still is a great need for a solid American passenger car."

Mr. Mateyka indicates that although truck sales are highly profitable for U.S. manufacturers, "they're highly vulnerable to an energy crisis."

Due to its strong truck lineup, Ford dealers continue to dominate the Top 500 with 156 dealerships. Ford also has four of the top 10 stores, including the top two.

"Ford's strength is its strong truck platform with the F-150, Expedition and Navigator," says Mr. Andrea. "They also have a new Windstar. They eliminated the Aerostar, which focused their marketing. And Ranger really picked up toward the end of the year."

Mr. Mateyka notes that Ford doesn't have as many brands as General Motors. "If you

combined all of GM's divisions under one umbrella, much like Ford does, you'd have a much different story."

Mercedes and Lexus dealers made a strong showing with Lexus adding six dealerships for a total of 10 and Mercedes adding four for a total of 18.

"Mercedes cleaned up its dealer group five years ago, improved and broadened its product line and now have more sales per dealer," explains Mr. Mateyka. "Lexus also improved its product line and now is much more of a full-line player."

Mercedes-Benz USA Inc. President Michael Jackson says his firm asked dealers to sell exclusively Mercedes-Benz. It bought back the ones that didn't want to do that about 25%.

"Mercedes dealers are now the most profitable," he says. "Their net operating profit as a percentage of sales is 5.1%."

Nissan was hit hard in 1998, losing five dealerships in the Top 500, down to a total of eight single-point stores, although the brand likely is represented in several of the multi-franchise dealers.

Jed Connelly, new Nissan Div. general manager for Nissan North America Inc. admits, "Last year was difficult."

Despite that, business is up, "and we haven't even launched new product yet."

#### 1999 Ward's Dealer 500 Summary Points

- \* Top 500 Cut-off is \$62.83 million vs. \$57.95 million last year

- \* 881 Dealerships submitted entry forms this year

- \* This was the first year that we allowed multi-franchise dealerships to count all brands of retail new vehicle sales. Therefore, a new Franchise Category called Multi-Franchise dealerships was created (see Franchise Category Ranking Tables).

- \* Ricart Ford regained the #1 title after being de-throned by this year's #2, Galpin Ford. A new #4 emerged (Autoland of New Jersey) due to the inclusion of multi-franchise dealerships.

- \* 109 "newcomers" are on the list this year

- \* Dealerships in California, Texas, and Florida continue to dominate the list, representing nearly half of the 500 (237 dealerships). California gained 10 more dealerships in the 500 bringing that state's total to 89, the most of any state.

Missing in action

For various reasons - ranging from apprehensions about releasing figures to less than stellar sales years - some dealerships which qualify for the Top 500 list did not participate this year.

Some of those large dealerships include:

- \* Penske-owned dealerships including Longo Toyota and Longo Lexus
- \* Group I dealerships including World Ford dealerships in Florida and Bob Howard dealerships in Oklahoma
- \* Most of the Asbury Automotive dealerships including all Thomason dealerships in Oregon and all Coggin dealerships in Florida
- \* The Koons Automotive Group dealerships in Virginia
- \* The Hudiburg Auto Group dealerships in Oklahoma
- \* The Ford Retail Network Auto Collection dealerships
- \* The Joe MacPherson dealerships in California

Several large individual dealerships including: West-Herr Ford (#23 last year), Dave Sinclair Ford (#26 last year), Williamson Buick-GMC (#37 last year), Buz Post Pontiac-GMC (#59 last year), Jack Demmer Ford (#100 last year), East Ford (#132 last year), Gus Paulos Chevrolet (#170 last year), Jerome Duncan Ford (#192 last year), Capitol Chevrolet (#194 last year), Alaska Sales & Service (#195 last year), and McCafferty Ford (#196 last year).

Tim Kleczynski and Steve Finlay contributed to this report.