

Ward's Dealer Business

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3 things ring cha-ching for vehicle sales leaders

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Sport/utility vehicles, the Internet and community image. In big business dealerships these three things ring a big cha-ching at the cash register.

Sales and revenues continued to rise for Ward's Dealer Business 500 dealers, thanks to a soaring economy and strong sales of light trucks -- especially SUVs.

"For a lot of dealers -- and car companies -- the truck market is critical to profitability, particularly the sport utility segment," says James A. Mateyka, vice president of A.T. Kearney's automotive consulting practice.

While overall car sales still surpass light truck sales, over half of the Top 25 dealers on the Ward's Dealer Business 500 have made trucks and SUVs their bread and butter. At many dealerships truck sales outpace car sales more than two to one.

Even rising fuel prices, environmentalist backlash and higher interest rates have yet to stem this truck trend. The sound of dealers knocking on wood currently echoes across the country.

"Everybody's got to have an SUV," says Jack Schechter, resale manager at Fletcher Jones Mercedes-Benz in Newport Beach, CA. "There might be a sports car and a family car in the driveway, but they still feel they need an SUV."

Manufacturers are banking on that. This year Ford Motor Co. is launching the smaller Escape SUV, the F150 SuperCrew and Explorer SportTrac, not to mention a redesigned Explorer. Toyota Motor Corp. hopes to capture a bigger market with the new full-size Sequoia and midsize Highlander. Toyota will also release the new Tacoma Doubledoor and a redesigned RAV4.

Other manufacturers like Daimler Chrysler AG and General Motors Corp. are blurring the lines between car and truck.

DC is emphasizing the utility of the new PT Cruiser and GM is slated to begin production of two crossovers, the Pontiac Aztec and Buick Rendezvous.

"There are lots of new products coming out and the margins are quite good," Mr. Mateyka says. "Seventy to 80% of the design thinking is going into the truck and SUV segment."

He says that trend will continue with the passenger-car part of the design equation remaining stable. "The truck side is still inventing segments."

With new innovations and segments, many dealers believe the truck trend will continue.

"I think truck and SUV sales are here to stay," said Marguerite Coppens, controller for Jerome Duncan Ford in Sterling Heights, MI. "That's the vehicle people want."

Still dealers without a strong SUV lineup remain successful thanks to expanding markets, premium brands and increasing use of the Internet.

Fletcher Jones motor cars has its own Internet department staffed with eight full-time employees. According to Schechter, the website is related to 10% of pre-owned sales.

On the other side of the country in Raleigh, NC, Michael Kepter, sales manager at Capital Ford, says the popularity of shopping for cars on the Internet is growing. Currently, they have five people on the Internet staff.

"It generates about 75-90 sales per month," Mr. Kepter says. "That's the future now."

Fred Ricart of Ricart Automotive in Columbus, OH, sees the Internet in a different light.

While he concedes it's an integral part of today's business, he's still skeptical about it's potential.

"It could be a Trojan horse," Mr. Ricart says. "We don't know where it's going to take us with respect to the customers or the manufacturer."

He worries independent dealers will be driven out by factory-owned dealers as price-finicky consumers seek out lower prices and on the Internet.

Mr. Ricart says his dealership has its bases covered with a full-time Internet staff and constantly updated website. But he contends that there is no substitute for the sales floor.

"The biggest mistake a dealer can make is to direct all their marketing towards the Internet," he says. "It needs to be given some attention so long as it doesn't distract from the sales floor. It can't be the main thing."

Instead of emphasizing their Internet presence, Ricart tries to promote its community presence.

That means reaching customers on a personal level. Mr. Ricart's business philosophy links community involvement directly to sales.

He believes the positive community image they present made Ricart the top dealership on the Ward's Dealer Business 500, despite their relatively small market.

"With all these place to buy just a mouse click away, you have to position yourself in the community," Ricart says. "It adds emotion and loyalty that we, as dealers, like to think people still have."