

# March 2009 Commentary

## I Feel Your Pain!

A Commentary on the Automobile Business  
By Jim Fisher, Former Dealer and Consultant

The March commentary is late because I experienced what is going on in the automobile business first hand and it was not pretty. Earlier this month, I entered into a letter of intent to purchase a Chrysler, Dodge and Jeep Dealership. I spent over two weeks putting the money, the city incentives and management team in place. Everything was going fine until I tried getting a floor plan. Here is my story.

In my fourteen years owning a dealership, I never missed a payment on my floor plans with Ford Motor Credit, Chrysler Financial, 5<sup>th</sup> Third Bank or NBD/Chase Bank. Not once did I get a bad audit. Not once was I, a penny out of trust.

I contacted Chase, who was the existing lender and I was told that they would not even look at the application, regardless of my excellent history of running unprofitable stores and regardless of having the financial wherewithal to capitalize the store properly and provide personal guarantees that far exceeded the amount of the floor plan line.

Every bank I contacted basically said the same thing. Their appetite for the automobile business was gone. When I tried contacting Chrysler Financial, I was told that they had not opened a new floor plan in over 6 months and they were not in the financial situation to do so in the near future. When I talked to the Zone Manager, he told me that his hands were tied and he had been talking with Chrysler Financial about this problem.

I even tried to partner with an existing dealer group to use their source and even though they had a good relationship, their sources would not open a new line of credit.

I faxed a letter to the President, our two senators at all of their offices and our representative at his three offices concerning my problems and did not get one response. I also said in the letter, that if they could not help me, they should help the existing dealerships with this major problem. Nothing new as of now.

Basically, what I found out was that the manufacturers had done an excellent job in convincing the politicians and the banks, that automobile dealerships closing their doors was helping to solve one of their problems, too many dealerships.

How do you put dealerships out of business? Take away their availability of credit to purchase inventory. Tighten up curtailment requirements. Reduce their used car credit lines. Well it is working and a record number of dealerships have gone out of business. These dealerships are not going out of business because they are not run properly. These dealerships are not going out of business because they can no longer sell product. They are going out of business with the blessing of the Federal Government and the Domestic Manufacturers. We will help the manufacturers, but we will not help the dealers.

The government threw money into GM and Chrysler. It is gone. If they had thrown money at the consumer to buy cars, the dealers would have ordered more cars and

productivity would go up. The problem is that the government, GM and Chrysler didn't like that idea, because it would make dealerships money and keep them in business, which would hurt the long term goal of the manufacturers.

We have Roger Smith to blame for all of this. In 1981, he decided that the number one problem with GM, was they had too many dealerships. He didn't like the fact that the dealers fought among themselves and lowered the value of GM's products. He thought the dealer's sales and service agreement was antiquated, but he was unable to change anything because of the State laws and Associations.

Saturn was born and the obituary notices for Oldsmobile were printed. I do want to point out that in 1981, the best selling car in the world, was the Olds Cutlass.

The Saturn idea was to start a whole new company the right way (Roger's way). A new dealership agreement was made that gave the dealers a territory to market. They had the right to put as many dealerships in that market area they wanted. The only conditions were that they had to run their stores the Saturn Way. There was only one price. Trade ins were taken but were wholesaled instead of retailed. Roger did not like it when the customer came back to dealership and saw their trade in priced at \$4,000.00 more than what they got from the dealership. We all know the Saturn experiment went as well as the Dharma Initiative on the TV show Lost.

In 1985, Roger brought in a guy named Wagoner and trained him to one day run General Motors. When Wagoner became CEO, he continued the dealer slashing policies that Roger put in place in the 1980s. When things go bad, we always need someone to blame. Lets blame Roger.

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