



Car dealers struggle, cut staff, pay, dividends

By Chris Woodyard, USA TODAY

Even as the spotlight has been trained on struggling Detroit automakers, many of the nation's 20,000 auto dealers are fighting their own battle for survival.

Faced with high fixed costs and few car buyers, dealers are cutting salaries, laying off workers, slashing inventory and shuttering money-losing locations. New industry figures released Monday underscore their plight.

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The average profit per employee in new car dealerships sank from \$4,173 in 2007 to a measly \$349 last year, reports research firm Sageworks, which tracks dealer performance.

"They are operating now on literally razor-thin margins compared to a couple years ago," says Sageworks CEO Brian Hamilton. Because of high real estate and inventory costs, "a small decrease in sales can have a profound impact on profitability."

Some 960 dealers went out of business last year, says Paul Taylor, chief economist of the National Automobile Dealers Association. About 30% of dealers are operating in the red, raising the prospect of more failures this year.

"There's a feeling in the dealer network (ranging from) mildly concerned to outright panic," says Paul Melville, a dealer restructuring expert for consultant Grant Thornton. Sometimes, closures are the only option. "A lot of these dealers are hard to restructure, because there are just too many of them. You just have to take capacity out of the market," he says.

Business is so bad at the Galpin dealerships in Los Angeles' San Fernando Valley that owner Bert Boeckmann says he's sold more cars in a single weekend in good years than he has so far in February. "It's really tough right now," says Boeckmann, who owns several dealerships, including the nation's largest Ford operation.

He's already cut 25% of his employees and may have to lose some more.

Some big dealer chains around the nation are taking their own action as they face the same plight. Among the strategies:

- Cut pay.** Top officers of the Asbury Automotive Group, with 87 sales locations, started taking voluntary 10% pay cuts this month.
- Slash inventory.** After seeing a 30% decline in new car sales in the fourth quarter, Group 1 Automotive announced last week it will cut inventory to match demand at its 100 dealerships.
- Suspend dividend.** To help reach \$100 million in cost savings, Penske Auto Group, which operates 304 sales locations, said this month it is suspending its quarterly dividend and its company match for employees' 401(k) retirement accounts.