

Automotive Digest

READ SMARTER

Sept. 8, 2009

(Circ. Online: 500,000 unique visitors a month)

AUTOMOTIVEDIGEST.COM PRESENTS

Dealer Digest Daily

YOUR DAILY BRIEFING ON INDUSTRY NEWS, EVENTS & MARKET MOVEMENTS
IMPACTING DEALER PROFITS & SALES

Where the Auto Industry Should be Going

IDEAS & STRATEGIES FROM FORWARD THINKING INDUSTRY



PART II -- Auto Industry in Transition

What the Automotive Leadership Needs to be Doing

Commentary and Opinion by Philip Moorcroft

Given the global slump in sales, GM and Chrysler's bankruptcies, Ford's debt and the overall recession, what should senior management in the automotive industry be doing? Back in May, both GM and Chrysler indicated they would be shutting down many of their dealers in a bid to scale back their bloated dealer network. Toyota was the model to be emulated.

While this has understandably upset many dealers—some of whom will be closed in spite of being profitable—it is unfortunately necessary. The issue is not which dealers are profitable now, but which ones will be profitable in the next few years as models are discontinued, customer demand changes and competition heats up.

Automotive leadership needs to be aware that the supply chain stretches back to Tier III suppliers and moves through the Original Equipment Manufacturer to the distribution chain to the dealer and ultimately to the customer. Unfortunately, until the recent bankruptcies, the dealer network was overlooked. This is a major cost and the Big Three have performed poorly relative to their competitors.

By focusing on the distribution chain and benchmarking with industry leaders, the domestic auto manufacturers will be in a stronger financial position moving forward.

NEXT: Market Predictions for the Big Three Automakers...

*Philip Moorcroft is the CEO of **MGPS**, a Toronto-based management consulting firm. He is also a former senior financial analyst for PricewaterhouseCoopers. Visit www.mgps.com for more information.*