

Dead End For Auto Dealers?

By CAROLYN STEEVES

CHARLOTTE — Salesmen who once boasted about selling ice to Eskimos are finding that in these tough times—marked by high gas prices, tighter lending restrictions and saving instead of spending—their sales are frozen.

“The car business has been hurting and it’s been hurting now for some time,” Jim Edwards, executive director of the Carolinas Independent Automobile Dealers

Association, said. “Not just the first part of this year, but it’s been hurting since about last August I think. And arguably, the past three or four months have been the worst ever in the recorded history of the car industry.”

Edwards noted that four or five years ago there were roughly 10,000 licensed automobile dealers in North Carolina, both independent and franchise. Now there are

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roughly 6,400 dealers. “The car market has taken a toll on dealers,” Edwards said.

Leslie Vander Baan, owner of Automotive Consignment, has seen the market slow down, but due to the nature of her business, it hasn’t affected her as badly. “In a savings economy,” she said, “we are fortunate to be in an industry where we service those who are looking to save.”

Vander Baan said she is fortunate to have a flexible business model that is already geared toward saving people money. “I think, in general, people are simply holding on to their vehicles longer,” Vander Baan noted. “There’s a good portion of the public who have the feeling of wanting to wait it out a little longer.”

Costly Hybrids

Some drivers are trading in their trucks or SUVs for hybrid and electric cars, which utilize batteries and rely less on gasoline, though there is usually a fuel component. The Web site Cars.com recently tracked the number of hybrid searches on their Site in the 50 largest markets in the country. Charlotte came in 12th, making up 3.135 percent of searches for new hybrids on Cars.com and Raleigh/Durham was right behind with 3.098 percent.

According to Erick Wicklund, general manager of Town and Country Toyota in Charlotte, they have 52 Prius hybrid

cars on order right now. Wicklund said that they usually have around 15 cars delivered a month, so it should take around four months to give those people cars. He explained that the cars are still delivered from Japan, though Toyota is converting one truck plant to a Prius plant and building another Prius plant in Alabama.

Vander Baan noted that they very rarely see people reselling hybrids.

Edwards noted that a hybrid car can cost \$10,000 more than a four-door sedan. “If you’re buying it purely for the sake of being green, the God bless you. If you’re buying it purely for the sake of saving money, then it’s probably not a smart move,” he said.

Wicklund noted that a car like the Corolla is becoming increasingly popular, it also gets good gas mileage and is around \$10,000 less than the Prius, a hybrid car.

Changing Future

While some remain hopeful and say that the market will turn around, Edwards is not so optimistic.

He noted that as more and more homes go into foreclosure and more people file for bankruptcy, they “enter the bad credit universe” and have to go to the subprime market, thus pushing up their interest rates.

Edwards also pointed out that people trading in trucks or SUVs for more fuel-efficient cars often end up with negative equity. The market value for the larger

cars has dropped and dealers “either don’t want it in their inventory, or if they want it” they buy it at maybe half price. Thus, people are driving away “upside down,” meaning they owe more on their fuel-efficient car than it is worth.

He worries that these people will end up voluntarily repossessing their cars, realizing that it was not as cost-effective as they thought.

Wicklund said that Toyota has stopped production on some of its trucks and SUVs. He noted that he can’t get enough smaller cars and he can’t seem to get rid of the larger ones. Toyota is also coming out with special financing offers and other money-saving promotions.

Vander Baan thinks there could be an upsurge. She noted that if someone is looking to buy a car, now is the time to do it because they are slashing prices. She noted that her business is “fortunate that we currently have and will continue to find ways to be relevant to these customers who are tightening up their wallet.”

Edwards agreed that the businesses who survive this are the one who are changing strategies and adapting to the new market conditions.

“It’s all a changing dynamic...like the old saying that if you don’t change or adapt you die.”

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