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## Surviving dealers chase new opportunities

Portland Business Journal - by [Wendy Culverwell](#) Business Journal staff writer

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Easy money helped auto dealer Ralph Martinez grow fast. He used it to build a chain of 17 dealerships from Wilsonville to Seattle.

But his decision to scale back to two dealerships may have saved his business. It also explains why his two Chrysler



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Chrysler dealer Ralph Martinez has already considered opening new locations.

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dealerships aren't among the ones being forced out of business.

Martinez operates Chrysler dealerships in Milwaukie and Wilsonville.

Last week, Chrysler said it will close 789 low-volume dealerships, roughly one-quarter of its locations, as it reorganizes under Chapter 11 of the U.S. Bankruptcy Code. Seven Oregon dealerships will close.

In addition, **General Motors** will close 1,100 poor-performing dealerships.

The closures present new opportunities, as well as challenges, for dealers who remain open.

The loss of nearly 2,000 dealerships nationwide will open up critical market share. As the economy rebounds and car sales improve, some surviving dealers could expand to fill the space.

Martinez said he's already considering adding dealerships down the road.

Medford-based Lithia Motors Inc. could open as many as five new Chrysler dealerships.

Similar to Martinez, Lithia's executives have been aggressively cutting costs. Last year, the publicly traded company eliminated 20 under-performing stores.

The cuts shaved \$55 million in annualized costs from the company and propelled it to a first quarter profit after losing \$252.6 million last year.

Lithia expects to close 31 locations in all. Two of its Chrysler dealerships — in Omaha, Neb., and Colorado Springs, Colo. — are on the closure list.

In the short term, dealers will have a much easier time acquiring inventory.

Experts say surviving dealers need to rethink every aspect of their businesses.

"The remaining dealers are not prepared with their facilities, with their capital resources and with their personnel," said Randy Berlin, global practices director at **Urban Science Applications Inc.**, a Detroit-based consulting firm that specializes in automotive retailing.

Berlin encouraged dealers to take a fresh look at their marketing plans, their facilities and their service standards. Dealers should prepare for heightened expectations for sales and customer service. And they will have to accommodate the customers orphaned by former peers.

Marketing plans should also be retooled to cover a larger geographic area.

Dealers also need to reach out to customers who bought vehicles at closing dealerships and they need to work quickly to convince buyers to consider their troubled brands, he said.

Martinez began scaling down his Town & Country empire nearly a decade ago.

"We were growing and leveraging and I didn't like the leveraging aspect," he said.

Martinez's dealerships aren't unscathed, but reducing debt and saving cash helped him survive even though he sells several struggling brands: Chrysler, Dodge, Jeep, General Motors and Mitsubishi.

"We had three arrows shot at us last week and we're still standing," Martinez said. "It proved to be a good model."

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