

AUTOMOTIVE

Buy-and-sell market for auto dealerships to surge in 2017: Kerrigan

March 27, 2017



Mercedes-Benz at Gwinnett's Lawrenceville campus

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The buy-and-sell market for auto dealerships has been slow these past few years, but 2017 is poised to see an exponential increase, while Mercedes-Benz is one of the most sought-after for dealership purchases.

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A new quarterly from Kerrigan shows that the buyer/seller marketplace for automotive dealerships will see a significant lift this year due to a variety of factors such as the current White House administration, acquisition increase and a jump in valuation. Mercedes will likely benefit from this growth, as it was the volume leader in luxury dealership purchases this past year.

"Most dealers understand that the opportunity has passed to obtain above-market blue sky prices and, instead, are satisfied knowing that today's valuation levels are still very high, particularly on a historic basis," said Erin Kerrigan, managing director of **Kerrigan Advisors**. "Buyers are finding pricing more reasonable in part because today's sellers are serious about a sale.

"The market testers who were seeking 'crazy' blue sky values have primarily returned to operating their businesses, discovering those unrealistic values were not attainable," she said.

Dealership profitability

Mercedes' series of business strategies such as investing further into high-demand SUVs and crossover designs will likely help carry its success in dealership sales. BMW's lack of focus on crossovers and SUVs had an effect on its sales, with a significant decrease in 2016.

The German automaker is still above many other auto brands in terms of dealership value, but it has struggled with increasing facility cost requirements and compressed new vehicle margins.



BMW 3 Series

While Mercedes has the lead in the number of dealership sales, Porsche dominated in its sales' value. Porsche dealerships are expecting to see new sales records in the upcoming year due to the updated Panamera sedan and a 10-percentage jump in 911 allocation.

Audi is poised to have a positive year as it is in the midst of launching the most products ever seen from the brand and investment in SUVs and crossovers.

Land Rover is seeing a decrease in dealership profitability due to declining new car gross margins as vehicle availability increases. The Jaguar Land Rover brand as a whole is having trouble with valuation for this upcoming year, since the two will start to have dual dealerships in the future.

Additional insights

Kerrigan's quarterly also referenced J.D. Power's recent report that pointed out luxury automotive manufacturers have the ability to increase returning loyal customers by implementing a form of text message updates when servicing vehicles.

The report showed that Lexus tops list of customer satisfaction for luxury dealership services and that 55 percent of consumers said they would definitely return when contacted through phone calls from personnel regarding service on their vehicles. However that percentage increases to 67 when customers are able to receive text updates on their vehicle service ([see more](#)).



Lexus vehicle

Mercedes-Benz is likely a leader in dealership profitability due to its innovative strategy. Recently, the brand found a way to stay relevant with consumers who do not feel the need to own their own vehicles by partnering with sharing service car2go for a fleet of rental cars.

As mobile has thoroughly disrupted any past standard of consumer behavior, vehicle sharing platforms such as car2go and Zipcar are becoming more popular with consumers that live in urban areas who only need to use cars once in a while. Mercedes is making sure its place with drivers is secure through a partnership that will provide what will eventually be thousands of vehicles for users to rent through car2go ([see more](#)).

"Overall, we expect 2017 to be a very active year for buy/sells with private and more public buyers eager to put their capital to work," Ms. Kerrigan said. "We find an increasing number of sellers coming to market motivated by current

prices and a strong desire to capitalize on today's buy/sell activity.

"As more dealers find their succession plans have run their course, we expect the number of sellers to rise given the generational shifts underway in auto retail and the ageing of the US dealer network," she said.

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