

Automotive News

Dearth of product, death of Mercury?

Dealers, analysts see ominous trend

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With little new product in the pipeline, Mercury faces extinction in a few years, industry analysts predict and many dealers fear.

Ford Motor Co.'s only known new product for Mercury after the 2008 model year is a reskin and hybrid version of the 2009 Milan sedan. Mercury has announced no new vehicles or redesigns of the Sable and Grand Marquis sedans, Mariner crossover or Mountaineer SUV - all of which are essentially twinned versions of Ford-brand vehicles. Mercury updated the Sable and Mariner for 2008.

Mark Fields, Ford Motor's president of the Americas, insists Mercury "has a place" in the company's Way Forward recovery program. But he concedes that within Lincoln Mercury, Ford Motor is focusing on "the Lincoln piece of the business."

"Ford's actions speak volumes," said Sheldon Sandler, a Skillman, N.J., investment banker who brokers sales of auto dealerships. "The Mercury franchise is on life support."

The age of Mercury's product lineup does not differ greatly from the industry average, said Michael Robinet, vice president of forecast services at CSM Worldwide Inc., an industry consulting firm in suburban Detroit.

But a more important clue to Mercury's future, Robinet said, is that "you can buy Ford products that are pretty much the same thing - maybe they won't replace a number of" Mercury vehicles.

Murky Mercury

125 Mercury dealers responded to an *Automotive News* survey last week. Among the responses to the unscientific online survey

- Nearly 4 out of 5 said they are concerned that Ford Motor will drop Mercury
- Less than one-third said their dealership could easily survive without Mercury sales
- Two-thirds said they sell fewer than 15 new Mercury vehicles a month
- Most said Mercury sales account for less than 30% of their dealership's overall new-vehicle sales
- 5 out of 6 say Mercury's current product lineup is competitive



⊕ zoom

The Mercury Grand Marquis has been built on the same rwd platform since the late '70s. No redesign is scheduled.

Jeff Schuster, a product analyst at J.D. Power and Associates, says Mercury's future is uncertain, and the brand could face "cancellation" within four years. But he says Ford "could rethink its direction on Mercury," investing proceeds from the sale of its Premier Automotive Group marques in the domestic brand.

Plunging sales

Mercury sold 180,848 vehicles last year in the United States - fewer than eight vehicles a month per franchise and its lowest total since 1960. Worse, through July, Mercury sales were down 10.0 percent from the first seven months of 2006.

As of July 31, Mercury operated 1,920 U.S. franchises.

Of them, Ford says, 833 were in dealerships that also sold both Ford and Lincoln vehicles.

An additional 590 were dually in stores with Ford franchises and 496 with Lincoln only.

There is only one stand-alone Mercury dealer.

Last week, 125 Mercury dealers took part in an online Automotive News survey of their attitudes toward the brand. Nearly four out of five expressed concern that Ford will dump Mercury.

"I would hate to see Mercury go away," said Alfred Anderson, a Ford-Mercury dealer in Cleveland, Texas. "But without new and individual product, it will go away on its own."

Anderson said he sells fewer than five new Mercury vehicles a month. Mercury sales account for less than 10 percent of his dealership's new-vehicle sales, he said.

To the lifeboats

John Pico, a dealership consultant in Dallas, noted that the Chrysler group killed the Plymouth brand when its annual new-vehicle sales dropped to about 246,000 units.

General Motors started phasing out Oldsmobile when its yearly sales declined to 289,000 vehicles - more than 100,000 units above Mercury's sales last year - Pico said.

"The only difference between a Mercury franchise and the Titanic is the Titanic had a band," Pico said.

In the network

At the start of 2007, Ford Motor operated 4,270 U.S. dealerships, with this distribution of franchises.

Ford-brand stores: 2,328

Ford-Lincoln-Mercury stores: 833

Ford-Mercury stores: 590

Lincoln-Mercury stores: 496

Mercury-only: 1

Source: Ford Motor Co., Automotive News Data Center

Mike Charapp, a dealer attorney in suburban Washington, said he thinks Ford will terminate Mercury as Chrysler did Plymouth, without compensating Mercury dealers for the loss of the franchise.

"Ford is pairing these dealers up with Ford dealers, so it's heading that way," Charapp said.

A dealership that includes a Mercury franchise often has little value beyond its real estate, professionals involved in dealership sales say. Lincoln Mercury is "one of the toughest, if not the toughest, sale," says Mark Johnson, a dealership broker in Seattle.

Dealers differ

Some dealers in the Automotive News survey were more sanguine about the prospect of losing Mercury. Terry Kidd, a Ford-Lincoln-Mercury dealer in Morrison, Tenn., said Ford Motor could save money by dropping the brand. Those savings "could help speed up future model changes," Kidd said.

By contrast, less than a third of the surveyed dealers said their stores could easily survive the loss of Mercury. Many cited Mercury's loyal customer base.

Jack TerHar, president of Sill-TerHar Motors Inc., in Broomfield, Colo., said Mercury's customer demographic is "younger and highly female."

Matt Peters, general manager of Mastel Ford-Lincoln-Mercury in Olean, N.Y., said dumping Mercury "could cause further deterioration" of Ford Motor's U.S. market share.

Dick Fitzpatrick, president of Crest Lincoln-Mercury in Woodbridge, Conn., said Ford Motor's strategy of dualing Ford franchises and Lincoln-Mercury franchises could "denigrate the Lincoln brand."

That consolidation is part of Ford Motor's effort to reduce its U.S. dealership count by at least 600 stores. As of July 31, Ford had 4,138 dealerships.

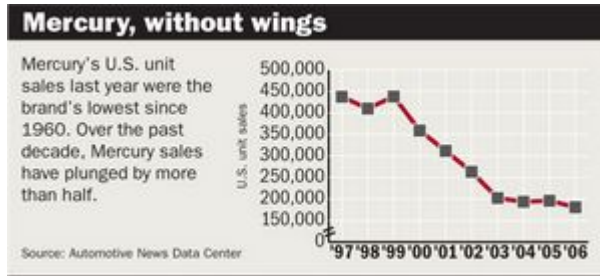
Ford Motor has sold Aston Martin, is shopping Jaguar and Land Rover and is considering the sale of Volvo. Dealers in the survey said they hope Ford will apply proceeds from the sale of these European luxury brands to strengthening Mercury.

Brian Allan, general manager of Galpin Lincoln-Mercury in suburban Los Angeles, said there is consumer demand for a near-luxury brand positioned between Ford and Lincoln. Allan's dealership is part of Galpin Motors Inc., which operates one of the world's largest Ford dealerships near Los Angeles.

Said Allan: "With the possible sale of Volvo, Mercury could be even more important in the near future for Ford Motor Company."

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