

06/23/2016

Why are some Nissan dealers so unhappy?

Why are some Nissan dealers so unhappy?

Hitting their targets, but chafing at factory relations

April 25, 2016 @ 12:01 am

[Lindsay Chappell](#)

[Jamie LaReau](#)



LAS VEGAS -- A funny thing happened to Nissan on the way to succeeding at its U.S. business plan.

It began alienating its dealers.

Funny?

The automaker hardly thinks so.

But as retailers gathered here for this month's National Automobile Dealers Association convention, audiences seemed to nod in agreement at criticism that Nissan has used its elbows in its race to become America's No. 2 import automaker.

Dealers who hold Nissan and other franchises say that by being confrontational rather than collaborative, Nissan has become the hardest automaker to work with. Nissan North America, they say, sets unrealistic sales targets for Nissan dealers and regularly issues letters of default or even termination notices to those dealers who miss objectives.

"My team is so demoralized on the Nissan side, no one wants to work for my Nissan brand," said a dealer who spoke on the condition of anonymity.

Nissan's rise

U.S. rank of import automakers by market share, compared with April 2011, the first month of the fiscal year in which Nissan set its goal to be No. 2 in the U.S.

March 2016	1-month market share
1. Toyota Motor Sales	13.80%
2. Nissan North America	10.30%
3. American Honda	8.70%
4. Hyundai-Kia	8.40%
April 2011	1-month market share
1. Toyota Motor Sales	13.80%
2. American Honda	10.80%
3. Hyundai-Kia	9.40%
4. Nissan North America	6.20%

Avoiding Nissan

In speaking to a ballroom of retail group executives during J.D. Power's Automotive Summit in Las Vegas on March 31, dealership buy-sell adviser Erin Kerrigan marveled that despite having what she said is "nice throughput through their

stores," Nissan dealerships are commanding a lower-than-expected price when owners sell.

"This is really because of buyer demand," said Kerrigan, managing director of Kerrigan Advisors in Irvine, Calif. "What we've seen is that there is not the greatest dealer relations with the OEM with this franchise. So as a result, people avoid Nissan."

At that comment, her previously silent audience -- including some Nissan dealers -- broke into laughter.

Across town at that very moment, broker Alan Haig, president of Haig Partners, was addressing an audience of retail executives at the Automotive News Retail Forum. He, too, painted Nissan as a troublesome brand.

"Nissan is one where there is a division of opinion," Haig said. "You're either in their camp, and they love you, and you can make a lot of money on Nissan stores. Or they're not happy with you, or you're not happy with them, and you have to get out because life is not going to be pleasant for you."

Sharing the stage with Haig was Mark Johnson, president of the dealer brokerage MD Johnson Inc., who carried on the criticism.

"We have a lot of Nissan dealers who ask me: "Are there any Nissan dealerships for sale?" Johnson said. "I say, "Yeah -- all of them."

His audience also laughed.

"You throw a dart and there's a Nissan dealer with a termination letter," Johnson added.



Last year, 287,190 Nissan Rogues were sold in the U.S. vs. 124,543 in 2011.

Tasting victory

Upon hearing of the comments later, Jose Munoz, Nissan Motor Co.'s hard-charging North American chairman, was not amused.

"I'd like to understand why these people are saying this," Munoz complained. "We're making good progress improving the brand, and things are going very well."

He isn't kidding. Led by Munoz, Nissan is hitting all its U.S. objectives, achieving results that competitors and naysayers doubted were possible just a few years ago.

Through March, Nissan North America posted a 9.8 percent U.S. market share, including Infiniti sales. Five years ago, when its U.S. share stood at 8.2 percent, below that of Hyundai-Kia Automotive, Nissan Motor Co. CEO Carlos Ghosn

declared that his company would achieve a 10 percent U.S. market share by March 31, 2017. Competitors and observers rolled their eyes dismissively. But now, Nissan is within a whisker of Ghosn's goal line, 12 months early.

And new products are now reaching the U.S. market in volumes that should boost the automaker's performance here further. Chief among them: the redesigned full-size Titan pickup. Nissan has been more or less absent from the big-truck segment in recent years, with less than a 1 percent share.

The Titan has been redesigned on a larger chassis and fitted with a new V-8 diesel engine option. A new pared-down version comes later this year that should put the Titan on the consideration list of large-volume pickup fleet buyers for the first time.

Nissan North America also vowed in 2011 to overtake Honda to become the No. 2 import automaker in the U.S. market. That goal seemed particularly implausible. Not only is Honda a powerhouse in compact crossovers with its popular CR-V, but the Civic remains hugely popular. Nissan's ambition also seemed to gloss over the strength of American Honda Motor Co.'s premium Acura brand, which routinely overshadows Nissan's Infiniti marque.

But for the first three months of this year, Nissan North America outsold American Honda, including Acura.

That month-by-month race is subject to change over the course of a year, as sales surge for one brand or the other. And Nissan has been ahead early in the year before without topping Honda for the entire year. But Honda's longstanding lead over Nissan is gradually shrinking as Nissan's models gain popularity.

Last year, 287,190 Nissan Rogue cross-overs were sold -- up from 124,543 sales in 2011, the year that Nissan put Honda in its crosshairs. And this year, Nissan opened a third production line to bring more Rogues into the U.S.

Nissan also has succeeded in restoring the lagging Sentra compact car to its past glories.

Despite such successes, some Nissan dealers tell *Automotive News* that they are unhappy with the brand. It is not the product line, they emphasize -- it is the manufacturer's method of growing its business in the U.S.

A former Nissan dealer in the Southeast said he received "at least two" letters from Nissan threatening termination over the past three years. The dealer, who spoke on the condition of anonymity, holds 15 franchises. His group is profitable, he said, and he has not had problems with other manufacturers.

He had owned his Nissan store for more than a decade, often selling more than 1,000 new vehicles a year. Then Nissan added two points to his market area. That diluted his sales, he claimed, bringing them down to about 600 new vehicles a year. But Nissan did not lower the sales target it required him to hit to earn factory incentives, he said.

The former Nissan dealer told *Automotive News* that he decided he had had "enough brain damage" from Nissan, and last year he sold the store.

Manufacturers often go through rough patches with their dealer bodies. Over the years, dealers from Chevrolet to Toyota have expressed dissatisfaction with factory practices through official protests and lawsuits.

"When manufacturers have aggressively gone towards a particular goal, which is what Nissan is doing now, they tend to go harder on some dealers," said Joe Roesner, president of Fontana Group Inc., an auto retailing consulting firm in Tucson, Ariz.

Roesner said there are "a good number" of Nissan dealers "making enough noise where when you go to the National Automobile Dealers Association convention or talk to staff at the state dealer associations, Nissan is the one everyone is talking about and complaining about. It's a general undertone."

Soaring share

Nissan North America's U.S. sales and market share have risen.

2016*	400,204	9.8%
2015	1,484,918	8.5%
2014	1,386,895	8.4%
2013	1,248,420	8.0%
2012	1,141,656	7.9%
2011	1,042,534	8.2%
2010	908,570	7.8%
2009	770,103	7.4%
2008	951,350	7.2%
2007	1,068,237	6.6%
2006	1,019,249	6.2%

*Through March

Source: Automotive News Data Center



Munoz: No laughing matter

Subsidies for some

In recent months several dealers also began complaining about what they described as Nissan North America's efforts to boost its market presence in selected cities by assisting one local dealer. Two Cleveland market dealers filed suit in U.S. District Court for Northern Ohio in February alleging that Nissan is providing support adding up to millions of dollars to a competing dealership there. The suit claims that the factory support amounts to a discriminatory incentive program that violates both U.S. and Ohio law.

A similar dealer protest is challenging a factory subsidy to an Infiniti store in Coral Gables, Fla. According to that complaint before the Florida Division of Administrative Hearings, Nissan North America agreed to give an Infiniti store owner up to \$4.4 million over seven years to help cover real estate, construction and other costs. Part of the money is tied to his achieving performance targets.

In February, Girard Nissan in Groton, Conn., filed a lawsuit in U.S. District Court for Connecticut, alleging that Nissan is violating state franchise laws by not having fair incentive programs for all dealers. That lawsuit seeks payment of lost incentives and a right-sizing of territory resulting in more achievable objectives for the dealership.

Such lawsuits and the murmuring in public about them put a chill on buyer interest, says buy-sell adviser Haig.

"Any litigation smells bad," Haig said. "It makes buyers ask themselves, "Why would I even pursue a Nissan franchise?""

Judy Wheeler, who became vice president for Nissan Division U.S. sales in January, says such assertions are simply wrong.

"When we hear dealers saying their franchise isn't worth as much, that is absolutely incorrect," Wheeler said. "Our franchise values have gotten better. Franchise values are up quite a bit," she said, declining to reveal the percentage increase.

Wheeler acknowledges that there is a negative buzz in the air about Nissan in some circles, but she questions the motives behind that buzz. She says Nissan management was expecting to hear about it from dealers during the brand's franchise make meeting at this year's NADA convention. But there was not a single negative question.

"We have over 1,300 dealerships, Nissan and Infiniti," Wheeler said in an interview with *Automotive News*. "Will we ever be able to keep them all 100 percent satisfied? Absolutely not. It's just math. You can never keep everybody completely happy.

"If we can have 95 percent of our dealers with us, then that's fantastic."

But she says the automaker is making every effort to continue growing in the U.S. market while working with dealers to address complaints and resolve problems.

In March and April, Munoz met with dealers around the country to announce changes to the Nissan Sales Growth Program that were requested by dealers. The

program is Nissan's ongoing sales incentive campaign, intended to spur dealers to bigger volumes and reward them with cash when they succeed.

Dealers at various brands have loudly decried such stair-step incentive programs. In the past two years, Nissan has modified its program three times in response to dealer body suggestions.

Munoz, along with his top executives, travels monthly to meet with the company's national dealer advisory board members, asking retailers how Nissan can make things work better for them.

Munoz has assigned executives to various committees to execute dealer ideas on issues ranging from staffing the company's Nissan Motors Acceptance Corp. finance arm to be open for business on weekends and at night to changing the way vehicles are distributed regionally.

But no one at Nissan North America -- no matter what its dealers might ask -- is backing away from the corporation's mission from Ghosn. Nissan intends to keep growing market share in the United States, as well as in Canada and Mexico.

And that translates to more sales, which translates to harder work at the retail level.

Wheeler said: "We're driving a lot of change, and not everybody likes change. We're asking dealers to do more and get on board with us.

"When you ask them to change, not all of them are going to move at the pace that the company is moving -- especially dealers who have been very comfortable, riding along, and making a nice living.

"We're saying, 'We want to take it to the next level. We would like a bigger piece of the pie.' And that means that they all need to step up as well. Some of them are thinking, 'I don't know if I want to do that.'"

Wheeler acknowledges that this new pace of business is going to cause some Nissan dealers to drop out. But she also says the overall mood of Nissan dealers is overwhelmingly positive. She cites the case of a retailer in Nissan's Western sales region who had put his store up for sale, but who now is backing away from an interested buyer because he believes Nissan is increasing in value as a franchise.

"The dealers who are with us will continue to get stronger," Wheeler said. "For the ones who say this just isn't for them -- here's an opportunity to sell your dealership and get a great price for it. The market for Nissan dealerships is very strong right now."

But that grow-or-go message is not helping Nissan endear itself to retailers, Roesner adds, nor making dealers comfortable with additional investment.

Asks Roesner: "Would you like that?"

You can reach Lindsay Chappell at lchappell@crain.com -- Follow Jamie on Twitter: <http://www.twitter.com/jlareauan>