The Economic Impact of Franchised New Vehicle Retailers on the New Jersey Economy

STUDY SPONSORED BY:

NEW JERSEY COALITION OF AUTOMOTIVE RETAILERS

Confidential 2012 report compiled from 2011 data

May 2012
Dealership Financial Summary - 2011

Average dealership sales: $53,900,000
Average dealership contributions to charitable causes: $24,000
Average dealership advertising expenses: $695,000
Number of vehicles serviced by average dealership: 20,200

Dealership Vehicle Sales Summary - 2011

Average dealership retail new vehicle sales: 825 units
Average dealership retail used vehicle sales: 710 units

Shown above is a summary of average dealership financial statistics and vehicle sales results during 2011.

During 2011, franchised new vehicle retailers in the State generated a total of over 53,000 jobs. Job creation by the industry increased 4.4% from 2010 to 2011.

New Jersey residents earned more than $2.6 billion as a result of automotive dealership operations in 2011, an increase of 9.5% versus 2010.

Average dealership payroll was $3.95 million, up from $3.61 million in 2010.

Dealerships collected or paid a total of $1.34 billion in state and local taxes in 2011, up 8.2% from 2010.

Franchised new vehicle retailers spent a total of over $354 million on advertising during 2011.

Franchised new vehicle retailers in the state had total sales of $27.48 billion in 2011, a 6.7% increase compared to 2010.

Collectively, dealers contributed over $12.2 million to charitable organizations in 2011.

Average dealership sales were $53.9 million in 2011, up from $50.5 million in 2010.

This report provides a summary of the significant impact that franchised automotive dealerships have on the New Jersey economy. As clearly illustrated, the automotive retailing industry is critically important to the health of the State’s economy. Although the number of dealerships have declined during the past several years, the franchised new vehicle retailer industry has re-grouped and is positioned to continue making a significant contribution to New Jersey’s economic recovery.

The report includes estimates of direct and indirect employment, personal income, and tax collections during 2011. Indirect impact accounts for the residual contribution resulting from dealership operations (frequently referred to as the “multiplier effect”). This report was prepared by Auto Outlook, Inc., an independent automotive market analysis firm, and is sponsored by the New Jersey Coalition of Automotive Retailers.

Contact information is on the back page.
A Message From The NJ CAR President

The Wall Street melt down and subsequent credit crisis; automaker bankruptcies and the federal bailout of GM and Chrysler; natural disasters in Japan…….suffice it to say it has been a challenging few years for the auto industry.

In January of 2007, when new car sales in New Jersey were running in excess of 500,000 units per year, we had 630 franchised new vehicle retailers doing business here. As of January 2012, just five years later, 20% of those dealers had been forced to close their doors. Thousands of good jobs were lost and commercial activity that breathed life into communities across the Garden State disappeared.

NJ CAR is happy to report that the auto retail sector is clawing its way back from an historic low point in 2009. The industry saw some modest gains in 2010 and that trend has continued in 2011. We’re hopeful that 2012 will be better, still, and that as sales increase dealers will begin to rehire and expand operations. It’s a slow climb back. But there are definite signs that the retail auto economy that is so important to the state and to local communities all across New Jersey is on the mend.

New car dealerships, like so many other businesses, have had to learn to do more with less. The recession forced many dealerships to streamline their operations. Dealers have learned to be profitable operating within the confines of this “new normal”. And the dealers that survived the economic downturn now find themselves in a strong position to compete and thrive in a reinvigorated market. Legislation designed to protect dealers from heavy-handed manufacture mandates that threaten their financial stability was enacted in 2011. These new laws will help slow the pace of dealership closures, the loss of jobs and promote competition.

Meanwhile, aging vehicles on the road and pent-up demand, combined with improved access to credit and improving consumer confidence, are fueling the industry as it leads the nation back to economic prosperity. While we don’t expect to return anytime soon to the glory days of 2007 – 2008, some analysts are already predicting the industry could return to a national sales rate of more than 16 million cars and light trucks as soon as 2014.

This report offers a snap shot of the industry today with hard data on employment, payroll, tax collections and industry sales in New Jersey. The report shows that New Jersey dealers enjoyed a sustained increase in business for the second straight year. Even with the tragedy in Japan in early 2011, which interrupted the supply chain for all automakers and impacted sales for at least six months for many manufacturers (and their retailers), 2011 numbers showed improvement over the early signs of recovery we reported in 2010.

All signs point to a very encouraging outlook for dealers in 2012 and beyond.

James B. Appleton
President
New Jersey Coalition of Automotive Retailers
Franchised new vehicle retailers in New Jersey employed a total of 34,612 individuals in 2011, with an additional 19,037 positions resulting from indirect economic impact. This total represented 12.1% of total retail employment in the state. Dealership employment (direct only) increased 4.4% from 2010 to 2011. Average dealership employment increased from 65 in 2010 to 68 in 2011.
The average franchised new vehicle retailer in New Jersey had payroll of $3,950,000 in 2011, up 9.4% from 2010. Payroll for the entire New Jersey automotive retailing industry was over $2.01 billion, with the total (including indirect impact) exceeding $2.6 billion.
Franchised new vehicle retailers collected or paid a total of $1.34 billion in State and local taxes during 2011, up more than 8% from 2010. State sales tax revenue exceeded $1.15 billion. Federal tax revenue generated by dealerships exceeded $589 million.
Franchised new vehicle retailers spent more than $354 million on advertising during 2011, up 6% from 2010. Internet advertising accounted for the largest percentage of dealership advertising (30%).
New retail registrations of cars and light trucks in New Jersey exceeded 500,000 units from 2000 thru 2005. Registrations declined to a 20-year low of 352,904 in 2009. The market recovery began in 2010, with registrations increasing to 398,955, a 13% improvement from 2010. Last year's total was 419,361, up 5.1% from 2010.
Dealership Sales

Franchised new vehicle retailers in New Jersey had total sales exceeding $27.4 billion during 2011. Average dealership sales approached $54 million, with the new vehicle department accounting for 55% of the total. Average dealership sales increased by nearly 6.7% from 2010 to 2011.

<table>
<thead>
<tr>
<th>Dealership Sales Summary - 2009 thru 2011</th>
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<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Average dealership sales</td>
</tr>
<tr>
<td>Total automotive retailing sales in NJ</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>% change '09 to '10</th>
</tr>
</thead>
<tbody>
<tr>
<td>$40,100,000</td>
<td>$50,500,000</td>
<td>$53,900,000</td>
<td>6.7%</td>
</tr>
<tr>
<td>$21,212,900,000</td>
<td>$25,755,000,000</td>
<td>$27,435,100,000</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Average Dealership Sales by Department [$]

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Graph showing average dealership sales by department for 2009, 2010, and 2011.
NJ CAR Member List

District 1
Avalon Honda
Burke Motors, Inc.
Gentilini Chevrolet
Gentilini Ford, Inc.
Kindle Ford Lincoln
Lilliston Chrysler Dodge Jeep
Lilliston Ford, Inc.
Perry-Egan Chevrolet, Inc.
Quality Lincoln Hyundai
RK Chevrolet Kia Subaru
Rossi Honda
Team Nissan
Toyota Scion of Vineland
Vann Dodge Chrysler Jeep
Cherry Hill Mitsubishi
Cherry Hill Nissan
Cherry Hill Volvo
Echelon Ford, Inc.
Elite Acura
Fiat of Maple Shade
Holman Ford Lincoln-Maple Shade
Holman Infiniti
Land Rover Cherry Hill
Mall Chevrolet, Inc.
Maple Shade Mazda
Mercedes-Benz of Cherry Hill
Subaru of Cherry Hill
Winner Ford

District 7
Barlow Chevrolet
BMW of Mount Laurel
Bob Maguire Chevrolet, Inc.
Burlington Chevrolet, Inc.
Burlington Kia
Burlington Volkswagen
Classic Chevrolet
Dodge Chrysler City
F.C. Kerbeck & Sons
Holman Cadillac
Holman Toyota Scion
Lexus of Cherry Hill
Liberty Toyota Scion
Lucas Ford
Mini of Mount Laurel
Willis Honda

District 8
Arena Buick Pontiac GMC
Burns Buick GMC Hyundai
Burns Honda
Classic Cars Nissan
Elkins Chevrolet
Hainesport Auto & Truck Center
Lucas Chevrolet
Lucas Chrysler Jeep Dodge
Medford Ford
Miller Ford
Miller Subaru

District 9
Acura of Ocean
Barlow Buick GMC-Manahawkin
Causeway Ford Lincoln Mercury
Causeway Honda
Causeway Nissan
Gold Coast Automotive, LLC
Land Rover Monmouth
Lester Glenn Hyundai
Manahawkin
Manahawkin Chrysler Dodge Jeep
Manahawkin Kia
Mini of Monmouth
Ray Catena Jaguar of Monmouth
Ray Catena Lexus of Monmouth
Sunsense Ford Lincoln
Sea Coast Chevrolet

District 10
Bob Ciasulli Auto Mall South
Circle Dodge, Inc.
Downs Ford
Gateway Toyota Scion
Lester Glenn Auto Group
Lester Glenn Buick GMC
Lester Glenn Chrysler Jeep
Lester Glenn Hyundai-Toms River
Lester Glenn Mazda Subaru
Pine Belt Automotive
Weisleder Ford Lincoln Mercury
Mazda

District 11
Buhrle Dodge Mitsubishi
Buhrle Ford
Buhrle Imports, Inc.
Circle Chevrolet Company
Circle Infiniti
Circle Motorsport, Inc.
DCI BMW of Freehold
DCI Freehold Nissan
DCI Freehold Toyota
DCI Kay Honda

Freehold Automotive Group
Freehold Buick GMC
Freehold Chrysler Jeep
Freehold Dodge, Inc.
Freehold Ford
Freehold Kia
Freehold Subaru
Galaxy Toyota
George Wall Ford Lincoln
Honda of Freehold
Irwin Lincoln Mercury Company
Maurice Schwartz & Sons, Inc.
Nissan World of Red Bank
Pine Belt Chevrolet of Eatontown
Pine Belt Chevrolet of Freehold
Rassas Buick, Inc.
Ray Catena Lexus of Freehold
Red Bank Volvo, Inc.
Sunsense Jr’s 66 Auto Mall
Schneider + Nelson Motor Cars
Schneider + Nelson, Inc.
Sea View Auto Corp.
Shrewsbury Motors
Volkswagen of Freehold
World Jeep Chrysler
World Subaru
World Volkswagen

District 12
All American Ford Subaru of Old Bridge
DCH Academy Honda
Hunter Jersey Peterbilt-Clarksburg
Oasis Chevrolet

District 13
All American Chevrolet, Inc.
Buhrle Chrysler Jeep Dodge
Contemporary Motor Cars, Inc.
Pine Belt of Keyport
Straub Motors, Inc.
Tom’s Ford
Werner’s Automotive, Inc.

District 14
Haldeman Ford of Hightstown
Haldeman Nissan
Hamilton Honda
Hamilton Mazda Volkswagen, Inc.
Perrine Buick GMC
Princeton BMW
Windsor Nissan

District 15
Coleman Auto Group, Inc.
Coleman Buick GMC Cadillac
Davis Hyundai
Greenfield Dodge Chrysler Jeep
Haldeman Ford
Lawrence Lexus
Lawrence Toyota Scion
Lawrenceville Ford Lincoln

District 16
Acme Motors
Baker Chrysler Jeep Dodge, Inc.
Brady Benson Mitsubishi Hyundai
Bridgewater Volvo
Daytona Toyota
DiTrinchio Fleming Ford
Lincoln
Fiatt of Somerville
Flemington BMW
Flemington Buick Chevrolet
Flemington Dodge Chrysler Jeep
Flemington Hyundai
Flemington Infiniti
Flemington Mazda
Flemington Nissan
Flemington Porsche Audi VW
Flemington Subaru
Fullerton Chrysler Jeep Dodge
Fullerton Ford
Honda of Princeton
James Kia
James Toyota Scion
Land Rover Princeton
Mercedes-Benz of Flemington
Open Road Volkswagen of Bridgewater
Princeton Audi
Princeton Mini
Princeton Volkswagen
Somerset Nissan

District 17
DCH Brunswick Toyota
Gateway Kia of North Brunswick
Malouf Buick-GMC, Inc.
Malouf Chevrolet-Cadillac, Inc.
Malouf Ford-Lincoln, Inc.
Raritan Valley Truck Sales
Somerset Subaru

District 18
Bell Audi
Cambria Mack
Campbell Freighliners
Edison Nissan
Ferrari Maserati of Central NJ
Lexus of Edison
Open Road BMW of Edison
Open Road Honda
Open Road Mazda
Ray Catena Aston Martin
Ray Catena Infiniti
Ray Catena Jaguar of Edison
Ray Catena Motor Car
Revold Volkswagen, Inc.
Route 18 Chrysler Jeep Dodge
Ram
Ryan’s Open Road Acura
Smart Center Edison
Volvo of Edison

District 19
All Star Mitsubishi
Bell Ford
Loman Kia
McGuire Cadillac
Miller Buick GMC Corp.
| District 20 | Linden Volkswagen Maplecrest of Union Maxon Hyundai Mazda Multi Chevrolet Multi Subaru Planet Honda Ray Catena of Union Route 22 Honda Route 22 Kia Route 22 Nissan Route 22 Toyota Union Pontiac GMC Buick, Inc. Union Volkswagen |
| District 22 | Bell Mitsubishi Crystal Motors Global Auto Mall Green Brook Buick GMC Liccardi Chrysler Dodge North Plainfield Nissan Suzuki of Green Brook VIP Honda |
| District 23 | Autosport Honda Bill Vince's Bridgewater Acura BMW of Bridgewater Callaremi Cadillac Buick GMC Clinton Acura Clinton Honda Hackettstown Hyundai Johnson Dodge Chrysler Kemper Kia Lexus of Bridgewater Motion Kia Muller Hyundai LLC Muller Toyota, Inc. Opydke's Sales & Service Open Road of Bridgewater Phillipsburg-Easton Honda, Inc. Ray Catena Infiniti of Bridgewater Rossi Chevrolet Pontiac Buick GMC, Inc. Royal Chevrolet Smith Motor Company, Inc. Subaru 46 |
| District 24 | Royal Cadillac Corp. Wigder Chevrolet, Inc. Audi Newton Franklin Sussex Auto Mall, Inc. Franklin Sussex Hyundai Hoover Truck Center Intercar Mercedes-Benz Kevil Chevrolet Lynnes Nissan West Magarino Ford McGuire Chevrolet Cadillac Newton Kia Open Road of Newton Royal Buick GMC, Inc. Subaru World of Newton Sussex Imports Toyota World of Newton Volkswagen of Newton |
| District 28 | DCH BMW of Bloomfield Lynnes Hyundai Lynnes Nissan Lynnes Subaru Nutley Auto, LLC |
| District 29 | Coast Honda Colonial Auto Mall, Inc. Garden State Volvo Honda Universe Jim Curley Buick GMC Kia Larson Ford, Inc. Pine Belt Chevrolet of Lakewood Pine Belt Chrysler Jeep Pine Belt Subaru Sea Breeze Ford T & T Coast Buick Pontiac GMC Toyota Scion World of Lakewood |
| District 30 | Audi Meadowlands Beyer Bros. Corp. Hudson County Motors Hudson Honda McGuire Buick Pontiac GMC Meadowland Ford Truck Sales |
| District 31 | Crane Chevrolet Fette Ford, Inc. Fette Infiniti Garden State Honda-Clifton Gensinger Motors, Inc. Liberty Motorcars, Inc. |
| District 32 | 46 Mitsubishi Brogan Cadillac Company Nissan 46 |
| District 33 | Bellavia Chevrolet Buick East Coast Toyota Scion Frank's Truck Center, Inc. MTC Kenworth Quality Auto Mall Scheeler UD Trucks Teterboro Chrysler Jeep Three County Volkswagen Corp. |
| District 34 | All American Ford, Inc. Benzel-Busch Motor Car Corp. BMW of Tenafly D & C Honda of Tenafly East Coast Automotive, Inc. Englewood Auto Group Englewood Cadillac Englewood Volvo Ford of Englewood, Inc. Hackensack Chevrolet LLC Hackensack Nissan Infiniti of Englewood Lexus of Englewood Parkway Toyota Smart Center Englewood Tenafly Kia Town Motors Toyota of Hackensack |
Dealership financial data (and other information cited in this report) was collected from information reported by New Jersey franchised new vehicle retailers in 2011. The information was sufficiently detailed to allow the formation of a statistically reliable data base for financial and operational indicators.

The economic impact of the industry is separated into two main categories: direct and indirect. Direct impact comprises economic activity at automotive dealerships themselves. Indirect impact occurs away from the dealership proper, and takes into account the extended contribution dealerships make to the state’s economy.

The indirect economic impact of automotive retailers was estimated by Auto Outlook, Inc. Estimates were based on previous impact studies that relied upon regional economic computer models. Indirect estimates in this report are intentionally conservative, and therefore, may underestimate the overall contribution automotive retailers make to the New Jersey economy.

Auto Outlook, Inc. is a regional automotive market analysis firm providing market research services to automotive dealers.

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