The Future of the Lincoln and Mercury Brands

By: John Pico and Joshua Pico

Some say that the only difference between a Mercury franchise and the Titanic is the Titanic had a band. Can it be saved? The odds are against it. Doctors say that if you are dead for 10 minutes, you probably will not come back. Mercury has been gone for 10 years.

In 1997 there were roughly 437,000 Mercurys, 315,000 Plymouths and 304,000 Oldsmobiles sold.

In 1999, Plymouth dropped to 246,000 units and Chrysler announced its demise. By 2000, Oldsmobile dropped to 289,000 units and General Motors announced its demise.

In 2002, Mercury dropped to 263,000 units; by 2004 it dropped to below 200,000 units; and last year Mercury hit a 10-year low at 180,848.

Is Mercury saleable franchise? Probably only with the Lincoln franchise, and then only to a Ford dealer that thinks he or she can increase parts and service gross by having it. But, in the last several years, even Ford dealers have not sought it.

Insofar as the marketability of the franchise itself, no one is seeking the listing, much less the franchise. John Pico sold his first Lincoln-Mercury dealership in 1976. In 1970s John Eagle was selling 450 new vehicles per month. At the end of 2006 when Mr. Eagle sold his franchises to Park Cities Ford he was selling 65 new units per month, and most of those were Lincolns.

Ford Motor Company does not have the money the money to develop new product for all of its divisions. It had to hock itself to replenish working capital and that capital can not be wasted trying to save a division when the company itself needs to be saved.

Alan Mulally is a smart guy and you have to think he is going to bet on the future and not the past. He will use the past to build upon, like changing the names of some product to old names that people trust, but pouring money into a dead franchise is something else – the odds of success are not so good. The last time someone had a successful comeback like that they put a story in the bible about it. It was called it “Lazarus”.

Sometimes in life one has to take a step backward before he can take two forward.

General Motors did that with Cadillac and now that brand is getting strong. Last year Cadillac sold 227,014 units, while Acura sold 201,223 and Infiniti only 121.146.

Except for DaimlerChrysler, the major brands all have luxury lines. General Motors has Cadillac; Toyota has Lexus; Honda has Acura; Nissan has Infiniti, and so forth.

Believe it or not, I see stand-alone Lincoln-Mercury dealers getting stronger when some of their neighbors merge the franchise with the Ford dealership. Lincoln customers, like other luxury customers, like to feel special and they don’t get that feeling at Ford stores. When a Ford and Lincoln store merge, a good number of customers go to the nearest stand alone Lincoln dealership.

Classic Lincoln-Mercury in Denton, for example, has experienced a 38% increase in across-the-board business (service and sales) since the neighboring Lincoln-Mercury point dualed with Ford.

In summation, the people who now buy Mercurys, would buy Fords if the Mercury division were terminated. That is not the case with Lincoln buyers. Those customers would be lost to other luxury brands. Because of those facts, the faster Ford can get new product for Lincoln and then terminate Mercury, the better it would be for both Ford and Lincoln dealers. Ford dealership sales would increase by picking-up the old Mercury buyers (180,846 in 2006) and Lincoln would be able to better compete with the other luxury lines.

The luxury market is increasing and if Ford decides to commit to it, I can see Lincoln outselling Infiniti and Acura. Infiniti only beat Lincoln by about 1,000 units last year and, as mentioned above, Cadillac is already outselling Acura.

John Pico is the managing partner of Advising Automobile Dealers LLC. Mr. Pico served as a court appointed "Consultant to Debtor" in bankruptcy cases, a "Court Appointed Mediator" in automotive disputes, the "Court Appointed Arbitrator / Appraiser" in partnership disputes, a "Court Approved Consultant to Receiver" in a check-kiting case, as a "Superior Court Mediator" in dealership/lender litigation and has been recognized as an expert witness on both State and Federal levels.

He has consulted on upside-down positions of over $50 Million, out of trust position of over $4 Million and a bank overdraft of $30 Million. Since 1972, Mr. Pico has completed over 1,000 automobile dealership transactions, whose combined values exceed One Billion Dollars. In 1986, he authored and National Legal Publishing Company published the nation's first book on Buying and Selling Automobile Dealerships. You can view his biography at http://www.advisingdealers.com

Joshua J. Pico, who both researched and co-authored this article is a graduate of Johns Hopkins University, has worked on both domestic and import dealership sales.