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From left, Callari Auto Group's director of operations Charles Napolitano, President Paula Callari and Rey Giallongo, president of First County Bank.

The double-clutch recovery

Dealers seek traction to sustain sales gains

BY ALEXANDER SOULE

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With loans that financed her renovated showroom at BMW of Darien still relatively fresh – and the ink still fresh on the blueprint for yet another location – it was with relief that company President Paula Callari got the June numbers that showed accelerating sales at her dealerships.

Now her Callari Auto Group salespeople need to keep the pedal to the metal for the remainder of the year and into 2011 – even, as reports were mixed on the current

state and outlook for the auto industry.

After new auto registrations in Connecticut zoomed up by double-digit percentages in May and June from their levels a year earlier, registrations slowed down in July as economists continued raising the specter of a “double dip” recession.

The Connecticut data was corroborated at least in part by the Federal Reserve Bank of New York’s “beige book” survey heading into August, in which auto dealers throughout the tri-state region reported that sales had tapered off in recent weeks – though the consensus was

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that sales still remain ahead of their 2009 levels.

In its own report, however, J.D. Power & Associates said July may have been the best month for the industry nationally since August 2009 when the federal “cash for clunkers” program was in full force, though sales appeared to soften as the month progressed.

Even as Connecticut auto dealers ready for the jolt expected by the arrival of General Motors Corp.’s Chevy Volt electric vehicle this November – with an expected sticker of \$41,000 – BMW AG is readying its own rollout of the new BMW 5-series, sleek though still gas powered.

The Munich, Germany-based company saw sales increase 13 percent in the quarter as profits soared sixfold, attributing the results to a weaker euro; demand in the United States and China; interest in new vehicles; and streamlined operations.

For her part, Callari does not expect to get a good update on the market outlook until the fall, due to the tendency of some car shoppers to put things on hold while they head off on August vacations, then ready their kids for the coming school year.

In addition to BMW of Darien, Callari also owns Volvo of Westport and Mini of Fairfield County in Stamford – with the Mini dealership to be consolidated in Darien once construction is complete

on a new building at the site of a former Cookhouse restaurant on the Post Road.

Suffice to say, the recession did not come at an opportune time.

“We had just finished construction when it hit,” said Callari. “We were thinking we would pay the loans off in two years.”

Rey Giallongo, president of First County Bank, said Callari Auto Group is one of only a few dealers in the Stamford-based bank’s commercial loan portfolio. Since banks have pulled out of so-called “floor financing” that is now done primarily by auto manufacturers, banks primarily focus on expansion financing such as the loans his company has with Callari Auto Group.

On the consumer financing front, Callari said that the recession has also produced a noticeable shift in the ratio of lease deals and outright purchases, in part due to concerns by some manufacturers on how to handle inventories of vehicles they must absorb at the conclusion of lease terms.

At Greenwich Honda at 289 Mason St. in Greenwich, however, new car sales manager Norm Frenette said that for a lot of customers, “leasing makes sense.” About 60 percent of the dealership’s business is in leased vehicles. Incorporating both sales and leases, Greenwich Honda moved 30 more vehicles in July 2010 than it did in July 2009, with Frenette confirming on a recent busy Monday morning: “Business is definitely up.”

Bill Fallon contributed to this report.