



Weekly Car Dealers Newsletter

June 28, 2011

This information that follows is taken from sources including *The Carconnection*, *Autoweek*, and other industry sources.

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[FORD PLANS TO BUFF UP LINCOLN BRAND](#)

Ford Motor Co. is spending \$1 billion in its effort to develop a new generation of vehicles for its struggling Lincoln brand, according to dealers who were briefed by the company. Ford is working on seven all-new or significantly upgraded vehicles that Lincoln will roll out over the next four years. The auto maker sees the effort as the "last chance" for Lincoln to re-establish itself as a leading competitor in the luxury-car segment, said Mark Fields, Ford's president of the Americas, during a presentation two weeks ago, according to three dealers who attended the invitation-only event. *Source: [The Wall Street Journal](#)*

[GM'S CHEAPEST GETS PRICIER](#)

General Motors Co. is making a big bet on its smallest car, pricing the subcompact Chevrolet Sonic at a level comparable to well-established imports. Some dealers think the strategy can work. Cost and fuel economy are typically the top priorities for Aveo

buyers, said Mark Maybee, sales manager at Spitzer Chevrolet in Lordstown, Ohio. But he believes even deal seekers are willing to pay more for a better car. "Customers are starting to realize that they can get a better car," he said. Source: [The Wall Street Journal](#)

HYBRID CAR SALES STAGNATE AS BUYERS OPT FOR FUEL-THRIFTY COMPACTS

Despite months of high gas prices, a bevy of new fuel-stingy cars with conventional gas engines may be eating into sales of pricier gas-electric hybrids. Ford dealer Annette Sykora of Smith South Plains in rural Levelland, Texas, says hybrids have seen huge demand, but the new crop of high-mpg sedans like Focus now has caught buyers' eyes. "Our customers are thrilled," she says. A study by consultants AutoPacific found interest in buying a hybrid — or even conventional compacts — didn't soar with the increase in gas prices this year the way it did when prices shot up to a peak past \$4 in July 2008. Source: [USA Today](#)

SURVEY SAYS CAR DEALERSHIP PROFESSIONALISM TRUMPS PRICE

Customer treatment often trumps price at car dealerships, a new study says. Dealership behavior matters a lot in determining if a shopper accepts a particular deal, according to data from CarWoo.com, an automotive marketplace website. Behavioral data also indicate price is not what drives buyers' opinions expressed in online reviews of their dealership experience. In giving 5-star reviews, highly satisfied buyers ranked dealer professionalism as the most important factor 47% of the time and price only 14%. Source: [WardsAuto.com](#)

TOYOTA TO OFFER BIGGER PRIUS IN U.S. IN THE FALL

Toyota Motor Corp. will roll out the hybrid Prius' big brother this fall in the U.S. market. The Prius v is targeted at young families, with the "v" representing the versatility of increased interior room and cargo space. The Japanese automaker hopes to begin selling the vehicle in the U.S. in October, said Ed La Rocque, Toyota's U.S. marketing manager for advanced technology vehicles. U.S. sales of Prius vehicles could eventually rival those of Toyota's high-volume Camry and Corolla cars, La Rocque said at an event outside Detroit. Source: [Reuters](#)

[GM TO CLOSE US PICKUP PLANTS FOR 2 WEEKS IN JULY](#)

General Motors Co. plans to close two U.S. pickup truck plants for two weeks in July at a time when pickup sales are starting to wane and trucks are stacking up on dealer lots. Aaron Bragman, an analyst for consulting firm IHS Automotive, said the shutdowns, scheduled for the weeks of July 4 and 11, are clearly designed to reduce inventory. "It's the right thing to do, and it's what they should have done for years, adjusting production to meet demand," he said.

Source: [The Associated Press](#)

SPEED UP YOUR WORK WITH FERRARI OFFICE CHAIRS

If you're looking for a late Father's Day gift, or maybe just a present for the CEO who has everything, a selection of exclusive Ferrari office chairs can be purchased from www.racechairs.com.

The rolling, adjustable office chairs look the part, and they should, considering that they were removed from real exotics. Prices for the licensed Prancing Horse chairs start at about \$5,000, with the Ferrari 16M model coming in at the sale price of \$12,999.



Materials range from leather to suede and Alcantara, while the color choices are what you would normally find in the brand. Think brown, black, red and gray.

The chairs are height- and incline-adjustable and use shift knobs for levers. They look comfortable, and the press info says the chairs will make you forget you've been sitting in an office chair for 10 hours. We don't know about that, but it would certainly make for a cool office piece.

RaceChairs also sells a carbon-fiber wine-bottle holder for \$150. The C-shaped piece would work well in an office or kitchen, or in a car-themed garage. Authentic gas caps, umbrellas, tires and other autographed memorabilia are also for sale.

Just remember, close the office door when making the *vroom, vroom sounds* Source: Autoweek.com

GM SEEKS TO WOO SATURN, PONTIAC OWNERS

Automaker struggles to retain buyers loyal to defunct brands

Nearly two-thirds of Pontiac owners and almost three-fourths of Saturn drivers defected from General Motors Co. to other automakers when they bought new vehicles last year. The Detroit automaker jettisoned Pontiac, Saturn and Hummer as part of its bankruptcy restructuring in 2009, but hoped to keep most of the buyers of those brands in the GM family. GM "knew by cutting these brands they were going to lose market share and they have" in some areas, said analyst Jesse Toprak of online data firm TrueCar.com in Irvine, Calif. "But higher sales numbers doesn't always equal profits," said Toprak, adding that GM will be better off in the long run by making its four surviving brands more profitable. And so far, they've done well here with those brands, in turn, acquiring customers from rival automakers, Toprak said. Market share for the company overall is up for the year.

The Detroit automaker is wooing owners of its defunct brands in hopes they will transfer their loyalty to Chevy, Buick, GMC or Cadillac when they buy a new vehicle. There are about 3 million Pontiacs, Saturns and Hummers on U.S. roads. But GM faces a tough battle in the competitive automotive industry, where customers lured from competitors are called conquests — converts who are considered critical to helping automakers gain and preserve market share.

While GM reports some success — Chevrolet, for example, is a top choice for many Pontiac and Saturn owners — a majority of those customers are defecting to rival brands, including Honda, Toyota and Nissan. In 2010, GM retained 36 percent of Pontiac owners who bought new vehicles, as well as 26 percent of Saturn and 39 percent from Hummer, according to California-based research firm J.D. Power & Associates. That's far below the 55 percent retention rate for GM's Chevrolet brand, as well as under the industry average of 48 percent.

To keep these customers from straying, the automaker has worked to connect them with alternate GM dealers for their service needs and regularly keeps in touch with special promotions, said Julie Heisel, GM's director of customer lifecycle management. The automaker has rolled out one-year free maintenance offers and invited customers to test drive new GM cars and trucks. "The size of owner base is very important to us," Heisel said. "And we want to do everything possible to retain these owners." In March 2010, GM began offering Pontiac, Saturn and Hummer owners \$1,000 off a new GM vehicle — a deal still in place today. GM extended the \$1,000 offer to all current GM customers in January and February, hoping to keep them loyal. Analysts and investors, at the time, criticized GM for the move, which they viewed as falling back into the old habit of pushing sales numbers over profits. The discounts, they said, also contributed to flat North

American earnings for the first quarter of this year, compared with the first three months of 2010.

GM has since dropped many discounts to keep incentive spending in line with the rest of the industry.

'Abandoned' owners courted

Dealers, too, are offering additional perks and incentives to hold onto Saturn, Pontiac and Hummer owners. Sam Slaughter, owner of Sellers Buick GMC in Farmington Hills, has invited these customers for meet-and-greets with his dealership employees, offered them free oil changes and, at times, discounted specific new GM cars, such as the Buick LaCrosse or GMC Terrain. "We're aware they're feeling a little bit abandoned," said Slaughter, whose dealership used to sell Pontiacs and is now authorized to service Saturns. "Not only did their manufacturer go away but so did their dealer."

Dolph Lohwasser, 61, a semiretired engineer from West Bloomfield, now takes his Saturn to Sellers. He says not much has changed and the dealer is doing a good job of keeping up Saturn's "no pressure approach." "I'm sure they've lost some people for good, but they're trying to make the best of it," Lohwasser said, adding that Sellers keeps in touch through mailings and emails, but no personal calls. He has taken up the dealer on free oil changes and is eyeing a new Buick Regal as his next car. "I value (the dealer) experience. That's the most important, no matter what car I purchase," he said.

GM and its dealers will need to keep up their efforts to save Pontiac, Saturn and Hummer buyers because many of them haven't yet wanted or needed to buy a new vehicle; the average vehicle in the United States is more than 10 years old.

Defunct brands left 'holes'

For some brand loyalists, however, returning to GM is a tough sell. "The truth of the matter is they didn't have many options for people to stay in the GM family," said Steve Witten, an analyst with J.D. Power & Associates. Saturn, Pontiac and Hummer had distinct brand images and filled a sizable niche in GM's portfolio not served by other parts of its lineup, Whitten added. For example, in 2007, GM sold more than 650,000 vehicles from the Saturn, Pontiac and Hummer brands before the bottom fell out of the U.S. market, according to Autodata Corp., which collects sales figures. "Now, there are holes," Whitten said. Saturn owners, in particular, are the most inclined to stray. The brand, established as a competitor to the Japanese automakers, sold itself as a counterpoint to the mainstream, and many Saturn loyalists latched on to that image, he said. "When they decided to pull the plug on it, there wasn't really another GM brand similar enough from

an image standpoint," Whitten said. About a third of Saturn customers bought models produced by Toyota, Honda and Ford, according to J.D. Power & Associates.

Some former Saturn dealers have left the GM fold, taking their customers with them.

John Java, a dealer in Lake Charles, La., used to sell Saturns but switched to the South Korean brand Kia in 2009, after becoming disillusioned with GM for killing off the brand.

"The Kia product was very similar to what Saturn was trying to accomplish," Java said.

"I would say the majority of people who had Saturns were very unhappy they got left holding the bag on this one. A lot of them took a hit on the value of their cars and that turned them off to Saturn and GM."

GM's Heisel said the Detroit automaker has learned from the experience.

"We work with them to identify what they loved so much (about Saturn) and how do we replicate that with our dealerships," she said.

Ford holds Mercury owners

So far, according to J.D. Power and Associates, Ford Motor Co. has done slightly better at holding on to its Mercury customers, last year retaining about 46 percent of them.

Ford spokesman Christian Bokich said the Dearborn company, which killed the Mercury brand last year, keeps a close eye on those owners, but declined to discuss incentives. Many Mercury owners, he said, are now taking notice of Ford's lineup because the price difference is smaller than the difference between Mercury and Lincoln, Ford's luxury brand. Of those leaving Ford, Toyota and Honda are the biggest beneficiaries, seizing about 14 percent and 8 percent, respectively, according to J.D. Power.

Analyst Whitten said Ford has done better than GM because it had the opposite problem. Instead of having brands that were too unique, "Mercury was too similar to its other brands," he said. "They're going to have a lot easier time keeping those people loyal."

Source The Detroit News

[NISSAN WANTS 10% U.S. MARKET SHARE WITHIN 3 YEARS: CEO](#)

Nissan Motor Co wants a 10 percent share of the U.S. auto market within three years, the company's head said on Thursday. Chief Executive Carlos Ghosn also told a small group of reporters that he expects to conclude Nissan's and Renault's deal to raise their stake in Russian carmaker AvtoVAZ by the end of this year. Nissan on Thursday forecast a better-than-expected 14.4 percent fall in annual operating profit, defying a quake-induced setback in the past few months and projecting another year of record sales.

Source: [Reuters](#)

VEHICLE QUALITY TRIPS OVER EFFORTS TO ADD FUEL ECONOMY, MULTI-MEDIA

Efforts by U.S. auto makers to improve fuel economy and give technology-hungry consumers more multimedia has led to a decline in the initial quality of newly launched vehicles, consultant J.D. Power & Associates says in an annual study. The good news is overall initial quality improved again this year, with problems per 100 vehicles dropping to 107 from 109 in 2010. The consultancy says 73,790 surveys were returned on 32 brands and 202 models. New models were the car companies' Achilles heel this year, with initial quality falling 10% to 122 PP100 from 111 in 2010. Blame efforts to dial up fuel economy through software tweaks to engines and transmissions and the acceleration of multi-media technology offerings such as hands-free and voice-activation systems. *Source:* WardsAuto.com
