



## *Weekly Car Dealers Newsletter*

August 23, 2010

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

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### **CHRYSLER DEALER MEETING: METAL DETECTORS, BAN ON ELECTRONICS**

In September, Chrysler Group will be laying down the law when it comes to a big dealer meeting taking place in Orlando. The organization is preparing to share plans for future models and dealers have been told to leave all cell phones, video equipment and cameras in their hotel rooms. Metal detectors will also be used at the show's entrance for a little extra security. Chrysler is being cautious because Chief Executive Officer Sergio Marchionne is providing a deep breakdown of the vehicles dealers should expect to see coming to their lots over the next six to eight months. Ever since Marchionne's arrival last year, Chrysler has been almost mum about the new models it is working on. Dealers have been anticipating the Orlando meeting for more than a year, given the fact that it will be the first time Marchionne will address the full dealer network since he took over the reins of the third-largest U.S.-based auto maker following its filing for bankruptcy protection. All of the company's 2,315 U.S. dealers are invited to attend the show. Some are miffed over the cost to attend, however. Chrysler is charging dealers \$900 each to attend the meeting, an unusual move. In the past, dealers were accustomed to attending lavish gatherings, often featuring top musical acts and big-name entertainers, all paid for by the car makers. *Source: The Wall Street Journal*

## **FORD, GM BRANDS TOP CUSTOMER SATISFACTION**

One year after chaos engulfed the U.S. auto industry, American consumers say cars built by Ford Motor Co. and General Motors Co. are the tops when it comes to vehicle satisfaction.

Ford's Lincoln-Mercury and GM's Buick brands took the No. 1 and No. 2 spots, respectively, in the American Customer Satisfaction Index released Tuesday. Lincoln-Mercury had an 89% customer satisfaction average while Buick was 88%. This was the first time U.S. auto makers have held the two top spots in the survey. BMW, Cadillac and Mercedes-Benz all finished together with an 86% average. "It was not long ago when Detroit's products were clustered at the bottom of the industry," said Claes Fornell, founder of the ACSI. "Although very few automakers improved this year, the domestic ones are either steady or have lost less in customer satisfaction compared to international competition."

The results are a boost to two of Detroit's Big Three auto makers. Both Ford and GM have endured their own challenges during the past year as consumer demand remains sluggish. GM took the hardest hit when it filed for bankruptcy last year. Ford is also planning to dissolve its Mercury brand by the end of the year. Chrysler Group LLC, the smallest of the Detroit auto makers which also filed for bankruptcy and merged with Fiat SpA, didn't fare as well. Its Jeep brand finished in last place and its Dodge nameplate was second to last. The Chrysler brand finished 15th out of the 19 ranked brands. Nissan Motor Co. showed the biggest customer improvement with a 5.1% improvement over the prior year. "Although the near future looks promising for General Motors and Ford, at least in a competitive sense, the near term for the economy does not look bright," Fornell said. "Labor markets show no sign of improvement, financial markets are edgy and consumers are cautious at a time when more household spending would be desirable."

The survey breakdown has Lincoln-Mercury at 89%; Buick with 88%; BMW, Cadillac and Mercedes-Benz at 86%; Lexus with 85%; GMC, Honda and Toyota at 84% and Ford, Hyundai and Nissan at 82%. Volkswagen had 81% followed with Chevrolet, Chrysler, Kia, Mazda with 80%. Dodge had 78% and Jeep was 77%.

ACSI's data are collected via phone interviews with respondents age 18 to 84. Each company's score represents an aggregate of 250 individual phone interviews. ACSI reports scores on a zero to 100 scale at the national level. It also produces indexes for 10 economic sectors, 45 industries, and more than 225 companies and federal or local government agencies *Source: The Wall Street Journal*

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### **G.M. TO DEVELOP SMALL ENGINES WITH CHINA PARTNER**

SHANGHAI — Deepening cooperation with one of its major partners in China, General Motors said Wednesday that it planned to jointly develop small, fuel-efficient engines and advanced transmissions here with S.A.I.C. Motor Corp. The agreement is part of the American automaker's plan to create more environmentally friendly technologies and expand its range of offerings in China's fast-growing auto market, which has overtaken the United States as the world's largest. S.A.I.C. is one of China's biggest auto makers and has a joint venture with Volkswagen as well. G.M. and S.A.I.C. have already agreed to make small cars and commercial vehicles together in India. And the decision to jointly develop engines with S.A.I.C. should help solidify G.M.'s ties to the Chinese government, which controls S.A.I.C. — perhaps giving G.M. an edge in China. Source: *The New York Times*

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### **VOLVO TO SHARPEN BRAND POSITIONING**

BEIJING — Volvo Cars will have to upgrade its image to more clearly define its brand, said Stefan Jacoby, the new chief executive of the Swedish auto maker, which was recently acquired by China's Zhejiang Geely Holding Group Co. Creating bigger and more luxurious cars is one direction Geely Chairman Li Shufu, who also recently became chairman of Volvo Cars, has suggested in the past, as part of an effort to revitalize Volvo. Mr. Jacoby said he "totally agrees with Chairman Li that we have to further upscale the Volvo brand." In transforming Volvo into a more luxurious brand, Mr. Jacoby said he doesn't aim to imitate others in defining the brand. "One thing that's crystal clear is that we will not copy ... BMW or any other premium competitors," he said. "We will define our own positioning for a premium brand." Source: *The Wall Street Journal*

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### **MAZDA TO RECALL 500,000 CARS FOR POWER-STEERING FLAW**

Mazda Motor Corp expects to recall more than half a million vehicles worldwide due to power-steering flaws, a company spokesman said, its largest recall ever as Japanese carmakers come under rising scrutiny for quality problems. The automaker has filed applications with local authorities to recall 215,000 vehicles in the United States and more than 10,000 in China, and now plans to broaden the net to include major export markets such as Europe and Australia, the spokesman said, confirming a domestic media report. The recalls, estimated at 514,000 vehicles, target the Axela and the Premacy, known in some markets as the Mazda3 and the Mazda5, manufactured in Japan from 2007 to 2008. The vehicles could experience a sudden loss of power steering, increasing the risk of a crash Source: *Reuters*

### **VW TO BRING BACK \$85,000 PHAETON TO U.S. AFTER FLOP**

Volkswagen AG plans to bring back the \$85,000 Phaeton to the U.S., where the sedan flopped and was withdrawn in 2006, as part of the German carmaker's aim of tripling its share of the world's second-largest market by 2018. "We have our eyes firmly set on the U.S. market," Juergen Borrmann, director of Volkswagen's plant in Dresden, Germany, where the Phaeton is built, said in an interview. The model will be completely redesigned and retooled before VW begins selling the high-end sedan in the U.S. again, he said. Volkswagen this year is introducing an updated Phaeton, which has new front and rear sections, an interior upgrade and a wider selection of engines, as part of the model's first overhaul since 2007. VW, Europe's biggest carmaker, plans to reintroduce the Phaeton in the U.S. when the next generation of the model comes to market, Borrmann said in the Aug. 17 interview, declining to give a timeframe. *Source: Bloomberg*

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### **J.D. POWER LOWERS U.S. AUTO SALES FORECASTS**

J.D. Power and Associates cut its U.S. auto sales forecasts for the remainder of 2010 and 2011 as it expects a slow economic recovery, the consultancy said on Thursday. The lower forecasts came amid deepening concern about a double-dip U.S. recession. They also came a day after General Motors Co filed for an IPO and said the chance of weaker auto sales was a major risk for the company's success. J.D. Power cut its 2011 sales forecast to 13.2 million light vehicles, from a previous forecast of 13.7 million. Cautious consumer spending, due in part to persistent high unemployment, is a key reason for lower forecasts, said Jeff Schuster, director of forecasting for J.D. Power. "While a sharper uptick in vehicle sales was previously expected for 2011, the reality of a prolonged recovery has driven a reduction in the forecast," he said *Source: Reuters*

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