



Weekly Car Dealers Newsletter

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This information that follows is taken from sources including *The Carconnection*, *Autoweek*, and other industry sources. For more information please call our Edmonton office.

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POWER: YOUNGER BUYERS AVOIDING DOMESTICS
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POWER: YOUNGER BUYERS AVOIDING DOMESTICS A new study from J.D. Power & Associates offers some new insight into the steep cost American carmakers are paying for what is seen a sluggish response to rising fuel prices. The new Power study also underscored the importance of perception in consumer attitudes toward various vehicles and brands. While older buyers who purchase domestic vehicles are more likely to avoid certain models because they are imports, younger consumers who purchase import vehicles are more likely to avoid models because they are of domestic origin, according to the J.D. Power and Associates 2007 Avoider Study. Among import buyers for example, the younger the person is, the more likely they are to avoid models because they are of domestic origin, the study found. The study was based on responses from more than 35,000 owners who registered a new vehicle in May 2007, and it examines the reasons consumers fail to consider particular models when shopping for a new vehicle. The survey also found that buyers aren't particularly impressed with vehicles described as "environmentally friendly" but they do want vehicles with good fuel economy. Gas mileage is the most frequently mentioned reason for purchasing a vehicle, while it remains the seventh most frequently cited reason for avoiding a particular vehicle model, the study found. Buyers tend to avoid non-premium brands more often due to poor gas mileage, compared with premium makes. Customer perceptions of poor gas mileage, rather than actual data regarding fuel economy performance, may influence these avoidance decisions, the study indicated. A greater proportion of the import buyers also mention poor gas mileage as a reason for avoiding domestic models. In addition, younger buyers "are more apt to indicate gas mileage as a reason for purchasing, compared with their older counterparts," the study said.

The data from J.D. Power already seems to have had influence on domestic carmakers, who cannot afford to alienate the younger generation of car buyers. General Motors recently announced that it is putting more effort behind selling the Chevrolet brand as a leader in fuel efficiency, and both Ford and Chrysler have stepped up efforts to sell the fuel efficiency of their vehicles. However, domestic manufacturers are still haunted by past reputations for shoddy quality, despite the all-out and to a large degree successful, efforts by GM, Ford, and Chrysler

to improve, the study found. "Many buyers continue to have unfavorable impressions of domestic models due to concerns about quality, reliability and depreciation issues, even though the quality of many of these domestic products is on par with or exceeds that of their import counterparts," said Jon Osborn, research director at J.D. Power and Associates. "Domestic manufacturers need to get this message out in front of younger buyers and convince them to put their models on their shopping list." "As an example, the HUMMER H3 is the most-avoided model in its segment, with 21 percent of buyers saying that they would not consider buying this model and many citing poor gas mileage as a reason," said Osborn. "However, EPA fuel economy estimates for the HUMMER H3 are very similar to those of other mid-size utility vehicles, such as the Jeep Commander and Chrysler Aspen, which have much lower rates of avoidance. "The perception that the HUMMER model gets worse gas mileage than other comparable models may be strongly influencing consumer decisions to exclude it from consideration - especially since gas prices have remained high. Changing customer perceptions by educating buyers about this model's fuel efficiency performance may help to lower its avoidance rates," he added.

Not surprisingly perhaps, the study also found that the North Central region of the United States contains the highest proportion (41 percent) of domestic vehicle buyers who do not consider import brands during the shopping process. Vehicle styling and cost are the two most frequently reported reasons that consumers give for avoiding import brands. In the Northeast and the West -- regions that contain the highest proportions of buyers of import vehicles -- shoppers say they avoid specific models because they are domestic in origin. The most frequently cited reasons given for avoiding a domestic brand are concerns about reliability, poor quality, and depreciation. The study also found that buyers are making avoidance decisions based on consumer-generated information found on the Internet, with consumer reviews most often cited as a source leading to avoidance, followed by expert reviews and manufacturer site information.

ICOTY PICKS BEST-OF NOMINEES Thirty different cars, trucks, and crossovers, representing more than a dozen different U.S., European and Asian nameplates will vie for honors when the International Car of the Year awards are announced, next month. Sponsors of the event revealed their list of finalists, Tuesday, an assortment of automobiles chosen by a panel of journalists. The three finalists for the grand prize, recognizing the International Car of the Year, was dominated, for the first time, by American products, the next-generation Chevrolet Malibu and Cadillac CTS sedans going up against Honda's newly redesigned Honda Accord. Detroit dominated the list of truck finalists, as well, which pits the new Chevrolet Tahoe Hybrid against Chrysler's latest generation of minivans and Mazda's new CX-9 crossover.

ICOTY judges were asked to consider factors such the car buying and ownership experiences, along with the emotional relationship between vehicles and their owner, explained ICOTY's founder, Courtney Caldwell. "It's about how cars reflect our lifestyles and image of self, an attitude most consumers identify with." The 12th annual ICOTY awards will include eight other categories:

Luxury: Most Respected

Mercedes-Benz S63 AMG, Cadillac CTS, Mercedes-Benz CL63 AMG

Sedan: Most Dependable

Chevrolet Malibu, Subaru Legacy 3.0 Limited, Honda Accord Sedan

Entry Level: Most Spirited

Dodge Caliber SRT4, Volvo C30, Ford Focus

Sports Car: Most Sex Appeal
Infiniti G37 Coupe, BMW 335i Convertible, Audi R8

Pickup Truck: Most Athletic
Toyota Tundra, GMC Sierra Denali, Ford F-250 Super Duty

SUV: Most Resourceful
Land Rover LR2, Chevrolet Tahoe Hybrid, Mercedes-Benz ML320 CDI

Minivan/Life Stage: Most Compatible
Chrysler Town & Country, Dodge Caravan

Crossover: Most Versatile
Buick Enclave, Volvo XC70, Nissan Rogue

The ICOTY awards will be presented on January 12, 2008, just before the official opening of the North American International Auto Show. The Detroit auto show will start off with another closely watched and generally better-known award, the North American International Car and Truck of the Year. Finalists for NACTOY will be announced next week.

DUPONT SAYS CAR COLORS GETTING SEXY (But silver, white still the overall champs.) Silver has surged in automotive palette popularity in recent years, but its years as the popular 'safe' choice may be numbered. In North America, hues of silver, along with white and black are in a virtual dead heat for first place among exterior colors for new cars, with white and white pearl paint covering more than a quarter of new trucks and SUVs. Car wash investors, are you listening? Neutral colors with added effects - like white pearl and black metallic- are the hot thing the year according to DuPont. White pearl is growing most rapidly, but the company also predicts that black metallic will rise in popularity. And red in turn is also poised for growth. But silver is finally on the way out of favor; unlike the yearly trends for the precious metal, it declined by five percent since DuPont's 2006 report.

Globally, the same hues are in favor, but the mix is slightly different. China prefers black and silver, and nearly 40 percent of the South Korean market goes for silver. In Europe, a quarter of all cars are black, though black metallic is growing along with more vibrant basic colors like red and blue.

That's the short story behind DuPont's annual Global Color Popularity Report; but there's change afoot. "The rise in popularity of white/white pearl and the long reign of silver suggest that we can expect a more dramatic shift in the top color choice," said Karen Surcina, DuPont Automotive Systems' color marketing and technology manager, in the company's release. Leatrice Eiseman, executive director of the Pantone Color Institute, provided a deeper and more psychologically suggestive assessment of the reasons behind white's popularity: "It follows the global trends in furnishings, fashion, consumer products, and industrial design where we're seeing a return to white as a clarifying agent before change, a color of purity and minimalism." Ah, so we're seeking a cleanse from our whites before we change our ways? Sounds like an obtuse reference to the public's pervading sentiment regarding national politics. We won't go any further.

And white pearl, along with black metallic and other 'color effects,' looks to be our gateway color back to more vibrant hues. Red has grown about two percent globally in the past year, signaling the beginning of a trend. Again, in a comment that could be taken out of context, the company expects a continued rise in the popularity of red and a "more vividly colored outlook in nearly all segments." "Red, in particular, is a popular choice with people who want to express a level of individuality with their vehicles, said Surcina. "We see the growth of vibrant colors - red and orange - as an option for those interested in mass customization - the choice to personalize a mass-produced object." But in the mean time, these effects hues, incorporating pearlescents, metallics, and hue-shifting finishes, provide "a safe color space for customers with the ability to add a level of customization of flair," according to Surcina.

Because we all want to play it safe, right? Seriously, we're glad to hear that the not-so-distant future involves not psychedelic or pastel hues but a little more brilliance.

AUTO OPERATING COSTS HIT NEW RECORD Some '08 models will cost more than \$US1 a mile. So you've swallowed hard and figured out what you'll need for the down-payment on your new car. You've even worked in the price of gasoline. But before you sign on that dotted line, better figure in a range of other factors, including insurance, maintenance, and more. The cost of owning and operating the typical new car or light truck is pushing into record territory, according to a new study by the consulting firm, Runzheimer International. Since the average American motorist will clock 15,000 miles or more, each year, expect to pay \$1 or more a mile, for some models - or enough to buy another mid-size sedan, once you add everything up. Feeding and caring for your 2008 Cadillac STS - the most expensive passenger car in the Runzheimer survey - will come to an estimated \$19,537, all told. Close behind are the Lexus LS460, at \$19,372, and the Audi S4 Quattro, at \$18,948. For that money, you'd nearly be able to purchase and operate a Toyota Corolla CE for the entire year. The Japanese sedan was the operating cost king, according to Runzheimer, at \$7933 annually, the least expensive of all vehicles surveyed. (The Corolla CE's sticker price, meanwhile, comes in at \$15,065, for a first-year total bill of just \$22,998.)

Number two on the most affordable car list was the Hyundai Accent GLS, at \$8505, while Chevrolet's Cobalt LT came in third, with annual operating expenses of \$8917. Clearly, the rapid run-up in fuel prices has had a big impact on operating costs. All three of the most expensive passenger car models feature big V-8s, while the Corolla, Accent, and Cobalt use fuel-sipping in-line fours. The same pattern holds true with the light trucks Runzheimer surveyed.

At the high end, Ford's brawny, V-8-powered E350 XL S.D. will set an owner back \$16,543 in annual operating costs, with the Chevrolet Tahoe LS 4x4 close behind, at \$15,789. Third most expensive is the Ford Explorer XLT 4x4, at \$14,485. The least expensive trucks to operate, Runzheimer found, are the four-cylinder Ford Ranger XL 4x2 (with the six-foot bed), at \$9929. Two V-6 models follow: the GMC Sierra 1500 Work 4x2 (eight-foot), at \$11,712, and the Jeep Liberty Sport 4x2, at \$11,717. "When you examine which vehicle to buy, it's not enough to compare only sticker prices or even best negotiated deal," notes Lee Czarapata, Director of Client Relations, Business Vehicle Services at Runzheimer International. "To gain a better understanding of how much a vehicle will cost over its life time, all of the major expenses you incur once you drive off the lot - such as finance payments, insurance, fuel, depreciation, fees, taxes and cost of repairs and maintenance - should be part of your equation."

The Runzheimer study balanced out those costs against a 36-month/60,000-mile ownership cycle.

RENAULT BEATS GM FOR AUTOVAZ STAKE Lada brand could grow in Europe, Ghosn says. Renault/Nissan appears to have beaten out General Motors in a short contest for a stake in one of Russia's largest automakers and its Lada brand. Carlos Ghosn, Renault's chief executive officer and Sergei Chemezov, general director of Russian Technologies Corp., the state-run holding that controls AutoVAZ, said in a statement that the companies had signed an agreement that gives the Renault/Nissan alliance a 25-percent stake in the Russian automaker. Terms of the deal were not disclosed.

General Motors also was interested in taking the stake in AutoVAZ, which also has worked with DaimlerChrysler in the past. Volkswagen AG and Magna Corp. - now with a Russian presence - also were reportedly interested in the stake, which AutoVAZ was ready to sell in exchange for help with product development. The deal moves Ghosn closer to his goal of assembling a broad global alliance that can compete effectively against companies such as Toyota. In October, Ghosn said he is still interested forming an alliance with an American company and specifically had named Chrysler as a potential partner. David Cole, head of the Center For Automotive Studies in Ann Arbor, Mich., has said that the size and scope of GM and Toyota's operations offer them a major advantage over rival global manufacturers.

Russia is considered one of the most promising emerging new car markets in the world and the stake in AutoVAZ will shore up the alliance that Ghosn considers essential to compete with the growing power of Toyota in the global auto market. With sales in Western Europe flat or drifting lower, most of the sales growth in the European sphere has been in the Eastern Europe, GM officials noted last week. Sales of imported brands increased 63 percent this year to 1.14 million units and Chevrolet has been the fastest growing brand. "The Russian market will continue to boom for many years to come," Ghosn said on a teleconference broadcast from Togliatti, where the company is based. The AutoVAZ plant "has a lot of capacity that can be brought to the market fast and cost effectively," he added, according to wire service accounts of the teleconference. The Russian car market is expected to grow another 20 percent in 2008, Ghosn noted during the teleconference, wire services reported. New vehicle sales in oil-rich Russia could reach four million units annually by 2015, according to some estimates.

Under the terms of the deal Russian Technologies will form a joint venture with Renault that will equally co-own 50 percent of the Russian carmaker, Renault said in a statement. Lada, AutoVAZ's top brand, will be given "a priority," with the goal of taking the brand to international markets, Ghosn said. The company also plans to produce Renault models and cars from its Nissan Motor Co. affiliate at the plant for domestic sale as well as export, he added. Renault's Chief Financial Officer Thierry Moulouguet said the first task was to "consolidate" the export markets for the Lada in the former Soviet republics, which are now AutoVAZ's largest export markets. Chinese companies have begun to penetrate the AutoVAZ stronghold in Central Asia. "We hope to get the engine technologies from Renault and to work on creating a new platform for production at the plant," Chemezov said. "We will continue working on upgrading the existing facilities and raising capacity to 1.5 million cars a year."
