



Weekly Car Dealers Newsletter

June 25, 2007

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

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USING SUM PRODUCT IN EMPLOYEE REVIEWS Let's say you're creating an employee review form and you'd like to score each employee based on the items you value the most. Obviously for a cashier, attendance and friendliness towards customers would carry a score of 10 each, whereas for a car deal biller, the accuracy of paperwork is a 10, but attendance and customer contact would not be as important. Excel doesn't have weighted average function, but you can use the SumProduct function to get the same effect.

Here's the formula

= **SUMPRODUCT(B3:B8, C3:C8) / SUM(C3:C8)** < Where column B is the items you are measuring like attendance and column C is the weight you put on each item.

(A tip from Sandi Jerome)

NEW GM DIESEL SLATED FOR TRUCKS, H2 General Motors will build a new range of diesel engines at a plant in western New York beginning in 2009. The new 4.5-liter diesel, which will wear the Duramax label, will deliver class-leading torque, power and refinement, the company says. In terms of environmental benefits, GM says the turbodiesel will boost efficiency by 25 percent while cutting carbon dioxide emissions by 13 percent and nitrogen oxide emissions by at least 90 percent. In terms of dimensions, the new engine will fit in the same space as GM's small-block gasoline V-8. Integrating the cylinder head exhaust manifolds, cam cover intake manifolds, and narrowing the block made the sizing possible, GM said in a release. The engine will produce more than 310 horsepower and 520 pound-feet of torque, along with class-leading refinement, the company adds.

The new engine is slated for use in light-duty trucks and the HUMMER H2. It will be compliant with the tougher 2010 diesel emission standards and will meet diesel regulations in all 50 states.

GAS USE DROPS IN NORTHWEST According to a study rolled out this past week by the Seattle-based Sightline Institute, per-capita gasoline consumption is actually going down in the Northwest, as it continues to rise slightly in the rest of the country. Gasoline use in the Northwest states, considered as Washington, Oregon, and Idaho, fell significantly over the past 16 years, from 8.8 gallons per person per week in 1990 down to 7.9 in 2006. Overall, in the U.S., per capita consumption remains at about 8.9 gallons. Individual states ranged from Wyoming, at 11.8, to the District of Columbia, at about 4.1 gallons.

The data is part of the organization's annual Cascadia Scorecard 2007, a broad-ranging study that gauges overall progress relative to the U.S. as a whole, with aspects assessing energy use, economic security, pollution, lifespan, and sprawl. The study was meant to be alternative to conventional economic indicators like GDP, which has been on an upward trend for the region in recent years. Per-person gasoline use in Northwest states hasn't been this low since 1967, according to the report.

The regional disparity relative to the U.S. overall is not due to a single reason, said Clark Williams-Derry, the group's research director. Fuel prices along the West Coast have been among the highest in the country in recent years, which has imposed more economic pressure on drivers than elsewhere; vehicle mileage trends are on the decline in the region as a whole; transit use has risen tremendously in the cities (since 1999, 11 percent in Seattle and 25 percent in Portland) and in general, the Northwest has been one of the leading markets, again per capita, in hybrid sales. "Portland and Seattle are doing a good job controlling low-density sprawl. These efforts may be at least partially responsible for the trend, too," said Williams-Derry. Pump prices have an obvious influence, added Williams-Derry. As population has continued to rise in the region, total gasoline consumption has flattened out since 1999, the year when gas prices were at their last inflation-adjusted low. Average yearly pump prices have risen sharply since.

The group found a similar trend in British Columbia relative to the rest of Canada . BC's per-capita consumption has stayed level as consumption has risen slightly overall in Canada . Overall, Canadian gasoline consumption averages about 6.0 gallons per person per week nationally, while the U.S. uses 8.6 gallons on average.

If gasoline prices stay high nationwide, Williams-Derry predicts, U.S. per-capita use may be reaching a turning point. "But there are still parts of the country, including areas of the Deep South, where per-capita income is rising far faster than the rest of the country...and they're definitely driving more than they used to," he said.

CHRYSLER, GETRAG TEAM UP FOR INDIANA PLANT Chrysler Holdings, LLC - the former Chrysler Group that is being sold to private equity firm Cerberus - will team up with transmission maker Getrag to build a new factory in Tipton County, Ind. The new plant will build dual-clutch transmissions, part of a Chrysler effort to design and produce more efficient drivetrains for its vehicles. The six-speed gearboxes are expected to deliver up to a ten-percent improvement in fuel economy over current automatics used by Chrysler. The factory budget will be \$530 million; the Chrysler "Powertrain Offensive" upgrade of its drivetrains will run \$3 billion, the company estimates.

The site sits on a 145-acre plot near the intersection of SR 28 and U.S. 31 north of Indianapolis in Tipton County . It's expected to employ more than a thousand Chrysler employees, who will be able to build 700,000 dual-clutch gearboxes each year. Construction begins at the end of the month, with a production start planned for 2009. In addition to a plant that builds Toyota Tundra pickups near Princeton, the state of Indiana also recently announced that Honda would build a plant for small four-cylinder cars near Greensburg.

GM DEVELOPING DETROIT WATERFRONT General Motors may be devolved from its empire of alliances, but it's still looking laterally to make money. This time, the automaker is looking in its own backyard, as it sets out to develop condos on the Detroit riverfront. The company said on Wednesday that it would develop six acres just to the east of the GM headquarters building, the Renaissance Center . The complex will be mostly residential, with waterfront lots and river views.

Hines, the construction company, will build the condominiums, which GM has not detailed or priced. GM will get a portion of the revenue from condo sales in exchange for donating the land to the project. A residential tower will be the first building in the complex. It will be located on a one-acre lot between Beaubien, Atwater, and St. Antoine streets. GM hopes the project will anchor the stores in its Renaissance Center and will also bring new users to the RiverWalk, the five-mile park that runs along the Detroit River. Construction dates have not been announced.

U.S. SENATE APPROVES 35 MPG BY 2020 The U.S. Senate has voted in favor of a proposal that would raise fuel economy standards for cars and trucks to 35 mpg by 2020. The boost to fuel efficiency - which has yet to clear the House or be signed into law by the president - passed not with a formal roll call vote, but by voice vote on the Senate floor after a more radical version lost one of its provisions. Initially, the bill had also included a proposal that after 2020, automakers would have to boost economy by four percent a year through 2030, which would eventually raise CAFE standards to 52 mpg. The compromise reached to get the bill passed in the Senate instead includes language that automakers must achieve the "maximum feasible" economy increases yearly after 2020.

The bill also includes a new system for the National Highway Traffic Safety Administration to spread the increases across the fleet of vehicles. Vehicles will be ranked by size or weight, and the entire fleet must meet the 35-mpg standard. Larger vehicles could, for instance, register lower fuel-economy numbers while fuel-sippers bring up the overall average for an automaker. A stinging defeat for automakers, particularly Detroit's automakers, the bill - if it passes with the President's signature - could mean a dramatic shift to hybrids, flex-fuel vehicles, and diesels in the U.S. fleet. Current standards of 27.5 mpg for cars and 22.2 mpg for trucks will require major changes in vehicle designs, engineering, and powertrains.

Senator Dianne Feinstein (D.-Calif.) said the provision, which is a part of a larger energy bill, "closed the SUV loophole," referring to the current standards that let trucks and SUVs get lower fuel economy. Other politicians, like Mich. Senator Carl Levin, vowed to fight the larger bill to kill the approved fuel-economy standards.

TOYOTA TAKES AIM AT BAD DEALERS When a power window motor on Robert Glenn's Camry went bad, the suburban Los Angeles writer expected to spend a couple hundred dollars on repairs, but when he called the dealer he'd been using for 20 years, the price came in at twice that amount. Frustrated, Glenn called another dealer, closer to his office, who said he'd do the work for half price. So Glenn switched shops asking his new dealer to do an oil change, too. The next day, however, the bill came to...\$400. Instead of a regular, \$30 oil change, Glenn was charged \$168 in labor alone for a "power oil flush." Now, clearly angry, the father of two called Toyota's factory representative, who admitted there's no such thing as a power oil flush, but who declined to push the dealer for a refund. After owning six Camry sedans over the last two decades, Glenn is suddenly getting interested in the new Honda Accord coming out this autumn, and he's not alone. While Toyota has some of the highest loyalty rates in the U.S. auto market, according to industry statistics, data also reveal a growing frustration with the automaker's sales and service process, a trend that could lead to a loss of the long-time Toyota customers the company needs to maintain the fast-paced growth it's experiencing in the U.S. market.

As a result, Toyota is readying an expansive plan to dramatically improve the entire "experience" of buying, owning, and maintaining one of the company's products, TheCarConnection.com has learned. "It's a movement, not a program," explained Jack Hollis, the corporate manager with Toyota's U.S. sales subsidiary who was put in charge of developing EM2, or Everything Matters Exponentially. "The company is trying to address the entire sales and service experience (because) if we really want to keep growing, we have to do it by increasing customer loyalty." The program or, if you prefer, movement, comes at a critical time. Toyota is undergoing phenomenal growth all over the world, but no market is more important than the affluent U.S. , where the company is now routinely nudging ahead of Detroit 's number two maker, Ford.

But even as the sales number climb, there are problems that could backfire on the company, starting with a variety of well-publicized recalls that resulted in more cars being called back for service last year than Toyota sold in the States. And another recall, this time of the important, new Tundra pickup, is looming, due to a defective V-8. Tellingly, the automaker tumbled in the latest J.D. Power Initial Quality Survey, released earlier this month, slipping behind Honda, now the mainstream brand with the lowest level of "problems" right out of the plant. Perhaps more significant, Toyota has slipped not only in these "things-gone-wrong" surveys, but also in studies measuring "things-gone-right," the things a maker can do to surprise and delight a customer. In the latest Vehicle Satisfaction Awards, from the California research firm, AutoPacific Inc., which measures things both wrong and right, Toyota didn't even measure up to industry average, falling behind not only TGW leaders like Honda and Cadillac, but brands such as Volkswagen, Land Rover, and Hummer, which have traditionally suffered from weak quality.

"Their sales and service are the pits, absolutely horrendous" echoes CNW's Art Spinella, who conducted an extensive survey of U.S. auto buyers, for the Japanese business magazine, Diamond Weekly. That poll placed Toyota fifth in customer satisfaction, behind not only Honda and Nissan, but also BMW and General Motors. Though Toyota officials downplay the series of recent poll results, they readily acknowledge they've got work to do. "I would argue that we're not doing well," contended Hollis, losing as many as four out of ten existing customers to competitive brands. In the past, conquests, or first-time buyers, have fueled Toyota's steady growth, but long-term, those numbers will slow and the automaker needs to make sure it keeps those customers it has, Toyota believes.

And that's where EM2 comes in. By "holding up a mirror," Hollis told TheCarConnection that a team of "all starts," from each of Toyota's corporate departments, has been looking at every aspect of the customer experience, including the basic sales process, service, and the way both customers and dealers interact with the factory. Dealers have also been asked to look at their processes to see what works and what doesn't.

Several steps have already been outlined. For one thing, a sizable number of corporate employees will be shifted from Toyota headquarters, in suburban Los Angeles, out into the field, where they'll be closer to the customer, and given more leeway to resolve problems, such as those L.A. writer Glenn faced. The 13 dealers on Toyota 's regional and national dealer councils have weighed in with a list of suggestions. Hollis declined to discuss specifics, but it appears the company will use a carrot-and-stick approach, using financial and other rewards to encourage the best behavior, while discouraging the sort of heavy-handed sales and service tactics studies show consumers hate. Company representatives spent hours studying the minutiae of operations at an Atlanta showroom operated by the mega-retailer, Group One Automotive. "Normally, we wouldn't let them do it," acknowledged Group One CEO Earl Hesterberg, but he agreed with the factory's contention that "their customer satisfaction scores are commensurate with the quality of their vehicles."

Hesterberg has mixed feelings about the changes proposed under EM2, cautioning that dealers alone aren't the problem, and that they alone can't fix things. "It's a high-pressure dealer network,." The former Ford executive emphasized, and Toyota itself will have to accept that a more friendly sales process may not win as many conquest customers. Corporate officials say they're aware of the trade-offs. There "won't be any magical answers," Hollis acknowledged, but as EM2 rolls out, over the coming years, he said Toyota is hoping that it will achieve "a whole new customer experience level" that will pay off in the long run.
